



Results for the twelve months ended 30 June 2016

EXCELLENT PERFORMANCE ACROSS THE SKY GROUP

Strong group results

- 7% increase in revenue to £11,965 million with adjusted operating profit up 12% to £1,558 million
- 13% increase in adjusted EPS to 63.1p; twelfth consecutive year of dividend growth to 33.5p
- 808,000 new customers and 3.3 million new products sold across year; products pass 57 million
- Statutory results: 20% increase in revenue; operating profit up 1% to £977 million; EPS of 39.0p

International strategy ahead of plan

- Sustained strong performance in the UK and Ireland; revenue passes £8 billion
- Enhanced customer proposition in Germany and Austria driving first ever full year operating profit
- Offering the best TV across a choice of platforms delivers a return to customer growth in Italy
- Current synergy target of £200 million by 2017 on track; extending to £400 million by 2020

Exciting plans for 2016/17 and beyond

- Sky 1 to launch in Germany with exclusive series of world-leading cookery show *MasterChef*
- Expanding our European streaming services; launch of Sky Ticket in Germany, NOW TV in Italy and the NOW TV Combo in UK – the UK's first ever contract free triple play bundle
- Launch of Ultra HD services in UK and Germany
- Sky Kids app to launch across Europe following success in UK and Ireland
- Launch of Sky Virtual Reality app cements our leadership in innovative, immersive content

Jeremy Darroch, Group Chief Executive, commented:

“With revenue up 7% and profits up 12%, it’s been another excellent year for Sky. We have broadened our business and expanded into new consumer segments, applying our proven strategy across the group.

“The group is leveraging the many opportunities of scale; sharing resources, insights, expertise and innovation. We are investing in a broad range of world class entertainment in every market, distributed across an unrivalled choice of market-leading platforms and supported by excellent service, because these are the things that really matter to customers.

“Each of our markets is making very strong progress. In the UK and Ireland we passed £8 billion in revenue for the first time by giving consumers more and more reasons to choose Sky including our new premium service, Sky Q. In Germany and Austria, we have broadened our TV offering to attract more customers. Today we are announcing the launch of Sky 1 which combines with our new Sky Arts

channel, Sky Atlantic and increased on demand content to create a compelling entertainment portfolio. We have also ensured that Sky remains the undisputed home of the Bundesliga until 2021. Our business in Italy is outperforming a competitive market, delivering programmes which capture the public's imagination such as *Gomorra*, *X Factor* and *Moto GP* across a growing choice of platforms. This approach is working, with the Italian customer base returning to growth for the first time in five years.

"Our focus on operating efficiently and effectively in all our markets has enabled us to further reduce our costs as a percentage of sales, providing more fuel to grow profits and to invest where it counts - on screen and in our products and services.

"Our deep insights into the needs of customers, along with our investments in brilliant programmes and technology, strong relationships with our partners and, above all, our desire to embrace change means that we continue to better serve our customers, and grow our business. Our ambition is to be the best customer-led entertainment and communications company in the world, delivering long term benefits for all our shareholders."

Results highlights

(£m)	12 months to 30-Jun-16	12 months to 30-Jun-15	Growth	Foreign exchange impact	12 months to 30-Jun-15
Adjusted Results		Constant currency			Actual exchange rates
Revenue	11,965	11,221	+7%	62	11,283
UK and Ireland	8,371	7,820	+7%	-	7,820
Germany and Austria	1,512	1,352	+12%	25	1,377
Italy	2,082	2,049	+2%	37	2,086
<i>Revenue (excl. week 53 impact)</i>	<i>11,791</i>	<i>11,221</i>	<i>+5%</i>	<i>n/a</i>	<i>n/a</i>
Operating Profit	1,558	1,397	+12%	3	1,400
UK and Ireland	1,504	1,350	+11%	-	1,350
Germany and Austria	4	(11)	-	-	(11)
Italy	50	58	-14%	3	61
Statutory Results		Actual exchange rates			
Revenue	11,965	9,989	+20%		
Operating profit	977	972	+1%		
Dividend per share (p)	33.5	32.8	+2%		
Earnings per share (basic)					
Adjusted (p)	63.1	56.0	+13%		
Statutory* (p)	39.0	79.1	-51%		

* 2014/15 statutory earnings per share are from continuing operations and include the profit of £791 million on the sale of our shareholdings in ITV and Nat Geo.

Unless otherwise stated, all numbers are presented on an adjusted basis for the full year ended 30 June 2016. For comparative amounts in the prior year, numbers are presented on an adjusted like for like basis (i.e. including a full twelve months of Italy and Germany) and are translated at a constant currency rate of €1.34:£1. The current year results include 53 weeks of trading compared with 52 weeks in the prior year.

Adjusted results exclude items which may distort comparability in order to provide a measure of underlying performance. 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.

WELL ESTABLISHED STRATEGY DRIVING PERFORMANCE

Across the year we have made significant progress against our strategy to broaden our business; expanding into new markets, opening up new customer segments and developing more products and services. In each of our geographies we are ensuring Sky is the home of more of the best content from around the world, delivered with market-leading innovation across multiple platforms by a trusted brand, offering best in class customer service.

This approach, first established and successful in the UK, enables us to drive broad-based sustained revenue growth which - underpinned by investment in our customer offer and sustained operating efficiency - has led to a stronger and more profitable business and increased returns for shareholders. This proven strategy has delivered an average annual organic revenue growth of 7% with double digit growth in EPS in the UK and Ireland since 2007/08. We have grown our revenues, profits and returns strongly over the last 12 months and we enter 2016/17 on track in every territory.

Strong plans for 2016/17

Looking to 2016/17 we will continue to execute our strategy by capturing our expanded opportunities for growth with a strong set of plans in each market, underpinned by a continued focus on cost. We aim to grow our revenues at a similar annual run rate of between 5% and 7% as in recent years and this, combined with a particularly strong focus on cost efficiency, will allow us to substantially absorb the impact on profits and earnings of the approximately £600 million one-off step up in the UK Premier League rights cost.

UK and Ireland

In the UK and Ireland we have three clear priorities. The first is to maximise the returns on the significant product and content investments we have already made over the last twelve months; from Sky Q and NOW TV to our new channels and services - Sky Sports Mix, the Sky Kids app and Sky Cinema. Our second priority is to deliver strong revenue growth as we extend our transactional and advertising businesses. Our third priority is to successfully launch our brand into the mobile market in the UK, opening up a significant new source of revenue and profits. Alongside these priorities we will execute our comprehensive plans to step-change our cost management, effectively offsetting most of the increase in Premier League costs this year.

Germany and Austria

We have clear priorities as we pursue the significant opportunity in Germany and Austria, Europe's largest TV market. We will continue to take a balanced approach to our growth in Germany, increasing our short term profitability whilst ensuring we don't underinvest in future opportunities in this attractive market.

