# SKY GROUP FINANCE PLC

(formerly BSkyB Finance UK plc)

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

Registered number 05576975

# Directors and Officers

For the year ended 30 June 2015

**Directors**

Sky Group Finance plc'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 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) ("Sky") and operates together with Sky's other subsidiaries as a part of the Sky Group ("the Group") During the year, the Company changed its name from BSkyB Finance UK plc to Sky Group Finance plc

The Company's principal activity is to assist in financing the operations of the Group The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year

On 15 October 2015, the Company repaid in full its US$750 million of 5 625% Guaranteed Notes

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

The audited financial statements for the year ended 30 June 2015 are set out on pages 7 to 28 The loss for the year was £35,369,000 (2014 £28,287,000 loss) During the year the Company had investment income of £18,094,000 (2014 £17,560,000) and finance costs of £55,445,000 (2014 £47,197,000) The increase in finance costs is driven by foreign exchange and interest rate mark-to-market movements on derivative financial instruments and hedged items in designated fair value hedge accounting relationships

The Balance Sheet shows that the Company's shareholders' position at the end of the year was £508,280,000 (2014 £551,199,000) This was driven by the loss for the year and losses on cash flow hedges

### Key performance indicators (KPIs)

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

### Principal risks and uncertainties

The Company's activities expose it to financial risks, namely 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 provide written principles on the use of financial derivatives to manage risk The Company does not use derivative financial instruments for speculative purposes

The primary risks of the Company relate to derivative and other financial instruments The Company transacts in derivative financial instruments for risk management purposes only It is the Company's policy that all hedging is to cover known risks and that no speculative trading in financial instruments is undertaken Following evaluation of those market risks, the Company 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 to hedge exposures on long-term foreign currency debt See note 10 for further details

**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 interest rates arising from the investment of surplus cash 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 to hedge these exposures Refer to note 11 for further information

**Credit risk**

The Company is exposed to the credit risk of amounts receivable from Group companies and the Company is therefore exposed to those risks and uncertainties that affect the Group as a whole The Balance Sheet of the Company includes intercompany balances The Company is therefore exposed to credit risk on these balances The intercompany balances of the Company are detailed in notes 7 and 8

**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

The Directors do not believe the Company is exposed to significant cash flow risk or price risk

By Order of the Board,

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

**Directors' Report**

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

The Directors do not recommend the payment of a 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**

This 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 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 Company'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 Group Finance plc**

We have audited the financial statements of Sky Group Finance plc for the year ended 30 June 2015 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 17 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 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 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 state of the Company's affairs as at 30 June 2015 and of its loss 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

25 November 2015

# Income Statement

For the year ended 30 June 2015

| | Notes | **2015** | 2014 |
|---|---|---|---|
| | | **£'000** | £'000 |
| Investment income | 2 | **18,094** | 17,560 |
| Finance costs | 2 | **(55,445)** | (47,197) |
| **Loss before tax** | 3 | **(37,351)** | (29,637) |
| Tax | 4 | **1,982** | 1,350 |
| **Loss for the year attributable to equity shareholders** | | **(35,369)** | (28,287) |

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<br>£'000 | 2014<br>£'000 |
|---|---|---|
| **Loss for the year attributable to equity shareholders** | **(35,369)** | (28,287) |
| **Other comprehensive income** | | |
| **Amounts recognised directly in equity that may subsequently be recycled to the income statement** | | |
| Gain (loss) on cash flow hedges | **23,021** | (51,151) |
| Tax on cash flow hedges | **(4,604)** | 15,136 |
| | **18,417** | (36,015) |
| **Amounts reclassified and reported in the income statement** | | |
| (Loss) gain on cash flow hedges | **(32,459)** | 44,045 |
| Tax on cash flow hedges | **6,492** | (13,033) |
| | **(25,967)** | 31,012 |
| **Other comprehensive loss for the year (net of tax)** | **(7,550)** | (5,003) |
| **Total comprehensive loss for the year attributable to equity shareholders** | **(42,919)** | (33,290) |

