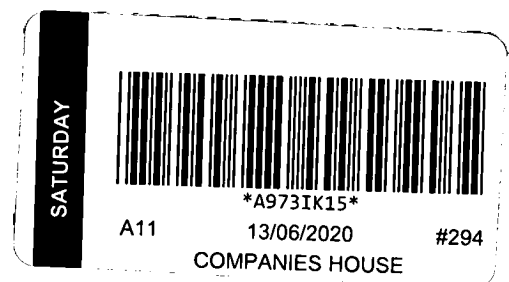


# SKY TELECOMMUNICATIONS SERVICES LIMITED

Annual report and financial statements  
for the 18 month period ended 31 December 2019

Registered number: 02883980



## Directors and Officers

For the period ended 31 December 2019

### **Directors**

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

T C Richards (appointed 5 June 2019)

C Smith (appointed 25 February 2019)

A C Stylianou (appointed 25 February 2019)

C J Taylor (resigned 5 June 2019)

C R Jones (resigned 25 February 2019)

### **Secretary**

Sky Corporate Secretary Limited (appointed 5 June 2019)

C J Taylor (resigned 5 June 2019)

### **Registered office**

Grant Way

Isleworth

Middlesex

TW7 5QD

### **Auditor**

Deloitte LLP

Statutory Auditor

London

United Kingdom

# Strategic and Directors' Report (continued)

For the period ended 31 December 2019

## Strategic Report

The Directors present their Strategic and Directors' Report on the affairs of the Company, together with the financial statements and Auditor's Report for the 18 month period ended 31 December 2019. During the period the Company changed its year-end from 30 June to 31 December, to align with that of Comcast Corporation ("Comcast"), the ultimate controlling party of the Company. Accordingly, the financial statements comprise the 18 month period to 31 December 2019, with comparatives for the 12 months to 30 June 2018.

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

## Business review and principal activities

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

The Company's principal activity is that of the provision of networking services in the United Kingdom in support of Sky UK Limited's broadband service. The majority of revenue is earned from other Group companies and is determined by cost recharges.

On 9 October 2018, the offer by Comcast Bidco to acquire the entire issued and to be issued share capital of the Sky Limited (formerly Sky plc) became wholly unconditional. As a result and as of that date, the ultimate controlling party of Sky Limited and its direct and indirect subsidiaries, including the Company, is now Comcast Corporation. In the fourth quarter of 2018, Comcast Bidco acquired the remaining Sky shares and it now owns 100% of the share capital of Sky Limited.

On 18 February 2019, Sky cancelled its previous £1 billion revolving credit facility, which had a maturity date of 30 November 2021, and the Company, as part of the Sky Limited group of companies, is now part of Comcast's inter-company funding relationships, which is discussed further below.

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 July 2018. Except for the first-time application of IFRS 15 and IFRS 9, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Company's financial statements as at and for the year ended 30 June 2018. Other than the reclassification within non-current assets of certain intangible assets to costs to fulfil under IFRS 15, no significant impacts have been identified.

## Financial Review and Dividends

The audited financial statements for the period ended 31 December 2019 are set out on pages 10 to 34. The profit before tax for the period was £368m (12 months to 30 June 2018: profit of £245m). Revenue has increased to £1,918m (12 months to 30 June 2018: £1,259m) and operating expenses have increased to £1,541m (2018: £1,008m). The increase in revenue and operating expenses is predominately due to the 18 month period being reported for 2019, compared to 12 months in 2018. The Company uses a cost-plus revenue model, in which costs are recharged to Sky Limited. The Directors do not recommend the payment of a dividend for the period ended 31 December 2019 (30 June 2018: £nil). The balance sheet shows that the Company's shareholder's equity position at the period end was £1,556m (30 June 2018: £1,259m).

## Strategic and Directors' Report (continued)

For the period ended 31 December 2019

### Key performance indicators (KPIs)

The Group manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the Company.

### Principal risks and uncertainties

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk.

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

### Financial risk management objectives and policies

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

### Credit risk

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

### Liquidity risk

The Company relies on the Group Treasury function to manage its liquidity and ensure that sufficient funds are available for ongoing operations and future developments. The Group currently has access to a £3 billion revolving credit facility with Comcast Corporation, which is due to expire 11 January 2024. The Company benefits from this liquidity through intra-group facilities and loans.

