SKY INTERNATIONAL OPERATIONS LIMITED

Annual report and financial statements
for the year ended 30 June 2016

Registered number: 08055122

Directors and Officers

For the year ended 30 June 2016

Directors

Sky International Operations Limited ("the Company") present Directors and those who served during the year as follows:

C R Jones

C J Taylor

K Holmes (appointed 21 October 2016)

Secretary

C J Taylor

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditor

Deloitte LLP
Chartered Accountants
London
United Kingdom

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 2016.

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 UK Limited (the immediate parent company). The ultimate parent company is Sky plc ("Sky") and the Company operates together with Sky's other companies as part of the Sky Group ("the Group"). The principal activity of the Company is to act as a holding company for the Group's investments in Sky Germany and Italy. The Company also acts as a sales agent for other Sky Group companies. There were no significant changes in the Company's activities in the year and no changes are foreseen at date of this report.

During the prior year, the Company purchased 100% of the share capital of Sky International AG from Sky IP International Limited for total consideration of £726,000 (€915,700) as part of a minor reorganisation within the Group. The Company purchased 100% of the share capital of Sky Italian Holdings SpA and Sky German Holdings GmbH, which hold Sky Italia S.r.l. and Sky Deutschland AG, for €2.6 billion and €6.0 billion respectively. The Company issued 2,540,915,965 £1 ordinary shares at par value to its immediate parent company, Sky UK Limited.

During the current year, the Company issued 257,034,582 ordinary shares of £1 each to its immediate parent company at par value. The Company liquidated it's direct holding company Acetrax AG Ltd. The carrying value of the investment was €nil, and the Company increased it's investment in Sky Italian Holdings SpA, funding the 100% acquisition of Nuová Societa Televisiva S.r.l for consideration of €15,000,000. The Company increased it's investment in Sky German Holdings GmbH by funding the purchase of the remaining minority shareholdings for consideration of €240,663,000 effected as a capital contribution.

The loss for the year before tax was €104,072,000 (2015: €80,666,000), largely due to inter-company interest payable. No dividends were paid to the shareholders during the year. The Directors do not recommend the payment of a final dividend.

Key performance indicators (KPIs)

The Group manages its operations on a divisional basis and the KPIs used are as reported in the Group Annual Report. 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 credit risk, liquidity risk and interest rate risk. The Company is also exposed to risk through the performance of its investments. The principal risk facing the Company relates to the recoverability of the Company's investment in subsidiaries. Recovery of these assets is dependent upon the generation of sufficient profits to pay dividends or from the proceeds of sale of such investments, in the event of their disposal. The Company reviews the carrying amount of its investments at the balance sheet date to determine whether there is any indication of impairment.

The Directors do not believe the Company is exposed to significant price risk, or foreign exchange.

Credit risk

The Company's principal financial assets are cash and intercompany receivables. The Company is therefore exposed to credit risk on these balances. The credit risk on cash is limited because the counterparty is a bank with a high credit rating assigned to it by international credit rating agencies. The intercompany balances of the Company are detailed in notes 8 and 9.

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 2021. The Company benefits from this liquidity through intra-group facilities and loans.

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 Group. The Group's Treasury function monitors the Company's exposure to fluctuations in interest rates.

By Order of the Board,

K Holmes
Director

Grant Way
Isleworth
Middlesex
TW7 5QD
14 November 2016

Directors' Report

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

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 Directors' 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 confirmation has been received from Sky Operational Finance Limited that, for at least 12 months from the date of signing these financial statements, they will provide sufficient funding to permit the Company to meet its obligations as they fall due and will not demand payment of any amounts owed to them by the Company. 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/she ought to have taken as a Director to make himself/herself 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 November 2016

By Order of the Board,

K Holmes
Director

Grant Way
Isleworth
Middlesex
TW7 5QD
14 November 2016

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 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 International Operations Limited:

We have audited the financial statements of Sky International Operations Limited for the year ended 30 June 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 14. 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2016 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.

