



SKY PLC

Results for the twelve months ended 30 June 2015

OUTSTANDING RESULTS IN A YEAR OF TRANSFORMATION

Twelve months to 30 June	Statutory results			Adjusted results		
	2014/15	2013/14	Variance	2014/15	2013/14	Variance
Revenue	£9,989m	£7,450m	+34%	£11,283m	£10,776m	+5%
EBITDA	£1,738m	£1,536m	+13%	£2,030m	£1,848m	+10%
Profit before tax	£1,516m	£1,025m	+48%	£1,196m	£1,129m	+6%
Earnings per share (basic)	79.1p	52.5p	+51%	56.0p	57.1p	-2%
Full year dividend per share	32.8p	32.0p	+3%	32.8p	32.0p	+3%

Excellent financial performance

- 5% increase in group revenue to £11,283 million
- 18% increase in operating profit to £1,400 million
- 3% increase in full year dividend per share

Growing customer demand and loyalty

- 973,000 new customer additions, 45% more than prior year
- 4.6 million new paid-for subscription products
- Stand-out performance on churn: under 10% in each market

Strong performance across all five territories

- Highest organic customer growth for 11 years in UK and Ireland to pass 12-million milestone
- Highest-ever customer growth in Germany and Austria
- Italy held customer base stable after three years of negative growth

Building for the future

- Growing momentum in entertainment: 35 original dramas planned in the next three years
- Scaling new businesses: revenues from Sky Store, AdSmart and Sky Vision up 122%
- Good progress with bringing the three Skys together: integration working well

Our statutory results include the results of Sky Italia and Sky Deutschland following acquisition on 12 November 2014. We have also included the results on an "adjusted like for like" basis for the full 12 month period to 30 June 2015 down to operating profit with comparative figures, translated at a constant currency of €1.31:£1. Unless otherwise stated, the narrative is on an adjusted like for like basis.

Jeremy Darroch, Group Chief Executive, commented:

“The past 12 months have been an outstanding period of growth for Sky. We’ve successfully completed a deal that has transformed the size and scale of opportunity for the business whilst delivering an excellent financial and operational performance as more customers chose Sky and took more of our products.

“It’s clear that the steps we have taken to broaden out our business are paying off. By distributing our content over multiple platforms and launching new products and services, we are now able to offer something for every household.

“The strength of the customer response is evident in our results: across the group, we added almost one million new customers over the year, 45% more than the prior year. Our operating momentum delivered a 5% increase in revenues which combined with a relentless focus on costs to achieve an 18% increase in operating profit. This was an excellent performance in a year of such change for the business.

“The UK and Ireland, where our strategy is most progressed, put in a particularly strong performance. We passed the 12-million customer milestone with the highest growth in 11 years; we surpassed 38 million paid-for subscription products; and we delivered the lowest churn in 11 years. This is the direct result of the investments we’ve made in connected services and quality content with more than 7 million customers now connected.

“Germany and Italy also posted strong performances. Germany delivered its highest-ever customer growth, while Italy maintained its subscriber base in a tough market. Both businesses also achieved significantly increased customer loyalty, thanks to continued investment in the customer experience.

“This has been a big year on screen. Across the portfolio, we’ve secured a series of big rights deals and made exciting progress in our push into original content. Crime drama *Fortitude* and Italian political drama *1992* became the first of our home-grown dramas to launch simultaneously across all five territories and there’s much to look forward to. We’re taking another step up in 2016 with a string of new commissioned dramas, including crime drama, *The Last Panthers*, coming this autumn, and *The Young Pope*, a major new co-production with HBO and Canal+. Both show the scale of our ambition as we build a new European powerhouse for TV content.

“Looking ahead, we see an expanded opportunity for growth by serving the market broadly with multiple products and services. The investments we have made have given us a strong platform on which to build and we have a clear set of plans to deliver long-term growth and returns for our shareholders.”

Results highlights

Group operational performance (Q4)

(000s)	As at 30-Jun-15	As at 30-Jun-14	Annual Growth	Quarterly Growth to 30-Jun-15
Group products	53,783	49,166	+4,617	+829
Group retail customers	21,006	20,033	+973	+158
Churn (%)				
UK & Ireland	9.8%	10.9%	-1.1%	
Germany & Austria	8.6%	10.4%	-1.8%	
Italy	9.6%	10.3%	-0.7%	

Churn calculated on 12 month rolling basis

Group financial performance (12 months)

	As at 30-Jun-15	As at 30-Jun-14	Annual Growth
Group revenues	£11,283m	£10,776m	5%
Group operating profit	£1,400m	£1,185m	18%

Results are presented on an adjusted like for like basis including the results of Italy and Germany and Austria for the full period.

SUMMARY OF GROUP OPERATIONAL AND FINANCIAL PERFORMANCE

We achieved an excellent year of growth as the investments we made in content and innovation attracted record numbers to Sky and drove loyalty among existing customers to new highs.

Group revenues for the year increased by 5% to £11,283 million. This translated into an 18% increase in operating profit to £1,400 million, an outstanding result in a year of change for the business. Reflecting the strength of this performance, the Board has proposed a full-year dividend of 32.8 pence per share. This is a 3% increase on the prior year and represents the eleventh consecutive year of growth in the dividend.

Our financial performance was fuelled by strong operating momentum across the 12-month period with growing customer demand contributing to a strong finish to the year.

Across our five territories (UK, Ireland, Germany, Austria & Italy), we added just under a million new customers at 973,000. This was 45% more than the prior year and included 158,000 new customers in Q4. At the same time, we increased our paid-for subscription products by 4.6 million for the year, reflecting strong demand across the breadth of our offering. This included 829,000 new paid-for products in Q4.

UK and Ireland

At the heart of the group results was an outstanding performance in the UK and Ireland which delivered revenues up 6% to £7,820 million and operating profit up 12% to £1,350 million. Customer growth of 506,000 was the highest annual organic customer growth in eleven years and took our base past the 12-million milestone. Q4 growth of 124,000 was 65% higher than the previous year and the highest organic growth for a fourth quarter in six years.

Paid-for product growth in the UK and Ireland for the year was 3.3 million, taking us past 38 million products. Within this, we delivered 721,000 new subscription product sales in Q4, bolstered by accelerated growth across TV and broadband. Quarterly TV growth increased by 49% to 113,000, while broadband additions of 96,000 were up 92% year on year.

We achieved churn of 9.8% on a 12-month rolling basis, a reduction of 110 basis points on the prior year and the lowest churn in 11 years.

Germany and Austria

Sky in Germany and Austria also delivered a strong year's performance, achieving a 9% increase in revenues to £1,377 million (2014: £1,262 million) and an 81% improvement in operating profit to record a loss of £11 million (2014: -£57 million). We added 467,000 new customers, the highest customer growth since launch, including 55,000 new customers in Q4.

Total product growth in Germany and Austria for the year was 969,000, a 56% improvement on the prior year, with the addition of 127,000 products in Q4. Meanwhile, churn fell by 180 basis points on the prior year to 8.6% aided by the impact of 24-month contracts.

Italy

Sky in Italy delivered revenues of £2,086 million, down principally due to the absence this year of wholesale revenue from Champions League rights. This, combined with a disciplined approach to costs achieved a 56% improvement in operating profit to £61 million (2014: £39 million). We held our customer base stable at 4.7 million after three years of decline – a good result in a challenging market. Meanwhile, we added 387,000 paid-for products with a decline of 19,000 in Q4 after completing the one-off repackaging of customers onto HD products.

Churn fell to to 9.6% on a 12-month rolling basis as customers responded to the investments we have made in the viewing experience.

Content

2015 has been a strong year on screen as we hit a number of important milestones to advance our ambition to create a powerhouse for content in Europe. We grew our capability in original production, landing a series of homegrown dramas at scale, while also strengthening our offering across the portfolio with the agreement of a number of key rights deals.

Fortitude and *1992* became the first of our home-grown dramas to premiere simultaneously across all five territories in the spring. Building on that success, we launched our first original production out of Germany in March, crime drama *100 Code*, attracting a total of 1.8 million views over the series. Meanwhile, in the UK and Ireland, our own commission *Enfield Haunting*

delivered the highest-ever audience for a show on Sky Living and the third-highest audience for a Sky original drama series.

We have established good momentum in original production with a clear set of plans for 2016. In drama, we now have a mix of pan-European and local projects in the pipeline with 35 productions in development, on air or in production in the next three years. At least 10 of these will launch as priority projects across Europe.

Our own Sky original productions are designed to stand shoulder to shoulder with the best shows from around the world as we continue to act as the biggest partner for the major studios outside the US. In April, the fifth series of HBO hit *Game of Thrones* launched exclusively on Sky. It set a new record for a show on Sky in Germany and Austria with 5.4 million views across the series while the finale achieved a record audience of 3.1 million in the UK and Ireland.