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

All results relate to continuing operations

# Statement of Changes in Equity

For the year ended 30 June 2015

| | Share capital | Hedging Reserve | Retained earnings | Total shareholders' equity |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **At 1 July 2013** | **50** | **17,503** | **566,936** | **584,489** |
| Loss for the year | - | - | (28,287) | (28,287) |
| Recognition and transfer of cash flow hedges | - | (7,106) | - | (7,106) |
| Tax on items taken directly to equity | - | 2,103 | - | 2,103 |
| **Total comprehensive loss for the year** | **-** | **(5,003)** | **(28,287)** | **(33,290)** |
| **At 30 June 2014** | **50** | **12,500** | **538,649** | **551,199** |
| Loss for the year | - | - | (35,369) | (35,369) |
| Recognition and transfer of cash flow hedges | - | (9,438) | - | (9,438) |
| Tax on items taken directly to equity | - | 1,888 | - | 1,888 |
| **Total comprehensive loss for the year** | **-** | **(7,550)** | **(35,369)** | **(42,919)** |
| **At 30 June 2015** | **50** | **4,950** | **503,280** | **508,280** |

For a description of the nature and purpose of each equity reserve, see note 13

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

# Balance Sheet

As at 30 June 2015

| | Notes | 2015 | 2014 |
|---|---|---|---|
| | | **£'000** | £ 000 |
| **Non-current assets** | | | |
| Investment in subsidiary | 5 | **225,825** | 225,825 |
| Derivative financial assets | 10 | **36,016** | 61,480 |
| | | **261,841** | 287,305 |
| **Current assets** | | | |
| Trade and other receivables | 7 | **1,410,414** | 1392 330 |
| Derivative financial assets | 10 | **55,461** | - |
| | | **1,465,875** | 1,392,330 |
| **Total assets** | | **1,727,716** | 1679 635 |
| **Current liabilities** | | | |
| Borrowings | 9 | **468,387** | - |
| Trade and other payables | 8 | **128,833** | 83,624 |
| | | **597,220** | 83,624 |
| **Non-current liabilities** | | | |
| Borrowings | 9 | **616,658** | 1035 384 |
| Deferred tax liabilities | 6 | **5,558** | 9 428 |
| | | **622,216** | 1,044,812 |
| **Total liabilities** | | **1,219,436** | 1,128 436 |
| Share capital | 12 | **50** | 50 |
| Reserves | 13 | **508,230** | 551,149 |
| **Total equity attributable to equity shareholders** | | **508,280** | 551,199 |
| **Total liabilities and shareholders' equity** | | **1,727,716** | 1679 635 |

The accompanying notes are an integral part of this Balance Sheet

As at 30 June 2015 and 30 June 2014, the Company did not have any cash or cash equivalents Accordingly, no cash flow statement or reconciliation of operating profit to cash flows from operating activities has been prepared

The financial statements of Sky Group Finance plc, registered number 05576975, 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

# Notes to the financial statements

## 1. Accounting policies

Sky Group Finance plc (the "Company") 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 an 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 financial statements have been prepared on a going concern basis (as set out in the Directors' Report)

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 and to refer to the accounting period as a "year" for reporting purposes 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 16)

### c) Derivative financial instruments and hedging activities

The Company uses derivative financial instruments to hedge its exposure to fluctuations in interest and 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 or fair value hedges, and 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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### c) Derivative financial instruments and hedging activities (continued)

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 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 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 Company 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 Company'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 Company 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

## Notes to the financial statements

**1. Accounting policies (continued)**

**d) Financial assets and liabilities**

Financial assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs At each balance sheet date, the Company assesses whether there is any objective evidence that any financial asset is impaired Financial assets and liabilities are recognised on the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the financial asset or liability Financial assets are derecognised from the Balance Sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset Financial liabilities are derecognised from the Company's Balance Sheet when the obligation specified in the contract is discharged, cancelled or expires

