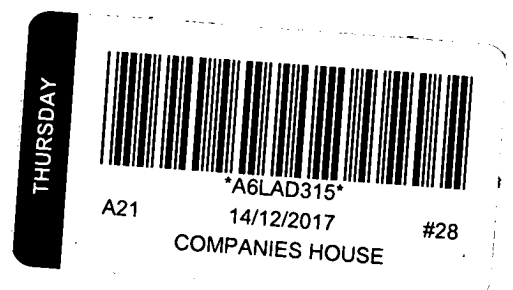


# SKY INTERNATIONAL OPERATIONS LIMITED

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

Registered number: 08055122



## Directors and Officers

For the year ended 30 June 2017

### **Directors**

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

C R Jones

C J Taylor

K Holmes (appointed 21 October 2016)

### **Company Secretary**

C J Taylor

### **Registered office**

Grant Way

Isleworth

Middlesex

United Kingdom

TW7 5QD

### **Auditor**

Deloitte LLP

Statutory Auditor

London

United Kingdom

# Strategic and Directors' Report

## Strategic Report

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

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

### Business review and principal activities

The Company is a wholly-owned subsidiary of 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 the date of this report. 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.

During the prior year, the Company issued 257,034,582 ordinary shares of £1 each to its immediate parent company at par value. The Company liquidated its direct holding company Acetrax AG Ltd. The carrying value of the investment was €nil, and the Company increased its investment in Sky Italian Holdings SpA, funding the 100% acquisition of Nuova Societa' Televisiva S.r.l for consideration of €15,000,000. The Company increased its 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 its investment in Sky Italian Holdings SpA, subscribing to 60% shareholding in Vision Distribution S.p.A upon incorporation, for consideration of €12,000,000. The Company increased its investment in Sky Italian Holdings SpA, subscribing for a single share with share premium for consideration of €11,500,000.

The loss for the year before tax was €101,817,000 (2016: €104,072,000), largely due to inter-company interest payable.

### 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 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.

## Strategic and Directors' Report (continued)

### 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.

### Changes in Capital Structure

During the prior year, the Company issued 257,034,582 ordinary shares of £1 each to its immediate parent company at par value. The Company liquidated its direct holding company Acetrax AG Ltd. The carrying value of the investment was €nil, and the Company increased its 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 its 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.

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The Share Capital movement of the Company is detailed in note 11.

By Order of the Board,

K Holmes  
Director

Grant Way  
Isleworth  
Middlesex  
United Kingdom  
TW7 5QD

27 November 2017



## Strategic and Directors' Report (continued)

### Directors' Report

The Directors who served during the year are shown on page 1. No dividends were paid to the shareholders during the year. The Directors do not recommend the payment of a final dividend (2016:£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 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 not demand payments of any amounts owed to them by the Company where such repayment would prevent the Company from continuing to settle its third party liabilities as they fall due. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Auditor

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

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/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 **27** November 2017.

By Order of the Board,

K Holmes  
Director

Grant Way  
Isleworth  
Middlesex  
United Kingdom  
TW7 5QD



**27** November 2017

## Statement of Directors' responsibilities

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

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

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

As at 30 June 2017

## **Independent Auditor's report to the members of Sky International Operations Limited:**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sky International Operations Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the cash flow statement;
- the statement of changes in equity; 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.

#### **Basis for opinion**

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

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

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

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

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

We have nothing to report in respect of these matters.

#### **Other information**

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

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

We have nothing to report in respect of these matters.

# Auditor's Reports

As at 30 June 2017

## Responsibilities of directors

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

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

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

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

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

## Use of our report

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

## Report on other legal and regulatory requirements

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

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

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

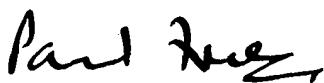
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

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

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

We have nothing to report in respect of these matters.