Elsewhere in the portfolio, we've completed a series of important sports rights deals which put Sky in a strong position for the coming year.

In the UK and Ireland, Sky Sports has concluded a total of 35 deals in the last 18 months. We achieved success in the Premier League auction in February with the rights to 126 live games a season from 2016 to 2018, three times as many live matches as any other broadcaster. Additionally, we secured exclusive live coverage of The Open golf championship and strengthened our offering in boxing with the extension of our exclusive partnership with Matchroom Sport in May. This will see us offer up to 120 nights of live boxing over the next six years. Also in boxing, the Mayweather Pacquiao pay-per-view fight in May became the highest grossing pay-per-view fight ever for Sky in the UK and Ireland, and also in Germany and Austria.

In Italy, we strengthened our position in football by winning the live and exclusive rights to all 472 matches in Serie B football for the next three seasons. When added to the rights to all Serie A matches, of which one third are exclusive, and all Europa League matches, this confirms Sky as the number 1 choice for football fans in Italy.

Innovation

2015 has been a record-breaking year of innovation for Sky as we transformed the viewing experience for customers across our markets.

In the UK and Ireland, we firmly established Sky at the heart of the connected home, connecting more than one million set-top boxes to the internet to surpass 7 million households.

With almost 65% of Sky homes now connected, on demand usage grew steeply as customers embraced the greater choice and flexibility it offers. Total on demand downloads surpassed 1.5 billion in 2015, up 60% on the prior year.

Our investment in Sky Box Sets has proven particularly successful. In a little over two years, we've established clear market leadership and created an entirely new service to add more value for customers. Sky Box Sets has generated more than 600 million views since launch while viewing in 2015 was equivalent to our fourth most popular Sky channel.

We see opportunity ahead to expand our connected homes strategy to Germany and Austria and Italy. Though less advanced than the UK and Ireland, our strategy in Italy is progressing well. We had connected 1.7 million households at the end of June, just over one third of the customer base, driving a 136% increase in on demand downloads over the year. Meanwhile, we are only just getting going in Germany. We launched our connected box service in satellite homes in December and had connected around 250,000 boxes by the end of June.

As we establish our leadership in connected TV services, we are opening up attractive new revenue streams. In 2015, we increased revenues to Sky Store, our movie purchase and rental service, by 77% for the year, thanks to a growing contribution from Buy & Keep, launched just over a year ago. With all six major studios now on board, this continued to grow strongly, delivering more sales on Universal title *Fifty Shades of Grey*, for example, than any digital retailer has ever sold on one of their titles in the UK. Currently available only in the UK and Ireland, we see the potential to roll Sky Store out across the rest of our territories over time.

Away from our core TV platform, we continued to make good progress in developing our streaming services as an effective new way of distributing our content to customers. In the UK, NOW TV grew strongly, selling almost three times as many sports passes as last year thanks to increased awareness and the introduction of the new NOW TV week pass. We're continuing to build momentum with NOW TV into the summer with the launch of the new Sky Sports month pass and the introduction of a new faster box in August.

Building on the success of NOW TV, we launched a brand new Sky Online service in Germany in December with a streaming box based on the same technology in the NOW TV box. We followed this with the launch of a similar streaming box to support Sky Online in Italy in May. We also opened up new headroom for growth in Italy with a new IPTV service in April in partnership with Telecom Italia. This gives us access to the many Italian households who are unable to install a satellite dish.

Away from the main TV set, we extended our lead as Europe's biggest mobile TV provider as we continue to see increased customer appetite to watch content flexibly. Sky Go in the UK and Ireland surpassed 6 million registered households by year-end, while Sky Go Extra, our paid-for service, became Sky's fastest-ever growing product. In Italy, Sky Go reached 50% of all Sky homes with 2.4 million registered households and in Germany and Austria, Sky Go closed the year with 1.6 million registered households.

Service

In a fast-moving market with an ever-greater choice of products and providers, we believe our capability in service delivery gives us a competitive advantage.

Our main focus for 2015 has been on building out our digital capabilities in service, simplifying the customer experience whilst improving efficiency. In the UK and Ireland, where our strategy is most advanced, we succeeded in reducing the number of calls to our service centres by 11% as record numbers of customers interacted with us online, via our service app or through our

automated voice service. We ended the year with twice as many visits to our online help centre as calls to our service centres.

At the same time, we closed the year with customer satisfaction at a record high. This was reflected in the latest Ofcom survey which showed Sky leading the market on customer satisfaction with the fewest complaints across TV, broadband and home phone services.

In Italy, we reduced our calls per customer by 12% over the year as we moved more customer interactions online with downloads to our self service mobile app surpassing 1.5 million by year-end. Meanwhile, we almost doubled customer satisfaction scores on the prior year.

Synergies and integration

Eight months post completion of the acquisition of Sky Italia and Sky Deutschland, integration is proceeding well. We have achieved good collaboration across the group and have started working on a clear set of priority workstreams that will help to bring the businesses closer together and improve efficiency across the group.

In technology, we are making good progress towards establishing a roadmap for a single set-top box across the group and are also working to align the development roadmap for our OTT products. As part of this, we have established a virtual technology and product team to design and build common products and OTT infrastructure for use across all five territories.

In content, we have established a clear structure for commissioning, with a good mixture of local and international projects in the pipeline and agreement on which shows will be shared as priority projects across Europe in the next three years.

Meanwhile, we are building on the strength of the Sky brand in the UK and Ireland by rolling out our Sky 'spectrum' brand to Italy and Germany. In addition, we are implementing a common look and feel across all our channels by summer 2016.

We are on track to hit our target of £200 million run-rate synergies as we exit FY2017.

GROUP FINANCIAL PERFORMANCE

To provide a more representative analysis of ongoing performance of the Group, all commentary down to the operating profit level for the Group is on an adjusted basis as if we had owned Italy and Germany for the full year from 1 July. The financial results of Italy and Germany are translated into sterling at a constant currency rate of €1.31:£1.

Unless otherwise stated, adjusted figures below are from continuing operations and on a recurring basis excluding i) the impact of Sky Bet as this is presented as a discontinued operation; ii) set-top-box sales to Italy which are now an intra-Group transaction; and iii) ESPN carriage revenue in the UK and Ireland from FY14 comparatives, as we no longer retail the channel.

Numbers below the operating profit line for the Group consolidate Italy and Germany only for the actual period of ownership from 12 November and are on an adjusted basis.

Our statutory financial reporting consolidates Italy and Germany for the period from 12 November 2014 to 30 June 2015. During this period Italy contributed revenue of £1,297 million and operating profit of £25 million while Germany contributed revenue of £866 million and an operating loss of £21 million.

Revenue

We achieved excellent growth in group revenues which were up 5% to £11,283 million (2014: £10,776 million). Revenue in Germany was up 9% to £1,377 million (2014: £1,262 million) whilst revenue in the UK was up 6% to £7,820 million (2014: £7,368 million). Revenues in Italy remained resilient at £2,086 million (2014: £2,140 million) despite the tough economic backdrop.

We have delivered strong rates of growth across all of our main revenue streams with good consumer demand for our products and services, helping drive subscription revenue up 5% whilst transactional revenue was our fastest growing area with revenue up 22%. We also achieved good growth in both advertising (+4%) and wholesale (+5%) revenues highlighting the strength of our ability to monetise content.

Subscription revenue growth of 5% was underpinned by excellent customer growth across the Group of almost one million customers and strong product growth of 4.6 million, with the largest proportion of revenue growth continuing to be delivered through the UK where revenues were up over £300 million. Alongside this, our best year of customer growth in Germany drove a 10% increase in subscription revenues, whilst in Italy we held total customers and revenue flat.

Transactional revenues increased by 22% to £173 million (2014: £142 million) as we benefited from the success of our Buy and Keep service, which surpassed weekly revenue of £1 million in Q4, and NOW TV transactions, which totalled almost 1.5 million over the past twelve months.

Our content related revenues also performed well. Wholesale and syndication revenues were up 5% to £550 million (2014: £524 million) largely driven by continued growth in the UK where revenues were up 19% as success on screen led to more favourable terms for our channels with wholesale partners. Alongside this, revenues were strong through the distribution of our programming internationally and the first time consolidation of Znak&Jones and Love Productions. In Italy, underlying wholesale revenues were broadly flat year on year (excluding the benefit in the prior year from Champions League resale revenues), whilst revenues in Germany were slightly down following the successful migration of former Deutsche Telekom wholesale customers to a retail relationship in the prior year.