**i Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and, where no stated interest rate is applicable, are measured at the original invoice amount, if the effect of discounting is immaterial Where discounting is material, trade and other receivables are measured at amortised cost using the effective interest method An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses identified from objective evidence, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the Income Statement

**ii 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

**iii Borrowings**

Borrowings are recorded as the proceeds received, net of direct issue costs Finance charges, including any premium payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest method and are added to the carrying amount of the underlying instrument to which they relate, to the extent that they are not settled in the period in which they arise

**iv Investment 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

**e) Tax, including deferred tax**

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

Deferred tax assets and liabilities are recognised using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for

## 1 Accounting policies (continued)

### e) Tax, including deferred tax (continued)

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 against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis

### f) Foreign currency translation

The Company's functional currency and presentational currency is pounds sterling Trading activities denominated in foreign currencies are recorded in pounds sterling at the applicable monthly exchange rates Monetary assets, liabilities and commitments denominated in foreign currencies at the balance sheet date are reported at the rates of exchange at that date Non-monetary assets and liabilities denominated in foreign currencies are translated to pounds sterling at the exchange rate prevailing at the date of the initial transaction Gains and losses from the retranslation of monetary assets and liabilities are included net in profit for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity

### g) Accounting Standards, interpretations and amendments to existing standards that are not yet effective

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for 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

## 1. Accounting policies (continued)

### h) Critical accounting policies and the use of judgement

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 Tax, including deferred tax (see notes 4 and 6)**

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

### 2. Investment income and finance costs

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Investment income** | | |
| Intercompany interest receivable(i) | **18,094** | 17,560 |

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Finance costs** | | |
| **- Interest payable and similar charges** | | |
| US$750 million of 5 625% Guaranteed Notes repayable in 2015(ii) | **(13,558)** | (13,577) |
| £400 million of 5 750% Guaranteed Notes repayable in 2017(ii) | **(20,628)** | (20,433) |
| US$350 million of 6 500% Guaranteed Notes repayable in 2035(ii) | **(11,710)** | (11,670) |
| | **(45,896)** | (45,680) |
| **- Other finance income (expense)** | | |
| Remeasurement of borrowings and borrowings-related derivative financial instruments (not qualifying for hedge accounting) | **(9,820)** | (1,848) |
| Loss arising on derivatives in a designated fair value hedge accounting relationship | **(12,128)** | (17,062) |
| Gain arising on adjustment for hedged item in a designated fair value hedge accounting relationship | **12,399** | 17,393 |
| | **(55,445)** | (47,197) |

(i) Intercompany interest receivable includes interest receivable on balances of £706 million (2014 £689 million) and £50 million (2014 £49 million) with Sky UK Limited These loans are repayable on demand and bear interest at one month LIBOR plus 2% and twelve month LIBOR plus 0 75% respectively

(ii) In October 2005, the Company issued 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

### 3 Loss before tax

Loss before tax is stated after charging

**Employee Services**

There were no employee costs during the year, as the Company had no employees, other than the Directors Services are provided by employees of other companies within the Group with no charge being made for their services The Directors did not receive any remuneration during the year in respect of their services to the Company

**Audit fees**

Amounts paid to the auditor for the audit of the Company's annual accounts of £10,500 (2014 £10,500) were borne by another Group company in 2015 and 2014 No amounts for other services have been paid to the auditor

**4. Tax**

**a) Tax recognised in the income statement**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Current tax expense** | | |
| Adjustment in respect of prior years | - | - |
| **Total current tax charge** | - | - |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | (2,038) | (396) |
| Adjustment in respect of prior years | (18) | - |
| Deferred tax write back following tax rate change | 74 | (954) |
| **Total deferred tax credit** | (1,982) | (1,350) |
| **Tax** | (1,982) | (1,350) |