Our first priority is to grow and broaden the business in 2016/17 by developing entertainment for the whole household including launching our Sky 1 and Sky Cinema Family channels this autumn. Our second priority is to broaden our range of products and services, and introduce our new set top box, Sky+ Pro, which will be UHD ready, with built in WiFi and a 1TB hard drive. Our third priority is to innovate further to offer more value and choice for customers, including the launch our new streaming service Sky Ticket. Finally, we will continue to build additional revenues streams, developing our advertising business and extending our reach as we take Sky Sports News HD free-to-air, before launching our transactional service Sky Store in summer 2017.

Italy

In Italy we have three strategic priorities: to provide the very best TV experience; to offer our services on a choice of platforms; and to drive broad revenue growth across subscription and additional revenue streams. In 2016/17 we will progress this further, delivering new shows including *The Young Pope* and *1993*; innovations including Sky Go Extra, the Sky Kids App and improving the MySky proposition with our next generation box with HD on demand content. We launched our service with new pricing under the NOW TV brand in June, and this year will expand into more devices in the first quarter. We will complete our line-up of products and services with the launch of Sky Q later in 2017. Finally, we will continue to broaden our business; growing advertising revenues across our pay and free to air channels; introducing Sky AdSmart and further growing viewing to Tv8, the fastest growing free to air channel in Italy.

Cost efficiency

Sustained operating cost improvement is a core pillar of our growth strategy. In 2016/17 we will deliver our biggest year ever in terms of cost efficiency, aiming to reduce operating costs as a percentage of sales by between 2% and 3%, equivalent to over £300 million on a run rate basis.

2016/17 is the year to which our original run rate synergy target of £200 million applied, and today we confirm that we are on track to exceed this. Our focus now is to further extend those savings, targeting £400 million of run rate synergies by the end of 2020 from a combination of the increasing scale of existing programmes as the business grows along with new initiatives such as the deeper integration of certain functions, and the establishment of a Group Performance Team which will benchmark and deploy best practice across the markets.

Each market has its own efficiency programmes, well established in the case of Italy and the UK, and for the first time in Germany this year. Examples of in-market efficiencies that we will make in 2016/17 include:

- Reducing inbound customer calls through digital 'e-care'
- Combining sports and news production in the UK
- Relocating the UK advertising sales team from central London to our Osterley campus
- Launch of a brand new Sky customer service app in the UK
- Further reduction in our standard definition set top box population
- Revisiting allocation of our advertising budget to optimise rates and response
- Removing some of the legacy 'plc' overhead in Sky Germany

Measuring our success

As an enlarged group operating across territories at different stages of development, and across markets and segments with different structures, we measure our success by how the group comes together to deliver consistent long-term growth. Moving forward, we will measure ourselves on medium term growth in revenue and operating profit as the most relevant indicators of success against our broader growth strategy, capturing our transactional and adjacent businesses as well as our core TV subscription revenues.

SUMMARY OF GROUP OPERATIONAL AND FINANCIAL PERFORMANCE

Group revenues for the year increased 7% to £11,965 million (5% on a 52 week basis). With a good performance on costs, this translated into operating profit of £1,558 million, up 12% year on year. As a result the Board has proposed a full year dividend of 33.5 pence, delivering the twelfth consecutive year of dividend growth.

Our financial performance was driven by growing customer demand across the group. In total we added 808,000 customers, including 160,000 in Q4, taking our total customer base to 21.8 million. At the same time we increased products by 3.3 million, with 503,000 sold in Q4 alone.

UK and Ireland

It has been an outstanding year of product innovation for Sky in the UK and Ireland. From the launch of Sky Q to the ground-breaking NOW TV Combo – the UK's first contract free triple play bundle – our product portfolio continues to evolve to meet the diverse needs of our different customer segments. We launched an innovative Sky Kids App as an important addition to the service we offer families, while the launch of Sky Cinema is our latest step in providing customers with world leading content whenever and however they choose to watch. Sky Cinema will offer a new movie premiere every single day of the week and our biggest ever library of blockbuster and classic movies is available on demand.

Our transactional services are gaining real scale. We are now regularly the number 1 digital retailer for top movies titles, with over 3 million customers using Sky Store during the past 12 months. From today customers will be able to purchase complete series of box sets from Sky Store Buy & Keep, expanding this hugely popular service which has seen usage grow by over 80% year on year.

Alongside these important steps in developing our products and services, we have continued to deliver a strong financial and operational performance. Revenue was up 7% to exceed £8 billion for the first time, with operating profit up 11% to £1,504 million.

We added 445,000 new customers across the year, including 93,000 in Q4. Total product growth was 2.3 million across the 12 months with 31,000 new TV products in Q4. In addition, we added a further 24,000 new broadband products in the quarter, taking our total broadband growth to 347,000 across the year. Within our base we now have more than 1 million broadband-only customers, who have a higher propensity to switch providers, in line with the industry norm. In addition, we continued to limit retention discounts, and we also communicated to customers a TV price rise in the order of 4-5%, which took effect from June. Together these factors contributed to an 11.2% churn rate in the UK and Ireland.

Germany and Austria

We have made significant progress this year in Germany and Austria, where our focus has been on swiftly rolling out our proven strategy from the UK and broadening the offer from principally sports and movies to a full entertainment proposition. We have added to our content and channels as well as the structure of our customer offer, delivering a full year operating profit for the first time in Sky Deutschland's history.

Today we are pleased to announce the launch of our flagship entertainment channel, Sky 1. Launching in November, Sky 1 will join Sky Atlantic HD and Sky Arts HD – which went live earlier in the month – to form a compelling entertainment offer in the market. Sky 1 will feature a brand new series of the world-leading cookery show, *MasterChef*, due to begin production in August. The channel will

also show popular family entertainment shows such as *Desperate Housewives*, *The Tunnel: Sabotage* and *Grey's Anatomy*.

This expansion of our channels and programmes builds on the success of our new Entertainment pack, which 50% of our new customers have selected on joining. The pack brings together our refreshed entertainment offer with services including our new Sky Kids app, which launched earlier this month, and our expanded on demand library. Over 1 million Sky homes have now chosen to connect their boxes to the internet to access our on demand service and this is enabling us to appeal to a new customer segment; on demand users are typically younger than our average customer in Germany and are attracted by the new level of flexibility that the service provides.

We are also launching Sky Ticket, rebranding our current Sky Online proposition and offering customers a flexible streaming service that builds on the expertise we have developed through NOW TV in the UK and Italy. Sky Ticket will enable us to tap further into the pay lite segment in Germany and Austria, with an enhanced customer offer that includes, for the first time, Sky Sport day, week and month passes.

We continue to extend our leadership in sport and movies, ensuring that Sky remains the home of the Bundesliga until 2021. We announced earlier this month that we will launch Sky Sport News HD as a free to air channel, helping us build our brand and extend our reach. And in movies we have added to our Sky Cinema portfolio with Sky Cinema Family HD and will continue with our pop up channels which have been very popular with customers.

