SKY INTERNATIONAL OPERATIONS LIMITED

Annual report and financial statements
for the year ended 30 June 2014

Registered number: 08055122

Directors and Officers

For the year ended 30 June 2014

Directors

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

C R Jones

C J Taylor

Secretary

C J Taylor

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

Auditors

Deloitte LLP

Chartered Accountants

London

United Kingdom

Strategic and Directors' 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 2014.

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 British Sky Broadcasting Limited ("BSkyB Ltd"). The ultimate parent company is British Sky Broadcasting Group plc ("BSkyB") and operates together with BSkyB Ltd and other companies as a part of the Group ("the Group"). The principal activity of the Company is acting as sales agent for the distribution of a 24 hour news channel internationally.

The Company was incorporated on 2 May 2012 and registered a Swiss branch on 30 August 2012. On 30 November 2012, the Swiss branch entered into a Business Transfer Agreement with British Sky Broadcasting Ltd ("BSkyB Ltd"), the Company's immediate parent, through which the Swiss branch obtained control over the business relating to the international distribution (being all countries worldwide other than the United Kingdom, the Channel Islands, the Isle of Man and the Republic of Ireland) of the Sky News Channel and the Sky Sports News Channel. As part of this transaction the Company issued 100 fully paid shares to BSkyB Ltd and BSkyB Ltd assigned all the existing customer agreements relating to the international distribution of the channels to the Swiss branch and granted the Swiss branch the right to use the Sky News and Sky Sports News channel feeds.

During the prior period (the prior period was 2 May 2012 to 30 June 2013) the Company issued a further 5,000,000 shares for total consideration of £5,000,000. The Company subsequently performed two share capital reductions totalling £5,000,000 (5,000,000 shares) and a share premium reduction of £1,266,000 during the prior period.

During the prior period the Company acquired a £14,908,000 investment in Acetrax AG and a £4,261,000 investment in Sky IP International Limited from its parent company BSkyB Ltd. On 4 April 2014, Acetrax AG a subsidiary of the Company was put into liquidation, and the remaining trade and assets transferred to BSkyB Ltd. Consequently the investment SIOL held in the Acetrax AG entity was fully impaired during the year.

During the current year, the Company transferred the trade and assets of the Sky News international business to BSkyB SNI Operations Limited for consideration of 100 shares in BSkyB SNI Operations Limited. Subsequently the Company transferred its investment in BSkyB SNI Operations Limited to BSkyB SNI Ltd. Since the transfer of trade and assets to BSkyB SNI Operations Limited, the Company has been acting as a sales agent for BSkyB SNI Operations Limited in respect of Sky News International sales

The loss for the year before tax was £16,523,000 (Period ending 30 June 2013:£3,067,000). No dividends were paid to the shareholders during the period. The Directors do not recommend the payment of a final dividend.

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 and liquidity 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, interest rate 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 £743 million revolving credit facility which is due to expire on 31 October 2018. The Company benefits from this liquidity through intra-group facilities and loans.

By Order of the Board,

C. Taylor

C J Taylor

Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD
30 October 2014

Strategic and Directors' Report (continued)

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 Director's report.

Going concern

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 British Sky Broadcasting Limited that, for at least 12 months from the date of signing these financial statements, 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 ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them was approved by the Board of Directors on 30 October 2014.

By Order of the Board,

C. Taylor

C J Taylor
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD
30 October 2014

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 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.

Auditors' 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 2014 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 15. 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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB
As explained in note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

30th October 2014

Statement of Comprehensive Income

For the year ended 30 June 2014

	Notes	Year Ended 2014 £'000	Period Ended 2013 £'000
Revenue	2	**325**	1,707
Operating expense	3	**(1,898)**	(4,774)
Operating loss		**(1,573)**	(3,067)
Finance costs	4	**(42)**	-
Impairment of investment in subsidiary	7	**(14,908)**	-
Loss before tax		**(16,523)**	(3,067)
Tax	6	**-**	-
Loss for the year attributable to equity shareholders		**(16,523)**	(3,067)

All results relate to continuing operations.

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

For the year ended 30 June 2014 and the prior period ended 30 June 2013 (prior period from 2 May 2012 to 30 June 2013) , the Company did not have any other items of other comprehensive income.

Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital	Share Premium	Retained earnings	Total shareholder's funds
	£'000	**£'000**	**£'000**	**£'000**
Upon incorporation on 2 May 2012	-	-	-	-
Additional shares issued during the period	5,000	1,266	-	6,266
Share Capital reduction	(5,000)	-	5,000	-
Share Premium reduction	-	(1,266)	1,266	-
Loss for the period	-	-	(3,067)	(3,067)
At 30 June 2013	**-**	**-**	**3,199**	**3,199**
Loss for the year	-	-	(16,523)	(16,523)
At 30 June 2014	**-**	**-**	**(13,324)**	**(13,324)**

Balance Sheet

As at 30 June 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Investments	7	**6,762**	21,670
Current assets			
Trade and other receivables	8	**1,125**	1,633
Cash and cash equivalents		**789**	824
		1,914	2,457
Total assets		**8,676**	24,127
Current liabilities			
Trade and other payables	9	**22,000**	20,928
Total liabilities		**22,000**	20,928
Share capital	11	**-**	-
Retained earnings		**(13,324)**	3,199
Shareholder's funds attributable to equity shareholders		**(13,324)**	3,199
Total liabilities and shareholder's funds		**8,676**	24,127

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 30 October 2014 and were signed on its behalf by:

C R Jones
Director
30 October 2014

Cash Flow Statement

For the year ended 30 June 2014

	Notes	Year Ended 2014 £'000	Period Ended 2013 £'000
Cash flows from operating activities			
Cash (used in)/generated from operations	12	**(35)**	824
Net cash used in operating activities		**(35)**	824
Cash and cash equivalents at the beginning of the year		**824**	-
Cash and cash equivalents at the end of the year		**789**	824

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

Notes to the financial statements

1. Accounting policies

Sky International Operations Limited (the "Company") is a limited liability Company incorporated in England and Wales and domiciled in the United Kingdom ("UK"). Sky International Operations Limited, Isleworth, Zweigniederlassung Zug is a branch of the Company that is registered and domiciled in Zug, Switzerland.

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. This includes the adoption of IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", amendments to IAS 28, "Investments in Associates and Joint Ventures" and IFRS 13, "Fair Value Measurement" where adoption on 1st July 2013 is considered to be early adoption for the purposes of complying with IFRS as endorsed by the European Union.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2014, this date was 29 June 2014 this being a 52 week year (fiscal year 2013: 30 June 2013, 52 week year). For convenience purposes, the Company continues to date its financial statements as at 30 June (prior period 2 May 2012 to 30 June 2013). 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 BSkyB Group plc which prepares consolidated accounts which are publicly available (see note 15).

c) Foreign currency translation

The Company's functional currency is dollars and presentational currency is pounds sterling. Trading activities denominated in foreign currencies are recorded in pounds sterling 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, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

1. Accounting policies (continued)

d) Business combinations

Business transfers which meet the definition of both a business combination and a common control transaction as defined by IFRS 3 (Revised) "Business Combinations" are recorded at the book values of the assets and liabilities pertaining prior to the transfer.

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.

f) Trade and other receivables

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

i. Cash and cash equivalents

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

ii. Trade and other payables

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

iii. Borrowings

Borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including any premium payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the 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.

Notes to the financial statements

1. Accounting policies (continued)

g) 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 BSkyB SNI Operations Limited, revenue generated from Sky News international sales, where the company acts as an agent on behalf of BSkyB SNI Operations Limited is recognised on a net commission basis. Distribution revenue in the prior period is recognised on an accrual basis under the relevant terms of the agreements between the parties.

h) 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 income statement as the employees' services are rendered.

Termination benefits

Termination benefits are recognised as a liability when, and only when, the Company has a demonstrable commitment to terminate the employment of an employee or group of employees before the normal retirement date or as the result of an offer to encourage voluntary redundancy.

i) 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 j) 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.

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.

j) 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.

1. Accounting policies (continued)

j) Tax, including deferred tax (continued)

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.

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2014 or later periods. These new pronouncements are listed below:

- Amendments to IAS 36 "Impairment of Assets" (effective 1 January 2014)
- Amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2014)
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting" (effective 1 January 2014)
- Annual Improvements 2010-2012 cycle (effective 1 July 2014)*
- Annual Improvements 2011-2013 cycle (effective 1 July 2014)*
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (effective 1 January 2016)*
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" (effective 1 January 2016)*
- IFRS 15 "Revenue from Contracts with Customers" (effective 1 January 2017)*
- IFRS 9 "Financial Instruments" (effective 1 January 2018)*

* not yet endorsed for use in the EU

1. Accounting policies (continued)

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

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

l) Critical accounting policies

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. 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.