**b) Tax recognised directly in equity**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Deferred tax credit relating to cash flow hedges | 1,888 | 2,103 |

**c) Reconciliation of effective tax rate**

The tax credit for the year is lower (2014 lower) than the credit that would have been calculated using the blended rate of corporation tax in the UK (20 75%) applied to loss before tax The applicable or substantively enacted effective rate of UK corporation tax for the year was 20 75% (2014 22 5%) The differences are explained below

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Loss before tax | (37,351) | (29,637) |
| Loss before tax multiplied by blended rate of corporation tax in the UK of 20 75% (2014 22 5%) | (7,750) | (6,668) |
| Effects of | | |
| Non-deductible expenses | - | 2,485 |
| Deferred tax write back following tax rate change | 74 | (954) |
| Adjustment in respect of prior years | (18) | - |
| Group relief surrendered for £nil consideration | 5,712 | 3,787 |
| **Tax** | (1,982) | (1,350) |

All tax relates to UK corporation tax and is settled by Sky UK Limited on the Company's behalf

## Notes to the financial statements

### 5. Investment in subsidiary

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Cost and net book value** | | |
| **At 30 June 2014 and 2015** | **225,825** | **225,825** |

The investment in subsidiary shown above represents the cost of the shares of the wholly-owned subsidiary undertakings less provisions made for any impairment in value

Details of the investments of the Company are as follows

| Name | Country of incorporation | Description and proportion of shares held (%) |
|---|---|---|
| **Direct holdings** | | |
| Sky Holdings Limited | UK | 600 ordinary shares of £1 each (100%) |
| 365 Media Group Limited | UK | 172 ordinary shares of £0 01 each (100%) |

### 6. Deferred tax liability

| | Financial instruments temporary differences £'000 |
|---|---|
| At 1 July 2013 | 12,881 |
| Credit to income | (396) |
| Credit to equity | (1,598) |
| Effect of change in tax rate | |
| - Income | (954) |
| - Equity | (505) |
| At 30 June 2014 | 9,428 |
| Credit to income | **(2,056)** |
| Credit to equity | **(1,958)** |
| Effect of change in tax rate | |
| - Income | **74** |
| - Equity | **70** |
| **At 30 June 2015** | **5,558** |

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

## 7. Trade and other receivables

| | 2015 | 2014 |
|---|---|---|
| | £'000 | £'000 |
| Amounts receivable from other Group companies | **1,410,414** | 1,392,330 |
| | **1,410,414** | 1,392,330 |

The Directors consider that the carrying amount of trade and other receivables approximates their fair value

**Amounts receivable from other Group companies**

Amounts due from other Group companies totalling £608,415,000 (2014 £608,426,000) represent trade receivables which are non-interest bearing and are repayable on demand

On 29 June 2008, the Company entered into a loan agreement of £42,080,000 with Sky UK Limited whereby the Company was lender and Sky UK Limited was borrower This is an interest bearing loan incurring interest at a rate of twelve month LIBOR plus 0 75% and is repayable on demand The amount outstanding on this loan (including interest) as at 30 June 2015 was £49,948,000

On 29 June 2008, the Company entered into a loan agreement of £43,578,000 with Sky UK Limited whereby the Company was lender and Sky UK Limited was borrower At inception this loan was interest bearing at a rate of 6 54% and is repayable on demand As of 1 January 2009 this loan became non-interest bearing The amount outstanding on this loan (including interest) as at 30 June 2015 was £45,843,000

On 16 October 2009, the Company entered into a loan agreement of £610,700,000 with Sky UK Limited whereby the Company was lender and Sky UK Limited was borrower This was an interest bearing loan incurring interest at a rate of one month LIBOR plus 2 00% and is repayable on demand The amount outstanding on this loan (including interest) as at 30 June 2015 was £706,208,000

Within the Company there is a concentration of risk within amounts receivable from other Group companies No allowances have been recorded against amounts receivable from Group companies as they have been assessed to be fully recoverable