We delivered good growth in advertising revenues of 4% to £716 million (2014: £690 million) with Germany delivering excellent growth of 26% through higher sellout rates and increased inventory around Bundesliga. Advertising revenues in the UK grew strongly, up 5%, due to the benefit of incremental AdSmart revenues combined with Sky Media increasing their share of net advertising revenue by almost 170 basis points, whilst advertising revenue was down in Italy as we lapped the €27 million benefit of the FIFA World Cup revenues in Q4 last year.

Costs

Total Group costs grew by just 3%, well below the rate of revenue growth, to £9,883 million (2014: £9,591 million) as we maintained tight discipline over our operating cost base while continuing to invest where our customers see the greatest value.

Programming costs increased 5%, in line with revenue growth as we increased the depth and breadth of our offering. We launched the exclusive ITV Encore channel in the UK in June 2014 and expanded our channel line-up in Germany, as well as having a full-year impact of the new Sky Atlantic channel in Italy. We continue to invest in a diverse content portfolio, with an enhanced box set offering in the UK and increased investment on Sky originated content, with successes including *Fortitude* and *1992*. The strong growth in Sky Store revenues has driven an increase in our transactional programming costs.

Our network costs in the UK were up only 3%, well below the rate of home communications revenue growth.

Sales, General and Administration costs grew by just 1% as the higher up-front cost of strong subscriber growth in Germany was offset by efficiencies made across the UK and Italy as part of their respective operating efficiency programmes.

Profits and earnings

Operating profit grew strongly, up 18% to £1,400 million (2014: £1,185 million) as we combined excellent revenue growth with careful choices within our cost base whilst continuing to invest in programming. This has driven a 140 basis point expansion in our operating margin.

The share of joint ventures and associates' profits was £28 million (2014: £35 million) and net finance costs increased by £91 million to £200 million (2014: £109 million) due to the interest charge associated with an additional £5.4 billion of gross debt that we issued during the year.

The tax charge of £251 million (2014: £237 million) was at an effective tax rate of 21%.

Profit after tax for the year grew by 6% to £945 million (2014: £892 million) resulting in adjusted earnings per share of 56.0 pence (2014: 57.1 pence) after accounting for the higher number of shares following our issuance in July 2014. Over the year the weighted average number of shares excluding those held by the Employee Share Ownership Plan ('ESOP') for the settlement of employee share awards was 1,690 million (2014: 1,562 million). The closing number of shares excluding the ESOP shares at 30 June 2015 was 1,704 million (2014: 1,546 million).

Adjusting items

Statutory profit for the year includes a gain of over £1 billion relating to a £492 million gain on the disposal of available-for-sale investments; a £299 million gain on the disposal of our stake in the National Geographic Channel; and a profit of £600 million on the sale of a controlling stake in Sky Bet. This was partially offset by operating expenses of £396 million principally comprising the costs of a corporate efficiency and restructuring programme, the costs of a programme to replace aged customer equipment, advisory and transaction fees incurred on the purchase of

Sky Italia and Sky Deutschland, costs of integrating those businesses in the enlarged Group and the ongoing amortisation of acquired intangible assets.

Statutory profit after tax was £1,332 million (2014: £820 million).

Following the sale of a controlling stake in Sky Bet on 19 March 2015, the results of Sky Bet are now presented as a discontinued operation. The sale resulted in a profit on disposal of £600 million which is included within profit for the year from discontinued operations.

Group cash flow and financial position

Group free cash flow increased year on year by 20% to £1,060 million (2014: £885 million) while net debt increased to £5,056 million (2014: £1,212 million) as a result of the acquisition of Sky Deutschland and Sky Italia in November 2014. Gross debt as at 30 June 2015 was £7,534 million with cash of £2,478 million. For an analysis of movements in net debt see Appendix 2. The ratio of net debt to EBITDA at 30 June was approximately 2.5 times. Sky has an investment grade credit rating, being rated BBB by Standard & Poors and Baa2 by Moody's, both with stable outlook.

Distribution to shareholders

The Directors' proposed final dividend of 20.5 pence per share takes the total dividend payable in respect of the financial year to 32.8 pence per share, an increase of 3% on last year.

The proposed dividend continues the track record of shareholders benefiting from our strong financial performance and represents the eleventh consecutive year-on-year increase in the dividend.

The ex-dividend date will be 22 October 2015 and, subject to shareholder approval at the 2015 Annual General Meeting, the final dividend of 20.5 pence will be paid on 20 November 2015 to shareholders appearing on the register at the close of business on 23 October 2015.

CORPORATE

At the conclusion of this year's AGM in November, David DeVoe, Danny Rimer and Arthur Siskind will step down from the Board. Immediately following the AGM, it is intended that John Nallen, CFO of 21st Century Fox, will be appointed by the Board as a Non-Executive Director. As a result of these proposed changes, the number of Board members would reduce from 14 to 12 and at least half of the Board (excluding the Chairman) would continue to be comprised of Independent Non-Executive Directors in compliance with the UK Corporate Governance Code.

Purchase of minority interests in Sky Deutschland

As announced on 17 February 2015, Sky initiated the necessary steps for the transfer of the remaining approximately 4% minority shareholdings in Sky Deutschland. The requisite shareholder resolution was subsequently approved by 99.4% of shareholders at an Extraordinary General Meeting of Sky Deutschland on 22 July 2015 and we expect the formal transfer of the minority shareholdings to be effective in the second quarter of the 2015/16 financial year.

Schedule 1 – Group KPI Summary (unaudited)

All figures (000) unless stated	FY13/14				FY14/15			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
UK and Ireland	32,434	33,307	34,071	34,775	35,535	36,555	37,315	38,036
Germany and Austria	5,691	5,895	6,025	6,164	6,373	6,794	7,006	7,133
Italy	8,062	8,179	8,216	8,227	8,557	8,603	8,633	8,614
Total Products	46,187	47,381	48,312	49,166	50,465	51,952	52,954	53,783
UK and Ireland	11,224	11,330	11,420	11,495	11,546	11,750	11,877	12,001
Germany and Austria	3,529	3,667	3,731	3,813	3,908	4,123	4,225	4,280
Italy	4,757	4,760	4,751	4,725	4,704	4,734	4,746	4,725
Retail customers	19,510	19,757	19,902	20,033	20,158	20,607	20,848	21,006
UK and Ireland	3,617	3,624	3,602	4,041	4,035	4,080	4,077	4,028
Germany and Austria	280	268	258	213	155	155	154	146
Italy	-	-	-	-	-	-	-	-
Wholesale customers	3,897	3,892	3,860	4,254	4,190	4,235	4,231	4,174
Total Customers	23,407	23,649	23,762	24,287	24,348	24,842	25,079	25,180
Churn								
UK and Ireland	10.7%	10.9%	11.0%	10.9%	10.9%	10.5%	10.1%	9.8%
Germany and Austria	12.0%	11.4%	10.9%	10.4%	9.4%	8.3%	8.5%	8.6%
Italy	13.3%	13.1%	10.9%	10.3%	10.0%	10.0%	9.7%	9.6%
ARPU								
UK and Ireland	£46	£46	£46	£46	£46	£47	£47	£47
Germany and Austria	€ 36	€ 36	€ 36	€ 36	€ 36	€ 35	€ 35	€ 34
Italy	€ 43	€ 43	€ 43	€ 43	€ 43	€ 43	€ 43	€ 43

Page 3 and table above:

- Wholesale customers taking at least one paid-for Sky channel. The customer numbers are as reported to us at the end of June 2015.
- In the UK and Ireland, paid-for products includes TV, Sky+ HD, Multiscreen, Sky Go Extra, Broadband, Line Rental and Telephony.
- In Italy, paid-for products includes TV, Multivision and paying HD.
- In Germany and Austria, paid-for products includes TV, Second Smartcard, Premium HD and Mobile.
- ARPU is quarterly annualised, residential and presented as a monthly amount. For the UK and Ireland, it excludes revenues earned from retailing the ESPN channel and revenues earned from Sky Bet.
- Churn is 12 month rolling and includes residential customers only, unless otherwise stated.

The product KPI in Italy has changed to reflect the alignment of disclosure across the Group. Where customers have more than one Multivision subscription, we now only count this as one Multivision product. All previous quarters have been restated.

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There will be a conference call for analysts and investors at 8.30 a.m. (BST). Participants should register by contacting Holly Dymock on +44 20 7251 3801 or at Holly.Dymock@Finsbury.com. There will be a separate conference call for US analysts and investors at 10.00 a.m. (EDT). To register for this please contact Dana Diver at Taylor Rafferty on +1 212 889 4350. Alternatively you may register online at http://www.event-taylor-rafferty.com/_sky/2015Q3/Default.htm. A live webcast of both conference calls will be available via the Sky website at <http://www.sky.com/corporate>. Replays will subsequently be available.

