SKY FINANCE EUROPE LIMITED

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

Registered number: 09446689

Directors and Officers

For the year ended 30 June 2017

Directors

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

C R Jones

C J Taylor

K Holmes (appointed on 21 October 2016)

Secretary

C J Taylor

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Strategic and Directors' Report

Strategic Report

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

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

Business review and principal activities

The ultimate parent company is Sky plc ("Sky") and operates together with Sky's other subsidiaries as a part of the Sky Group ("the Group").

The Company was incorporated and registered on 18 February 2015. The Company's principal activity is to assist in financing the operations of the Group.

The profit for the period was £nil (2016 £nil). No dividends were paid to the shareholders during the year (2016 £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, liquidity risk and foreign exchange risk.
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.

Credit risk

The Company's principal financial assets are intercompany receivables. The Company is therefore exposed to credit risk on these balances.

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 a £1 billion revolving credit facility which is due to expire on 30 November 2021. The Company benefits from this liquidity through intra-group facilities and loans

Strategic and Directors' Report (continued)

Foreign exchange risk

The Company functional currency is euros and its presentational currency is pound sterling.

On behalf of the Board,

K Holmes
Director

Grant Way
Isleworth
Middlesex
TW7 5QD

26 February 2018

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

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.

By Order of the Board,

K Holmes

Director

Grant Way
Isleworth
Middlesex
TW7 5QD

26 February 2018

Statement of Director's Responsibilities

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

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

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

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

Unaudited Statement of Comprehensive Income

For the year ended 30 June 2017

	Notes	**Year ended 30 June 2017**	18 Feb 2015 to 30 June 2016
		£'000	£'000
Investment income	2	**8,868**	7,017
Finance costs	3	**(8,868)**	(7,017)
Profit before tax	4	**-**	-

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

As at 30 June 2017, the Company did not have any cash or cash equivalents. Accordingly, no cash flow statement or reconciliation of operating profit to cashflows from operating activities has been prepared.

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

All results relate to continuing activities.

Unaudited Balance Sheet

As at 30 June 2017

	Notes	2017 £'000	2016 £'000
Current assets			
Trade and other receivables	5	**727,588**	653,058
Total current assets		**727,588**	653,058
Total assets		**727,588**	653,058
Current liabilities			
Trade and other payables	6	**727,588**	653,058
Total liabilities		**727,588**	653,058
Share capital	9	-	-
Total equity attributable to equity shareholder		-	-
Total liabilities and shareholder's equity		**727,588**	653,058

The accompanying notes are an integral part of this Balance Sheet

For the year ended 30 June 2017 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the period in question in accordance with section 476
- the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

The financial statements of Sky Finance Europe Limited, registered number 09446689 were approved by the Board of Directors on 26 February 2018 and were signed on its behalf by:

C R Jones

Director

26 February 2018

Unaudited Notes to the financial statements

1. Accounting policies

Sky Finance Europe Limited (the "Company") is a limited liability company incorporated in the United Kingdom ("UK") and registered in England and Wales.

a) Statement of compliance

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

b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Strategic and Director's Report) and on a historical cost basis, except for the remeasurement to fair value of certain financial assets and liabilities as described in the accounting policies below The Company has adopted the new accounting pronouncements which became effective this period, none of which had a significant impact on the Company's results or financial position.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2017, this date was 2 July 2017 this being a 52 week year (fiscal year 2016 3 July 2016, 53 week year) For convenience purposes, the Company continues to date its financial statements as at 30 June The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company

c) Financial assets and liabilities

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

i. Trade and other receivables

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

ii. 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.

Unaudited Notes to the financial statements

1. Accounting policies (continued)

d) Foreign currency translation

The Company's functional currency is Euro and presentational currency is pounds sterling Trading activities denominated in foreign currencies are recorded in euros 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 euros 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.

For presentation purposes, assets and liabilities are translated at the exchange rate prevailing on the balance sheet date. Income and expense items are translated at the applicable monthly average exchange rates. Any exchange differences arising are classified as equity within the foreign currency translation reserve.

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after 1 July 2017. These new pronouncements are listed below· The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

- Amendments to IAS 7 '*Disclosure Initiative*' (effective 1 January 2017)*
- Amendments to IAS 12 '*Recognition of Deferred Tax Assets for Unrealised Losses*' (effective 1 January 2017)*
- Amendments to IFRS 2 '*Share-based Payments*' (effective 1 January 2018)*
- IFRIC 22 '*Foreign Currency Transactions and Advanced Consideration*' (effective 1 January 2018)*
- Amendments to IFRS 4 '*Insurance contracts*' (effective 1 January 2018)*
- Amendments to IAS 40 '*Investment Properties*' (effective 1 January 2018)*
- 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.
- 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

Unaudited Notes to the financial statements

1. Accounting policies (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' (effective 1 January 2018) and is effective on the Group from 1 July 2018 onwards.

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

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

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

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

Unaudited Notes to the financial statements

1. Accounting policies (continued)

f) Critical accounting policies and the use of judgement

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

Receivables

Judgement is required in evaluating the likelihood of collection of debt. This evaluation requires estimates to be made, including the level of provision to be made for amounts with uncertain recovery profiles.