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

	2014 **£'000**	Period Ended 2013 £'000
Commission	**325**	-
Syndication	**-**	1,707
	325	1,707

Commission was derived throughout the period as the Company acted as a sales agent for BSkyB SNI Operations Limited in respect of Sky News international sales. In the prior period syndication revenue was derived from the distribution of Sky News and Sky Sports News to international territories.

3. Operating expense

	2014 £'000	Period Ended 2013 £'000
Programming	**1,772**	1,991
Transmission, technology and fixed networks	**91**	154
Marketing and administration	**35**	2,629
	1,898	4,774

Audit fees

Amounts paid to the auditor for the audit of the Company's annual accounts of £10,000 (2013:£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

	2014 £'000	Period Ending 2013 £'000
Finance costs		
Intercompany interest payable (i)	**42**	-
	42	-

(i) Intercompany interest payable includes interest on the loan of £2,678,000 from BSkyB Finance Limited. The loan bears interest at a rate of 6 month LIBOR plus 1%. The loan is repayable on demand.

5. Employee benefits and key management compensation

a) Company employee benefits

	2014 £'000	Period Ending 2013 £'000
Wages and salaries	**1,047**	984
Social security costs	**29**	103
Contributions to the BSkyB Pension Plan (i)	**37**	74
	1,113	1,161

a) Company employee benefits (continued)

(i) The Company operates a defined contribution pension scheme (the "Pension Plan"). The pension charge for the current and prior period represents the cost of contributions payable by the Company to the schemes during the period. The amount payable to the schemes at 30 June 2014 was £nil (2013: £nil) as it's all held by the parent company.

As at 30 June 2014, the number of full-time equivalent persons employed by the Company was 11 (2013:12). Two employees were transferred to BSkyB Limited during the year. From 1 April 2014 a person was transferred from Acetrax AG to the Company.

b) Key management compensation

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

6. Tax

a) Tax recognised in the statement of comprehensive income

	2014 £'000	Period Ending 2013 £'000
Current tax expense (credit)		
Current year	-	-
Adjustment in respect of prior years	-	-
Total current tax charge (credit)	-	-

b) Reconciliation of effective tax rate

The tax credit for the year is higher (2013: higher) than the credit that would have been credited using the blended rate of corporation tax in the UK (22.5%) applied to loss before tax. The applicable or substantively enacted effective rate of UK corporation tax for the year was 22.5% (2013: 23.75%). The differences are explained below:

b) Reconciliation of effective tax rate (continued)

	2014 £'000	Period Ended 2013 £'000
Loss before tax	**(16,523)**	(3,067)
Loss before tax multiplied by blended rate of corporation tax in the UK of 22.5% (2013: 23.75%)	**(3,718)**	(728)
Effects of:		
Non-deductible expense	**3,362**	4
Movement in unrecognised deferred tax	**(1)**	8
Group relief surrendered for £nil consideration	**357**	716
Tax	**-**	-

All tax relates to UK corporation tax.

At 30 June 2014, there was an unrecognised deferred tax asset of £6,032 (2013: £8,460) relating to fixed asset timing differences.

Deferred tax assets have not been recognised at 30 June 2014 on the basis that management do not deem it probable that there will be suitable taxable profits against which these assets can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rate enacted or substantively enacted for the relevant period of reversal is 20% as at June 2014 (2013: 23%).

7. Investments

The following are included in the net book value of fixed asset investments:

	Investment in subsidiaries £'000	Total £'000
Cost or valuation		
At 1 July 2013	**21,670**	**21,670**
Impairment in investment	(14,908)	(14,908)
At 30 June 2014	**6,762**	**6,762**

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

During the period the Company transferred assets and liabilities with a net book value of £665,000 to BSkyB SNI Operations Limited, consideration was settled by way of the issuance of 100 shares in BSkyB SNI Operations Limited. Subsequently the Company transferred its investment in BSkyB SNI Operations Limited to BSkyB SNI Ltd at NBV of £665,000.

7. Investments (continued)

During the current year, the Company impaired its investment in Acetrax AG by £14,908,000. The impairment reduced the carrying value of the investment to £nil.