This strategy to broaden our offer to appeal to more customers is working. Over the past 12 months we delivered revenue growth of 12% and recorded our first full year operating profit of £4 million. Total customer growth was 346,000, including 59,000 new customers in Q4. At the same time, total products exceeded 8 million for the first time, with 909,000 products added in the year. 12-month rolling churn remained stable at 9.9%.

Italy

In Italy customers are attracted by the breadth of our shows across a choice of market-leading platforms. The second series of the gripping crime drama, *Gomorra*, attracted an average audience of over 2 million, becoming our most viewed TV series ever. In June, average viewers to Sky Sports reached an all-time high, with over 2 million customers tuning in to watch each Euro 2016 match featuring the Italian football team and over 3 million watching the quarter final versus Germany on the Sky platform – the most viewed event on Sky Sports Italy in the past thirteen years.

Awareness and use of Sky Box Sets continues to increase following the launch in March, with over 20 million downloads to date. In total, on demand downloads reached over 200 million across the year, with almost 2.2m customers now connected.

This approach has delivered an increase in revenues, up 2% to £2.1 billion for the full year and up 6% in Q4 alone, excluding the impact of the 53rd week. As communicated last quarter, our investments in connected boxes and establishing Sky Box Sets with increased marketing have resulted in an £8 million decline in operating profit to £50 million. Our customer base returned to growth for the first time in five years, with total customers up 17,000 over the 12 months – an outstanding achievement in a year of economic headwinds in the market. We added 26,000 total products in the year, including 12,000 in Q4. 12 month rolling churn was 11.1%.

Content

We have had an excellent year on screen. Our strategy of acquiring the best programmes from around the world, complemented with more of our own original content, is delivering the shows customers really want. This quarter we delivered more hit Sky original programming including returns of *The Tunnel* and *Gomorra*. In 2016/17, customers can look forward to even more world-class original drama including *The Young Pope*, *Guerrilla* and the return of *Fortitude*. Our partnerships with the major studios are bringing customers the best content from around the world. The sixth series of HBO's *Game of Thrones* aired in every market, with each episode reaching over 6 million viewers, while Showtime's *Billions* broke on demand records with almost 11 million views on demand platforms.

In sport, the thrilling end to the Premier League title race drove quarterly audiences up 7% year on year in the UK and Ireland while Bundesliga viewing grew 9%, supported by increased viewing on Sky Go. Motorsports in Italy had a great start to the season, with the highest Sky Sports share, and viewing to MotoGP and Formula 1 up 19% and 12% respectively. To see a selection of the great programmes coming up on Sky over the next six months please visit www.sky.com/corporate

Innovation

2016 has been a remarkable year for product innovation. We launched our premium Sky Q product and further developed our streaming services to target the pay lite sector. In the UK and Ireland, NOW TV sports transactions were up 37% year on year, reaching over 600,000 in Q4. We added a new NOW TV Kids pass and last month we launched the NOW TV Combo, the UK's very first contract-free triple play bundle, and our new NOW TV box offering seamless access to 60 free-to-air channels and the best of pay TV.

Across the group we are rolling out our successful connected homes strategy, and this year almost 2 million homes connected, bringing our connected base to 11 million. Views across our connected platforms grew by 42% to over 3.6 billion.

Customers can expect more exciting innovations from Sky. Sky Q will offer the widest range of ultra HD content across sport, movies and drama and we'll show the Bundesliga in ultra HD this season. This year we established Sky VR Studios, bringing our expertise in storytelling and unrivalled access to major cultural and sporting events to the creation of immersive Virtual Reality content. This summer we will launch a Sky VR app, confirming Sky as the home of quality VR content, along with a new mission to create high-end productions, exclusive to Sky VR.

Service

We place the customer at the heart of everything we do and are sharing best practice to continually improve our customer service.

In the UK and Ireland, customers increasingly want to be able to interact with us online. With our Digital First programme we receive over 4 million visits per week to our online help and account management sites and our service app has been downloaded 2 million times. By offering customers more ways to interact with us digitally, satisfaction levels are industry leading, as reflected in Ofcom's customer satisfaction surveys which consistently place Sky as number 1. We are focused on resolving customer issues the first time we are contacted, helping to drive a 10% reduction in call volumes year on year.

By adopting best practice, sales call conversion in Italy has improved by 10 percentage points year on year. We have worked on optimising our digital channels in Italy and launched an advertising campaign to strengthen consumer awareness of our self-help touchpoints. This helped to drive a further 1 million downloads of our self-service mobile app to over 2.9 million since launch in November 2014. In addition, over one million customers have now signed up to our Extra loyalty programme – offering rewards to customers in Italy based on their tenure. Together these programmes have resulted in a 10% increase in customer satisfaction scores.

In Germany, we have focussed on improvements across our contact centre estate, resulting in a significant reduction in average customer handling times. Combined with improved product reliability, call volumes reduced 16% year on year.

Synergies and integration

On the second anniversary of announcing our acquisition of Sky Italia and Sky Deutschland, we have transformed the business into a single group and extended our capabilities. The benefits of operating as one company are coming through, whether from joint content acquisitions, to single product and brand groups, to consolidated broadcast, procurement and data centre operations.

We have designed a single product roadmap, which is enabling all markets to deliver innovation at a pace they could not have achieved alone. For example, in June we launched our UK market-leading Sky Sports app in Italy, built by our new digital team in Leeds. In July we launched our new Sky Kids app in Germany, just three months after its launch in the UK and Ireland. Looking ahead, we will extend the Sky Q platform to both Germany and Italy over the course of the coming year.

Our group content function balances group-wide scale with deep in-market expertise. Over the course of the year we have signed key group-wide agreements with HBO, Showtime and Sony, as well as simultaneously broadcasting Sky original programmes *The Last Panthers* and *Gomorra 2*. In 2016/17 we will bring six more pan-European drama commissions to screen across the group and are increasingly signing group-wide content deals for our common family of entertainment and cinema channels. Our production hub for Sky Arts in Milan is now complete, with *Masters of Photography* produced in time for the launch of the Sky Arts linear channel in Germany earlier this month.

We have adopted a common brand across the group, and by December 2016 we will have completed the roll-out of common channel brands and a consistent look and feel across our channels, allowing on-screen graphics and promotions to be shared group-wide. We relaunched Sky Movies as Sky Cinema in the UK and Ireland earlier this month, with the service set to become the biggest dedicated movie subscription service in Europe as those in Germany, Austria and Italy are also rebranded and relaunched under the same name.

We are also consolidating broadcast and over-the-top operations (OTT) across the group. In April we moved the payout for 24 German channels to our enlarged broadcast facility in Milan. We remain on track to broadcast almost 100 German channels from this facility by the end of 2016. We have nearly completed the build of our common OTT platform, which will provide the underlying infrastructure for NOW TV, Sky Go and Sky Q products across the group.