## 8 Trade and other payables

| | 2015 | 2014 |
|---|---|---|
| | £'000 | £'000 |
| Amounts payable to other Group companies | **104,482** | 59,736 |
| Accruals | **24,351** | 23,888 |
| | **128,833** | 83,624 |

The Directors consider that the carrying amount of trade and other payables approximates their fair values

Amounts payable to other Group companies totalling £104,482,000 (2014 £59,736,000) represent trade payables which are non-interest bearing and payable on demand

**9. Borrowings**

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| **Current borrowings** | | |
| US$750 million of 5 625% Guaranteed Notes repayable in October 2015(i) | **468,387** | - |
| **Non-current borrowings** | | |
| US$750 million of 5 625% Guaranteed Notes repayable in October 2015(i) | **-** | 433,980 |
| £400 million of 5 750% Guaranteed Notes repayable in October 2017(i) | **398,919** | 400,352 |
| US$350 million of 6 500% Guaranteed Notes repayable in October 2035(i) | **217,739** | 201,052 |
| **Total non-current borrowings** | **616,658** | 1,035,384 |

**(i) Guaranteed notes**

At 30 June 2015, the Company had in issue the following publicly-traded Guaranteed Notes

| | | **Interest Rate Hedging** | | **Hedged Interest Rates** | |
|---|---|---|---|---|---|
| | **Hedged value* £'000** | **Fixed £'000** | **Floating £'000** | **Fixed** | **Floating** |
| US$750 million of 5 625% Guaranteed Notes repayable in October 2015 | 427,838 | 171,135 | 256,703 | 5 427% | 6m LIBOR + 0 698% |
| £400 million of 5 750% Guaranteed Notes repayable in October 2017 | 400,000 | 350,000 | 50,000 | 5 750% | 6m LIBOR - 0 229% |
| US$350 million of 6 500% Guaranteed Notes repayable in October 2035 | 199,739 | 199,739 | - | 5 826% | N/A |
| | **1,027,577** | **720,874** | **306,703** | | |

At 30 June 2014, the Company had in issue the following publicly-traded Guaranteed Notes

| | | **Interest Rate Hedging** | | **Hedged Interest Rates** | |
|---|---|---|---|---|---|
| | **Hedged value* £'000** | **Fixed £'000** | **Floating £'000** | **Fixed** | **Floating** |
| US$750 million of 5 625% Guaranteed Notes repayable in October 2015 | 427,838 | 171,135 | 256,703 | 5 427% | 6m LIBOR + 0 698% |
| £400 million of 5 750% Guaranteed Notes repayable in October 2017 | 400,000 | 350,000 | 50,000 | 5 750% | 6m LIBOR - 0 229% |
| US$350 million of 6 500% Guaranteed Notes repayable in October 2035 | 199,739 | 199,739 | - | 5 826% | N/A |
| | **1,027,577** | **720,874** | **306,703** | | |

**9 Borrowings (continued)**

**(i) Guaranteed notes (continued)**

Four (2014 four) other Group companies, Sky plc, Sky UK Limited, Sky Subscribers Services Limited and Sky Telecommunications Services Limited have given joint and several guarantees in relation to the above mentioned notes

*Note Hedged value is the final redemption value including any hedging

**10 Derivatives and other financial instruments**

Set out below are the derivative financial instruments entered into by the Company to manage its interest rate and foreign exchange risks

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Asset** | | Asset | |
| | **Fair value £'000** | **Notional £'000** | Fair value £'000 | Notional £'000 |
| **Fair value hedges** | | | | |
| Interest rate swaps | **13,612** | **335,642** | 26,219 | 314,317 |
| **Cash flow hedges** | | | | |
| Cross-currency swaps | **48,880** | **370,874** | 27,482 | 370,874 |
| **Derivatives not in a formal hedge relationship** | | | | |
| Cross-currency swaps | **28,985** | **256,703** | 7,779 | 256,703 |
| **Total** | **91,477** | **963,219** | 61,480 | 941,894 |