### Legislation and Regulation risk

#### U.K. Exit from the European Union

Sky's businesses are subject to risks relating to uncertainties and effects of the implementation of the United Kingdom's referendum to withdraw membership from the EU (referred to as "Brexit"), including financial, legal, tax and trade implications.

The telecommunications and media regulatory framework applicable to Sky's businesses in the U.K. and the EU may be subject to greater uncertainty upon the U.K.'s withdrawal from the EU. We cannot predict the extent of any potential changes to the regulatory framework involving U.K. and EU regulation of telecommunications and media, or changes to certain mutual recognition arrangements for media and broadcasting.

### Impacts of COVID-19

The novel coronavirus disease 2019 ("COVID-19") and measures taken to prevent its spread across the globe are impacting our business in a number of ways.

As a result of COVID-19, sporting events and professional sports seasons, including European football, have been postponed. This had a significant impact on Sky's results of operations in the first part of 2020. Direct-to-consumer revenue has been, and will continue to be negatively impacted as a result of lower sports subscription revenue. Additionally, significant costs associated with broadcasting these programmes were not recognised as a result of sporting events not occurring as scheduled. The timing of when, or the extent to which, these events will occur in 2020 is unclear; their broadcast is expected to impact the timing and potentially the amount, of revenue and expense recognition.

## Strategic and Directors' Report (continued)

For the period ended 31 December 2019

We have also suspended certain sales channels due to COVID-19, which has and will continue to impact our net customer additions and revenue.

COVID-19 has resulted in deteriorating economic conditions and increased economic uncertainty in the United Kingdom and Europe. These conditions negatively impacted revenue in the first part of 2020, and we expect these conditions will reduce advertising spend and consumer demand for our services for the remainder of 2020. In addition, there is increased risk associated with collections on our outstanding receivables, and we have incurred and expect to continue to incur losses in our provision for doubtful accounts.

Approved by the Board and signed on its behalf,



T C Richards

Director

Grant Way

Isleworth

Middlesex

TW7 5QD

9 June 2020

## Strategic and Directors' Report (continued)

For the period ended 31 December 2019

### Director's Report

The Directors who served during the period are shown on page 1. No dividend was proposed for the period ended 31 December 2019.

The Company has chosen, in accordance with section 414C (11) of Companies Act 2006, to include such matters of strategic importance to the Company in the Strategic Report which otherwise would be required to be disclosed in the Directors' report.

### Going Concern

The Company's business activities together with the factors likely to affect its future development and performance are set out in the Business Review. The Strategic Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk, liquidity risk, interest rate risk and foreign exchange risk.

Given the integrated nature of the Group's financial planning and treasury functions, the impact of COVID-19 on the Company's operations and funding requirements has been assessed at the Group level. Although negatively impacted by COVID-19, the Directors expect that the businesses will continue to generate adequate cash flow from operating activities and believe that these cash flows, together with the Company's existing cash, cash equivalents and investments, and available borrowings under its existing credit facilities, including the £3 billion revolving credit facility with Comcast, will be sufficient for the Company to meet its current and long-term liquidity and capital requirements. We further highlight that the Company has received confirmation of support from Comcast for a period of at least 12 months from the date of signing of these financial statements.

As a result, after making enquiries, the Directors have formed a judgement at the time of approving the financial statements that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Auditor

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue as Auditor and a resolution to reappoint them was approved by the Board of Directors on 9 June 2020.

Approved by the Board and signed on their behalf by:



T C Richards  
Director  
Grant Way  
Isleworth  
Middlesex  
TW7 5QD  
9 June 2020

## Statement of Directors' responsibilities

For the period ended 31 December 2019

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

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

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

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

# Auditor's report

## **Independent Auditor's report to the members of Sky Telecommunications Service Limited:**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements for Sky Telecommunication Services Limited (the "Company")

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income,
- the statement of changes in equity;
- the balance sheet;
- the statement of accounting policies,
- the cash flow statement; and
- the related notes 1 to 24.