Details of the principal investments of the Company are as follows:

Name	Country of incorporation / registration	Description and proportion of shares held (%)	Principal activity
Direct holdings			
Acetrax AG	Switzerland	12,281,326 Ordinary Shares of CHF 0.01 each (100%)	In liquidation
Sky IP International Limited	England and Wales	300 shares of £1 per share (100%)	Holding company for Sky International AG

8. Trade and other receivables

	2014 £'000	2013 £'000
Gross trade receivables	-	431
Net trade receivables	-	431
Amounts receivable from ultimate parent company[a]	-	79
Amounts receivable from other Group companies[b]	**1,056**	185
Amounts receivable from joint ventures and associates	-	78
VAT	**8**	30
Prepayment	**61**	384
Accrued income	-	446
Current trade and other receivables	**1,125**	1,633

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.
The ageing of the Company's net trade receivables (including amounts due from joint ventures and related parties) which are past due but not impaired is as follows:

	2014 £'000	2013 £'000
Up to 30 days past due date	-	11
30 to 60 days past due date	-	19
60 to 120 days past due date	-	72
More than 120 days past due date	-	8
	-	110

8. Trade and other receivables (continued)

a) Amounts receivable from the ultimate parent company

Amounts due from the ultimate parent company totalling £nil (2013: £79,000) represent trade receivables; they are non-interest bearing and are repayable on demand.

b) Amounts receivable from other Group companies

Amounts due from other Group companies totalling £1,056,000 (2013: £185,000) represent trade receivables; they are non-interest bearing and are repayable on demand.

9. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	**49**	12
Amounts payable to ultimate parent company[a]	**19,210**	17,274
Amounts payable to other Group companies[b]	**2,680**	2,604
Accruals	**50**	943
Other	**11**	95
	22,000	20,928

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

a) Amounts payable to ultimate parent company

Amounts due to the ultimate parent company totalling £19,210,000 (2013: £17,274,000) represent other payables; they are non-interest bearing and are repayable on demand.

b) Amounts payable to other Group companies

There are amounts due to other Group companies totalling £2,680,000 (2013: £2,604,000) of which £2,000 (2013: £2,510,000) represents other payables; these balances are non-interest bearing and repayable on demand. The remaining balance of £2,678,000 (2013: £94,000) represents a loan with BSkyB Finance Limited (see below). The company received confirmation from its intercompany creditors 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.

On 9 November 2012 the company entered into a loan with BSkyB Finance Limited. The loan bears interest at a rate of 6 month LIBOR minus 1%. This loan is repayable on demand. As at 30 June 2014 the total amount outstanding was £2,678,000 (2013: £94,000).

10. Financial risk management objectives and policies

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 values £'000
At 30 June 2014				
Trade and other payables	**-**	**(22,000)**	**(22,000)**	**(22,000)**
Trade and other receivables	**1,056**	**-**	**1,056**	**1,056**
Cash and cash equivalents	**789**	**-**	**789**	**789**
At 30 June 2013				
Trade and other payables	-	(20,928)	(20,928)	(20,928)
Trade and other receivables	1,219	-	1,219	1,219
Cash and cash equivalents	824	-	824	824

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.

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 borrowings, derivative financial instruments, provisions and trade and other payables

10. Financial risk management objectives and policies (continued)

	Less than 12 months £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
At 30 June 2014				
Trade and other payables	**22,000**	**-**	**-**	**-**
At 30 June 2013				
Trade and other payables	**20,928**	**-**	**-**	**-**

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 BSkyB's policies approved by its Board of Directors.

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £789,000 (2013: £824,000).

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 2014 would increase by £27,000 (2013: £nil).

11. Share Capital

	2014 £	2013 £
Allotted, called-up and fully paid		
202 (2013: 202) ordinary shares of £1 (2013: £1) each	**202**	202

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 generated used in operations

	2014	2013
	£'000	£'000
Loss before tax	**(16,523)**	(3,067)
Impairment of investment in subsidiary	**14,908**	-
	(1,615)	(3,067)
Increase in trade and other receivables	**(140)**	(1,633)
Increase in trade and other payables	**1,720**	5,524
Cash (used in)/generated from operations	**(35)**	824

13. Contracted commitments, contingencies and guarantees

Future minimum expenditure contracted for but not recognised in the financial statements

	Total at 30 June 2014	Total at 30 June 2013
	£'000	£'000
Transmission & Distribution	-	2,306
	-	2,306

The prior period amount relates to the provision of satellite transponder transmission services and HD capability distribution service.

14. Transactions with related parties

a) Key management

The Company has a related party relationship with the Directors of the Company. At 30 June 2014, there were 2 (2013: 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, BSkyB Ltd. For details of amounts owed by and owed to BSkyB Ltd, see notes 8 and 9.

c) Transactions with other Group companies

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

Notes to the financial statements

15. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of BSkyB Ltd, a Company incorporated and registered in England and Wales. The Company is ultimately controlled by British Sky Broadcasting Group plc ("BSkyB"). The only group in which the results of the Company are consolidated is that headed by BSkyB.

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