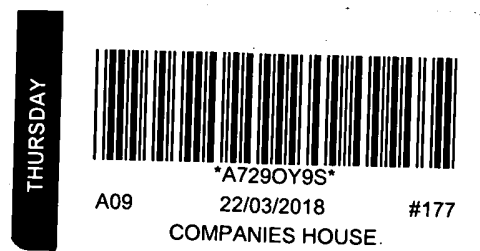


# PARTHENON ENTERTAINMENT LIMITED

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

Registered number: 04377175



## Directors and Officers

For the year ended 30 June 2017

### **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

K Holmes (appointed 21 October 2016)

### **Secretary**

C J Taylor

### **Registered office**

Grant Way

Isleworth

Middlesex

TW7 5QD

### **Auditor**

Deloitte LLP

Statutory Auditor

London

United Kingdom

# Strategic and Directors' Report

## Strategic Report

The Directors present their Strategic and Directors' report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 2017.

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

## Business review and principal activities

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

The Company is a media company that produces and distributes video content. The Company's key asset is its library of programmes and hours of content. The principal activity of the Company in the year has continued to be that of the production and distribution of television 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 2017 are set out on pages 9 to 23. The Directors consider turnover and operating profit / loss to be key performance indicators of the Company. Turnover for the year ended 30 June 2017 was £51,767k (2016: £27,228k) and the operating profit was £18,587k (2016 loss: £5,120k). The operating profit (2016: Loss) was after an adjustment of £149k (2016: £11,499k) due to the impairment of content rights. The increase in turnover was due to sales relating to a number of Sky own productions in the year. The profit figure has increase due to the profit obtained on increased turnover and also because the impairment in the current year is significantly lower than in the previous year. The Directors continue to take steps to identify 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 financial risks including foreign exchange risk, credit risk and liquidity risk.

## Strategic and Directors' Report (continued)

### **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 a £1 billion revolving credit facility which is due to expire on 30 November 2021. The Company benefits from this liquidity through intra-group facilities and loans.

By Order of the Board,

K Holmes  
Director

Grant Way  
Isleworth  
Middlesex  
TW7 5QD

A handwritten signature in black ink, appearing to be 'K Holmes', written over a horizontal line.

14 March 2018

## Statement of Directors' responsibilities

### 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 2017.

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. In making this decision the Directors have considered the net current liability position of the Company, and confirmations received from each of the companies with which there are intercompany payables, 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 ~~14~~ March 2018.

By Order of the Board,

K Holmes  
Director

Grant Way  
Isleworth  
Middlesex  
TW7 5QD

~~14~~ March 2018



## Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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**

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Parthenon Entertainment Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

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).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.





## Auditor's report

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

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

## Auditor's report

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

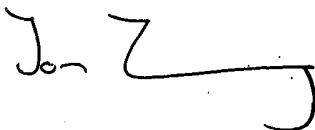
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Jon Young (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

14 March 2018

## Profit and Loss Account

For the year ended 30 June 2017

	<b>Note</b>	<b>Total 2017 £'000</b>	<b>Total 2016 £'000</b>
Turnover	3	<b>51,767</b>	27,228
Cost of sales		<b>(32,852)</b>	(31,968)
<b>Gross Profit / (Loss)</b>		<b>18,915</b>	(4,740)
Administrative expenses		<b>(253)</b>	(380)
<b>Profit / (Loss) on ordinary activities before tax</b>		<b>18,662</b>	(5,120)
Tax on profit	7	<b>(75)</b>	870
<b>Profit / (Loss) for the financial year</b>	4	<b>18,587</b>	(4,250)

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

For the years ended 30 June 2017 and 30 June 2016, there are no items of other comprehensive income. Accordingly, no statement of other comprehensive income is presented.

Turnover and operating profit / (loss) are all derived from continuing operations.


