

SKY VENTURES LIMITED

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

Registered number: 03092549



Directors and Officers

For the year ended 30 June 2016

Directors

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

C R Jones

C J Taylor

K Holmes (appointed 21 October 2016)

Secretary

C J Taylor

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

Auditor

Deloitte LLP

Chartered Accountants

London

United Kingdom

Strategic and Directors' Report

Strategic Report

The Directors present their Strategic and Directors' Report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 2016.

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

Business review and principal activities

The Company is a wholly-owned subsidiary of Sky UK Limited (the immediate parent company). The ultimate parent company is Sky plc ("Sky") and operates together with Sky's other subsidiaries, as a part of the Sky Group ("the Group").

The Company's principal activity is to act as a holding company for certain subsidiary undertakings, joint ventures and associates. The Directors expect this activity to continue for the foreseeable future.

The audited financial statements for the year ended 30 June 2016 are set out on pages 7 to 24. The profit for the year was £5,665,000 (2015: £285,354,000). On 18 October 2015 and 23 November 2015 respectively, the Company sold its investments in Elemental Technologies Inc and 1 Mainstream Inc. This resulted in a profit on disposal of £9,082,000 in the year. (2015: £325,912,000, the Company sold its investments in NGC Network International LLC and NGC Network Latin America LLC to Twenty-First Century Fox, Inc. as part of the consideration for Sky's acquisition of Sky Italia Srl).

The Balance Sheet shows that the Company's total shareholder's equity position at the year end was £368,562,000 (2015: £362,897,000).

Key performance indicators (KPIs)

The Group manages its operations on a divisional basis and the KPIs used are as reported in the Group Annual Report. The Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the Company.

Principal risks and uncertainties

The Company's activities expose it to financial risks, namely credit risk, 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, interest rate risk or foreign exchange 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 balance sheet of the Company includes intercompany balances, amounts owing by associates and joint ventures and balances due from related parties. The Company is therefore exposed to credit risk on these balances. The intercompany balances of the Company are detailed in notes 9 and 10.

Strategic and Directors' Report (continued)

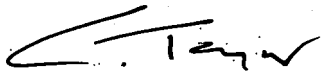
Liquidity risk

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

Investment performance risk

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.

By Order of the Board,



C J Taylor
Director

Grant Way
Isleworth
Middlesex
TW7 5QD

20th December 2016

Strategic and Directors' Report

Directors' Report

The Directors who served during the year are shown on page 1. The Directors do not recommend the payment of a dividend for the year ended 30 June 2016 (2015: £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 ^{20th} December 2016.

By Order of the Board,



C.J Taylor
Director

Grant Way
Isleworth
Middlesex
TW7 5QD

^{20th} December 2016

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year. 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor's report

Independent Auditor's Report to the Members of Sky Ventures Limited:

We have audited the financial statements of Sky Ventures Limited for the year ended 30 June 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16. 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 statement of Directors and Auditor

As explained more fully in the Statement of Directors' responsibilities, 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).

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2016 and of its profit 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 Company financial statements comply with IFRSs as issued by the IASB.

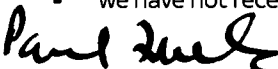
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Paul Franek FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
20 December 2016

Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 £'000	2015 £'000
Profit on disposal of investment	2	9,082	325,912
Income from shares in Group undertakings	3	4,525	9,998
Investment income	4	37	15
Impairment of loan receivable	9	-	(12,141)
Profit before tax	5	13,644	323,784
Tax	6	(7,979)	(38,430)
Profit for the year attributable to equity shareholder		5,665	285,354

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

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

All results relate to continuing operations.

Balance Sheet

As at 30 June 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Investments	7	88,339	82,178
Available-for-sale investments	8	69,323	26,657
		157,662	108,835
Current assets			
Trade and other receivables	9	413,274	448,682
Total assets		570,936	557,517
Current liabilities			
Trade and other payables	10	202,374	194,620
Total liabilities		202,374	194,620
Share capital	13	1	1
Reserves		368,561	362,896
Total equity attributable to equity shareholder		368,562	362,897
Total liabilities and shareholder's equity		570,936	557,517

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

As at 30 June 2016 and 30 June 2015, the Company did not have any cash or cash equivalents. Accordingly, no cash flow statement or reconciliation of operating profit to cash flows from operating activities has been prepared.