Paul Franek

Paul Franek FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

17 November 2016

Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	**2016**	2015
		€'000	€'000
Revenue	2	**486**	429
Operating expense	3	**(255)**	(266)
Operating profit		**231**	163
Investment income	4	**4,251**	5,558
Finance costs	4	**(108,554)**	(77,931)
Impairment of investment in subsidiary		**-**	(8,456)
Loss before tax		**(104,072)**	(80,666)
Tax	6	**-**	-
Loss for the year attributable to equity shareholders		**(104,072)**	(80,666)

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

For the years ended 30 June 2016 and 30 June 2015, the Company did not have any other items of other comprehensive income.

All results relate to continuing operations.

Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital	Retained deficit	Foreign exchange reserve	Total shareholder's funds
	€'000	€'000	€'000	€'000
At 30 June 2014	**-**	**(15,841)**	**(821)**	**(16,662)**
Issue of shares	3,237,697	-	-	3,237,697
Loss for the year	-	(80,666)	-	(80,666)
At 30 June 2015	**3,237,697**	**(96,507)**	**(821)**	**3,140,369**
Issue of shares	361,105	-	-	361,105
Loss for the year	-	(104,072)	-	(104,072)
At 30 June 2016	**3,598,802**	**(200,579)**	**(821)**	**3,397,402**

Balance Sheet

As at 30 June 2016

	Notes	2016 €'000	2015 €'000
Non-current assets			
Investments	7	**8,926,832**	8,671,169
Current assets			
Trade and other receivables	8	**486,836**	140,143
Cash and cash equivalents		**628**	894
Total assets		**9,414,296**	8,812,206
Current liabilities			
Trade and other payables	9	**6,016,894**	5,671,837
Total liabilities		**6,016,894**	5,671,837
Share capital	11	**3,598,802**	3,237,697
Reserves		**(201,400)**	(97,328)
Shareholder's funds attributable to equity shareholders		**3,397,402**	3,140,369
Total liabilities and shareholder's funds		**9,414,296**	8,812,206

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

The financial statements of Sky International Operations Limited, registered number 08055122, were approved by the Board of Directors on 14 November 2016 and were signed on its behalf by:

C R Jones
Director
14 November 2016

Cash Flow Statement

For the year ended 30 June 2016

	Notes	2016 €'000	2015 €'000
Cash flows from operating activities			
Cash used in operations	12	**(266)**	(93)
Net cash used in operating activities		**(266)**	(93)
Net decrease in cash and cash equivalents		**(266)**	(93)
Cash and cash equivalents at the beginning of the year		**894**	987
Cash and cash equivalents at the end of the year		**628**	894

All results relate to continuing operations.

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

1. Accounting policies

Sky International Operations Limited (the "Company") is a limited liability company incorporated in the United Kingdom, and registered in England and Wales. Sky International Operations Limited, has a Zurich branch of the Company that is registered and domiciled in Switzerland. Sky International Operations Limited also has a branch of the Company that is registered and domiciled in Germany.

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the Companies Act 2006. In addition, the Company also complied with IFRS as issued by the International Accounting Standards Board ("IASB").

b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Director's Report) and on a 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 year, none of which had a significant impact on the Company's results or financial position.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2016, this date was 3 July 2016 this being a 53 week year (fiscal year 2015: 28 June 2015, 52 week year). For convenience purposes, the Company continues to date its financial statements as at 30 June. The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company.

The Company has taken advantage of the exemption from preparing the consolidated accounts afforded by section 400 of the Companies Act 2006, because it is a wholly-owned subsidiary of Sky plc which prepares consolidated accounts which are publicly available (see note 14).

c) Foreign currency translation

The Company's functional and presentational currency is euro. Trading activities denominated in foreign currencies are recorded in euro at the actual exchange rates as of the date of the transaction. Monetary assets, liabilities and commitments denominated in foreign currencies at the period end are reported at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the initial transaction. Gains and losses on retranslation of assets and liabilities are included net in the profit or loss for the period.
The assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the applicable monthly average exchange rates. Any exchange differences arising are classified as equity within the foreign currency translation reserve.