Paul Franek FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

27 November 2017



# Statement of Comprehensive Income

As at 30 June 2017

		2017	2016
	Notes	€'000	€'000
<b>Revenue</b>	2	<b>562</b>	486
Operating expense	3	<b>(484)</b>	(255)
<b>Operating profit</b>		<b>78</b>	231
Investment income	4	<b>3,470</b>	4,251
Finance costs	4	<b>(105,365)</b>	(108,554)
<b>Loss before tax</b>		<b>(101,817)</b>	(104,072)
Tax	6	-	-
<b>Loss for the year attributable to equity shareholders</b>		<b>(101,817)</b>	(104,072)

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

For the years ended 30 June 2017 and 30 June 2016, the Company did not have any other items of comprehensive income.

All results relate to continuing operations.

## Balance Sheet

For the year ended 30 June 2017

	Notes	2017 €'000	2016 €'000
<b>Non-current assets</b>			
Investment in subsidiaries	7	8,950,332	8,926,832
<b>Current assets</b>			
Trade and other receivables	8	451,145	486,836
Cash and cash equivalents		421	628
<b>Total assets</b>		<b>9,401,898</b>	<b>9,414,296</b>
<b>Current liabilities</b>			
Trade and other payables	9	6,082,813	6,016,894
<b>Total liabilities</b>		<b>6,082,813</b>	<b>6,016,894</b>
Share capital	11	3,622,302	3,598,802
Reserves		(303,217)	(201,400)
<b>Shareholder's funds attributable to equity shareholders</b>		<b>3,319,085</b>	<b>3,397,402</b>
<b>Total liabilities and shareholder's funds</b>		<b>9,401,898</b>	<b>9,414,296</b>

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 27 November 2017 and were signed on its behalf by:



C R Jones

Director

27 November 2017

## Cash Flow Statement

For the year ended 30 June 2017

	Notes	2017 €'000	2016 €'000
<b>Cash flows from operating activities</b>			
Cash used in operations	12	(207)	(266)
<b>Net cash used in operating activities</b>		<b>(207)</b>	<b>(266)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(207)</b>	<b>(266)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>628</b>	<b>894</b>
Effect of foreign exchange rate changes to be included where relevant (policy included)			
<b>Cash and cash equivalents at the end of the year</b>		<b>421</b>	<b>628</b>

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

All results relate to continuing operations.

## Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital	Reserves	Shareholders Funds attributable to equity shareholders
	€'000	€'000	€'000
<b>At 30 June 2015</b>	<b>3,237,697</b>	<b>(97,328)</b>	<b>3,140,369</b>
Loss for the year	-	(104,072)	(104,072)
Issue of shares	361,105	-	361,105
<b>At 30 June 2016</b>	<b>3,598,802</b>	<b>(201,400)</b>	<b>3,397,402</b>
Loss for the year	-	(101,817)	(101,817)
Issue of shares	23,500	-	23,500
<b>At 30 June 2017</b>	<b>3,622,302</b>	<b>(303,217)</b>	<b>3,319,085</b>

## Notes to the financial statements

### **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.

#### **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 period, 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 2017, this date was 2 July 2017 this being a 52 week year (fiscal year 2016: 3 July 2016, 53 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.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### d) Financial assets and liabilities

Directly attributable transaction costs are included in the initial measurement of financial assets and liabilities only with respect to those assets and liabilities that are not subsequently measured at fair value through profit and loss. 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.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### e) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Company's operating activities, and 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.

#### f) 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 Statement of Comprehensive Income 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.

#### g) 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 d) and deferred taxation (see accounting policy h) 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.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

#### h) 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.

#### i) 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 2017. 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 IAS 7 'Disclosure Initiative' (effective 1 January 2017)\*
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017)\*
- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018) and is effective on the Group from 1 July 18 onwards.
- Amendments to IFRS 2 'Share-based Payments' (effective 1 January 2018)\*

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied, it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group has not yet determined which method will be adopted.



## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

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

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers:

- Identify the contract with the customer
- Identify the performance obligations in the contract, introducing the new concept of 'distinct'
- Determining the transaction price
- Allocating the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis.
- Recognise revenue when (or as) the entity satisfies its performance obligation

IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration, contract modifications and requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised over the period an entity expects to benefit from the customer relationship.

