

SKY SNI OPERATIONS LIMITED

Annual report and financial statements
For the year ended 30 June 2018

Registered number: 08522753



Directors and Officers

For the year ended 30 June 2018

Directors

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

A J Griffith (resigned 12 January 2018)

C J Taylor

C R Jones (appointed 12 January 2018)

Secretary

C J Taylor

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

Auditor

Deloitte LLP

Statutory Auditor

London

United Kingdom

Strategic Report

Strategic Report

The Directors present their Strategic report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 2018.

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 activity

The Company is a wholly-owned subsidiary of Sky SNI Limited (the immediate parent company). As at 30 June 2018 the ultimate parent company was Sky plc (now renamed Sky Limited) ("Sky") and the company operated together with Sky's other subsidiaries as a part of the Sky group ("the Group"). On 9 October 2018 the offer by Comcast Bidco Limited, an indirect wholly-owned subsidiary of Comcast Corporation, to acquire the entire issued and to be issued share capital of Sky plc (now renamed Sky Limited) became wholly unconditional. As a result, and as of that date, the ultimate controlling party of the Company is now Comcast Corporation.

The Company was incorporated and registered a Swiss branch on 9 May 2013. The principal activity of the Company is the distribution of 24 hour news channels to an international market and this business was transferred from Sky International Operations Limited to the Company on 1 July 2013. The Swiss branch has control of 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.

The profit for the year was £902,000 (2017: £1,012,000). The Company's shareholder's equity is £4,296,000 which is higher than at the prior period end (30 June 2017: £3,394,000). No dividends were paid to the shareholders during the year (2017: £nil). The Directors do not recommend the payment of a final dividend.

The Directors expect that there will be no major changes in the Company's activities in the following year.

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, foreign exchange risk and liquidity risk. The Company is also exposed to risk through the performance of its investments.

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

Financial risk management objectives and policies

The use of financial derivatives is governed by the Group's treasury policy approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Strategic Report (continued)

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 has access to a £3 billion revolving credit facility, which was undrawn at 30 June 2018. The facility is due to expire on 11 January 2024. The Company benefits from this liquidity through intra-group facilities and loans.

By Order of the Board,



C R Jones

Director

Grant Way
Isleworth
Middlesex
TW7 5QD

22 March 2019

Directors' Report

Directors' Report

The directors present their annual report, together with the financial statements and auditor's report. The Directors who served during the year are shown on page 1. During the year ended 30 June 2018 the Directors proposed a dividend of £nil (2017: £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. 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 22 March 2019.

By Order of the Board,



C R Jones
Director

Grant Way
Isleworth
Middlesex
TW7 5QD

22, March 2019

Directors' responsibilities statement

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

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

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

make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Sky SNI 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 2018 and of its profit 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 SNI 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 17.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Financial Reporting Council's (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.

Other information (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

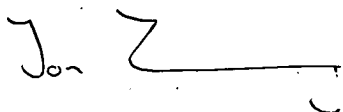
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.



Jon Young (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

22 March 2019

Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 £'000	2017 £'000
Revenue	2	3,419	3,723
Operating expense	3	(2,323)	(2,357)
Operating profit		1,096	1,366
Investment income	4	2	2
Profit before tax	5	1,098	1,368
Tax	6	(196)	(356)
Profit for the period attributable to equity shareholders		902	1,012

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

For the years ended 30 June 2017 and 30 June 2018, the Company did not have any other items of Comprehensive Income.

All results relate to continuing operations.