1. Accounting policies (continued)

e) Financial assets and liabilities

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

i. Trade and other receivables

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

ii. Cash and cash equivalents

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

iii. Trade and other payables

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

iv. 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 Statement of Comprehensive Income 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.

v. 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.

1. Accounting policies (continued)

f) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Company's operating activities. Revenue is measured at the fair value of the consideration received or receivable. Subsequent to the transfer of contracts into Sky SNI Operations Limited, revenue generated from Sky News international sales, where the company acts as an agent on behalf of Sky SNI Operations Limited is recognised on a net commission basis.

g) Employee benefits

Wages, salaries and social security contributions

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

Pension Obligations

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

h) Impairment

At each balance sheet date, and in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets excluding financial assets (see accounting policy e) and deferred taxation (see accounting policy i) to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

An impairment loss for an individual asset shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1. Accounting policies (continued)

i) Tax, including deferred tax

The Company's liability for current tax is based on taxable profits 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 profits. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

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

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

j) 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 accounting periods beginning on or after 1 July 2016. These new pronouncements are listed below:

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

- Amendments to IFRS 11'Accounting for Acquisitions of Interests in Joint Operations' (effective 1 January 2016)
- Amendments to IAS 1 'Disclosure Initiative' (effective 1 January 2016)
- Amendments to IAS 16 and IAS 28 'Clarification of Acceptable Methods of Depreciation and Amortisation' (effective 1 January 2016)
- Annual Improvements 2012-214 cycle (effective 1 July 2016)
- Amendments to IFRS 10,12 AND IAS 28 'Investment Entities: Applying the Consolidation Exception' (effective 1 January 2016)*
- Amendments to IAS 7 'Disclosure Initiative' (effective 1 January 2017)*
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017)*

1. Accounting policies (continued)

- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)*

  IFRS 15 requires the identification of deliverables in contracts with customers that qualify as 'performance obligations'. The transaction price receivable from customers must be allocated between the Group's performance obligations under contracts on a relative stand-alone selling price basis.

  Where goods or services sold as part of a bundle are concluded to be 'distinct' performance obligations, revenue allocated to such goods is recognised when control of the goods passes to the customer or as the service is delivered.

  IFRS 15 requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised as revenue is recognised under the related contract.

- Clarifications to IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)*
- Amendments to IFRS 2 'Share-based Payments' (effective 1 January 2018)*.
- IFRS 9 'Financial Instruments' (effective 1 January 2018)*

  The standard is expected to impact the classification and measurement of financial instruments and is expected to require certain additional disclosures.

- IFRS 16 'Leases' (effective 1 January 2019)*

  IFRS 16 replaces IAS 17 'Leases' and will primarily change lease accounting for lessees; lessor accounting under IFRS 16 is expected to be similar to lease accounting under IAS 17.

  Where a contract meets IFRS 16's definition of a lease and where the company acts as a lessee, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability.

* not yet endorsed for use in the EU

k) 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 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 key areas of judgement that are exercised in their application.

l. Receivables (see note 8)

Judgement is required in evaluating the likelihood of collection of debt after investment income has been recognised. This evaluation requires estimates to be made, including the level of provision to be made for amounts with uncertain recovery profiles. Provisions are based on detailed reviews of individually significant balances.

1. Accounting policies (continued)

ii. Investments (see note 7)

Determining whether the carrying amount of these investments 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.

2. Revenue

	2016	2015
	€'000	€'000
Commission	**486**	429

Commission is earned as the Company acts as a sales agent for both Sky SNI Operations Limited in respect of Sky News international sales and its German branch in respect of Sky Vision international sales.

3. Operating expense

	2016	2015
	€'000	€'000
Programming	**163**	281
Direct networks costs – transmission costs	**-**	6
Sales, general and administration	**92**	(21)
	255	266

Amounts charged relate to Programming staff costs of €163,000 (2015: €281,000) and Service recharge costs of €92,000 in current year. Prior year Transmission costs and SG&A credit relate to the functional currency transfer.

Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £10,000 (2015: £10,000) were borne by another Group subsidiary. No amounts for other services have been paid to the auditor in either year.

4. Investment income and finance costs

	2016	2015
	€'000	€'000
Investment income		
Intercompany interest receivable (i)	**4,251**	5,558

	2016	2015
	€'000	€'000
Finance costs		
Intercompany interest payable (i)	**108,550**	77,456
Foreign exchange loss	**4**	475
	108,554	77,931

(i) Intercompany interest is payable and receivable on certain loans to and from Sky Operational Finance Limited (see notes 8 and 9).

5. Employee benefits and key management compensation

a) Company employee benefits

	2016	2015
	€'000	€'000
Wages and salaries	**104**	175
Social security costs	**10**	17
Contributions to the Sky Pension Plan (i)	**6**	8
	120	200

(i) The Company operates a defined contribution pension scheme (the "Pension Plan"). The pension charge for the year represents the cost of contributions paid by the Company to the schemes during the year. The amount payable to the schemes at 30 June 2016 was £nil (2015: £nil).

As at 30 June 2016, the average number of full-time equivalent persons employed by the Company was 1 (2015: 3).

An €14k re-allocation adjustment has been made to prior year salary costs, increasing Wages and salaries, decreasing Social Security Costs. This is to correct payroll year end accrual in prior year. No impact on operating profit.

b) Key management compensation

The Directors did not receive any remuneration during the year in respect of their services to the Company.

6. Tax

a) Tax recognised in the statement of comprehensive income

	2016	2015
	€'000	€'000
Current tax expense (credit)		
Current year	**-**	-
Adjustment in respect of prior years	**-**	-
Total current tax charge (credit)	**-**	-

The tax credit for the year is lower (2015: lower) than the credit that would have been credited using the blended rate of corporation tax in the UK (20.0%) applied to loss before tax. The applicable or substantively enacted effective rate of UK corporation tax for the year was 20.0% (2015: 20.75%). The differences are explained below:

	2016	2015
	€'000	€'000
Loss before tax	**(104,072)**	(80,666)
Loss before tax multiplied by blended rate of corporation tax in the UK of 20.0% (2015: 20.75%)	**(20,814)**	(16,738)
Effects of:		
Non-deductible expense	**(9)**	1,740
Movement in unrecognised deferred tax		-
Group relief surrendered for £nil consideration	**20,823**	14,998
Tax		-

All tax relates to UK corporation tax.

At 30 June 2016, there was an unrecognised deferred tax asset of €4,819 (2015: €6,186) relating to fixed asset timing differences.

Deferred tax assets have not been recognised at 30 June 2016 on the basis that management do not conclude it probable that there will be suitable taxable profits against which these assets can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rate enacted or substantively enacted for the relevant period of reversal is 19% as at 30 June 2016 (2015: 20%).

7. Investment in subsidiaries and associates

(a) Subscription for shares and capital contribution in subsidiaries

The movement in the year was as follows:

	2016 €('000)	2015 €('000)
Cost and funding		
Beginning of year	8,671,169	8,456
Subscription for shares	15,000	8,671,169
Capital Contribution	240,663	-
Impairment of investments	-	(8,456)
End of year	**8,926,832**	8,671,169
Amounts provided		
Beginning of year	-	-
End of year	-	-
Net book value		
Beginning of year	8,671,169	8,456
End of year	**8,926,832**	8,671,169

Investments in subsidiaries shown above represent the cost of the shares of the wholly-owned subsidiary undertakings plus capital contributions, less provision made for any impairment in value.

During the current year, the Company liquidated it's subsidiary Acetrax AG Ltd. The carrying value of the investment was €nil.

During the current year, the Company increased it's investment in Sky German Holdings GmbH by funding the purchase of the remaining minority shareholdings for consideration of €240,663,000 effected as a capital contribution.