# Balance Sheet

As at 30 June 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	8	65,553	42,071
Tangible assets	9	452	476
Fixed asset investments	10	-	-
		<b>66,005</b>	<b>42,547</b>
<b>Current assets</b>			
Debtors	11	29,388	19,788
Cash at bank and in hand		109	84
		<b>29,497</b>	<b>19,872</b>
<b>Creditors: Amounts falling due within one year</b>	12	<b>(85,957)</b>	<b>(71,461)</b>
<b>Net current liabilities</b>		<b>(56,460)</b>	<b>(51,589)</b>
<b>Total assets less current liabilities</b>		<b>9,545</b>	<b>(9,042)</b>
<b>Net liabilities</b>		<b>9,545</b>	<b>(9,042)</b>
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Profit and loss account	16	9,545	(9,042)
		<b>9,545</b>	<b>(9,042)</b>

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 and authorised for issue on 14 March 2018 and were signed on its behalf by:

  
CR Jones

Director

14 March 2018

## Statement of Changes in Equity

For the year ended 30 June 2017

	<b>Note</b>	<b>Share capital</b>	<b>Profit and loss account</b>	<b>Total</b>
		£'000	£'000	£'000
<b>At 30 June 2015</b>		-	<b>(4,792)</b>	<b>(4,792)</b>
Loss and total comprehensive income for the year	4	-	(4,250)	<b>(4,250)</b>
<b>At 30 June 2016</b>		-	<b>(9,042)</b>	<b>(9,042)</b>
Profit and total comprehensive income for the year	4	-	18,587	<b>18,622</b>
<b>At 30 June 2017</b>		-	<b>9,545</b>	<b>9,580</b>

# Notes to the financial statements

## 1. General information

Parthenon Entertainment Limited (the "Company") is a limited liability Company incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is taking advantage of s400 under the Companies act, meaning it is exempt from preparing consolidated accounts as it is included in the Group accounts of Sky plc ("Sky"). The Group accounts of Sky are available to the public and can be obtained as set out in note 17.

## 2. Significant accounting policies

### Basis of accounting

The financial statements have been prepared on the historical cost basis and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council, a transition from the previous year when the financial statements were prepared under Financial Reporting Standard 101. This transition has resulted in additional amortisation costs associated with intangible assets (note 4). The transition is not considered to have had any other material effect on the financial statements. The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel. The Group accounts of Sky are available to the public and can be obtained as set out in note 17.

The principal accounting policies adopted are set out below.

### Going concern

The financial statements have been prepared using the going concern basis of accounting. For further details of the directors' assessment of the going concern basis of accounting please refer to the Directors' Report on page 4.

### Fixed asset investments

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

### 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 been delivered to the broadcaster.

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.

## Notes to the financial statements

### 2. Significant accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

#### Taxation

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.

#### 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

##### i) Film rights

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 estimated useful life of between 3 and 10 years. The estimated useful life is based on the genre of the programme. This requires an element of judgement from management.

## Notes to the financial statements

### 2. Significant accounting policies (continued)

#### Intangible assets (continued)

##### i) Film rights (continued)

The accounting policy was previously that amortisation of an intangible asset began when the asset was available for use, and was 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. The change in policy was introduced as it is required by FRS102. It has been determined that it is impracticable to determine the adjustment required for prior periods due to the lack of availability of sufficient data.

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.

##### ii) Internally generated software

Amortisation of internally generated software begins when the asset is available for use, and is charged to the Profit and Loss Account through operating expense on a straight-line basis over the intangible asset's estimated useful life of 4 years.

#### 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. 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 estimated useful life. The estimated useful life is based on the genre of the programme. The accounting policy was previously that production costs were amortised to the profit and loss account as a proportion of projected total turnover from each programme.

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

#### 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.

#### Financial instruments

##### (i) Cash and cash equivalents

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

##### (ii) 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.



## Notes to the financial statements

### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

##### (iii) Creditors

Trade and other creditors are non-derivative financial liabilities and are measured at amortised cost using the effective interest method. Trade and other creditors with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

#### Critical accounting policies and the use of judgement and estimates

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

##### (i) Revenue (see note 3)

- 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.

##### (ii) Tax (see note 7)

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

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

##### (iii) Intangible assets and property, plant and equipment (see notes 8 and 9)

- The assessment of the useful economic lives of these assets requires judgement. Depreciation and amortisation is 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.