The financial statements of Sky Ventures Limited, registered number 03092549 were approved by the Board of Directors on 20th December and were signed on its behalf by:

K Holmes
Director

20th December 2016



Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital £'000	Retained earnings £'000	Total shareholder's equity £'000
At 30 June 2014	1	77,542	77,543
Profit for the year	-	285,354	285,354
At 30 June 2015	1	362,896	362,897
Profit for the year	-	5,665	5,665
At 30 June 2016	1	368,561	368,562

Notes to the financial statements

1. Accounting policies

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

a) Statement of compliance

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

b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the 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 any significant impact on the Company's results or financial position.

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

The Company has taken advantage of the exemption from preparing the consolidated accounts afforded by section 400 of the Companies Act 2006, because it is a wholly-owned subsidiary of Sky plc which prepares consolidated accounts which are publicly available (see note 15).

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. Available-for-sale investments

Equity investments intended to be held for an indefinite period of time are classified as available-for-sale investments. They are carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in the available-for-sale reserve. Where the fair value cannot be reliably measured, the investment is carried at cost.

Any impairment losses in equity investments classified as available-for-sale investments are recognised in the Statement of Comprehensive Income and are not reversible through the Statement of Comprehensive Income unless or until the investment is disposed of and are determined with reference to the closing market share price at the balance sheet date. Any subsequent increase in the fair value of the available-for-sale investment above the impaired value will be recognised within the available-for-sale reserve.

Available-for-sale investments are included within non-current assets unless the carrying value is expected to be recovered principally through sale rather than continuing use, in which case they are included within current assets.

Notes to the financial statements

1. Accounting policies (continued)

c) Financial assets and liabilities (continued)

i. Available-for-sale investments (continued)

On disposal, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been recognised directly in reserves is recognised in the Statement of Comprehensive Income.

ii. 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.

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.

d) Impairment

At each balance sheet date, in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets, excluding financial assets (see accounting policy c) and deferred taxation (see accounting policy f) 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 or its cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

An impairment loss for an individual asset or cash generating unit 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.

e) Investment in subsidiaries

An investment in a subsidiary is recognised at cost less any provision for impairment. As permitted by section 133 of the Companies Act 2006, where the relief afforded under section 131 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

Notes to the financial statements

1. Accounting policies (continued)

f) 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 profit. Temporary differences arising from the goodwill and 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.

g) Foreign currency translation

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

The assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the applicable monthly average exchange rates. Any exchange differences arising are classified as equity within the foreign currency translation reserve.

Notes to the financial statements

1. Accounting policies (continued)

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after 1 July 2016 or later periods. These new pronouncements are listed below. The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (effective 1 January 2016)
- Amendments to IAS 1 'Disclosure Initiative' (effective 1 January 2016)
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" (effective 1 January 2016)
- Annual Improvements 2012-2014 cycle (effective 1 July 2016)
- Amendments to IAS 7 'Disclosure Initiative' (effective 1 January 2017)*
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017)*
- IFRS 15 "Revenue from Contracts with Customers" (effective 1 January 2018)*

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

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

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

- Clarifications to IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)*
- IFRS 9 "Financial Instruments" (effective 1 January 2018)*

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

* not yet endorsed for use in the EU

i) 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.

i. 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.

Notes to the financial statements

1. Accounting policies (continued)

i) Critical accounting policies and the use of judgement (continued)

i. Tax continued

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 and include any liability for interest and penalties. 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 or loss and/or cash position.

ii. Receivables (see note 9)

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.

iii. 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.

iv. Available-for-sale investments (see note 8)

The key areas of judgement in respect of available-for-sale investments are the assessment of whether there is objective evidence that a loss event has occurred after initial recognition of an available-for-sale investment, and whether such a loss event has a reliably measurable impact on the estimated future cash flows of the investment. At each balance sheet date, management considers whether there is objective evidence that a loss event has occurred and whether it has had an impact on the estimated future cash flows of the available-for-sale investment. If a loss event has occurred, management would then consider whether an impairment loss has occurred and the quantum of that loss.