GROUP FINANCIAL PERFORMANCE

Unless otherwise stated, all numbers are presented on an adjusted basis for the full year ended 30 June 2016. For comparative amounts in the prior year, numbers are presented on an adjusted like for like basis (i.e. including a full twelve months of Italy and Germany) and are translated at a constant currency rate of €1.34:£1. For a reconciliation to amounts at actual exchange rates see page [3]. The current year results include 53 weeks of trading compared with 52 weeks in the prior year.

Revenue

Group revenues grew by 7% to £11,965 million (2015: £11,221 million) with growth in each territory. UK and Ireland revenue was up 7% to £8,371 million (2015: £7,820 million), revenue in Germany grew 12% to £1,512 million (2015: £1,352 million), whilst Italy grew by 2% to £2,082 million (2015: £2,049 million), reversing two consecutive years of decline.

We saw continued strong growth in subscription revenue, our largest category, which was up 6% across the group. Alongside this, we saw excellent – and even faster – rates of growth across all other revenue streams with transactional revenues up 15%, programming and channel sales up 17%, and advertising revenues up 9%.

Costs

Total costs grew by 6%, below the rate of revenue growth.

We continue to invest in programming which was up 6% as we increased investment in each territory in original content and box sets. Savings created by not renewing the Champions League in the UK and Italy, along with the absence of the biennial Ryder Cup in each territory were partially offset by higher Bundesliga costs. Our investment in entertainment was more weighted towards the final quarter of the year, with the return of key shows such as *The Tunnel* and *The Blacklist* alongside the launch of *Billions* on Sky Atlantic.

Direct network costs increased by 12%, below the rate of home communications revenue growth, as we saw continued strong growth in customers and increased fibre penetration over the last 12 months, whilst sales, general and administrative costs increased by just 4%.

Profit and earnings

Operating profit grew strongly, up 12% to a record annual profit of £1,558 million (2015: £1,397 million) as we combined excellent revenue growth with careful choices within our cost base whilst continuing to invest in programming. This has driven a 60 basis point expansion in our operating margin.

Adjusting for depreciation and amortisation of £620 million, group EBITDA was up 8% to £2,178 million (2015: £2,022 million).

After a tax charge of £269 million (2015: £251 million) at an effective tax rate of 20%, profit after tax for the year increased by 14% to £1,077 million (2015: £945 million), resulting in adjusted earnings per share of 63.1 pence (2015: 56.0 pence). The weighted average number of shares, excluding those held by the Employee Share Ownership Plan ('ESOP') for the settlement of employee share awards, was 1,707 million (2015: 1,690 million). The closing number of shares excluding the ESOP shares at 30 June 2016 was 1,708 million (2015: 1,704 million).

Adjusting items

Statutory profit from continuing operations for the prior year of £1,332 million included a total £791 million one-off gain on the disposals of our shareholding in ITV (£492 million) and our stake in the National Geographic Channel (£299 million). Statutory profit for the current year of £663 million is after the deduction of operating expenses of £581 million (2015: £396 million) principally comprising advisory and transaction fees incurred on the purchase of the remaining minority shareholdings in Sky Deutschland; the costs of integrating both Sky Italia and Sky Deutschland in the enlarged group; corporate efficiency and restructuring programmes in each territory; and the ongoing amortisation of acquired intangible assets.

Group cash flow and financial position

Net debt as at 30 June 2016 was £6.2 billion (30 June 2015: £5.1 billion). Non-cash movements accounted for £918 million of this increase, predominantly due to the retranslation of Euro denominated debt into sterling at a less favourable 30 June 2016 exchange rate of €1.20 (2015: €1.41). This increase in net debt reverses a reduction in net debt enjoyed in the period from the completion date of the Sky Europe transaction to 30 June 2015 where foreign exchange benefitted net debt by £446m. Underlying net debt increased by only £244 million, the majority of which related to the one time £170 million for the completion of the Sky Deutschland squeeze-out.

On the basis of average exchange rates (as used in the groups banking covenant) our net debt to EBITDA ratio reduced to 2.4 times (2015: 2.6 times). The group reaffirms its target to reduce leverage to no more than two times net debt/ EBITDA over the medium term.

The group continues to maintain a strong financial position and has ample headroom to its financial covenants, including excellent liquidity with cash of £2.1 billion as at 30 June 2016, and access to a £1 billion Revolving Credit Facility which remained wholly undrawn throughout the period, and which is committed until November 2021. The group has a well spread portfolio of debt maturities, with an average maturity of seven years, and no debt maturing prior to October 2017.

Returns to shareholders

The Directors' proposed final dividend of 20.95 pence per share takes the total dividend payable in respect of the financial year to 33.50 pence per share, an increase of 2% and the twelfth successive year of growth. Over the past five years our dividend has grown by a total of 44%, with ordinary shareholders having received £2.6 billion in aggregate, the equivalent of 154 pence per share.

It remains our policy to maintain a progressive dividend policy, 'looking through' occasional periods of earnings dilution, including the 2016/17 financial year in which we expect to grow our dividend at a similar rate whilst our UK business absorbs the one-time step up in cost in the first year of the new three year Premier League contract.

The ex-dividend date will be 6 October 2016 and, subject to shareholder approval at the 2016 Annual General Meeting, the final dividend of 20.95 pence will be paid on 28 October 2016 to shareholders on the register at the close of business on 7 October 2016.

CORPORATE

Sky will hold a capital markets day in September or October 2016. The capital markets day will supplement its regular communications with shareholders. Further information about the day will be provided in due course.

In addition, as a result of the changing breadth and territorial diversity of the Group, and in order to provide a more relevant longer term focus which better reflects the way we manage the business, from Q1 Sky will provide two quarterly trading statements for the first and third quarters that will give key information and financials for the quarter, instead of publishing full financial results and operational KPIs. The first quarterly trading statement will be published for Q1 2017 on Friday 21 October 2016.

Board changes

Dave Lewis has decided to step down from the Board at the conclusion of the 2016 AGM and will not therefore be seeking reappointment. The Board would like to thank Dave for his significant contribution since joining the Board in 2012.