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

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## Auditor's report

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

### Responsibilities of directors

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

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

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

## Auditor's report

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jon Young (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

9 June 2020

# Statement of Comprehensive Income

For the period ended 31 December 2019

	Notes	18 months to 31 December 2019 £'m	12 months to 30 June 2018 £'m
<b>Revenue</b>	2	<b>1,918</b>	1,259
Operating expenses	3	<b>(1,541)</b>	(1,008)
<b>Operating Profit</b>		<b>377</b>	251
Finance costs	4	<b>(9)</b>	(6)
<b>Profit before taxation</b>	5	<b>368</b>	245
Taxation	7	<b>(71)</b>	(38)
<b>Profit for the period</b>		<b>297</b>	207

From 1 July 2018, the Company has applied IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' using a modified retrospective approach.

As a result, the 2018 figures presented for comparison purposes have not been adjusted. Further detail regarding the impacts of this first-time adoption are presented in Note 1.

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

For the period ended 31 December 2019 and the year ended 30 June 2018, the Company did not have any other items of Comprehensive Income.

All results relate to continuing operations.

## Statement of Changes in Equity

For the period ended 31 December 2019

	Share capital £'m	Share premium £'m	Retained earnings £'m	Total shareholder's equity £'m
<b>At 1 July 2017</b>	<b>6</b>	<b>461</b>	<b>585</b>	<b>1,052</b>
Profit for the year		-	207	207
<b>At 30 June 2018</b>	<b>6</b>	<b>461</b>	<b>792</b>	<b>1,259</b>
Profit for the period		-	297	297
<b>At 31 December 2019</b>	<b>6</b>	<b>461</b>	<b>1,089</b>	<b>1,556</b>

From 1 July 2018, the Company has applied IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' using a modified retrospective approach. No impacts were recognised on first-time adoption in opening equity at 1 July 2018.

As a result, the 2018 figures presented for comparison purposes have not been adjusted. Further detail regarding the impacts of this first-time adoption are presented in Note 1.

The accompanying notes are an integral part of this Statement of Changes in Equity.

# Balance Sheet

As at 31 December 2019

	Notes	31 December 2019 £'m	30 June 2018 £'m
<b>Non-current assets</b>			
Property, plant and equipment	9	132	165
Intangible assets	8	87	127
Deferred tax assets	10	16	15
Costs to fulfil customer contract		68	-
<b>Total non-current assets</b>		<b>303</b>	<b>307</b>
<b>Current assets</b>			
Trade and other receivables	11	1,461	1,132
Cash and cash equivalents		-	6
<b>Total current assets</b>		<b>1,461</b>	<b>1,138</b>
<b>Total assets</b>		<b>1,764</b>	<b>1,445</b>
<b>Current liabilities</b>			
Trade and other payables	12	146	115
Borrowings	15	2	4
Provisions	14	-	3
<b>Total current liabilities</b>		<b>148</b>	<b>122</b>
<b>Non-current liabilities</b>			
Borrowings	15	57	58
Trade and other payables	13	3	3
Provisions	14	-	3
<b>Total non-current liabilities</b>		<b>60</b>	<b>64</b>
<b>Total liabilities</b>		<b>208</b>	<b>186</b>
Share capital	17	6	6
Share premium		461	461
Reserves		1,089	792
<b>Total equity attributable to equity shareholder</b>		<b>1,556</b>	<b>1,259</b>
<b>Total liabilities and shareholder's equity</b>		<b>1,764</b>	<b>1,445</b>

From 1 July 2018, the Company has applied IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' using a modified retrospective approach.

As a result, the 2018 figures presented for comparison purposes have not been adjusted. Further details regarding the impacts of this first-time adoption are presented in Note 1.

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

The financial statements of Sky Telecommunications Services Limited, registered number 02883980, were approved by the Board of Directors on 9 June 2020 and were signed on its behalf by:



T C Richards  
Director

9 June 2020

# Cash Flow statement

For the period ended 31 December 2019

		<b>18 months to 31 December 2019</b>	12 months to 30 June 2018
	Note	£'m	£'m
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	<b>217</b>	111
Amounts paid in relation to costs to fulfil customer contracts		<b>(97)</b>	-
<b>Net cash generated from operating activities</b>		<b>120</b>	111
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		<b>(39)</b>	(14)
Purchase of intangible assets		<b>(75)</b>	(85)
<b>Net cash used in investing activities</b>		<b>(114)</b>	(99)
<b>Cash flows from financing activities</b>			
Repayment of obligations under finance leases		<b>(12)</b>	(7)
<b>Net cash used in financing activities</b>		<b>(12)</b>	(7)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(6)</b>	5
<b>Cash and cash equivalents at the beginning of the period</b>		<b>6</b>	1
<b>Cash and cash equivalents at the end of the period</b>		<b>0</b>	6

The accompanying notes are an integral part of this Cash Flow Statement. All results relate to continuing operations.