Use of measures not defined under IFRS

This press release contains certain information on the Group's financial position, results and cash flows that have been derived from measures calculated in accordance with IFRS. This information should not be read in isolation from the related IFRS measures.

Forward looking statements

This document contains certain forward looking statements with respect to the Group's financial condition, results of operations and business, and our strategy, plans and objectives for the Group. These statements include, without limitation, those that express forecasts, expectations and projections, such as forecasts, expectations and projections in relation to new products and services, the potential for growth of free-to-air and pay television, fixed line telephony, broadband and bandwidth requirements, advertising growth, DTH and OTT customer growth, On Demand, NOW TV, Sky Go, Sky Go Extra, Sky+ HD, Sky Store, Sky Online, mobile, Multiscreen and other services penetration, revenue, administration costs and other costs, advertising growth, churn, profit, cash flow, products and our broadband network footprint, content, wholesale, marketing, synergies and integration, and capital expenditure.

Although the Company believes that the expectations reflected in such forward looking statements are reasonable, these statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or implied or forecast in the forward looking statements. Information on the significant risks and uncertainties are described in the "Principal risks and uncertainties" section of Sky's Annual Report for the full year ended 30 June 2014 (as updated in Sky's results for the six months ended 31 December 2014).

All forward looking statements in this document are based on information known to the Group on the date hereof. The Group undertakes no obligation publicly to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Glossary of Terms

A glossary of terms is included within the Annual Report at <https://corporate.sky.com/investors/annual-report-2014/glossary>. Copies of the Annual Report are available from the Sky plc web page at www.sky.com/corporate and in hard copy from the Company Secretary, Sky plc, Grant Way, Isleworth, Middlesex TW7 5QD.

Appendix 1 – Consolidated Financial Information

Consolidated Income Statement for the year ended 30 June 2015

	Notes	2015 £m	2014 £m
Continuing Operations			
Revenue	2	9,989	7,450
Operating expense	2	(9,017)	(6,346)
EBITDA		1,738	1,536
Depreciation and amortisation		(766)	(432)
Operating profit		972	1,104
Share of results of joint ventures and associates	12	28	35
Investment income	6	8	26
Finance costs	6	(283)	(140)
Profit on disposal of available-for-sale investments	4	492	-
Profit on disposal of associate	5	299	-
Profit before tax		1,516	1,025
Taxation	7	(184)	(205)
Profit for the year from continuing operations		1,332	820
Discontinued Operations			
Profit for the year from discontinued operations	3	620	45
Profit for the year		1,952	865
Profit (loss) for the year attributable to:			
Equity shareholders of the parent company		1,957	865
Non-controlling interests		(5)	-
		1,952	865
Adjusted earnings per share from adjusted profit for the year (in pence)			
Basic	8	56.0p	57.1p
Diluted	8	55.3p	56.6p
Earnings per share from profit for the year (in pence)			
Basic			
Continuing operations	8	79.1p	52.5p
Discontinued operations	8	36.7p	2.9p
Total	8	115.8p	55.4p
Diluted			
Continuing operations	8	78.2p	52.0p
Discontinued operations	8	36.2p	2.9p
Total	8	114.4p	54.9p

Consolidated Statement of Comprehensive Income for the year ended 30 June 2015

	2015	2014
	£m	£m
Profit for the year	1,952	865
Other comprehensive income		
Amounts recognised directly in equity that may subsequently be recycled to the income statement		
Gain on revaluation of available-for-sale investments	36	104
Gain (loss) on cash flow hedges	276	(176)
Tax on cash flow hedges	(57)	39
Exchange differences on translation of foreign operations net of net investment hedges	(213)	-
	42	(33)
Amounts reclassified and reported in the income statement		
(Loss) gain on cash flow hedges	(174)	137
Tax on cash flow hedges	37	(31)
Transfer to income statement on disposal of available-for-sale investment (see note 4)	(492)	-
Transfer to income statement on disposal of associate	(38)	-
	(667)	106
Other comprehensive (loss) income for the year (net of tax)	(625)	73
Total comprehensive income for the year	1,327	938
Total comprehensive income for the year attributable to:		
Equity shareholders of the parent company	1,345	938
Non-controlling interests	(18)	-
	1,327	938

Consolidated Balance Sheet as at 30 June 2015

	Notes	2015 £m	2014 £m
Non-current assets			
Goodwill		4,160	1,019
Intangible assets	10	4,084	810
Property, plant and equipment	11	1,646	1,088
Investments in joint ventures and associates	12	133	173
Available-for-sale investments	13	31	533
Deferred tax assets	14	175	31
Programme distribution rights	15	31	20
Trade and other receivables	16	86	7
Derivative financial assets		453	195
		10,799	3,876
Current assets			
Inventories	15	847	546
Trade and other receivables	16	1,096	635
Current tax assets		8	-
Short-term deposits		1,100	295
Cash and cash equivalents		1,378	1,082
Derivative financial assets		130	15
		4,559	2,573
Total assets		15,358	6,449
Current liabilities			
Borrowings	19	494	11
Trade and other payables	17	3,430	2,286
Current tax liabilities		154	128
Provisions	18	103	48
Derivative financial liabilities		23	46
		4,204	2,519
Non-current liabilities			
Borrowings	19	7,418	2,658
Trade and other payables	17	94	56
Provisions	18	77	14
Derivative financial liabilities		60	129
Deferred tax liabilities	14	281	1
		7,930	2,858
Total liabilities		12,134	5,377
Share capital	21	860	781
Share premium		2,704	1,437
Reserves		(399)	(1,146)
Total equity attributable to equity shareholders of the parent company		3,165	1,072
Total equity attributable to non-controlling interests		59	-
Total liabilities and equity		15,358	6,449

Consolidated Cash Flow Statement for the year ended 30 June 2015

	Notes	2015 £m	2014 £m
Continuing Operations			
Cash flows from operating activities			
Cash generated from operations	22	2,080	1,696
Interest received and dividends from available-for-sale investments		9	27
Taxation paid		(219)	(229)
Net cash from operating activities		1,870	1,494
Cash flows from investing activities			
Dividends received from joint ventures and associates		25	32
Net funding to joint ventures and associates		(10)	(6)
Proceeds on disposal of available-for-sale investment		546	-
Purchase of property, plant and equipment		(385)	(238)
Purchase of intangible assets		(357)	(302)
Purchase of subsidiaries (net of cash and cash equivalents purchased)		(6,340)	(20)
Purchase of available-for-sale investments		(88)	(7)
(Increase) decrease in short-term deposits		(805)	300
Net cash used in investing activities		(7,414)	(241)
Cash flows from financing activities			
Net proceeds from borrowings		5,364	-
Repayment of borrowings		(272)	-
Repayment of obligations under finance leases		(10)	(4)
Proceeds from disposal of shares in Employee Share Ownership Plan ("ESOP")		10	11
Purchase of own shares for ESOP		(12)	(164)
Purchase of own shares for cancellation		-	(266)
Issue of own shares		1,346	-
Interest paid		(246)	(137)
Purchase of non-controlling interests		(328)	-
Dividends paid to shareholders of the parent		(549)	(485)
Net cash from (used in) financing activities		5,303	(1,045)
Effect of foreign exchange rate movements		(67)	-
Net (decrease) increase in cash and cash equivalents from continuing operations		(308)	208
Net increase in cash and cash equivalents from discontinued operations		604	59
Cash and cash equivalents at the beginning of the year		1,082	815
Cash and cash equivalents at the end of the year		1,378	1,082