The Board has started the process to appoint a new Independent Non-Executive Director to ensure that the Board continues to be comprised of a majority of Independent Non-Executive Directors

Group KPI Summary (unaudited)

All figures (000) unless stated	FY12	FY13	FY14	FY15	FY16	Q4
UK and Ireland	2.0%	5.9%	5.1%	6.0%	7.0%	10.7%
Germany and Austria	17.9%	16.3%	15.6%	9.1%	11.8%	17.4%
Italy	(0.2)%	2.5%	(0.3)%	(2.5)%	1.6%	13.0%
Revenue growth	2.9%	6.2%	5.1%	4.7%	6.6%	12.0%
UK and Ireland	28,365	31,634	34,775	38,036	40,373	+362
Germany and Austria	4,552	5,543	6,164	7,133	8,042	+129
Italy	5,649	7,320	8,227	8,614	8,640	+12
Total Products	39,212	44,497	49,166	53,783	57,055	+503
UK and Ireland	10,606	11,153	11,495	12,001	12,446	+93
Germany and Austria	3,132	3,453	3,813	4,280	4,626	+59
Italy	4,901	4,756	4,725	4,725	4,742	+8
Retail customers	18,639	19,362	20,033	21,006	21,814	+160
UK and Ireland	3,673	3,677	4,041	4,028	3,923	(88)
Germany and Austria	129	124	213	146	144	-
Italy	-	-	-	-	-	-
Wholesale customers	3,802	3,801	4,254	4,174	4,067	(88)
Total Customers	22,441	23,163	24,287	25,180	25,881	+72
Churn						
UK and Ireland	10.2%	10.7%	10.9%	9.8%	11.2%	11.2%
Germany and Austria	11.9%	12.3%	10.4%	8.6%	9.9%	9.9%
Italy	13.2%	13.9%	10.3%	9.6%	11.1%	11.1%
ARPU						
UK and Ireland (£)	£45	£46	£46	£47	£47	£47
Germany and Austria (€)	€32	€35	€36	€34	€35	€35
Italy (€)	€42	€42	€43	€43	€42	€42

- Wholesale customers taking at least one paid-for Sky channel. The customer numbers are as reported to us at the end of June 2016.
- 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 TV.
- ARPU is quarterly annualised, residential and presented as a monthly amount.
- Churn is 12 month rolling and includes residential customers only, unless otherwise stated.

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There will be a presentation for analysts and investors at 9:00 a.m. (BST) at Allen & Overy, One Bishops Square, London, E1 6AD. Participants should register by contacting Charlotte Fox on +44 20 7251 3801 or at Charlotte.Fox@finsbury.com. There will be a separate conference call for US analysts and investors at 10.30 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.invite-taylor-rafferty.com/_sky/2016FY. A live webcast of both conference calls will be available via the Sky website at <https://corporate.sky.com/investors/latest-results>. 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 Q, Sky Store, Sky Online, IPTV, 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 2015 (as updated in Sky's results for the six months ended 31 December 2015).

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.

Appendix 1 – Consolidated Financial Information

Consolidated Income Statement for the year ended 30 June 2016

	Notes	2016 £m	2015 £m
Continuing Operations			
Revenue	2	11,965	9,989
Operating expense	2	(10,988)	(9,017)
EBITDA		1,970	1,738
Depreciation and amortisation		(993)	(766)
Operating profit		977	972
Share of results of joint ventures and associates	12	2	28
Investment income	6	17	8
Finance costs	6	(244)	(283)
Profit on disposal of available-for-sale investments	4	-	492
Profit on disposal of associate	5	-	299
Profit before tax		752	1,516
Taxation	7	(89)	(184)
Profit for the year from continuing operations		663	1,332
Discontinued Operations			
Profit for the year from discontinued operations	3	-	620
Profit for the year		663	1,952
Profit (loss) for the year attributable to:			
Equity shareholders of the parent company		666	1,957
Non-controlling interests		(3)	(5)
		663	1,952
Adjusted earnings per share from adjusted profit for the year (in pence)			
Basic	8	63.1p	56.0p
Diluted	8	62.6p	55.3p
Earnings per share from profit for the year (in pence)			
Basic			
Continuing operations	8	39.0p	79.1p
Discontinued operations	8	-	36.7p
Total	8	39.0p	115.8p
Diluted			
Continuing operations	8	38.7p	78.2p
Discontinued operations	8	-	36.2p
Total	8	38.7p	114.4p

Consolidated Statement of Comprehensive Income for the year ended 30 June 2016

	2016	2015
	£m	£m
Profit for the year	663	1,952
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	1	36
Gain on cash flow hedges	699	276
Tax on cash flow hedges	(138)	(57)
(Loss) gain on net investment hedges	(897)	446
Exchange differences on translation of foreign operations	1,082	(659)
Actuarial movements on employee benefit obligations	(3)	-
	744	42
Amounts reclassified and reported in the income statement		
Gain on cash flow hedges	(458)	(174)
Tax on cash flow hedges	92	37
Transfer to income statement on disposal of available-for-sale investment (see note 4)	-	(492)
Transfer to income statement on disposal of associate (see note 5)	-	(38)
	(366)	(667)
Other comprehensive income (loss) for the year (net of tax)	378	(625)
Total comprehensive income for the year	1,041	1,327
Total comprehensive income (loss) for the year attributable to:		
Equity shareholders of the parent company	1,044	1,345
Non-controlling interests	(3)	(18)
	1,041	1,327

Consolidated Balance Sheet as at 30 June 2016

	Notes	2016 £m	2015 £m
Non-current assets			
Goodwill		4,713	4,160
Intangible assets	10	4,446	4,084
Property, plant and equipment	11	1,957	1,646
Investments in joint ventures and associates	12	123	133
Available-for-sale investments	13	71	31
Deferred tax assets	14	245	175
Programme distribution rights	15	36	31
Trade and other receivables	16	95	86
Derivative financial assets		1,022	453
		12,708	10,799
Current assets			
Inventories	15	990	847
Trade and other receivables	16	1,349	1,096
Current tax assets		14	8
Short-term deposits		-	1,100
Cash and cash equivalents		2,137	1,378
Derivative financial assets		212	130
		4,702	4,559
Total assets		17,410	15,358
Current liabilities			
Borrowings	19	31	494
Trade and other payables	17	3,902	3,430
Current tax liabilities		162	154
Provisions	18	181	103
Derivative financial liabilities		50	23
		4,326	4,204
Non-current liabilities			
Borrowings	19	8,901	7,418
Trade and other payables	17	81	94
Provisions	18	94	77
Derivative financial liabilities		259	60
Deferred tax liabilities	14	308	281
		9,643	7,930
Total liabilities		13,969	12,134
Share capital	21	860	860
Share premium		2,704	2,704
Reserves		(117)	(399)
Total equity attributable to equity shareholders of the parent company		3,447	3,165
Total (deficit) equity attributable to non-controlling interests		(6)	59
Total liabilities and equity		17,410	15,358