During the current year, the Company increased it's investment in Sky Italian Holdings SpA funding the 100% acquisition of Nuova Societá Televisiva S.r.l of €15,000,000 through the issue of share capital. This transaction was funded directly by Sky UK Limited.

During the prior year the Company purchased 100% of Sky Italian Holdings SpA for consideration of €2,642,493,000.

During the prior year the Company purchased 100% of Sky German Holdings GmbH for consideration of €6,027,734,000.

During the prior year the Company purchased 100% of the share capital of Sky International AG for consideration of £726,000 (€916,000).

During the prior year, the Company impaired its investment in Sky IP International Limited by €8,456,000. The impairment reduced the carrying value of the investment to €nil.

Details of the investments of the Company are as follows. Unless otherwise stated, all share holdings owned directly or indirectly by the Company represent 100% of the issued share capital of the subsidiary.

7. Investments (continued)

Name	Country of incorporation / registration	Description and proportion of shares held (%)
Direct holdings		
Sky German Holdings GmbH	Germany	26,000 shares of €1 each
Sky International AG	Switzerland	200,000 shares of CHF 1.00 each
Sky IP International Limited	UK	300 ordinary shares of £1 each
Sky Italian Holdings SpA	Italy	121,001 shares of €1 each
Indirect holdings		
Sky Österreich Verwaltung GmbH	Austria	€36,336.42 share capital in one share
Sky Österreich Fernsehen GmbH	Austria	1 ordinary share of €35,000
SCAS Satellite CA Services GmbH	Germany	1 ordinary share of €25,000
Sky Deutschland AG	Germany	931,114,937 shares of €1 each (100%)
Sky Deutschland Customer Center GmbH	Germany	25,000 ordinary shares of €1 each
Sky Deutschland Fernsehen GmbH & Co. KG	Germany	Limited partnership contribution (€1,500) (100%)
Sky Deutschland Service Center GmbH	Germany	1 ordinary share of €25,000
Sky Deutschland Verwaltungs GmbH	Germany	€25,000 share capital (1 share of €24,750 and 1 share of €250)
Sky Hotel Entertainment GmbH	Germany	9 ordinary shares of €17,500, €107,700, €50,000, €88,600, €68,000, €175,700, €17,500, €105,000 and €70,000 (total €700,000)
Sky Media GmbH	Germany	25,000 ordinary shares of €1 each
Premiere WIN Fernsehen GmbH	Germany	2 ordinary shares of €25,000 each
Nuova Societá Televisiva S.r.l	Italy	Quota interest (100%)
Sky Italia Network Services S.r.l.	Italy	Quota interest (100%)
Sky Italia S.r.l.	Italy	Quota interest (100%)

8. Trade and other receivables

	2016	2015
	€'000	€'000
Amounts receivable from other Group companies[a]	486,782	140,095
VAT	2	2
Prepayment	52	46
Current trade and other receivables	**486,836**	140,143

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

a) Amounts receivable from other Group companies
Amounts due from other Group companies totalling €1,446,000 (2015: €624,000) represent trade receivables; they are non interest-bearing and are repayable on demand.

On 26 February 2015, the Company made a loan of €139,000,000 to Sky Operational Finance Limited. The loan bears interest at a rate of 2% and is repayable on demand. The amount outstanding on this loan (including interest) as at 30 June 2016 was €138,808,000.

On 16 October 2015, the Company made a loan of €350,000,000 to Sky Finance Europe Limited. The loan bears interest at EURIBOR + 0.40% and is repayable on demand. The amount outstanding on this loan (including interest) as at 30 June 2016 was €346,528,000.

9. Trade and other payables

	2016	2015
	€'000	€'000
Amounts payable to other Group companies[a]	6,016,873	5,671,783
Accruals	5	9
Other	16	45
	6,016,894	5,671,837

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

a) Amounts payable to other Group companies
There are amounts due to other Group companies of €6,016,873,000 (2015: €5,671,783,000), of which €1,313,000 (2015: €947,000) represents other payables; these balances are non interest-bearing and are repayable on demand.