In the current year, management has conducted a detailed accounting scoping analysis across each of the Group's operating segments and across the products and services within the Group's revenue streams. Management has also assessed accounting implementation approaches for each revenue stream in each segment based on the potential materiality, complexity and volatility of impacts.

Qualitatively, management currently expects the following impacts:

- The Group's revenue recognition for bundled subscription products will no longer be limited to cash received or consideration receivable for a delivered element. As a result, the Group will bring forward revenue for distinct products and services delivered at the start of a subscription contract, where the price charged for those performance obligations is lower than the standalone selling price. This will correspondingly reduce subsequent subscription revenue across the remainder of the customer contract, but will not change revenue recognised in total or the amount or timing of associated cash flows
  - Where product or service discounts reduce the total consideration for a customer's bundle, the revenue which will be brought forward for upfront deliverables will be reduced. The impact of discounts will be spread over the minimum contract period. There is also new guidance regarding how and to which products discounts should be allocated, which may result in differences to current treatments
  - Under the guidance as to what constitutes distinct performance obligations, there may be differences compared to what the Group currently considers to be separately identifiable deliverables. Management will also need to consider any associated cost implications of any differences
  - Under the guidance regarding contract modifications, the accounting for contract modifications not made at standalone sales price, is expected to differ compared to current accounting treatments
  - There may be certain costs to obtain customer contracts that will require capitalisation and amortisation over the period the Group expects to benefit from the customer relationship, compared to being expensed as incurred, as currently
  - Existing Principal versus Agent judgements require evaluation against new guidance. Should current judgements change, this could significantly change gross revenue and cost, but with no expected impact on operating profit.
  - The phasing of revenue for long-term contracts may vary compared to current treatments
- IFRS 9 'Financial Instruments' (effective 1 January 2018) and is effective on the Group from 1 July 2018 onwards.

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

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

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

It introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for the credit event to have occurred before a credit loss is recognised.

It also introduces a new hedge accounting model that is designed to more closely align with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

The Group is currently assessing the impact of the accounting changes that will arise under IFRS 9.

- IFRS 16 'Leases' (effective 1 January 2019)\* and is effective on the Group from 1 July 2019 onwards

When IFRS 16 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or within the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 16 on each line item in the financial statements in the reporting period. Depending on the adoption method that is utilised, certain practical expedients may be applied on adoption. The Group has not yet determined which method will be adopted.

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 new associated guidance, where the Group 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 on the Group's balance sheet.

Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability, which may impact the phasing of operating profit and profit before tax, compared to existing cost profiles and presentation in income statement, and will also impact the classification of associated cash flows.

The Group is currently assessing the impact of the accounting changes that will arise under IFRS 16. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

\* not yet endorsed for use in the EU

## Notes to the financial statements (continued)

### 1. Accounting policies (continued)

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

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

#### i. 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

	2017 €'000	2016 €'000
Commission	562	486

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 the international sales of Parthenon Entertainment Limited trading as "Sky Vision".

### 3. Operating expense

	2017 €'000	2016 €'000
Programming	403	163
Direct networks costs – transmission costs	-	-
Sales, general and administration	81	92
	484	255

#### Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £10,000 (2016: £10,000) were borne by another Group subsidiary in 2017 and 2016. No amounts for other services have been paid to the auditor.

## Notes to the financial statements (continued)

### 4. Investment income and finance costs

	2017	2016
	€'000	€'000
<b>Investment income</b>		
Intercompany interest receivable <sup>(i)</sup>	3,470	4,251
	2017	2016
	€'000	€'000
<b>Finance costs</b>		
Intercompany interest payable <sup>(ii)</sup>	105,353	108,550
Foreign exchange loss	12	4
	105,365	108,554

(i) Intercompany interest is receivable on certain loans to Sky Operational Finance Limited (see note 8).

(ii) Intercompany interest is payable on certain loans from Sky Operational Finance Limited (see note 9).