Consolidated Cash Flow Statement for the year ended 30 June 2016

	Notes	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated from operations	22	2,086	2,080
Interest received		10	9
Taxation paid		(189)	(219)
Net cash from operating activities of continuing operations		1,907	1,870
Cash generated from discontinued operations	3	-	55
Taxation paid by discontinued operations	3	-	(11)
Net cash from operating activities of discontinued operations		-	44
Net cash from operating activities		1,907	1,914
Cash flows from investing activities			
Dividends received from joint ventures and associates		20	25
Funding to joint ventures and associates		(8)	(10)
Purchase of joint ventures and associates		(1)	-
Purchase of property, plant and equipment		(542)	(385)
Proceeds on disposal of property, plant and equipment		3	-
Purchase of intangible assets		(432)	(357)
Purchase of subsidiaries (net of cash and cash equivalents purchased)		(26)	(6,340)
Purchase of available-for-sale investments		(50)	(88)
Proceeds on disposal of available-for-sale investments		16	546
Decrease (increase) in short-term deposits		1,100	(805)
Net cash from (used in) investing activities of continuing operations		80	(7,414)
Purchase of property, plant and equipment by discontinued operations	3	-	(8)
Proceeds on disposal of discontinued operations (net of cash and cash equivalents sold)	3	-	568
Net cash from investing activities of discontinued operations		-	560
Net cash from (used in) investing activities		80	(6,854)
Cash flows from financing activities			
Net proceeds from borrowings		353	5,364
Repayment of borrowings		(432)	(272)
Repayment of obligations under finance leases		(18)	(10)
Proceeds from disposal of shares in Employee Share Ownership Plan ("ESOP")		10	10
Purchase of own shares for ESOP		(200)	(12)
Issue of own shares		-	1,346
Interest paid		(231)	(246)
Purchase of non-controlling interests		(170)	(328)
Dividends paid to shareholders of the parent		(564)	(549)
Dividends paid to holders of non-controlling interests		(3)	-
Net cash (used in) from financing activities		(1,255)	5,303
Effect of foreign exchange rate movements		27	(67)
Net increase in cash and cash equivalents		759	296
Cash and cash equivalents at the beginning of the year		1,378	1,082
Cash and cash equivalents at the end of the year		2,137	1,378

Consolidated Statement of Changes in Equity for the year ended 30 June 2016

	Attributable to equity shareholders of the parent company									
	Share capital	Share premium	ESOP reserve	Hedging reserve	Available-for-sale reserve	Other reserves	Retained (deficit) earnings	Total shareholders' equity	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 July 2014	781	1,437	(145)	(20)	455	455	(1,891)	1,072	-	1,072
Profit (loss) for the year	-	-	-	-	-	-	1,957	1,957	(5)	1,952
Net investment hedges	-	-	-	-	-	446	-	446	-	446
Exchange differences on translation of foreign operations	-	-	-	-	-	(646)	-	(646)	(13)	(659)
Revaluation of available-for-sale investments	-	-	-	-	36	-	-	36	-	36
Transfer to income statement on disposal of associate (see note 5)	-	-	-	-	-	(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 (loss) 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
Profit (loss) for the year	-	-	-	-	-	-	666	666	(3)	663
Net investment hedges	-	-	-	-	-	(897)	-	(897)	-	(897)
Exchange differences on translation of foreign operations	-	-	-	-	-	1,082	-	1,082	-	1,082
Revaluation of available-for-sale investments	-	-	-	-	1	-	-	1	-	1
Recognition and transfer of cash flow hedges	-	-	-	241	-	-	-	241	-	241
Tax on items taken directly to equity	-	-	-	(46)	-	-	-	(46)	-	(46)
Actuarial movements on employee benefit obligations	-	-	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive income (loss) for the year	-	-	-	195	1	182	666	1,044	(3)	1,041
Share-based payment	-	-	-	-	-	-	(88)	(88)	-	(88)
Non-controlling interests arising on purchase of subsidiaries	-	-	-	-	-	-	-	-	1	1
Dividends	-	-	-	-	-	-	(564)	(564)	(3)	(567)
Purchase of non-controlling interests	-	-	-	-	-	-	(110)	(110)	(60)	(170)
At 30 June 2016	860	2,704	(125)	257	-	302	(551)	3,447	(6)	3,441

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 2016 or 2015, for the purpose of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2016, 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 2016. Statutory financial statements for 2015 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 2015, 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.

The Group maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal 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 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

The Group 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
Germany & Austria	The activities and operations of the pay TV and adjacent businesses in Germany and Austria
Italy	The activities and operations of the pay TV and adjacent businesses in Italy

Segmental income statement for the year ended 30 June 2016

	UK & Ireland £m	Germany & Austria £m	Italy £m	Adjusting Items & Eliminations £m	Statutory Group Total £m
Continuing Operations					
Subscription	7,006	1,379	1,800	-	10,185
Transactional	146	18	33	-	197
Programme and Channel Sales	610	21	12	(1)	642
Advertising	524	52	202	-	778
Other	88	42	36	(3)	163
Revenue	8,374	1,512	2,083	(4)	11,965
Inter-segment revenue	(3)	-	(1)	4	-
Revenue from external customers	8,371	1,512	2,082	-	11,965
Programming	(3,032)	(881)	(1,250)	(54)	(5,217)
Direct network costs	(939)	-	-	-	(939)
Sales, general and administration	(2,899)	(627)	(783)	(523)	(4,832)
Operating expense	(6,870)	(1,508)	(2,033)	(577)	(10,988)
EBITDA	1,910	82	186	(208)	1,970
Depreciation and amortisation	(406)	(78)	(136)	(373)	(993)
Operating profit	1,504	4	50	(581)	977
Share of results of joint ventures and associates					2
Investment income					17
Finance costs					(244)
Profit before tax					752

Segmental income statement for the year ended 30 June 2015

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

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.

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. 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 To 19 March ⁽ⁱ⁾
	£m
Revenue	158
Operating expense	(128)
Operating profit	30
Profit on disposal	600
Profit before tax	630
Attributable tax expense ⁽ⁱⁱ⁾	(10)
Profit for the year from discontinued operations	620

(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 in respect of operating activities and £1 million arising as a result of the disposal.

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.

5 Profit on disposal of associate

On 12 November 2014, the Group transferred a shareholding of 21% in NGC Network 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

	2016	2015
	£m	£m
Investment income		
Interest on cash, cash equivalents and short-term deposits	9	8
Interest on other loans and receivables	8	-
	17	8
Finance costs		
Interest payable and similar charges		
Facility related costs	(6)	(44)
Guaranteed Notes	(224)	(214)
Finance lease interest	(8)	(7)
	(238)	(265)
Other finance income (expense)		
Remeasurement of borrowings and borrowings-related derivative financial instruments (not qualifying for hedge accounting)	(12)	(16)
Remeasurement of other derivative financial instruments (not qualifying for hedge accounting)	6	(3)
Gain arising on derivatives in a designated fair value hedge accounting relationship	1	7
Loss arising on adjustment for hedged item in a designated fair value hedge accounting relationship	(1)	(6)
	(6)	(18)
	(244)	(283)

7 Taxation

Taxation recognised in the income statement

	2016	2015
	£m	£m
Current tax expense		
Current year – UK	224	229
Adjustment in respect of prior years – UK	(29)	(39)
Current year - Overseas	19	62
Total current tax charge	214	252
Deferred tax expense		
Origination and reversal of temporary differences – UK	5	(21)
Adjustment in respect of prior years – UK	9	21
Origination and reversal of temporary differences - Overseas	(130)	(67)
Adjustment in respect of prior years - Overseas	(9)	(1)
Total deferred tax credit	(125)	(68)
Taxation	89	184

8 Earnings per share

The weighted average number of shares for the year was:

	2016	2015
	Millions of shares	Millions of shares
Ordinary shares	1,719	1,706
ESOP trust ordinary shares	(12)	(16)
Basic shares	1,707	1,690
Dilutive ordinary shares from share options	14	21
Diluted shares	1,721	1,711

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to equity shareholders of the parent company by the weighted average number of shares for the year. In order to provide a measure of underlying performance, management has 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.