Notes to the financial statements

2. Profit on disposal of investment

On 18 October 2015 and 23 November 2015 respectively, the Company sold its investments in Elemental Technologies Inc and 1 Mainstream Inc., along with its investment in Chill Inc. during the period. This resulted in a profit on disposal of £9,082,000 (2015: £325,912,000).

In the prior year on 12 November 2014 the Company sold its investments in NGC Network International LLC and NGC Network Latin America LLC to Twenty-First Century Fox, Inc. as part of the consideration for Sky plc's ("Sky") acquisition of Sky Italia Srl.

3. Income from shares in Group undertakings

	2016 £'000	2015 £'000
Dividends received from joint ventures, associates and subsidiary undertakings of the Company which are going concerns	4,525	9,998

Income from shares in Group undertakings relates to dividends received from Love Productions Limited, Attheraces Holdings Limited, Jupiter Entertainment Holdings LLC and Blast! Films Limited.

4. Investment income

	2016 £'000	2015 £'000
Investment income		
Interest receivable on loans to joint ventures	37	15

5. Profit before taxation

There were no staff costs during the year as the Company had no employees (2015: none). Services are provided by employees of other companies within the Group, with no charge being made for their services (2015: £nil). The Directors did not receive any remuneration during the year in respect of their services to the Company (2015: £nil).

Amounts paid to the auditor for the audit of the Company's annual accounts of £11,000 (2015: £11,000) were borne by another Group subsidiary in 2016 and 2015. No amounts for other services have been paid to the auditor.

Notes to the financial statements

6. Tax

a) Tax recognised in the Statement of Comprehensive Income

	2016	2015
	£'000	£'000
Current tax charge		
Current year charge	8,329	38,329
Adjustments in respect of prior years	(350)	101
Tax	7,979	38,430

The tax charge for the current and prior years relates to overseas tax.

b) Reconciliation of effective tax rate

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

	2016	2015
	£'000	£'000
Profit before tax	13,644	323,784
Profit before tax multiplied by standard blended rate of corporation tax in the UK of 20.0% (2015: 20.75%)	2,729	67,186
Effects of:		
Non-taxable profit on disposal of investment	(1,817)	(30,659)
Non-taxable dividend income	(470)	(2,075)
Impairment of loan receivable	-	2,519
Group relief claimed for £nil consideration	(7)	(3)
Overseas tax suffered at source	7,894	1,329
Adjustments in respect of prior years	(350)	101
Impairment of investment	-	32
Tax charge	7,979	38,430

Notes to the financial statements

7. Investments

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

	2016	2015
	£'000	£'000
Investments in subsidiary undertakings (i)	86,908	17,251
Investments in joint ventures and associates (ii)	1,431	64,927
	88,339	82,178

i) Investments in subsidiary undertakings

	Total £'000
Cost	
At 30 June 2014	17,251
At 30 June 2015	17,251
Transfer from JV and associates	64,801
Investment Additions	4,856
At 30 June 2016	86,908

In the year The Company made investments in Blast! Films Limited, acquiring 51% of the issued share capital for consideration £4.7m, along with further investment in Love Productions Limited £0.3m.

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

The carrying value of investments at 30 June 2016 primarily relates to Sky IQ Limited and Kidsprog Limited, the holding company of the Company's investment in Nickelodeon UK Limited.