### 5. Employee benefits and key management compensation

#### a) Company employee benefits

	2017	2016
	€'000	€'000
Wages and salaries	32	104
Social security costs	3	10
Contributions to the Sky Pension Plan <sup>(i)</sup>	4	6
Redundancy costs	105	-
	144	120

(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 2017 was £nil (2016: £nil).

As at 30 June 2017, the average number of full-time equivalent persons employed by the Company was nil (2016: 1).

#### b) Key management compensation

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

## Notes to the financial statements (continued)

### 6. Tax

#### a) Tax recognised in the statement of comprehensive income

	2017 €'000	2016 €'000
<b>Current tax expense (credit)</b>		
Current year	-	-
Adjustment in respect of prior years	-	-
<b>Total current tax charge (credit)</b>	-	-

The tax credit for the year is lower (2016: lower) than the credit that would have been credited using the blended rate of corporation tax in the UK (19.75%) applied to loss before tax. The applicable or substantively enacted effective rate of UK corporation tax for the year was 19.75% (2016: 20.0%). The differences are explained below:

	2017 €'000	2016 €'000
Loss before tax	(101,817)	(104,072)
Loss before tax multiplied by blended rate of corporation tax in the UK of 19.75% (2016: 20.0%)	(20,109)	(20,814)
Effects of:		
Non-deductible expense	(2)	(9)
Movement in unrecognised deferred tax	-	-
Group relief surrendered for Enil consideration	20,111	20,823
<b>Tax</b>	-	-

All tax relates to UK corporation tax.

At 30 June 2017, there was an unrecognised deferred tax asset of €3,536 (2016: €4,819) relating to fixed asset timing differences.

Deferred tax assets have not been recognised at 30 June 2017 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 17% as at 30 June 2017 (2016: 19%).

## Notes to the financial statements (continued)

### 7. Investment in subsidiaries and associates

#### (a) Subscription for shares and capital contribution in subsidiaries

The movement in the year was as follows:

	2017 €'000	2016 €'000
<b>Cost and funding</b>		
Beginning of year	8,926,832	8,671,169
Subscription for shares	23,500	15,000
Capital Contribution	-	240,663
Impairment of investments	-	-
<b>End of year</b>	<b>8,950,332</b>	<b>8,926,832</b>
<b>Amounts provided</b>		
Beginning of year	-	-
<b>End of year</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>		
Beginning of year	8,926,832	8,671,169
<b>End of year</b>	<b>8,950,332</b>	<b>8,926,832</b>

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, Sky Deutschland GmbH acquired Homedia SA and its wholly owned subsidiary Segevod Sàrl. Both entities are registered in Switzerland.

During the current year, Vision Distribution S.p.A. was incorporated, in which Sky Italian Holdings S.p.A has a 60% shareholding, for consideration of €12,000,000

During the current year, the Company increased its investment in Sky Italian Holdings SpA by €11,500,000 through the issue of share capital. This transaction was funded directly by Sky UK Limited.

During the prior year, the Company liquidated its subsidiary Acetrax AG Ltd. The carrying value of the investment was €nil.

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

## Notes to the financial statements (continued)

### 7. Investments (continued)

#### a) Subscription for shares and capital contribution in subsidiaries (continued)

Details of the investments of the Company are as follows.

Name	Country of incorporation	Description and proportion of shares held (%)
<b>Direct holdings</b>		
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	121,003 shares of €1 each
<b>Indirect holdings</b>		
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 GmbH	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 €25,000 share capital (1 share of €24,750 and 1 share of €250)
Sky Deutschland Verwaltungs GmbH	Germany	
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 Società Televisiva S.r.l.	Italy	Quota interest (100%)
Sky Italia Network Services S.r.l.	Italy	Quota interest (100%)
Telepiu S.r.l.	Italy	Quota interest (100%)
Sky Italia S.r.l.	Italy	Quota interest (100%)
Vision Distribution S.p.A	Italy	60% Shareholding
Homedia SA	Switzerland	126,883 shares of CHF 10 each (100%)
Segevod SárI	Switzerland	200 shares of CHF 100 each (100%)