The maturity of the derivative financial instruments is as follows

| | **2015 Asset £'000** | 2014 Asset £'000 |
|---|---|---|
| Less than twelve months | **55,461** | - |
| Between one and two years | **-** | 32,640 |
| Between two and five years | **7,247** | 8,643 |
| In more than five years | **28,769** | 20,197 |
| **Total** | **91,477** | 61,480 |

The fair value of the Company's debt-related derivative portfolio at 30 June 2015 was a £91,477,000 net asset (2014 £61,480,000 net asset), with notional principal amounts totalling £963 219,000 (2014 £941,894,000) The fair value of the Company's derivative instruments designated as cash flow hedges at 30 June 2015 was an £48,880,000 net asset (2014 £27,482 000 net asset) The fair value of the Company's derivative instruments designated as fair value hedges at 30 June 2015 was a £13,612,000 net asset (2014 £26,219,000 net asset)

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)

# Notes to the financial statements

## 10 Derivatives and other financial instruments (continued)

### Hedge accounting classification and impact

The Company has designated its interest rate swaps as fair value hedges of interest rate risk, representing 31% (June 2014 30%) of the Company's debt portfolio Movements in the fair value of the hedged items are taken to the Income Statement and are offset by movements in the fair value of the hedging instruments to the extent that hedge accounting is achieved

The Company has designated its fixed rate cross-currency swaps as cash flow hedges of 38% (2014 37%) of the Company's debt portfolio As such, the effective portion of the gain or loss on these contracts is reported as a separate component of the hedging reserve, and is then reclassified to the Income Statement in the same periods that the forecast transactions affect the Income Statement During the current year, losses of £31,123,000 were removed from the hedging reserve and debited to finance costs in the Income Statement to offset the currency translation movements in the underlying hedged debt (2014 losses of £45,380,000)

Hedge effectiveness testing is performed quarterly using the dollar-offset approach The actual movement in the hedging items is compared with the movement in the valuation of the hypothetically perfect hedge of the underlying risk at inception, and any ineffectiveness is recognised directly in the Income Statement £271,000 of ineffectiveness was recognised in the Income Statement during the current year (2014 £331,000)

A hedge relationship is deemed to be effective if the ratio of changes in valuation of the underlying hedged item and the hedging instrument is within the range of 80% to 125% Any relationship which has a ratio outside this range is deemed to be ineffective, at which point hedge accounting is suspended During the year ended 30 June 2015, there were no instances in which the hedge relationship was not highly effective (2014 no instances)

### (a) Carrying value and fair value

The Company's principal financial instruments comprise quoted bond debt The Company has various financial assets such as intercompany trade and other receivables and derivative financial assets

The accounting classification of each class of the Company's financial assets and financial liabilities is as follows

| | Derivatives deemed held for trading | Derivatives in hedging relationships | Loans and receivables | Other liabilities | Total carrying value | Total fair value |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **At 30 June 2015** | | | | | | |
| Quoted bond debt | - | - | - | **(1,085,045)** | **(1,085,045)** | **(1,179,569)** |
| Derivative financial instruments | **28,985** | **62,492** | - | - | **91,477** | **91,477** |
| Trade and other payables | - | - | - | **(128,833)** | **(128,833)** | **(128,833)** |
| Trade and other receivables | - | - | **1,410,414** | - | **1,410,414** | **1,410,414** |
| **At 30 June 2014** | | | | | | |
| Quoted bond debt | - | - | - | (1,035,384) | (1,035,384) | (1,156,519) |
| Derivative financial instruments | 7,779 | 53,701 | - | - | 61,480 | 61,480 |
| Trade and other payables | - | - | - | (83,624) | (83,624) | (83,624) |
| Trade and other receivables | - | - | 1,392,330 | - | 1,392,330 | 1,392,330 |