Consolidated Statement of Changes in Equity for the year ended 30 June 2015

	Attributable to equity shareholders of the parent company									
	Share capital	Share premium	ESOP reserve	Hedging reserve	Available-for-sale reserve	Other reserves	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 July 2013	797	1,437	(147)	11	351	439	(1,876)	1,012	-	1,012
Profit for the year	-	-	-	-	-	-	865	865	-	865
Revaluation of available-for-sale investments	-	-	-	-	104	-	-	104	-	104
Recognition and transfer of cash flow hedges	-	-	-	(39)	-	-	-	(39)	-	(39)
Tax on items taken directly to equity	-	-	-	8	-	-	-	8	-	8
Total comprehensive income for the year	-	-	-	(31)	104	-	865	938	-	938
Share-based payment	-	-	2	-	-	-	(95)	(93)	-	(93)
Tax on items taken directly to equity	-	-	-	-	-	-	9	9	-	9
Share buy-back programme:										
- Purchase of own shares for cancellation	(16)	-	-	-	-	16	(250)	(250)	-	(250)
- Financial liability for close period purchases	-	-	-	-	-	-	(59)	(59)	-	(59)
Dividends	-	-	-	-	-	-	(485)	(485)	-	(485)
At 30 June 2014	781	1,437	(145)	(20)	455	455	(1,891)	1,072	-	1,072
Profit for the year	-	-	-	-	-	-	1,957	1,957	(5)	1,952
Exchange differences on translation of foreign operations net of net investment hedges	-	-	-	-	-	(200)	-	(200)	(13)	(213)
Revaluation of available-for-sale investments	-	-	-	-	36	-	-	36	-	36
Transfer to income statement on disposal of associate	-	-	-	-	-	(38)	-	(38)	-	(38)
Transfer to income statement on disposal of available-for-sale investment (see note 4)	-	-	-	-	(492)	-	-	(492)	-	(492)
Transfer on disposal of subsidiaries	-	-	-	-	-	(97)	97	-	-	-
Recognition and transfer of cash flow hedges	-	-	-	102	-	-	-	102	-	102
Tax on items taken directly to equity	-	-	-	(20)	-	-	-	(20)	-	(20)
Total comprehensive income for the year	-	-	-	82	(456)	(335)	2,054	1,345	(18)	1,327
Share-based payment	-	-	20	-	-	-	69	89	-	89
Issue of own equity shares	79	1,267	-	-	-	-	-	1,346	-	1,346
Non-controlling interests arising on purchase of subsidiaries	-	-	-	-	-	-	-	-	191	191
Tax on items taken directly to equity	-	-	-	-	-	-	17	17	-	17
Share buy-back programme:										
- Reversal of financial liability for close period purchases	-	-	-	-	-	-	59	59	-	59
Dividends	-	-	-	-	-	-	(549)	(549)	-	(549)
Purchase of non-controlling interests	-	-	-	-	-	-	(214)	(214)	(114)	(328)
At 30 June 2015	860	2,704	(125)	62	(1)	120	(455)	3,165	59	3,224

Notes to the consolidated financial statements

1 Basis of Preparation

The financial information set out in this preliminary announcement does not constitute statutory financial statements for the years ended 30 June 2015 or 2014, for the purpose of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2015, on which the Group's auditors have given an unqualified report which does not contain statements under s. 498(2) or (3) of the Companies Act 2006, will be filed with the Registrar of Companies by 31 December 2015. Statutory financial statements for 2014 have been filed with the Registrar of Companies. The Group's auditors have reported on those accounts; their reports were unqualified and did not contain statements under s. 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this press release has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and as issued by the International Accounting Standards Board, this announcement does not itself contain sufficient information to comply with IFRS. The consolidated financial statements have been prepared using accounting policies and methods of computation consistent with those applied in the financial statements for the year ended 30 June 2014, except for new accounting pronouncements which have become effective this year, none of which had a material impact on the Group's results or financial position, and except for material changes to the Group resulting from the acquisition of Sky Italia and Sky Deutschland in the year, being:

- Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the acquisition and the non-controlling shareholders' share of changes in equity since the date of the acquisition. The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis. In transactions with non-controlling parties that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity.
- Set-top boxes owned and leased to customers are accounted for within property, plant and equipment, and are depreciated over their useful economic lives of 5-7 years.
- Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity. Gains and losses on those instruments designated as hedges of the net investments in foreign operations are recognised in equity to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the statement of comprehensive income. Gains and losses relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign operation is disposed of.
- Liabilities in relation to employee obligations which are economically similar to defined benefit pension schemes are accounted for as such under IAS 19.

The Group maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal 2015, this date was 28 June 2015, this being a 52 week year (fiscal year 2014: 29 June 2014, 52 week year). For convenience purposes, the Group continues to date its consolidated financial statements as at 30 June and to refer to the accounting period as a "year" for reporting purposes.

2 Operating Segments

On 12 November 2014, the Group purchased operations in Italy, Germany and Austria and as a result has reassessed the number of reportable operating segments.

The Group now has three reportable segments that are defined by geographic area to reflect how the Group's operations are monitored and managed. The reportable segments presented reflect the Group's management and reporting structure as viewed by the Board of Directors, which is considered to be the Group's chief operating decision maker.

Reportable segment	Description
UK & Ireland	The activities and operations of the pay TV, home communications and adjacent businesses in the UK and Ireland
Italy	The activities and operations of the pay TV and adjacent businesses in Italy
Germany & Austria	The activities and operations of the pay TV and adjacent businesses in Germany and Austria

Segmental income statement for the year ended 30 June 2015

	Results for full year					Statutory Group Total £m
	UK & Ireland £m	Italy £m	Germany & Austria £m	Adjusting Items & Eliminations £m	Italy and Germany & Austria pre-acquisition £m	
Continuing Operations						
Subscription	6,596	1,845	1,256	-	(1,179)	8,518
Transactional	120	35	18	-	(20)	153
Wholesale and syndication	515	16	20	(1)	(9)	541
Advertising	510	162	44	-	(67)	649
Other	95	28	39	(9)	(25)	128
Revenue	7,836	2,086	1,377	(10)	(1,300)	9,989
Inter-segment revenue	(16)	-	-	10	6	-
Revenue from external customers	7,820	2,086	1,377	-	(1,294)	9,989
Programming	(2,865)	(1,258)	(764)	(9)	724	(4,172)
Direct network costs	(840)	-	-	-	-	(840)
Sales, general and administration	(2,781)	(767)	(624)	(377)	544	(4,005)
Operating expense	(6,486)	(2,025)	(1,388)	(386)	1,268	(9,017)
EBITDA	1,740	216	74	(163)	(129)	1,738
Depreciation and amortisation	(390)	(155)	(85)	(233)	97	(766)
Operating profit (loss)	1,350	61	(11)	(396)	(32)	972
Share of results of joint ventures and associates						28
Investment income						8
Finance costs						(283)
Profit on disposal of available-for-sale investments						492
Profit on disposal of associate						299
Profit before tax						1,516

Segmental income statement for the year ended 30 June 2014

	Results for full year				Italy and Germany & Austria full year £m	Statutory Group Total £m
	UK & Ireland £m	Italy £m	Germany & Austria £m	Adjusting Items £m		
Continuing Operations						
Subscription	6,278	1,850	1,144	-	(2,994)	6,278
Transactional	86	37	19	-	(56)	86
Wholesale and syndication	433	65	26	15	(91)	448
Advertising	487	168	35	-	(203)	487
Other	151	20	38	-	(58)	151
Revenue	7,435	2,140	1,262	15	(3,402)	7,450
Inter-segment revenue	(61)	-	-	-	61	-
Revenue from external customers	7,374	2,140	1,262	15	(3,341)	7,450
Programming	(2,656)	(1,271)	(735)	(1)	2,006	(2,657)
Direct network costs	(816)	-	-	(29)	-	(845)
Sales, general and administration	(2,760)	(830)	(584)	(84)	1,414	(2,844)
Operating expense	(6,232)	(2,101)	(1,319)	(114)	3,420	(6,346)
EBITDA	1,606	224	18	(70)	(242)	1,536
Depreciation and amortisation	(403)	(185)	(75)	(29)	260	(432)
Operating profit (loss)	1,203	39	(57)	(99)	18	1,104
Share of results of joint ventures and associates						35
Investment income						26
Finance costs						(140)
Profit before tax						1,025

Results for each segment are presented on an adjusted basis. A reconciliation of statutory to adjusted results is shown in the Non GAAP measures section which also includes a description of the adjusting items. Transactions between segments are based on estimated market prices.

To provide a more relevant presentation, management has chosen to reanalyse the revenue and operating expense categories from those previously reported. The revenue categories have been changed to reflect the increasing breadth of the business and a number of operating expense sub-categories have been combined within a single Sales, general and administration operating expense line as previously announced.

3 Discontinued operations

On 19 March 2015, the Group completed the sale of a controlling stake in its online betting and gaming business, Sky Betting & Gaming ("Sky Bet"), to funds advised by CVC Capital Partners and members of the Sky Bet management team. Sky has retained an equity stake of 20% post completion in Sky Bet.

Sky Bet represented a separate major line of business for the Group. As a result its operations have been treated as discontinued for the year ended 30 June 2015 and the year ended 30 June 2014. A single amount is shown on the face of the consolidated income statement comprising the post-tax result of discontinued operations and the post-tax profit recognised on the disposal of the discontinued operation. A pre-tax profit of £600 million arose on the disposal of Sky Bet, being the net proceeds of disposal less the carrying amount of Sky Bet's net liabilities and attributable goodwill.