	2016	2015
	£m	£m
Profit from continuing operations	663	1,332
Loss attributable to non-controlling interests	3	5
Profit from continuing operations attributable to equity shareholders of the parent company	666	1,337
Profit from discontinued operations	-	620
Profit attributable to equity shareholders of the parent company	666	1,957

	2016	2015
	£m	£m

Reconciliation from profit for the year 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	666	1,337
Costs relating to corporate restructuring and efficiency programmes	142	105
Costs relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group	84	10
Advisory and transaction fees and finance costs incurred on the purchase of Sky Deutschland and Sky Italia	4	107
Amortisation of acquired intangible assets	347	228
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	14	18
Tax adjusting items and the tax effect of above items	(180)	(67)
Adjusted profit for the year attributable to equity shareholders of the parent company	1,077	947

9 Dividends

	2016	2015
	£m	£m
Dividends declared and paid during the year		
2014 Final dividend paid: 20.00p per ordinary share	-	340
2015 Interim dividend paid: 12.30p per ordinary share	-	209
2015 Final dividend paid: 20.50p per ordinary share	350	-
2016 Interim dividend paid: 12.55p per ordinary share	214	-
	564	549

The 2016 final dividend proposed is 20.95 pence per ordinary share being £358 million. The dividend was not declared at the balance sheet date and is therefore not recognised as a liability as at 30 June 2016.

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 2015	476	616	603	2,979	426	122	116	5,338
Additions from business combinations	-	-	-	2	18	-	-	20
Additions	1	96	62	-	70	108	127	464
Disposals	-	(44)	(48)	(6)	(9)	-	-	(107)
Transfers	-	82	22	-	1	(82)	(23)	-
Foreign exchange movements	69	-	27	476	4	-	8	584
At 30 June 2016	546	750	666	3,451	510	148	228	6,299
Amortisation								
At 1 July 2015	4	309	340	271	330	-	-	1,254
Amortisation	-	113	100	340	73	-	-	626
Disposals	-	(44)	(48)	(6)	-	-	-	(98)
Impairments	-	7	3	4	2	-	-	16
Foreign exchange movements	1	-	10	44	-	-	-	55
At 30 June 2016	5	385	405	653	405	-	-	1,853
Carrying amounts								
At 1 July 2015	472	307	263	2,708	96	122	116	4,084
At 30 June 2016	541	365	261	2,798	105	148	228	4,446

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 2015	391	95	1,609	372	317	2,784
Additions from business combinations	-	-	3	-	-	3
Additions	4	4	136	128	328	600
Disposals	-	(2)	(70)	(27)	-	(99)
Transfers	19	-	82	71	(172)	-
Foreign exchange movements	-	7	15	72	8	102
At 30 June 2016	414	104	1,775	616	481	3,390
Depreciation						
At 1 July 2015	61	50	948	79	-	1,138
Depreciation	12	11	190	126	-	339
Impairments	-	-	11	-	-	11
Disposals	-	(2)	(69)	(18)	-	(89)
Foreign exchange movements	-	1	4	29	-	34
At 30 June 2016	73	60	1,084	216	-	1,433
Carrying amounts						
At 1 July 2015	330	45	661	293	317	1,646
At 30 June 2016	341	44	691	400	481	1,957

12 Investments in joint ventures and associates

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

	2016 £m	2015 £m
Share of net assets		
At 1 July	133	173
Movement in net assets		
- Funding	8	10
- Dividends received	(20)	(25)
- Share of profits	2	28
- Acquisition of associate	1	86
- Disposal of associate	-	(149)
- Exchange differences on translation of foreign joint ventures and associates	(1)	10
At 30 June	123	133

13 Available-for-sale investments

	2016	2015
	£m	£m
Listed investments	-	3
Unlisted investments	71	28
	71	31

Unlisted investments consist of minority equity stakes in a number of technology and start-up companies. During the current year, the Group purchased investments in iflix Limited (£32 million), DataXu Inc. (£7 million) and fuboTV Inc. (£4 million). Other principal investments include Roku Inc. and Whistle Sports. During the current year, the Group disposed of its investments in Elemental Technologies and 1Mainstream.

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 2015	(20)	(752)	553	83	59	(29)	(106)
(Charge) credit to income	(11)	78	45	(13)	(8)	7	98
Charge to equity	-	-	-	-	(21)	(49)	(70)
Acquisition of subsidiaries	-	(4)	-	-	-	-	(4)
Effect of change in tax rate							
- Income	1	33	(2)	(3)	(2)	-	27
- Equity	-	-	-	-	-	3	3
Foreign exchange movements	(5)	(116)	100	12	-	(2)	(11)
At 30 June 2016	(35)	(761)	696	79	28	(70)	(63)

15 Inventories

	2016	2015
	£m	£m
Television programme rights	940	811
Set-top boxes and related equipment	26	26
Other inventories	24	10
Current inventory	990	847
Non-current programme distribution rights	36	31
Total inventory	1,026	878

16 Trade and other receivables

	2016	2015
	£m	£m
Net trade receivables	345	267
Amounts receivable from joint ventures and associates	13	19
Amounts receivable from other related parties	20	26
Prepayments	527	499
Accrued income	332	216
VAT	2	3
Other	110	66
Current trade and other receivables	1,349	1,096
Prepayments	8	6
Amounts receivable from joint ventures and associates	77	70
Other receivables	10	10
Non-current trade and other receivables	95	86
Total trade and other receivables	1,444	1,182

17 Trade and other payables

	2016	2015
	£m	£m
Trade payables	1,421	1,361
Amounts owed to joint ventures and associates	14	16
Amounts owed to other related parties	181	175
VAT	246	155
Accruals	1,375	1,160
Deferred income	462	401
Other payables	203	162
Current trade and other payables	3,902	3,430
Trade payables	34	31
Amounts owed to other related parties	1	5
Deferred income	7	6
Other payables	39	52
Non-current trade and other payables	81	94
Total trade and other payables	3,983	3,524

18 Provisions

	At 1 July 2015 £m	Reclassified during the year £m	Provided during the year £m	Utilised during the year £m	Foreign exchange movement £m	At 30 June 2016 £m
Current liabilities						
Restructuring provision	21	4	20	(17)	1	29
Customer-related provisions	33	-	47	(15)	-	65
Other provisions	49	13	47	(23)	1	87
	103	17	114	(55)	2	181
Non-current liabilities						
Other provisions	51	(17)	32	(10)	5	61
Employee benefit obligations	26	-	3	(1)	5	33
	77	(17)	35	(11)	10	94