Balance Sheet

As at 30 June 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Investment in associates	7	1	1
Current assets			
Trade and other receivables	8	5,300	2,342
Cash and cash equivalents		1,167	3,120
Total assets		6,468	5,463
Current liabilities			
Trade and other payables	9	2,172	2,069
Total liabilities		2,172	2,069
Share capital	12	-	-
Share premium		665	665
Retained earnings		3,631	2,729
Total equity attributable to equity shareholders		4,296	3,394
Total liabilities and shareholder's equity		6,468	5,463

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

The financial statements of Sky SNI Operations Limited, registered number 08522753 were approved by the Board of Directors on 22 March 2019 and were signed on its behalf by:



C R Jones

Director,

22 March 2019

Cash Flow Statement

For the year ended 30 June 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash (used in) generated from operations	13	(1,424)	3,048
Interest received		2	2
Tax paid		(531)	-
Net cash from (used in) operating activities		(1,953)	3,050
Net (decrease)/increase in cash and cash equivalents		(1,953)	3,050
Cash and cash equivalents at the beginning of the period		3,120	70
Cash and cash equivalents at the end of the period		1,167	3,120

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 2018

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholders equity £'000
At 1 July 2016	-	665	1,717	2,382
Profit for the year	-	-	1,012	1,012
Total comprehensive income for the year 30 June 2017	-	665	2,729	3,394
Profit for the year	-	-	902	902
Total comprehensive income for the year 30 June 2018	-	665	3,631	4,296

Notes to the financial statements

1. Accounting policies

Sky SNI Operations Limited (the "Company") is a limited liability company, limited by shares, incorporated in the United Kingdom, and registered in England and Wales.. The address of the registered office is Grant Way, Isleworth, Middlesex, TW7 5QD and registered number is 08522753. Sky SNI Operations Limited, Isleworth Zurich Branch is a branch of the company that is registered and domiciled in Zurich, 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 Directors' 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 2018, this date was 1 July 2018 this being a 52 week year (fiscal year 2017: 2 July 2017, 52 week year). For convenience purposes, the Company continues to date its financial statements as at 30 June. The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company.

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

c) 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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

c) Financial assets and liabilities (continued)

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 also included as a component of cash and cash equivalents.

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. 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.

d) 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. Syndication revenue is recognised on an accrual basis under the relevant terms of the agreements between the parties.

e) 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.

Taxable temporary differences arising from goodwill and, except in a business combination, 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 **Income Statement / 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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

e) Tax, including deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

f) Foreign currency translation

The Company's functional currency and presentational currency is pounds sterling. Trading activities denominated in foreign currencies are recorded in pounds sterling at the applicable monthly exchange rates. Monetary assets, liabilities and commitments denominated in foreign currencies at the balance sheet date are recorded at the rates of exchange at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to pounds sterling at the exchange rate prevailing at the date of the initial transaction. Gains and losses from the retranslation of assets and liabilities are included net in profit for the year.

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.

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after 1 July 2018. 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:

- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018) and is effective on the Group from 1 July 18 onwards.

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.

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; and
- 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.

Notes to the financial statements (continued)

1. Accounting policies (continued)

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

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' replaces IAS 39 'Financial instruments: Recognition and Measurement' is effective on the Group from 1 July 2018 onwards.

The areas which impact the Group relate to the recognition of impairment provisions for customer receivables and other financial assets and the accounting for available-for-sale investments. IFRS 9 also contains new rules relating to hedge accounting, although the adoption of these is not mandatory and the Group will continue to apply IAS 39 hedge accounting policies.

With respect to impairment provisions, IFRS 9 introduces a model based on expected credit loss. This requires a provision to be made for impairment from the initial point at which the receivable is recognised, compared to IAS 39 which requires a provision to be made only when a loss event occurs. The IFRS 9 credit loss model is not expected to have a material impact on either the Group's balance sheet position or income statement result.

IFRS 9 requires certain of the Group's trade receivables to be measured at fair value, as opposed to amortised cost. The balance sheet impact of this is expected to be less than £2 million.

Notes to the financial statements (continued)

1. Accounting policies (continued)

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

IFRS 9 requires all available-for-sale investments to be held on the balance sheet at fair value, with associated movements incurred in either the income statement or in equity reserves, as an accounting policy choice. The balance sheet impact on transition is expected to be less than £15 million.

IFRS 9 requires that amounts recognised in non-financial assets (basis adjustment) are removed directly from reserves, rather than being released through other comprehensive income as is currently allowed under IAS 39.

- 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 with 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 it will adopt.

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. 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.

Where a contract meets IFRS 16's definition of a lease, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables.