## Notes to the financial statements

### 3. Turnover

An analysis of the Company's turnover is as follows:

	2017 £'000	2016 £'000
<b>Turnover:</b>		
Production and distribution of programmes	51,767	27,228

An analysis of the Company's turnover by geographical market is set out below:

	2017 £'000	2016 £'000
<b>Turnover:</b>		
United Kingdom	6,829	5,455
Other European Union Markets	20,113	5,340
Rest of the World	24,825	16,433
	<u>51,767</u>	<u>27,228</u>

### 4. Profit / (Loss) on ordinary activities before taxation

Profit / (Loss) on ordinary activities before taxation has been arrived at after charging/(crediting):

	2017 £'000	2016 £'000
Net foreign exchange losses/(gains)	628	(1,243)
Depreciation of tangible fixed assets	188	122
Amortisation of intangible assets	21,709	10,322
Impairment of intangible assets	149	11,499
Loss / (Gain) on disposal of tangible fixed assets	-	1
Loss / (Gain) on disposal of intangible assets	121	-
Operating lease rentals	0	65

The amortisation of intangible assets is £610,000 higher under the current amortisation policy than it would have been under the previous year's policy.

### 5. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £20,000 (2016: £20,000). No amounts for other services have been paid to the auditor (2016: £nil).

## Notes to the financial statements

### 6. Staff Costs

The average monthly number of employees (including executive directors) was:

	2017 Number	2016 Number
Channels and services	63	62

Their aggregate remuneration comprised:

	Year ended 2017 £'000	Year ended 2016 £'000
Wages and salaries	2,800	2,649
Social security costs	296	324
Other pension costs	127	80
	<u>3,223</u>	<u>3,053</u>

The director's did not receive any remuneration during the year in respect of their services to the Company (2016: £nil)

### 7. Tax on profit on ordinary activities

The tax charge comprises:

	2017 £'000	2016 £'000
<b>Current tax on profit on ordinary activities</b>		
UK corporation tax	-	31
Double tax relief	-	-
Foreign tax	130	74
<b>Total current tax</b>	<u>130</u>	<u>105</u>
Deferred tax (note 14)	(55)	(975)
<b>Total tax on profit on ordinary activities</b>	<u>75</u>	<u>(870)</u>

The tax expense for the year is lower (2016: lower) than the expense that would have been charged using the blended rate of corporation tax in the UK of 19.75% (2016: 20%) applied to profit before tax. The differences are explained below:

## Notes to the financial statements

### 7. Tax on profit on ordinary activities (continued)

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2017 £'000	2016 £'000
<b>Profit / (Loss) on ordinary activities before tax</b>	<b>18,662</b>	<b>(5,120)</b>
Tax at the UK corporation tax rate of 19.75% (2016: 20%)	<b>3,686</b>	(1,024)
Tax effect of expenses that are not deductible in determining taxable profit	<b>(6)</b>	2
Effect of tax losses not recognised in deferred tax	<b>(6)</b>	80
Group relief claimed for no consideration	<b>(3,815)</b>	-
Prior year adjustment	<b>81</b>	(13)
Deferred tax write-off following rate reduction	<b>5</b>	11
Foreign Tax not creditable	<b>130</b>	74
<b>Total tax charge / credit for period</b>	<b>75</b>	<b>(870)</b>

## Notes to the financial statements

### 8. Intangible Assets

	Film rights not yet available for use £'000	Film rights £'000	Internally generated software £'000	Total £'000
<b>Cost</b>				
At 1 July 2016	7,613	82,943	95	90,651
Additions	9,191	36,773	66	46,030
Disposals	-	(893)	-	(893)
Transfers	(6,654)	6,654	-	-
<b>At 30 June 2017</b>	<b>10,150</b>	<b>125,477</b>	<b>161</b>	<b>135,788</b>
<b>Amortisation</b>				
At 1 July 2016	47	48,532	1	48,580
Charge for the year	-	21,686	23	21,709
Impairment	-	149	-	149
Elimination on disposal	-	(203)	-	(203)
Transfers	(47)	47	-	-
<b>At 30 June 2017</b>	<b>-</b>	<b>70,211</b>	<b>24</b>	<b>70,235</b>
<b>Carrying amount</b>				
At 30 June 2016	7,566	34,411	94	42,071
<b>At 30 June 2017</b>	<b>10,151</b>	<b>55,266</b>	<b>137</b>	<b>65,553</b>

The amortisation and impairment in the year of film rights and internally generated software have been charged to cost of sales in the profit and loss.

Intangible assets are amortised over their estimated useful lives as disclosed in note 2 of the notes to the accounts. Development costs have been capitalised.