19 Borrowings

	2016 £m	2015 £m
Current borrowings		
Loan Notes	6	4
Guaranteed Notes	-	468
Obligations under finance leases	25	22
	31	494
Non-current borrowings		
Loan Notes	1	2
Guaranteed Notes	8,839	7,340
Obligations under finance leases	61	76
	8,901	7,418

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 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	£m	£m	£m	£m	£m	£m
Financial assets						
<i>Available-for-sale financial assets</i>						
Other investments	-	3	-	-	71	28
<i>Financial assets at fair value through profit or loss</i>						
Interest rate swaps	-	-	79	62	-	-
Cross-currency swaps	-	-	744	356	-	-
Forward foreign exchange contracts	-	-	411	165	-	-
Total	-	3	1,234	583	71	28
Financial liabilities						
<i>Financial liabilities at fair value through profit or loss</i>						
Interest rate swaps	-	-	(6)	-	-	-
Cross-currency swaps	-	-	(240)	(40)	-	-
Forward foreign exchange contracts	-	-	(55)	(43)	-	-
Embedded derivative	-	-	(8)	-	-	-
Total	-	-	(309)	(83)	-	-

Level 1 fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities, including shares in listed entities.

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 unlisted available-for-sale financial assets are held at fair value and are categorised as Level 3 in the fair value hierarchy.

21 Share capital

	2016	2015
	£m	£m
Allotted, called-up and fully paid shares of 50p		
1,719,017,230 (2015: 1,719,017,230)	860	860

22 Notes to the Consolidated Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2016	2015
	£m	£m
Continuing Operations		
Profit before tax	752	1,516
Depreciation, impairment and losses (profits) on disposal of property, plant and equipment	356	297
Amortisation, impairment and losses (profits) on disposal of intangible assets	637	469
Share-based payment expense	100	91
Net finance costs	227	275
Profit on disposal of available-for-sale investment	-	(492)
Profit on disposal of associate	-	(299)
Share of results of joint ventures and associates	(2)	(28)
	2,070	1,829
(Increase) decrease in trade and other receivables	(204)	1
(Increase) decrease in inventories	(2)	568
Increase (decrease) in trade and other payables	137	(367)
Increase in provisions	83	65
Increase (decrease) in derivative financial instruments	2	(16)
Cash generated from operations	2,086	2,080

Appendix 2 – Non-GAAP measures

Reconciliation of cash generated from operations to adjusted free cash flow for the year ended 30 June 2016

	Note	2016 £m	2015 £m
Cash generated from operations	22	2,086	2,080
Interest received		10	9
Taxation paid		(189)	(219)
Dividends received from joint ventures and associates		20	25
Funding to joint ventures and associates		(8)	(10)
Purchase of property, plant and equipment		(542)	(385)
Purchase of intangible assets		(432)	(357)
Interest paid		(231)	(246)
Free cash flow		714	897
Cash paid relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group		34	8
Cash paid relating to corporate restructuring and efficiency programmes		22	34
Cash paid under provisions recognised in prior periods		16	5
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 the integration of the O2 consumer broadband and fixed-line telephony business		-	3
Payment following termination of an escrow agreement with a current wholesale operator		-	3
Adjusted free cash flow		786	1,060

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

Net debt

	2016 £m	2015 £m
Current borrowings	31	494
Non-current borrowings	8,901	7,418
Borrowings-related derivative financial instruments	(577)	(378)
Gross debt	8,355	7,534
Cash and cash equivalents	(2,137)	(1,378)
Short-term deposits	-	(1,100)
Net debt	6,218	5,056

Net debt at 30 June 2016 was £6,218 million (2015: £5,056 million). Non-cash movements accounted for £918 million of the total increase, predominantly due to a movement in the exchange rate used to translate euro-denominated debt into sterling from €1.41:£1 to €1.20:£1.

Consolidated income statement - reconciliation of statutory and adjusted numbers

		2016		
	Notes	Statutory £m	Adjusting Items £m	Adjusted £m
Continuing Operations				
Revenue				
Subscription		10,185	-	10,185
Transactional		197	-	197
Programming and Channel Sales		642	-	642
Advertising		778	-	778
Other		163	-	163
		11,965	-	11,965
Operating expense				
Programming	A	(5,217)	54	(5,163)
Direct network costs		(939)	-	(939)
Sales, general and administration	B	(4,832)	527	(4,305)
		(10,988)	581	(10,407)
EBITDA		1,970	208	2,178
Operating profit		977	581	1,558
Share of results of joint ventures and associates	C	2	7	9
Investment income		17	-	17
Finance costs	D	(244)	6	(238)
Profit before tax		752	594	1,346
Taxation	E	(89)	(180)	(269)
Profit for the year from continuing operations		663	414	1,077
Loss attributable to non-controlling interests		3	(3)	-
Profit for the year from continuing operations attributable to equity shareholders of the parent company		666	411	1,077
Earnings per share from continuing operations (basic)		39.0p	24.1p	63.1p

Notes: explanation of adjusting items for the year ended 30 June 2016

- A. Costs of £28 million relating to corporate restructuring and efficiency programmes, costs of £18 million relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group and costs of £8 million relating to the remeasurement of derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.
- B. Advisory and transaction fees of £4 million incurred on the purchase of Sky Deutschland and Sky Italia, costs of £114 million relating to corporate restructuring and efficiency programmes (including depreciation and amortisation of £11 million), costs of £66 million relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group (including depreciation and amortisation of £19 million), and amortisation of acquired intangible assets of £343 million.
- C. Amortisation of acquired intangible assets of £7 million.
- D. Finance costs of £6 million relating to the remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.
- E. Tax adjusting items and the tax effect of the above items.

Consolidated income statement - reconciliation of statutory and adjusted numbers

		2015				
		Adjusted				
Notes	Statutory £m	Adjusting Items £m	Excluding adjusting items £m	Germany & Austria and Italy pre- acquisition £m	Like for Like £m	
Continuing Operations						
Revenue						
	8,518	-	8,518	1,179	9,697	
Subscription						
	153	-	153	20	173	
Transactional						
	541	-	541	9	550	
Programming and Channel Sales						
	649	-	649	67	716	
Advertising						
	128	-	128	19	147	
Other						
	9,989	-	9,989	1,294	11,283	
Operating expense						
Programming	(4,172)	10	(4,162)	(724)	(4,886)	
Direct network costs	(840)	-	(840)	-	(840)	
Sales, general and administration	(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	(283)	75	(208)			
Profit on disposal of available-for-sale investments	492	(492)	-			
Profit on disposal of associate	299	(299)	-			
Profit before tax	1,516	(320)	1,196			
Taxation	(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 from continuing operations (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 Deutschland and Sky Italia, 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 Deutschland and Sky Italia 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 Deutschland and Sky Italia 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.