Subscription for shares in subsidiaries

Details of the investments of the Company are as follows:

Incorporated in the UK Grant Way, Isleworth, Middlesex TW7 5QD

Name
Blast! Films Limited (57.5%)
Kidsprog Limited
Love Productions Limited (70.4%)
Sky Comedy Limited
Sky History Limited
Sky IQ Limited

Notes to the financial statements

7. Investments (continued)

i) Investments in subsidiary undertakings (continued)

Incorporated in the USA

1675 S. State Street, Suite B, Dover, DE 19901

Name

Jupiter Entertainment Holdings LLC (Membership interest (60%))

1801 Century Park East, #2160, Los Angeles CA 90067

Name

ZJTV LLC (Membership interest (51%))

Corporation Trust Center 1209 Orange Street, Wilmington, New Castle, Delaware, 19801

Name

BSkyB US Holdings, Inc (100%)

ii) Investments in joint ventures and associates

	Shares	Loans	Total
	£'000	£'000	£'000
Cost			
At 30 June 2014	83,121	485	83,606
Investment Additions	64,801	-	64,801
Investment Disposals	(82,271)	-	(82,271)
Loans repaid during the year	-	(485)	(485)
At 30 June 2015	65,651	-	65,651
Transfer to Subsidiary	(64,801)	-	(64,801)
Investment Additions	1,305	-	1,305
At 30 June 2016	2,155	-	2,155
Provision			
At 1 July 2014	724	17	741
Reversal of provision during the year to June 2015	-	(17)	(17)
At 30 June 2015 and June 2016	724	-	724
Carrying amounts			
At 30 June 2015	64,927	-	64,927
At 30 June 2016	1,431	-	1,431

In the year The Company acquired 25% of the issued share capital of Sugar Films Limited and 24.9% Talos Films LLC for consideration of £0.9 million and £0.5m respectively.

Notes to the financial statements

7. Investments (continued)

ii) Investments in joint ventures and associates (continued)

Details of the investments in joint ventures and associates are as follows:

Incorporated in the UK

Millbank Tower, 21-24 Millbank, London, England, SW1P 4QP

Name	Description and proportion of shares held (%)
Attheraces Holdings Limited	48.35%

St Albans House, 57-59 Haymarket, London, SW1Y 4QX

Name	Description and proportion of shares held (%)
Odeon and Sky Filmworks Limited	50.00%

10-14 Accommodation Road, London NW11 8ED

Name	Description and proportion of shares held (%)
Sugar Films Limited	24.90%

15 Canada Square, Canary Wharf, London E14 5GL

Name	Description and proportion of shares held (%)
Venture 2009 Limited – in Liquidation	50.00%

Incorporated in the USA

USA – 874 Walker Rd, Suite C, Dover, DE 19904

Name	Description and proportion of shares held (%)
Talos Films, LLC	25.00%

Notes to the financial statements

8. Available-for-sale investments

Non-current assets	2016	2015
	£'000	£'000
Equity investments	69,323	26,657

During the year, the Company made investments in DataXu, FuboTV, iFlix Ltd, InCrowd Sports Limited, TV4, and Whistle Sports Inc, as well as further investments in Jaunt, Luminari, Pluto Inc and Roku Inc.

9. Trade and other receivables

	2016	2015
	£'000	£'000
Amounts receivable from parent company	-	39,210
Amounts receivable from other Group companies	413,273	409,471
Amounts receivable from other related parties	1	1
	413,274	448,682

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. An allowance of £12.1m has been recorded against amounts receivable from the other Group companies. All other balances have been assessed to be fully recoverable.

a) Amounts receivable from the parent company

Amounts due from the parent company as at 30 June 2016 are £nil (2015: £39,210,000) which represents trade receivables; these are non-interest bearing and are repayable on demand.

b) Amounts receivable from other Group companies

Amounts due from other Group companies as at 30 June 2016 are £413,273,000 (2015: £409,471,000). £4,934,000 (2015: £1,132,000) represent trade receivables, these are non-interest bearing and are repayable on demand. The balance of £408,339,000 (2015: £408,339,000) are loans as detailed below.

On 17 October 2011, the Company entered into a £60,000,000 Revolving Credit Facility (RCF) agreement with Sky SNA Limited. This facility is repayable on demand and is non-interest bearing. At 30 June, the balance on this account was £nil (2015: £nil). Prior year impairment of £12,141,000 was recorded to reduce the loan receivable to its recoverable amount. There was no such impairment in the current year.