## Notes to the financial statements (continued)

### 8. Trade and other receivables

	2017	2016
	€'000	€'000
Amounts receivable from other Group companies <sup>(i)</sup>	451,091	486,782
VAT	3	2
Prepayment	51	52
<b>Current trade and other receivables</b>	<b>451,145</b>	<b>486,836</b>

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

#### i) Amounts receivable from other Group companies

Amounts due from other Group companies totalling €1,952,000 (2016: €1,446,000) 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 2017 was €139,487,000.

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. During the current year, there was a loan repayment of €37,000,000. The amount outstanding on this loan (including interest) as at 30 June 2017 was €309,401,000.

### 9. Trade and other payables

	2017	2016
	€'000	€'000
Amounts payable to other Group companies <sup>(i)</sup>	6,082,782	6,016,873
Accruals	7	5
Other	24	16
	<b>6,082,813</b>	<b>6,016,894</b>

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

#### i) Amounts payable to other Group companies

There are amounts due to other Group companies of €6,082,782,000 (2016: €6,016,873,000), of which €1,540,000 (2016: €1,313,000) 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.



## Notes to the financial statements (continued)

### 9. Trade and other payables (continued)

Start Date	Principal €'000	Interest Rate	Amount O/S (Inc Int) 30 June 2017 €'000	Amount O/S (Inc Int) 30 June 2016 €'000
15 September 2014	1,500,000	1.5%	1,517,937	1,518,013
	1,000,000	2.5%	1,019,931	1,020,014
16 September 2014	581,373	EURIBOR plus 0.6563%	581,470	581,553
	968,899	2.1867%	975,205	975,265
10 December 2014	400,000	2.75%	406,570	406,612
	850,000	1.875%	859,649	859,711
	125,549	2.94%	125,930	125,940
11 November 2014	125,000	3 month EURIBOR plus 1%	207,996	144,837
5 November 2014	800,000	EURIBOR plus 1%	386,303	383,615

### 10. Derivatives and other financial instruments

#### 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
<b>At 30 June 2017</b>				
<b>Trade and other payables</b>	-	(6,082,813)	(6,082,813)	(6,082,813)
<b>Trade and other receivables</b>	451,091	-	451,091	451,091
<b>Cash and cash equivalents</b>	421	-	421	421
<b>At 30 June 2016</b>				
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

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.

## Notes to the financial statements (continued)

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

#### Liquidity risk

The Company's financial liabilities are shown in note 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 trade and other payables.

#### Non-derivative financial liabilities

	Less than 12 months €'000	Between one and two years €'000	Between two and five years €'000	More than five years €'000
<b>At 30 June 2017</b>				
Trade and other payables	(6,082,813)	-	-	-
<b>At 30 June 2016</b>				
Trade and other payables	(6,016,894)	-	-	-

#### 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.

#### Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of €421,000 (2016: €628,000). The Company's maximum 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 2017 would increase by €11,757,692 (2016: €14,114,755).

## Notes to the financial statements (continued)

### 11. Share Capital

	2017	2016
	€	€
<b>Allotted, called-up and fully paid</b>		
2,818,742,783 (2016: 2,797,950,749) ordinary shares of £1 (2016: £1) each	<b>3,622,302,216</b>	3,598,802,225

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 operations

	2017	2016
	€'000	€'000
<b>Loss before tax</b>	<b>(101,817)</b>	(104,072)
Increase in trade and other receivables	<b>(4,032)</b>	(4,702)
Decrease in trade and other payables	<b>105,642</b>	108,508
<b>Cash used in operations</b>	<b>(207)</b>	(266)

### 13. Transactions with related parties

#### a) Key management

The Company has a related party relationship with the Directors of the Company. At 30 June 2017, there were 2 (2016: 2) members of key managers, both of whom were Directors of the Company. Key management compensation is disclosed in note 5.

#### 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, United Kingdom TW7 5QD.