**10. Derivatives and other financial instruments (continued)**

**Hedge accounting classification and impact (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, and
- Interest rate and cross currency swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates

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

**(b) Fair value hierarchy**

All of the Company's financial instruments which are held at fair value are classified as Level 2 assets (2014 all) The fair value hierarchy reflects the degree to which observable inputs are used in determining their fair values

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

**11. Financial risk management objectives and policies**

**Treasury activity**

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 annually 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

## 11. Financial risk management objectives and policies (continued)

### Interest rate risk

The Company does not have any material interest rate exposure Debt proceeds are loaned on to other Sky Group companies at terms linked to the hedged cost of the underlying debt instrument, thereby offsetting the interest rate risk that the Company would otherwise be subject to Debt is issued in the form of fixed rate notes and interest rate swap agreements are used to adjust the fixed versus floating mix At 30 June 2015, 70% of borrowings are held at fixed rates after hedging (2014 70%)

The Company uses derivatives to convert all of its US dollar-denominated debt and associated interest rate obligation to pound sterling (see section on foreign exchange risk for further detail) At 30 June 2015, the Company had no net US dollar denominated interest rate exposure on its borrowings

### Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for derivative and 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

For each one-hundred basis point rise or fall in interest rates at 30 June 2015, and if all other variables were held constant

- the Company's loss for the year ended 30 June 2015 would increase or decrease by £4 million (2014 increase or decrease by £3 million), and
- other equity reserves would increase or decrease by £6 million (2014 increase or decrease by £5 million), arising from movements in cash flow hedges

A one hundred basis point increase or decrease represents a large but realistic movement which can be easily multiplied to give sensitivities at different interest rates

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 debt, 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

### Foreign exchange risk

A combination of cross-currency and interest rate swap arrangements is used to convert the Company's US dollar denominated debt and associated interest rate obligations to pounds sterling, at fixed exchange rates At 30 June 2015, the split of the Company's aggregate borrowings into their core currencies was US dollar 64% and pounds sterling 36% (2014 US dollar 62% and pounds sterling 38%) At 30 June 2015, 100% of the Company's long-term borrowings, after the impact of derivatives, are denominated in pounds sterling

**11. Financial risk management objectives and policies (continued)**

**Foreign exchange sensitivity**

The following analysis details the Company's sensitivity to movements in pounds sterling 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 US dollar would have an adverse impact on profit of £nil million (2014 adverse impact of £nil million) The same strengthening would have an adverse impact on other equity of £27 million (2014 adverse impact of £25 million)
- A 25% weakening in pounds sterling against the US dollar would have a beneficial impact on profit of £nil million (2014 beneficial impact of £1 million) The same weakening would have a beneficial impact on other equity of £45 million (2014 beneficial impact of £42 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 debt, 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

**Credit risk**

The Company is exposed to default risk amounting to 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 Group's Treasury policy (in which the Company plays a key role), which is monitored and reported on regularly The Group manages credit risk by diversifying its exposures across a wide number of counterparties, such that the maximum exposure to any individual counterparty was 6% (2014 7%) of the total asset value of instruments at the end of the year Treasury policies ensure that all transactions are only effected with strong relationship banks and, at the date of signing, each carried a minimum credit rating of "Baa2" or equivalent from Standard & Poor's

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 7

**Liquidity risk**

Our principal source of liquidity is cash generated from operations, combined with access to a £1 billion RCF, which expires in November 2020 At 30 June 2015, this facility was undrawn (30 June 2014 undrawn)

The Company's financial liabilities are shown in notes 8 and 9

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows The amounts disclosed may not reconcile to the amounts disclosed on the Balance Sheet for borrowings, derivatives and trade and other payables