The Company received confirmation from Sky Operational Finance Limited that, for a period of 12 months, 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.

All loan amounts listed below are between Sky Operational Finance Limited and are treated as being repayable on demand.

Start Date	Principal €'000	Interest Rate	Amount O/S (Inc Int) 30 June 2016 €'000	Amount O/S (Inc Int) 30 June 2015 €'000
15 September 2014	1,500,000	1.5%	1,518,013	1,517,692
	1,000,000	2.5%	1,020,014	1,019,658
16 September 2014	581,373	EURIBOR plus 0.6563%	581,553	581,528
	968,899	2.1867%	975,265	974,970
10 December 2014	400,000	2.75%	406,612	406,449
	850,000	1.875%	859,711	859,475
	125,549	2.94%	125,940	125,889
11 November 2014	125,000	3 month EURIBOR plus 1%	144,837	44,112
5 November 2014	800,000	EURIBOR plus 1%	383,615	141,062
9 November 2012	Fully repaid	6 month LIBOR minus 1%	€ nil	€ nil

10. Financial risk management objectives and policies

(a) Carrying value and fair value

The Company's principal financial instruments comprise of trade payables. The Company has various financial assets such as trade and other receivables and cash.

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

	Loans and receivables €'000	Other liabilities €'000	Total carrying value €'000	Total fair value €'000
At 30 June 2016				
Trade and other payables	**-**	**(6,016,894)**	**(6,016,894)**	**(6,016,894)**
Trade and other receivables	**486,782**	**-**	**486,782**	**486,782**
Cash and cash equivalents	**628**	**-**	**628**	**628**
At 30 June 2015				
Trade and other payables	-	(5,671,837)	(5,671,837)	(5,671,837)
Trade and other receivables	140,095	-	140,095	140,095
Cash and cash equivalents	894	-	894	894

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

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.

Cash and cash equivalents classified as loans and receivables mainly comprise investments in AAA rated money market funds which can be withdrawn without notice.

10. Financial risk management objectives and policies (continued)

Liquidity risk

The Company's financial liabilities are shown in note 10.

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 trade and other payables.

	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 2016				
Trade and other payables	**(6,016,894)**	**-**	**-**	**-**
At 30 June 2015				
Trade and other payables	(5,671,837)	-	-	-

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's policies approved by its Board of Directors.

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of €628,000 (2015: €894,000). The Company's maxiumum exposure to credit risk on trade receivables is the carrying amount disclosed in note 8.

Interest rate risk

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

A one percentage point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been one percentage point higher and all other variables were held constant, the Company's loss for the year ended 30 June 2016 would increase by €14,114,755 (2015: €7,224,356).

11. Share Capital

	2016	2015
	€	€
Allotted, called-up and fully paid		
2,797,950,749 (2015: 2,540,916,167) ordinary shares of £1 (2015: £1) each	**3,598,802,225**	3,237,696,737

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

12. Notes to the Cash Flow Statement

Reconciliation of loss before tax to cash (used in) generated from operations

	2016	2015
	€'000	€'000
Loss before tax	**(104,072)**	(80,666)
Impairment of investment in subsidiary	**-**	8,456
	(104,072)	(72,210)
Increase in trade and other receivables	**(4,702)**	(5,519)
Decrease in trade and other payables	**108,508**	77,636
Cash used in operations	**(266)**	(93)

13. Transactions with related parties

a) Key management

The Company has a related party relationship with the Directors of the Company. At 30 June 2016, there were 2 (2015: 2) members of key management, both of whom were Directors of the Company.

b) Transactions with the ultimate parent and immediate parent companies

The Company conducts business transactions with its immediate parent company, Sky UK Limited. For details of amounts owed by Sky UK Limited, see note 8.

c) Transactions with other Group companies

For details of amounts owed to and owed by other Group companies, see notes 8 and 9.

14. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky UK Limited, 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.