The results of discontinued operations, which have been included in the consolidated income statement, were as follows:

	2015⁽ⁱ⁾	2014
	To 19 March	Full Year
	£m	£m
Revenue	158	182
Operating expense	(128)	(125)
Operating profit	30	57
Profit on disposal	600	-
Profit before tax	630	57
Attributable tax expense ⁽ⁱⁱ⁾	(10)	(12)
Profit for the year from discontinued operations	620	45

(i) Results for the year ended 30 June 2015 include the results of discontinued operations up to the date of disposal (19 March 2015).

(ii) Attributable tax expense comprises £9 million (2014: £12 million) in respect of operating activities and £1 million (2014: nil) arising as a result of the disposal.

During the year, cash flows attributable to Sky Bet comprised of a net cash inflow in respect of operating activities of £44 million (2014: inflow of £62 million) and a net cash inflow in respect of investing activities of £560 million (2014: outflow of £3 million).

4 Profit on disposal of available-for-sale investments

On 17 July 2014, the Group sold a shareholding of 6.4% in ITV plc, consisting of 259,820,065 ITV shares for an aggregate consideration of £481 million. A profit of £429 million was realised on disposal, being the excess of the consideration above the previously written-down value of the shares for accounting purposes (£52 million).

On 5 November 2014, the Group sold a further shareholding of 0.8% in ITV plc, consisting of 31,864,665 ITV shares for an aggregate consideration of £65 million. A profit of £58 million was realised on disposal, being the excess of the consideration above the previously written-down value of the shares for accounting purposes (£7 million).

The Group recognised a gain of £5 million as a result of measuring to fair value its equity interest in Sky Deutschland held prior to the acquisition. For further details see note 23.

5 Profit on disposal of associate

On 12 November 2014, the Group transferred a shareholding of 21% in NGC Network International LLC and a shareholding of 21% in NGC Network Latin America LLC to Twenty-First Century Fox, Inc. for an aggregate consideration of £410 million as part of the purchase of Sky Italia. A profit of £299 million was realised on disposal.

6 Investment income and finance costs

	2015	2014
	£m	£m
Investment income		
Interest on cash, cash equivalents and short-term deposits	8	4
Dividends received from available-for-sale investments	-	22
	8	26
Finance costs		
Interest payable and similar charges		
Facility related costs	(44)	(2)
Guaranteed Notes	(214)	(126)
Finance lease interest	(7)	(7)
	(265)	(135)
Other finance income (expense)		
Remeasurement of borrowings and borrowings-related derivative financial instruments (not qualifying for hedge accounting)	(16)	(2)
Remeasurement of other derivative financial instruments (not qualifying for hedge accounting)	(3)	(4)
Gain (loss) arising on derivatives in a designated fair value hedge accounting relationship	7	(31)
(Loss) gain arising on adjustment for hedged item in a designated fair value hedge accounting relationship	(6)	32
	(18)	(5)
	(283)	(140)

7 Taxation

Taxation recognised in the income statement

	2015	2014
	£m	£m
Current tax expense		
Current year - UK	229	218
Adjustment in respect of prior years - UK	(39)	(31)
Current year - Overseas	62	2
Total current tax charge	252	189
Deferred tax expense		
Origination and reversal of temporary differences - UK	(21)	5
Adjustment in respect of prior years - UK	21	11
Origination and reversal of temporary differences - Overseas	(67)	-
Adjustment in respect of prior years - Overseas	(1)	-
Total deferred tax (credit) charge	(68)	16
Taxation	184	205

8 Earnings per share

The weighted average number of shares for the year was:

	2015	2014
	Millions of shares	Millions of shares
Ordinary shares	1,706	1,581
ESOP trust ordinary shares	(16)	(19)
Basic shares	1,690	1,562
Dilutive ordinary shares from share options	21	14
Diluted shares	1,711	1,576

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to equity shareholders of the parent company into the weighted average number of shares for the year. In order to provide a measure of underlying performance, management have chosen to present an adjusted profit for the year which excludes items that may distort comparability. Such items arise from events or transactions that fall within the ordinary activities of the Group but which management believes should be separately identified to help explain underlying performance.

	2015	2014
	£m	£m
Profit from continuing operations	1,332	820
Loss attributable to non-controlling interests	5	-
Profit from continuing operations attributable to equity shareholders of the parent company	1,337	820
Profit from discontinued operations	620	45
Profit attributable to equity shareholders of the parent company	1,957	865

	2015	2014
	£m	£m

Reconciliation from profit from continuing operations attributable to equity shareholders of the parent company to adjusted profit for the year attributable to equity shareholders of the parent company

Profit for the year from continuing operations attributable to equity shareholders of the parent company	1,337	820
Advisory and transaction fees and finance costs incurred on the purchase of Sky Italia and Sky Deutschland	107	-
Costs relating to corporate restructuring and efficiency programmes	105	40
Costs relating to the integration of Sky Italia and Sky Deutschland in the enlarged Group	10	-
Costs relating to the integration of the O2 consumer broadband and fixed-line telephony business	-	49
Net credit received following termination of an escrow agreement with a current wholesale operator	-	(13)
Amortisation of acquired intangible assets	228	23
Profit on disposal of available-for-sale investments	(492)	-
Profit on disposal of associate	(299)	-
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness	18	5
Tax adjusting items and the tax effect of above items	(67)	(32)
Adjusted profit for the year attributable to equity shareholders of the parent company	947	892

9 Dividends

	2015	2014
	£m	£m
Dividends declared and paid during the year		
2013 Final dividend paid: 19.00p per ordinary share	-	298
2014 Interim dividend paid: 12.00p per ordinary share	-	187
2014 Final dividend paid: 20.00p per ordinary share	340	-
2015 Interim dividend paid: 12.30p per ordinary share	209	-
	549	485

The 2015 final dividend proposed is 20.5 pence per ordinary share being £349 million. The dividend was not declared at the balance sheet date and is therefore not recognised as a liability as at 30 June 2015.

10 Intangible assets

	Trademarks £m	Internally generated intangible assets £m	Software development (external) and software licences £m	Customer contracts and related customer relationships £m	Other intangible assets £m	Internally generated intangible assets not yet available for use £m	Acquired intangible assets not yet available for use £m	Total £m
Cost								
At 1 July 2014	18	498	558	203	338	71	86	1,772
Additions from business combinations	457	-	105	3,070	28	-	21	3,681
Additions	5	76	75	-	60	111	35	362
Disposals	(4)	(18)	(145)	-	(1)	-	-	(168)
Transfers	-	60	22	-	2	(60)	(24)	-
Foreign exchange movements	-	-	(12)	(294)	(1)	-	(2)	(309)
At 30 June 2015	476	616	603	2,979	426	122	116	5,338
Amortisation								
At 1 July 2014	7	239	397	48	271	-	-	962
Amortisation	1	84	88	231	60	-	-	464
Disposals	(4)	(18)	(145)	-	(1)	-	-	(168)
Impairments	-	4	1	-	-	-	-	5
Foreign exchange movements	-	-	(1)	(8)	-	-	-	(9)
At 30 June 2015	4	309	340	271	330	-	-	1,254
Carrying amounts								
At 1 July 2014	11	259	161	155	67	71	86	810
At 30 June 2015	472	307	263	2,708	96	122	116	4,084

11 Property, plant and equipment

	Freehold land and buildings £m	Leasehold improvements £m	Equipment, furniture and fixtures £m	Owned set- top boxes £m	Assets not yet available for use £m	Total £m
Cost						
At 1 July 2014	369	57	1,478	-	107	2,011
Additions from business combinations	-	38	73	355	64	530
Additions	3	3	105	16	261	388
Disposals	(5)	-	(78)	(8)	(1)	(92)
Transfers	24	-	39	45	(108)	-
Foreign exchange movements	-	(3)	(8)	(36)	(6)	(53)
At 30 June 2015	391	95	1,609	372	317	2,784
Depreciation						
At 1 July 2014	54	40	829	-	-	923
Depreciation	10	10	194	84	-	298
Impairments	2	-	4	-	-	6
Disposals	(5)	-	(78)	(3)	-	(86)
Foreign exchange movements	-	-	(1)	(2)	-	(3)
At 30 June 2015	61	50	948	79	-	1,138
Carrying amounts						
At 1 July 2014	315	17	649	-	107	1,088
At 30 June 2015	330	45	661	293	317	1,646

12 Investments in joint ventures and associates

The movement in joint ventures and associates during the year was as follows:

	2015 £m	2014 £m
Share of net assets		
At 1 July	173	164
Movement in net assets		
- Funding net of repayments	10	6
- Dividends received	(25)	(32)
- Share of profits	28	35
- Acquisition of associate	86	-
- Disposal of associate	(149)	-
- Exchange differences on translation of foreign joint ventures and associates	10	-
At 30 June	133	173

13 Available-for-sale investments

	2015	2014
	£m	£m
Listed investments	3	518
Unlisted investments	28	15
	31	533

Unlisted investments consist of minority equity stakes in a number of technology and start-up companies. On 17 July 2014, the Group sold a shareholding of 6.4% in ITV consisting of 259,820,065 ITV shares for an aggregate consideration of £481 million. On 5 November 2014, the Group sold a further shareholding of 0.8% in ITV plc, consisting of 31,864,665 ITV shares for an aggregate consideration of £65 million. For further details refer to note 4.