**11. Financial risk management objectives and policies (continued)**

**Liquidity risk (continued)**

| | Less than 12 months £'000 | Between one and two years £'000 | Between two and five years £'000 | More than five years £'000 |
|---|---|---|---|---|
| **At 30 June 2015** | | | | |
| **Non-derivative financial liabilities** | | | | |
| Bonds - USD | **503,900** | **14,440** | **43,322** | **445,998** |
| Bonds - GBP | **23,000** | **23,000** | **423,000** | **-** |
| Trade and other payables | **128,833** | **-** | **-** | **-** |
| **Net settled derivatives** | | | | |
| Financial assets | **(9,044)** | **(2,643)** | **(2,759)** | **-** |
| **Gross settled derivatives** | | | | |
| Outflow | **445,902** | **11,636** | **34,909** | **380,101** |
| Inflow | **(497,499)** | **(14,441)** | **(43,322)** | **(460,439)** |
| **At 30 June 2014** | | | | |
| **Non-derivative financial liabilities** | | | | |
| Bonds - USD | 38,142 | 466,282 | 40,088 | 426,065 |
| Bonds - GBP | 23,000 | 23,000 | 446,000 | - |
| Trade and other payables | 83,624 | - | - | - |
| **Net settled derivatives** | | | | |
| Financial assets | (14,743) | (8,710) | (5,355) | - |
| **Gross settled derivatives** | | | | |
| Outflow | 24,312 | 445,812 | 34,909 | 391,737 |
| Inflow | (26,076) | (460,248) | (40,088) | (426,065) |

**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

**12. Share capital**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Allotted, called-up and fully paid** | | |
| 50,000 (2014 50,000) ordinary shares of £1 each | **50** | 50 |

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

### 13. Shareholders' equity

| | 2015 | 2014 |
|---|---|---|
| | £'000 | £'000 |
| Share capital | **50** | 50 |
| Hedging reserve | **4,950** | 12,500 |
| Retained earnings | **503,280** | 538,649 |
| | **508,280** | 551,199 |

**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

### 14. Contracted commitments, contingencies and guarantees

The Company, together with Sky UK Limited, Sky Subscribers Services Limited and Sky Telecommunications Services Limited ("guarantors"), have given joint and several guarantees in relation to the £1 billion RCF (2014 £743 million) held by its parent undertaking, Sky plc

The Company, together with Sky UK Limited, Sky Subscribers Services Limited 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, £300 million of 6 000% Guaranteed Notes repayable in May 2027, US$800 million of 3 125% Guaranteed Notes repayable in November 2022, US$750 million of 2 625% Guaranteed Notes repayable in September 2019, €600 million of Floating Rate Notes repayable in April 2020, US$1,250 million of 3 750% Guaranteed Notes repayable in September 2024, €1,500 million of 1 500% Guaranteed Notes repayable in September 2021, €1,000 million of 2 500% Guaranteed Notes repayable in September 2026, €850 million of 1 875% Guaranteed Notes repayable in November 2023, €400 million of 2 750% Guaranteed Notes repayable in November 2029, £450 million of 2 875% Guaranteed Notes repayable in November 2020 and £300 million of 4 000% Guaranteed Notes repayable in November 2029 issued by its parent undertaking, Sky plc

### 15 Transactions with related parties and major shareholders Sky Group Finance plc

**a) Key management**

The Company has a related party relationship with the Directors of the Company At 30 June 2015, there were 2 (2014 2) members of key management, both of whom were Directors of the Company The Directors received £nil remuneration in respect of their services to the Company (2014 £nil)

**b) Transactions with other Group companies**

The Company conducts business transactions with other Group companies In particular, it is normal practice for the Company to lend and borrow amounts to and from subsidiaries and other Group companies as required For details of amounts owed by and to other Group companies, see notes 7 and 8 For details of interest earned on amounts owed by other Group companies, see note 2

## Notes to the financial statements

### 16. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky plc ("Sky"), 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

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

### 17. Post Balance Sheet Event

On 15 October 2015, the Company repaid in full its US$750 million of 5 625% Guaranteed Notes

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