## Notes to the financial statements

### 1. Accounting policies

Sky Telecommunications Services Limited (the "Company") is a private company, limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is Grant Way, Isleworth, Middlesex, TW7 5QD and registered number is 02883980.

#### a) Statement of compliance

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

#### b) Basis of preparation

The financial statements have been prepared on the going concern basis (as set out in the Directors' Report) and on a historical cost basis.

The Company has adopted the new accounting pronouncements which became effective this period. The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 July 2018 on a modified retrospective basis. There was no impact of adopting IFRS 15 and 9 on transition in opening reserves.

IFRS 15 resulted in a reclassification of certain non-current assets from intangible assets to costs to fulfil (see note 8). These are amortised over the same period and profile as previously, and as a result there is no impact on profit before tax. Revenues earned from group companies and third parties, continue to be recognised over time as the services are performed.

There was no impact on adopting IFRS 9, as a result of materially all trade and other receivables being inter-company in nature, with group company counterparties against which there is no history of incurred loss, and no current expectation of loss in future.

#### c) Foreign currency translation

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

#### d) Intangible assets and property, plant and equipment ("PPE")

##### i. Intangible assets

Research expenditure is recognised in operating expense in the Statement of Comprehensive Income as the expenditure is incurred. Development expenditure (relating to the application of research knowledge to plan or design new or substantially improved products for sale or use within the business) is recognised as an intangible asset from the point that the Company has the intention and ability to generate future economic benefits from the development expenditure, that the development is technically feasible and that the subsequent expenditure can be measured reliably. Any other development expenditure is recognised in operating expense as incurred.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### d) Intangible assets and property, plant and equipment ("PPE") (continued)

##### i. Intangible assets (continued)

Other intangible assets, which are acquired by the Company separately or through a business combination, are initially stated at cost or fair value, respectively, less accumulated amortisation and impairment losses.

Amortisation of an intangible asset begins when the asset is available for use, and is charged to the Statement of Comprehensive Income through operating expense over the asset's useful economic life in order to match the expected pattern of consumption of future economic benefits embodied in the asset. Principal useful economic lives used for this purpose are:

Other intangible assets	1 to 5 years straight-line
-------------------------	----------------------------

If the useful life is indefinite or the asset is not yet available for use, no amortisation is charged and an impairment test is carried out at least annually. Other intangible assets are tested for impairment in line with accounting policy (f) below.

##### ii. Property, plant and equipment

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses (see accounting policy f). When an item of PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE.

The costs of assets comprise the following, where applicable:

- Purchase price, including import duty and non-refundable purchase taxes, after probable trade discounts and rebates
- Directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including relevant delivery and logistics costs

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are treated as PPE.

The cost of PPE, less estimated residual value, is depreciated in operating expense on a straight-line basis over its estimated useful life. Land, and assets that are not yet available for use, are not depreciated. Principal useful economic lives used for this purpose are:

Equipment, furniture and fixtures	5 to 20 years
-----------------------------------	---------------

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

To the extent that the financing for a qualifying asset is part of the Sky Group's general borrowings, the interest cost to be capitalised is calculated based upon the weighted average cost of borrowing to the Sky Group (excluding the interest on any borrowings specific to any qualifying assets). This is then applied to the expenditures on the asset.

All other borrowing costs are recognised in profit or loss in the period to which they relate.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### e) Financial assets and liabilities

Directly attributable transaction costs are included in the initial measurement of financial assets and liabilities only with respect to those assets and liabilities that are not subsequently measured at fair value through profit and loss. At each balance sheet date, the Company assesses whether there is any objective evidence that any financial asset is impaired.

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets are derecognised from the balance sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Company's Balance Sheet when the obligation specified in the contract is discharged, cancelled or expires.