In November 2014 the Company entered into a loan agreement with Sky Operational Finance Limited whereby the Company is the lender and Sky Operational Finance Limited is the borrower. At 30 June 2016 the balance of this loan was £408,339,000 (2015: £408,339,000). The balance is non-interest bearing.

Notes to the financial statements

10. Trade and other payables

	2016 £'000	2015 £'000
Amounts payable to ultimate parent company	951	951
Amounts payable to parent company	71,301	85,899
Amounts payable to other Group companies	130,122	107,770
	202,374	194,620

a) Amounts payable to the ultimate parent company

Amounts payable to the ultimate parent company as at 30 June 2016 are £951,000 (2015: £951,000) which are non-interest bearing and are repayable on demand.

b) Amounts payable to the parent company

Amounts payable to the parent company as at 30 June 2016 are £71,301,000 (2015: £85,899,000). £55,160,000 (2015: £69,758,000) represent trade payables; these are non-interest bearing and are repayable on demand. The remaining £16,141,000 (2015: £16,141,000) is loans as detailed below.

On the 17 October 2011, the Company entered into a £60,000,000 credit facility with Sky UK Limited. This facility is non-interest bearing and repayable on demand. At the 30 June 2016, the balance on this account was £12,141,000 (2015: £12,141,000). The remaining £4,000,000 is in relation to a non interest bearing loan with Sky UK Limited repayable on demand (2015: £4,000,000).

c) Amounts payable to other Group companies

These balances are non-interest bearing and are repayable on demand.

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

Notes to the financial statements

11. Financial Instruments

(a) Carrying value and fair value

The Company's principal financial receivables comprise amounts receivable from other Group companies. The Company has various financial liabilities such as amounts payable from other Group companies.

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

	Available-for-sale investments £'000	Loans and receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair values £'000
At 30 June 2016					
Trade and other payables	-	-	(202,374)	(202,374)	(202,374)
Trade and other receivables	-	413,274	-	413,274	413,274
Available-for-sale investments	69,323	-	-	69,323	69,323
At 30 June 2015					
Trade and other payables	-	-	(194,620)	(194,620)	(194,620)
Trade and other receivables	-	448,682	-	448,682	448,682
Available-for-sale investments	26,657	-	-	26,657	26,657

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and which are traded on active liquid markets is determined with reference to quoted market prices;
- 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.

(b) Fair value hierarchy

All of the Company's financial instruments in both the current and prior year which are held at fair value are classified as Level 2 assets apart from available-for-sale investments which are Level 3. The fair value hierarchy reflects the degree to which observable inputs are used in determining their fair values:

Level 1

Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair values measured using inputs, other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market source data.

Level 3

Fair values measured using inputs for the asset or liability that are not based on observable market data.

Notes to the financial statements

12. 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.

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's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 9.

Liquidity risk

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

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The amounts disclosed may not reconcile to the amounts disclosed on the balance sheet for trade and other payables.

	Less than 12 months £'000	Between one and two years £'000	Between two and five years £'000	More than five years £'000
At 30 June 2016				
Trade and other payables	202,374	-	-	-
At 30 June 2015				
Trade and other payables	194,620	-	-	-

Notes to the financial statements

13. Share capital

	2016	2015
	£	£
Authorised, allotted, called-up and fully paid		
912 (2015: 912) ordinary shares of £1 each (2015: £1)	912	912

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

14. Transactions with related parties and major shareholders of Sky

a) Transactions with the ultimate and immediate parent companies

For details of amounts owed to and by the ultimate and immediate parent companies, see notes 9 and 10.

b) Transactions with joint ventures and associates

The Company lends amounts to its associates and joint ventures. During the year, it recorded £37,000 (2015: £15,000) of interest receivable on these loans (see note 4 for details). For information on amounts owed from joint ventures, see note 7.

c) Transactions with other Group companies

For details of amounts owed to and by other group companies, see notes 9 and 10.

15. Ultimate parent undertaking

The Company is a wholly-owned subsidiary of Sky UK Limited, a company incorporated in the United Kingdom and registered in England and Wales. The Company is ultimately controlled by Sky. The only group in which the results of the Company are consolidated is that headed by Sky.

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