14 Deferred tax

Recognised deferred tax assets (liabilities)

	Accelerated tax depreciation £m	Intangibles on business combinations £m	Tax losses £m	Short-term temporary differences £m	Share-based payments temporary differences £m	Financial instruments temporary differences £m	Total £m
At 1 July 2014	3	1	-	4	28	(6)	30
(Charge) credit to income	(28)	61	21	(3)	16	(2)	65
Credit (charge) to equity	-	-	-	-	15	(20)	(5)
Acquisition of subsidiaries	-	(895)	589	90	-	(1)	(217)
Effect of change in tax rate							
- Income	3	-	-	-	-	-	3
Foreign exchange movements	2	81	(57)	(8)	-	-	18
At 30 June 2015	(20)	(752)	553	83	59	(29)	(106)

15 Inventories

	2015	2014
	£m	£m
Television programme rights	811	488
Set-top boxes and related equipment	26	50
Other inventories	10	8
Current inventory	847	546
Non-current programme distribution rights	31	20
Total inventory	878	566

16 Trade and other receivables

	2015	2014
	£m	£m
Net trade receivables	267	140
Amounts receivable from joint ventures and associates	19	7
Amounts receivable from other related parties	26	5
Prepayments	499	279
Accrued income	216	179
VAT	3	2
Other	66	23
Current trade and other receivables	1,096	635
Prepayments	6	4
Amounts receivable from joint ventures and associates	70	-
Other receivables	10	3
Non-current trade and other receivables	86	7
Total trade and other receivables	1,182	642

17 Trade and other payables

	2015	2014
	£m	£m
Trade payables	1,361	802
Amounts owed to joint ventures and associates	16	11
Amounts owed to other related parties	175	124
VAT	155	169
Accruals	1,160	747
Deferred income	401	318
Other	162	115
Current trade and other payables	3,430	2,286
Trade payables	31	23
Amounts owed to other related parties	5	10
Deferred income	6	5
Other	52	18
Non-current trade and other payables	94	56
Total trade and other payables	3,524	2,342

18 Provisions

	At 1 July 2014 £m	Acquisition of subsidiaries £m	Disposal of subsidiaries £m	Reclassified during the year £m	Provided during the year £m	Utilised during the year £m	Foreign exchange movement £m	At 30 June 2015 £m
Current liabilities								
Restructuring provision	22	10	-	-	9	(19)	(1)	21
Customer-related provisions	2	-	-	-	31	-	-	33
Other provisions	24	3	-	-	34	(12)	-	49
	48	13	-	-	74	(31)	(1)	103
Non-current liabilities								
Other provisions	14	20	(6)	6	25	(6)	(2)	51
Employee benefit obligations	-	30	-	-	-	(1)	(3)	26
	14	50	(6)	6	25	(7)	(5)	77

19 Borrowings

	2015 £m	2014 £m
Current borrowings		
Loan Notes	4	-
Guaranteed Notes	468	-
Obligations under finance leases	22	11
	494	11
Non-current borrowings		
Loan Notes	2	1
Guaranteed Notes	7,340	2,592
Obligations under finance leases	76	65
	7,418	2,658

20 Financial instruments

The following table categorises the Group's financial instruments which are held at fair value into one of three levels to reflect the degree to which observable inputs are used in determining their fair values:

	Level 1		Level 2		Level 3	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	£m	£m	£m	£m	£m	£m
Financial assets						
<i>Available-for-sale financial assets</i>						
ITV investment	-	514	-	-	-	-
Other investments	3	4	-	-	28	15
<i>Financial assets at fair value through profit or loss</i>						
Interest rate swaps	-	-	62	82	-	-
Cross-currency swaps	-	-	356	94	-	-
Forward foreign exchange contracts	-	-	165	34	-	-
Total	3	518	583	210	28	15
Financial liabilities						
<i>Financial liabilities at fair value through profit or loss</i>						
Cross-currency swaps	-	-	(40)	(95)	-	-
Forward foreign exchange contracts	-	-	(43)	(80)	-	-
Total	-	-	(83)	(175)	-	-

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. Certain of the Group's available-for-sale financial assets are held at fair value and are categorised as Level 3 in the fair value hierarchy.

21 Share capital

	2015	2014
	£m	£m
Allotted, called-up and fully paid shares of 50p		
1,719,017,230 (2014: 1,562,885,017)	860	781

22 Notes to the Consolidated Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2015	2014
	£m	£m
Continuing Operations		
Profit before tax	1,516	1,025
Depreciation, impairment and losses (profits) on disposal of property, plant and equipment	297	204
Amortisation, impairment and losses (profits) on disposal of intangible assets	469	228
Share-based payment expense	91	60
Net finance costs	275	114
Profit on disposal of available-for-sale investment	(492)	-
Profit on disposal of associate	(299)	-
Share of results of joint ventures and associates	(28)	(35)
	1,829	1,596
Decrease (increase) in trade and other receivables	1	(28)
Decrease in inventories	568	-
(Decrease) increase in trade and other payables	(367)	172
Increase (decrease) in provisions	65	(48)
(Decrease) increase in derivative financial instruments	(16)	4
Cash generated from operations	2,080	1,696

23 Acquisition of subsidiaries

a) Sky Deutschland

On 12 November 2014, the Group acquired 89.05% of the issued share capital of Sky Deutschland AG, obtaining control of Sky Deutschland, with 87.45% acquired through the offer process and the balance acquired subsequent to the close of the offer acceptance period on 3 November 2014. Sky Deutschland operates a pay TV business in Germany and Austria. Sky Deutschland was acquired to take advantage of growth opportunities, benefits of scale and synergy potential.

	Recognised fair values £m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Intangible assets	1,874
Property, plant and equipment	170
Deferred tax assets	609
Derivative financial assets	13
Inventories	344
Trade and other receivables	73
Cash and cash equivalents	111
Trade and other payables	(627)
Deferred tax liabilities	(494)
Derivative financial liabilities	(5)
Provisions	(13)
Borrowings	(312)
	1,743
Non-controlling interest	(191)
Goodwill	2,848
	4,400
Satisfied by:	
Cash	4,323
Fair value of previously held equity interest	77
	4,400
Net cash outflow arising on purchase	
Cash consideration	4,323
Less: cash and cash equivalents acquired	(111)
Net cash outflow arising on purchase	4,212

The fair value of the financial assets acquired includes trade receivables with a fair value of £45 million and a gross contractual value of £108 million. The best estimate at acquisition date of the contractual cash flows not likely to be collected was £63 million.

Goodwill of £2,848 million arising from the acquisition reflects growth opportunities and buyer specific synergies. None of the goodwill recognised is expected to be deductible for income tax purposes.

The value of the non-controlling interest in Sky Deutschland was estimated by calculating the non-controlling interest's share of net identifiable assets at the acquisition date. At 30 June 2015, the Group held 96.13% of the issued share capital of Sky Deutschland AG.

From the close of the offer acceptance period on 3 November 2014, and prior to obtaining control of Sky Deutschland, the Group acquired a 1.6% equity investment with a carrying value of £72 million. The Group recognised a gain of £5 million within profit on disposal of available-for-sale investments as a result of measuring this investment to fair value as at the date of the acquisition.

Deferred tax assets and liabilities which are shown separately above have been offset where appropriate on the balance sheet.

Acquisition-related costs for the purchase of both Sky Deutschland and Sky Italia (see below) comprised advisory and transaction fees including, inter alia, financial advisory costs, corporate legal advice, due diligence reporting, assurance services and tax advice of £50 million within operating expense, and finance costs of £57 million incurred in connection with £6.6 billion of firm underwritten debt facilities and other associated transaction costs.

For the period between the date of purchase and 30 June 2015, the acquisition contributed £866 million to the Group's revenue, and a £22 million loss to the Group's operating profit. If the Group had completed the purchase on the first day of the financial year, it is estimated that the acquisition would have contributed £1,377 million to Group revenue and a £11 million loss to the Group's operating profit for the year.

b) Sky Italia

On 12 November 2014, the Group acquired 100% of the issued share capital of Sky Italia Srl, obtaining control of Sky Italia. Sky Italia operates a pay TV business in Italy. Sky Italia was acquired to take advantage of growth opportunities, benefits of scale and synergy potential.