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

The detailed assessment of the impact on the Group is ongoing, with the current focus being on assessing of the completeness of lease contracts.

The adoption is expected to have a material impact on the presentation of the Group's assets and liabilities, mainly relating to significant property leases. Due to the quantity of contracts under review, management has not completed the impact assessment of the new accounting standard, and therefore a quantification of the impact on the Group's results cannot currently be reliably estimated.

* not yet endorsed for use in the EU

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

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

(i) Revenue (see note 2)

- Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement. This may involve estimating the fair value of consideration before it is received.

Notes to the financial statements (continued)

1. Accounting policies (continued)

h) Critical accounting policies and the use of judgement and estimates (continued)

(ii) Tax (see note 6)

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

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

i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset to the lessee. All other leases are classified as operating leases.

When the Company is lessee, assets held under finance leases are recognised as assets of the Company at their fair value on the date of acquisition, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The lease expense arising from operating leases is charged to the Income Statement / Statement of Comprehensive Income on a straight-line basis over the term of the lease. Benefits received and receivable as incentives to enter into operating leases are recorded on a straight-line basis over the lease term.

Notes to the financial statements (continued)

2. Revenue

	2018 £'000	2017 £'000
Programme and Channel Sales	3,419	3,723

Syndication revenue is derived from the distribution of Sky News to international territories.

3. Operating expense

	2018 £'000	2017 £'000
Programming	2,449	2,357
Sales, General and Administration	(126)	-
	2,323	2,357

4. Investment income

	2018 £'000	2017 £'000
Investment income		
Intercompany interest receivable ⁽ⁱ⁾	2	2

(i) Intercompany interest is receivable on a balance of £316,000 (2017: £314,000) with Sky Operational Finance Limited. This loan is repayable on demand and bears interest at six month LIBOR minus 0.2%.

5. Profit before tax

Foreign exchange

Foreign exchange losses recognised in the Statement of Comprehensive Income during the year amounted to £200,000 (2017: loss of £25,000).

Employee Services

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

Notes to the financial statements (continued)

5. Profit before tax (continued)

Audit fees

Amounts paid to the auditor for the audit of the Company's financial statements of £10,000 (2017: £10,000) were borne by another Group subsidiary in 2018 and 2017. No amounts for other services have been paid to the auditor.

6. Tax

a) Tax recognised in the Statement of Comprehensive Income

	2018 £'000	2017 £'000
Current tax expense		
Current year tax	240	299
Adjustments in respect of prior years	(44)	57
Total current tax charge	196	356

b) Reconciliation of effective tax rate

The tax expense for the year is higher (2017: higher) than the expense that would have been charged using the standard rate of corporation tax in the UK of 19% (2017: 19.75%) applied to profit before tax. The differences are explained below:

	2018 £'000	2017 £'000
Profit before tax	1,098	1,368
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.75%)	208	270
Effects of:		
Overseas tax	240	299
Double tax relief	(207)	(267)
Other permanent differences	(2)	(3)
Adjustment in respect of prior years	(44)	57
Unrecognised fixed asset temporary difference	1	-
Tax	196	356

All tax relates to overseas tax.

At 30 June 2018, there was an unrecognised deferred tax asset of £61,383 relating to unrelieved foreign tax and fixed asset temporary differences. Deferred tax assets have not been recognised at 30 June 2018 on the basis that management do not conclude it probable that there will be suitable taxable profits against which these assets can be utilised.

Notes to the financial statements (continued)

7. Investment in associates

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

	2018 £'000	2017 £'000
Investments in associate undertakings	1	1

Investments in associates shown above represent the cost of the shares of the associate undertakings plus non-current loans advanced, less provisions made for any impairment in value.