2. Investment income

	2017 **£'000**	2016 £'000
Investment income		
Intercompany interest receivable [(i)]	**8,868**	7,017

(i) Intercompany interest receivable includes interest receivable on a balance of £272 million with Sky International AG. This loan is repayable on demand and bears interest at EURIBOR plus 0.4% The company has a Revolving Credit Facility (RCF) agreement, repayable on demand, with Sky Deutschland, comprising facility A loans which are interest bearing (2%) and facility B loans which are interest bearing (EURIBOR plus 2%)

3. Financial costs

	2017 **£'000**	2016 £'000
Finance costs		
Intercompany interest payable [(ii)]	**(8,868)**	(7,017)

(ii) Intercompany interest payable includes interest payable on a balance of £272 million with Sky International Operations Limited. This loan is repayable on demand and bears interest at EURIBOR plus 0.4%. The company has a RCF agreement, repayable on demand with Sky UK Limited. Interest is payable at a rate equivalent to what is charged under the Sky Deutschland Credit Agreement.

4. Profit before tax

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.

Unaudited Notes to the financial statements

5. Trade and other receivables

	2017 £'000	2016 £'000
Amounts receivable from other Group companies[a]	**727,588**	653,058
Current trade and other receivables	**727,588**	653,058
Total trade and other receivables	**727,588**	653,058

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

The Company is exposed to credit risk on its trade and other receivables, which are entirely with other members of the Group and represents a concentration of risk. No allowances have been recorded against amounts receivable from Group companies as they have been assessed to be fully recoverable.

a) Amounts receivable from other Group companies

Amounts due from other Group companies totalling £727,588,000 (30 June 2016: £653,058,000) represent trade receivables; they are interest bearing and are repayable on demand.

On 16 October 2015 the Company entered into an intercompany loan agreement of €350,000,000 (or such other amount as may be agreed) with Sky International AG, whereby the Company was lender and Sky International AG was borrower. This loan is interest bearing at EURIBOR plus 0.4%. The amount outstanding on this loan as at 30 June 2017 was £271,858,000 (30 June 2016: £288,799,000)

On 20 February 2015 the Company entered into term and revolving facilities agreements for up to €365,000,000 and up to €175,000,000 with Sky Deutschland Fernsehen GmbH & Co kG, whereby the Company was lender and Sky Deutschland Fernsehen GmbH & Co kG was borrower. On 6 April 2017 the Company increased the revolving facility available to €600,000,000. The loans are both repayable on demand and interest bearing at 2% and EURIBOR plus 2% respectively. The amount outstanding on these loans as at 30 June 2017 was £133,398,000 (30 June 2016: £60,014,000) and £322,332,000 (30 June 2016: £304,245,000).

6. Trade and other payables

	2017 £'000	2016 £'000
Amounts payable to other Group companies[a]	**727,588**	653,058
Total Trade and Other Payables	**727,588**	653,058

The Directors consider that the carrying amount of payables approximates their fair values.

Unaudited Notes to the financial statements

6. Trade and other payables (continued)

a) Amounts payable to other Group companies

In February 2015, the company entered into a revolving credit facility with Sky UK Limited not exceeding €540,000,000. On 6 April 2017 the revolving credit facility increased to €965,000,000. This is repayable on demand and bears interest at the equivalent to what is charged under the Sky Deutschland Credit agreement. The balance outstanding on this loan facility as at 30 June 2017 was £455,730,000 (30 June 2016: £364,259,000)

In October 2015, the Company entered into a loan facility with Sky International Operations Limited for up to €350,000,000. The loan is repayable on demand and bears interest at EURIBOR plus 0.4%. The balance outstanding on this loan at 30 June 2017 was £271,858,000 (30 June 2016: £288,799,000).

7. Financial Instruments

Carrying value and fair value

The Company's principal financial instruments comprise other payables The Company has financial assets including other receivables.

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 2017				
Other receivables	**727,588**	**-**	**727,588**	**727,588**
Other payables	**-**	**(727,588)**	**(727,588)**	**(727,588)**
At 30 June 2016				
Other receivables	653,058	-	653,058	653,058
Other payables	-	(653,058)	(653,058)	(653,058)

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

The fair value of financial assets and financial liabilities 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.

8. Financial risk management objectives and policies

Liquidity Risk

The Company's financial liabilities are shown in note 6.

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

Unaudited Notes to the financial statements

8. 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 2017				
Trade and other payables	**727,588**	-	-	-
At 30 June 2016				
Trade and other payables	653,058	-	-	-

Credit risk

The Company is exposed to default risk amounting to trade receivables of £727,588,000 (30 June 2016: £653,058,000). The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 5.

9. Share capital

	2017 £	2016 £
Allotted, called-up and fully paid		
1 ordinary shares of £1 each	**1**	1

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

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

a) Entities with joint control or significant influence

The Company has related party transactions with other related entities by virtue of its status as finance company to Sky plc and the Group. In particular, it is normal practice for the Company to lend and borrow funds to and from other related parties, as required. Interest is earned and paid on certain loans to other related parties. For details of amounts owed by and amounts owed to other Group companies, see notes 5 and 6. For details of investment income and finance costs in relation to other Group companies, see notes 2 and 3.

b) Key management

The Company has a related party relationship with the Directors of the Company as key management. At 30 June 2017, there were 3 (2016: 2) key managers, all of whom were Directors of the Company.

Unaudited Notes to the financial statements

11. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky plc ("Sky"), a Company incorporated in the United Kingdom and registered in England and Wales. The Company operates together with Sky's other subsidiaries, as part of the Group. The only group in which the results of the Company are consolidated is that headed by Sky.

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