	Recognised fair values £m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Intangible assets	1,780
Property, plant and equipment	360
Deferred tax assets	71
Derivative financial assets	1
Inventories	600
Trade and other receivables	431
Current tax assets	13
Cash and cash equivalents	5
Trade and other payables	(1,092)
Deferred tax liabilities	(403)
Current tax liabilities	(2)
Provisions	(50)
	1,714
Goodwill	752
	2,466
Satisfied by:	
Cash	2,056
Disposal of investment in associate	410
Total consideration transferred	2,466
Net cash outflow arising on purchase	
Cash consideration	2,056
Less: cash and cash equivalents acquired	(5)
Net cash outflow arising on purchase	2,051

The fair value of the financial assets acquired includes trade receivables with a fair value of £305 million and a gross contractual value of £394 million. The best estimate at acquisition date of the contractual cash flows not likely to be collected was £89 million.

Goodwill of £752 million arising from the acquisition reflects growth opportunities and buyer specific synergies. None of the goodwill recognised is expected to be deductible for income tax purposes.

Deferred tax assets and liabilities which are shown separately above have been offset where appropriate on the balance sheet.

For the period between the date of purchase and 30 June 2015, the acquisition contributed £1,297 million to the Group's revenue, and £25 million to the Group's operating profit. If the Group had completed the purchase on the first day of the financial year, it is estimated that the acquisition would have contributed £2,086 million to Group revenue and £61 million to the Group's operating profit for the year.

24 Events after the reporting period

As announced on 17 February 2015, Sky initiated the necessary steps for the transfer of the remaining approximately 4% minority shareholdings in Sky Deutschland. The requisite shareholder resolution was subsequently approved by 99.4% of the votes cast at an Extraordinary General Meeting of Sky Deutschland on 22 July 2015 and we expect the formal transfer of the minority shareholdings to be effective in the second quarter of the 2015/16 financial year.

Appendix 2 – Non-GAAP measures

Reconciliation of cash generated from operations to adjusted free cash flow for the year ended 30 June 2015

	Note	2015 £m	2014 £m
Cash generated from operations	22	2,080	1,696
Interest received and dividends from available-for-sale investments		9	27
Taxation paid		(219)	(229)
Dividends received from joint ventures and associates		25	32
Net funding to joint ventures and associates		(10)	(6)
Purchase of property, plant and equipment		(385)	(238)
Purchase of intangible assets		(357)	(302)
Interest paid		(246)	(137)
Free cash flow		897	843
Cash paid relating to advisory and transaction fees and finance costs incurred on the purchase of Sky Italia and Sky Deutschland		110	-
Cash paid relating to corporate restructuring and efficiency programmes		34	12
Cash paid relating to the integration of Sky Italia and Sky Deutschland in the enlarged Group		8	-
Cash paid under provisions recognised in prior periods		5	27
Cash paid relating to the integration of the O2 consumer broadband and fixed-line telephony business		3	22
Payment (receipt) following termination of an escrow agreement with a current wholesale operator		3	(19)
Adjusted free cash flow		1,060	885

Where appropriate amounts above are shown net of applicable corporation tax.

Net debt

	2015 £m	2014 £m
Current borrowings	494	11
Non-current borrowings	7,418	2,658
Borrowings-related derivative financial instruments	(378)	(80)
Gross debt	7,534	2,589
Cash and cash equivalents	(1,378)	(1,082)
Short-term deposits	(1,100)	(295)
Net debt	5,056	1,212

€7.4 billion of borrowings and borrowings-related derivative financial instruments are included in the above and converted at the closing GBP/EUR exchange rate of 1.41.

Consolidated income statement - reconciliation of statutory and adjusted numbers

		2015				
		Adjusted				
	Notes	Statutory £m	Adjusting Items £m	Excluding adjusting items £m	Italy and Germany & Austria pre- acquisitio n £m	Like for Like £m
Continuing Operations						
Revenue						
Subscription		8,518	-	8,518	1,179	9,697
Transactional		153	-	153	20	173
Wholesale and syndication		541	-	541	9	550
Advertising		649	-	649	67	716
Other		128	-	128	19	147
		9,989	-	9,989	1,294	11,283
Operating expense						
Programming	A	(4,172)	10	(4,162)	(724)	(4,886)
Direct network costs		(840)	-	(840)	-	(840)
Sales, general and administration	B	(4,005)	386	(3,619)	(538)	(4,157)
		(9,017)	396	(8,621)	(1,262)	(9,883)
EBITDA		1,738	163	1,901	129	2,030
Operating profit		972	396	1,368	32	1,400
Share of results of joint ventures and associates		28	-	28		
Investment income		8	-	8		
Finance costs	C	(283)	75	(208)		
Profit on disposal of available-for-sale investments	D	492	(492)	-		
Profit on disposal of associate	E	299	(299)	-		
Profit before tax		1,516	(320)	1,196		
Taxation	F	(184)	(67)	(251)		
Profit for the year from continuing operations		1,332	(387)	945		
Loss attributable to non-controlling interests		5	(3)	2		
Profit for the year from continuing operations attributable to equity shareholders of the parent company		1,337	(390)	947		
Earnings per share (basic)		79.1p	(23.1)p	56.0p		

Notes: explanation of adjusting items for the year ended 30 June 2015

- A. Costs of £10 million relating to corporate restructuring and efficiency programmes.
- B. Advisory and transaction fees including, inter alia, financial advisory costs, corporate legal advice, due diligence reporting, assurance services and tax advice of £50 million incurred on the purchase of Sky Italia and Sky Deutschland, costs of £95 million relating to corporate restructuring and efficiency programmes (including amortisation of £2 million in relation to associated intangibles), costs of £10 million relating to the integration of Sky Italia and Sky Deutschland in the enlarged Group, and amortisation of acquired intangible assets of £231 million.
- C. Finance costs of £57 million incurred in connection with £6.6 billion of firm underwritten debt facilities and other associated transaction costs relating to the purchase of Sky Italia and Sky Deutschland and costs of £18 million relating to the remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.
- D. Profit on the sale of shareholding in ITV and gain on equity interest in Sky Deutschland held prior to the acquisition.
- E. Profit on disposal of a shareholding of 21% in NGC Network International LLC and a shareholding of 21% in NGC Network Latin America LLC.
- F. Tax adjusting items and the tax effect of the above items.

Consolidated income statement - reconciliation of statutory and adjusted numbers

2014						
Adjusted						
Notes	Statutory £m	Adjusting Items £m	Excluding adjusting items £m	Italy and Germany & Austria full year £m	Like for Like £m	
Continuing Operations						
Revenue						
Subscription	6,278	-	6,278	2,994	9,272	
Transactional	86	-	86	56	142	
Wholesale and syndication	A 448	(15)	433	91	524	
Advertising	487	-	487	203	690	
Other	151	-	151	(3)	148	
	7,450	(15)	7,435	3,341	10,776	
Operating expense						
Programming	B (2,657)	1	(2,656)	(2,006)	(4,662)	
Direct network costs	C (845)	29	(816)	-	(816)	
Sales, general and administration	D (2,844)	84	(2,760)	(1,353)	(4,113)	
	(6,346)	114	(6,232)	(3,359)	(9,591)	
EBITDA	1,536	70	1,606	242	1,848	
Operating profit	1,104	99	1,203	(18)	1,185	
Share of results of joint ventures and associates	35	-	35			
Investment income	26	-	26			
Finance costs	E (140)	5	(135)			
Profit before tax	1,025	104	1,129			
Taxation	F (205)	(32)	(237)			
Profit for the year from continuing operations	820	72	892			
Earnings per share (basic)	52.5p	4.6p	57.1p			

Notes: explanation of adjusting items for the year ended 30 June 2014

- A. Revenue of £15 million relating to credit received following termination of an escrow agreement with a current wholesale operator
- B. Cost of £1 million in relation to a corporate restructuring and efficiency programme
- C. Cost of £29 million relating to the integration of the O2 consumer broadband and fixed-line telephony business
- D. Cost of £20 million relating to the acquisition and integration of the O2 consumer broadband and fixed-line telephony business (including amortisation of £4 million in relation to associated intangible assets), costs of £39 million in relation to corporate restructuring and efficiency programme (including impairments of £2 million in relation to associated intangible and tangible assets), costs of £23 million in relation to amortisation of acquired intangible assets and cost of £2 million relating to an expense as a result of the termination of an escrow agreement with a current wholesale operator.
- E. Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.
- F. Tax adjusting items and the tax effect of above items.

Adjusted revenue as presented in the above table differs from adjusted revenue from recurring activities as presented elsewhere in this document. Adjusted revenue from recurring activities excludes Subscription revenue earned from the discontinued retailing of the ESPN channel (£6 million).