Details of all investments of the Company are as follows:

Name	Country of incorporation	Description and proportion of shares held (%)
Direct holdings		
Sky Channel SA	Belgium	1 ordinary share of €49.60 (0.08%)

8. Trade and other receivables

	2018 £'000	2017 £'000
Gross trade receivables	669	1,679
Less: provision for impairment of receivables	(177)	(158)
Net trade receivables	492	1,521
Amounts receivable to ultimate parent company ^(a)	3,556	56
Amounts receivable from other Group companies ^(b)	316	314
Amounts receivable from other Related Parties	184	-
VAT	69	37
Prepayments	26	45
Accrued income	919	369
Other	(262)	-
Current trade and other receivables	5,300	2,342
Total trade and other receivables	5,300	2,342

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 which are past due but not impaired is as follows:

	2018 £'000	2017 £'000
Up to 30 days past due date	203	991
30 to 60 days past due date	89	47
60 to 120 days past due date	75	185
More than 120 days past due date	106	55
	473	1,278

Notes to the financial statements (continued)

8. Trade and other receivables (continued)

Provisions for doubtful debts

	2018 £'000	2017 £'000
Balance at beginning of year	158	60
Amounts utilised	-	-
Statement for Comprehensive Income charge	19	98
Balance at end of year	177	158

a) Amounts receivable from ultimate parent company

Amounts due from the ultimate parent company totalling £3,556,000 (2017: £56,000) represent trade receivables; they are non-interest bearing and are repayable on demand.

b) Amounts receivable from other Group companies

In June 2013 the Company entered a loan agreement of £5,000,000 with Sky Operational Finance Limited, whereby the Company was lender and Sky Operational Finance Limited was borrower. This loan is repayable on demand and bears interest at a rate of six month LIBOR minus 0.2%. At 30 June 2018 the balance of the loan was £316,000 (2017: £314,000).

The Company is exposed to credit risk on its trade and other receivables, however the Company does not have any significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

9. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	61	402
Amounts payable to ultimate parent company ^(a)	145	21
Amounts payable to other Group companies ^(b)	1,543	896
Accruals	128	115
Deferred Income	10	15
Current Tax Liability	285	620
	2,172	2,069

The above breakdown of the Trade and other payables balance is now disclosing the Current Tax Liability separately.

The Directors consider that the carrying amount of trade and other payables approximates their fair values. Trade payables principally comprise amounts outstanding for programming purchases and ongoing costs

a) Amounts payable to the ultimate parent company

Amounts due to the parent company totalling £145,000 (2017: £21,000) represent other payables; they are non-interest bearing and are repayable on demand.

b) Amounts payable to other Group companies

Notes to the financial statements (continued)

Amounts due to the other Group companies totalling £1,543,000 (2017: £896,000) represent other payables; they are non-interest bearing and are repayable on demand.

10. Financial instruments

Carrying value and fair value

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

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

	Loans and receivables	Other liabilities	Total carrying value	Total fair values
	£'000	£'000	£'000	£'000
At 30 June 2018				
Trade and other payables	-	(1,878)	(1,878)	(1,878)
Trade and other receivables	5,020	-	5,020	5,020
Cash and cash equivalents	1,167	-	1,167	1,167
At 30 June 2017				
Trade and other payables	-	(1,435)	(1,435)	(1,435)
Trade and other receivables	2,260	-	2,260	2,260
Cash and cash equivalents	3,120	-	3,120	3,120

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.

11. Financial risk management objectives and policies

The Group's Treasury function is responsible for raising finance for the Company's operations, together with associated liquidity management and management of foreign exchange, interest rate and credit risks. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by both the Audit Committee and the Board, which receive regular updates of Treasury activity. Derivative instruments are transacted for risk management purposes only. It is the Group's policy that all hedging is to cover known risks and no speculative trading is undertaken. Regular and frequent reporting to management is required for all transactions and exposures, and the internal control environment is subject to periodic review by the Group's internal audit team.

The Group's principal market risks are exposures to changes in interest rates and foreign exchange rates, which arise both from the Group's sources of finance and its operations. Following evaluation of those market risks, the Group selectively enters into derivative financial instruments to manage these exposures. The principal instruments currently used are interest rate swaps to hedge interest rate risks, and cross currency swaps and forward foreign exchange contracts to hedge transactional and translational currency exposures.

Notes to the financial statements (continued)

11. Financial risk management objectives and policies (continued)

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 £1,167,000 (2017: £3,120,000). The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 8.