## Notes to the financial statements

### 9. Tangible Fixed Assets

	Short Leasehold	Plant and machinery	Fixtures and Fittings	Motor Vehicles	Totals
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 July 2016	2	408	565	10	985
Additions	-	-	164	-	164
<b>At 30 June 2017</b>	<b>2</b>	<b>408</b>	<b>729</b>	<b>10</b>	<b>1,149</b>
<b>Accumulated depreciation and impairment</b>					
At 1 July 2016	2	327	170	10	509
Charge for the year	-	45	143	-	188
<b>At 30 June 2017</b>	<b>2</b>	<b>372</b>	<b>313</b>	<b>10</b>	<b>697</b>
<b>Carrying amount</b>					
At 30 June 2016	-	81	395	-	476
<b>At 30 June 2017</b>	<b>-</b>	<b>36</b>	<b>416</b>	<b>-</b>	<b>452</b>

## Notes to the financial statements

### 10. Fixed asset investments

	2017 £	2016 £
Subsidiaries	2	2
<b>Subsidiaries</b>		
<b>Cost</b>		
At 1 July 2016	2	2
Additions	-	-
Disposals	-	-
At 30 June 2017	<u>2</u>	<u>2</u>
<b>Carrying amount</b>		
At 30 June	<u>2</u>	<u>2</u>

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

### 11. Debtors

<b>Amounts falling due within one year:</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Trade debtors	16,396	10,597
Amounts owed by group undertakings	2,561	1,799
Amounts owed by associates	78	507
VAT	894	1,570
Other debtors	-	8
Prepayments and accrued income	9,197	5,100
Deferred tax asset	262	207
	<u>29,388</u>	<u>19,788</u>

There are amounts receivable from other group undertakings totalling £2561k (2016: £1,799k); these balances are non-interest bearing and repayable on demand.

The directors believe that carrying amount approximates the fair value under FRS102.

There are amounts receivable from associates totalling £78k (2016: £507k); these balances are non-interest bearing and repayable on demand.

### 12. Creditors

<b>Amounts falling due within one year:</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Trade creditors	1,808	538
Amounts owed to group undertakings	73,235	57,259
Other Loans	62	19
Accruals and deferred income	10,852	13,645
	<u>85,957</u>	<u>71,461</u>

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

## Notes to the financial statements

### 13. Operating lease arrangements

#### The Company as lessee

	2017	2016
	£'000	£'000
Lease payments under operating leases recognised as an expense in the year	-	65

At the balance sheet date, the Company had no outstanding commitments for future minimum lease payments under non-cancellable operating leases (2016: £nil).

### 14. Provision for deferred tax

	2017	2016
	£'000	£'000
Accelerated capital allowances	(45)	(32)
Other timing differences	(210)	(167)
Tax losses available	(7)	(8)
	(262)	(207)
		<b>Deferred tax</b>
		£'000
At 1 July 2016		(207)
Profit and loss account		(136)
Adjustment in respect of prior years		81
<b>At 30 June 2017</b>		<b>(262)</b>

Deferred tax assets have been recognised at 30 June 2017 (and 30 June 2016) on the basis that management deem it probable that there will be suitable taxable profits against which these assets can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rates enacted or substantively enacted for the relevant periods of reversal are: 19% from 1 April 2017 and 17% from 1 April 2020 in the UK (2016: 20%).

### 15. Share capital

	2017	2016
	£	£
<b>Allotted, called-up and fully paid</b>		
100 (2016: 100) ordinary shares of £1 (2016: £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

### 16. Related party disclosures

During the year the Company conducted business transactions with companies that form part of the 21<sup>st</sup> Century Fox, Inc. group, a major shareholder in Sky plc. Transactions with 21<sup>st</sup> Century Fox, Inc. group are as follows:

	2017 £'000	2016 £'000
Supply of services by the Company	203	993
Purchase of services by the Company	3,771	1,279

### 17. Ultimate controlling party

The Company is a wholly-owned subsidiary of Parthenon Media Group Limited, a company incorporated and registered in England and Wales. The Company is ultimately controlled by Sky plc ("Sky") and operated together with Sky's other subsidiaries, as part of the Group. Sky plc is the largest and smallest group of which the Company is a member and for which group financial statements are prepared.

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.