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.

	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 2018				
<i>Non- derivative financial liabilities</i>				
Trade and other payables	1,878	-	-	-
At 30 June 2017				
<i>Non- derivative financial liabilities</i>				
Trade and other payables	1,435	-	-	-

Foreign exchange risk

The Group's revenues and operating expenses are substantially denominated in pounds sterling. A small proportion of operating expenses is denominated in US dollars.

The following analysis details the Company's sensitivity to movements in pounds sterling against all currencies in which it has significant transactions. The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the period end for a 25% change in foreign currency rates.

- A 25% strengthening in pounds sterling against the dollar would have a beneficial impact on profit of £56,000 (2017: beneficial impact of £17,000).
- A 25% weakening in pounds sterling against the dollar would have an adverse impact on profit of £56,000 (2017: adverse impact of £17,000).

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Company's actual exposure

Notes to the financial statements (continued)

to market rates is constantly changing as the Company's portfolio of debt, foreign currency and equity contracts changes. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated

11. Financial risk management objectives and policies (continued)

without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company. The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses.

12. Share capital

	2018 £	2017 £
Allotted, called-up and fully paid		
200 (2017: 200) ordinary shares of £1 (2017: £1) each	200	200

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

13. Notes to the Cash Flow Statement

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

	2018 £'000	2017 £'000
Profit before tax	1,098	1,368
Investment income	(2)	(2)
(Increase) / Decrease in trade and other receivables	(2,958)	1,179
(Decrease) / Increase in trade and other payables	438	503
Cash (used in) generated from operations	(1,424)	3,048

14. Contracted commitments, contingencies and guarantees

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

	Less than one year £'000	Between one and five years £'000	After five years £'000	Total at 30 June 2018 £'000	Total at 30 June 2017 £'000
Transponder capacity	635	541	-	1,176	2,026

Transponder capacity commitments are in respect of the satellites that the Group uses for digital transmissions to both retail subscribers and cable operators.

Notes to the financial statements (continued)

15. Transactions with related parties and major shareholders of Sky plc

a) Major shareholders of Sky plc

The Company conducts business transactions with companies that are part of the Twenty-First Century Fox, Inc. group a major shareholder of Sky, the ultimate parent undertaking of the Company:

	2018	2017
	£'000	£'000
Supply of services by the Company	726	1,198
Purchases of goods / services by the Company	(343)	(349)

Services supplied to Twenty-First Century Fox, Inc. companies

During the year, the Company supplied programming to Twenty-First Century Fox, Inc. companies.

Purchases of goods and services from Twenty-First Century Fox, Inc. companies

During the year, the Company purchased distribution and technical services from Twenty-First Century Fox, Inc. companies.

b) Transactions with parent company

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from subsidiaries as required. For details of amounts owed to the parent company, see note 9.

	2018	2017
	£'000	£'000
Amounts owed to the Company	3,556	56
Amounts owed by the Company	(145)	(21)

c) Transactions with other Group companies

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from other Group companies as required. For details of amounts owed by and owed to other Group companies, see notes 8 and 9.

	2018	2017
	£'000	£'000
Amounts owed to the Company	316	314
Amounts owed by the Company	(1,543)	(896)

Notes to the financial statements (continued)

16. Ultimate parent undertaking

The company is a wholly-owned subsidiary undertaking of Sky SNI Limited, a company incorporated in the United Kingdom and registered in England and Wales. As at 30 June 2018, the Company was ultimately controlled by Sky plc (now renamed Sky Limited) ("Sky") and operated together with Sky's other subsidiaries, as a part of the Group. As at 30th June 2018, Sky plc (now renamed Sky Limited) was the largest and smallest group of which the company was a member and for which group financial statements were prepared.

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

17. Post Balance Sheet Event

On 9 October 2018 the offer by Comcast Bidco Limited, an indirect wholly-owned subsidiary of Comcast Corporation, to acquire the entire issued and to be issued share capital of Sky plc (now renamed Sky Limited) became wholly unconditional. As a result, and as of that date, the ultimate controlling party of the Company is now Comcast Corporation.