#### i. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and, where no stated interest rate is applicable, are measured at the original invoice amount, if the effect of discounting is immaterial. Where discounting is material, trade and other receivables are measured at amortised cost using the effective interest method. An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses provided for on an expected loss model according to IFRS 9, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the Statement of Comprehensive Income.

#### ii. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are also included as a component of cash and cash equivalents.

#### iii. Trade and other payables

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest method. Trade and other payables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

#### f) Impairment

At each balance sheet date, and in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets excluding financial assets (see accounting policy e) and deferred tax (see accounting policy k) to determine whether there is any indication that any of those assets have suffered an impairment loss.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### f) Impairment (continued)

An impairment is recognised in the Statement of Comprehensive Income whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

An impairment loss for an individual asset or cash generating unit shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### g) Provisions

Provisions are recognised when the Company has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Company's best estimate of the transfer of benefits that will be required to settle the obligation as of the balance sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

#### h) Revenue recognition

The Company's revenue, which excludes value added tax, principally relates to fees derived from the provision of network services to other companies in the Group. The fees charged to other Group companies are based on costs incurred plus a margin. Revenue is recognised as such services are provided over time. Revenue is measured at the fair value of the consideration received or receivable.

#### i) Employee benefits

##### Wages, salaries and social security contributions

Wages, salaries, social security contributions, bonuses payable and non-monetary benefits for current employees are recognised in the Statement of Comprehensive Income as the employees' services are rendered.

Where the Company provides pensions to eligible employees through defined contribution schemes. The amount charged to the Statement of Comprehensive Income in the period represents the cost of contributions payable by the Company to the schemes in exchange for employee services rendered in that period. The assets of the schemes are held independently of the Company.

Termination benefits are recognised as a liability at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Group recognises any related restructuring costs, such termination being before the normal retirement date or as the result of an offer to encourage voluntary redundancy.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### j) Leases

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

When the Company is lessee, assets held under finance leases are recognised as assets of the Company at their fair value on the date of acquisition, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

When the Company is a lessor, assets which are provided under operating lease arrangements are recognised as assets within property, plant and equipment. The assets remain in the economic ownership of the Group for the duration of the lease, and are depreciated over their useful economic lives.

The lease expense arising from operating leases is charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Benefits received and receivable as incentives to enter into operating leases are recorded on a straight-line basis over the lease term.

#### k) Tax, including deferred tax

The Company's liability for current tax is based on taxable profits for the period, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profits.

Taxable temporary differences arising from goodwill and, except in a business combination, the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity.

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

## Notes to the financial statements

### 1. Accounting policies (continued)

#### 1) Critical accounting policies, and judgement and key sources of estimations uncertainty

Certain accounting policies are considered to be critical to the Company. An accounting policy is considered to be critical if in the Directors' judgement, its selection or application materially affects the Company's financial position or results. The application of the Company's accounting policies also requires the use of estimates and assumptions that affect the Group's financial position or results.

Below is a summary of the Company's critical accounting policies and details of the key areas of judgement that are exercised in their application.

#### i. Revenue

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

#### ii. Tax

- The Company's tax charge is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.
- Provisions for tax contingencies require management to make judgements in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless it is probable that the tax positions will be sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of the likely resolution of the issue through negotiation and/or litigation.
- The amounts recognised in the financial statements in respect of each matter are derived from the Company's best estimation and judgement, as described above. However, the inherent uncertainty regarding the outcome of these items means the eventual resolution could differ from the provision and in such event the Company would be required to make an adjustment in a subsequent period which could have a material impact on the Company's profit and loss and/or cash position.

#### iii. Deferred tax

- The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.
- There are no key areas of estimation uncertainty which have been identified. To the extent that estimates impact critical accounting policies and treatments have been discussed above.

#### iv. Intangible assets and property, plant and equipment

- The assessment of the useful economic lives of these assets requires judgement. Depreciation and amortisation are charged to the Statement of Comprehensive Income based on the useful economic life selected, which requires an estimation of the period and profile over which the Company expects to consume the future economic benefits embodied in the assets. The Company reviews its useful economic lives on at least an annual basis.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### iv. Intangible assets and property, plant and equipment (continued)

- Determining whether the carrying amount of these assets has any indication of impairment also requires judgement. If an indication of impairment is identified, further judgement is required to assess whether the carrying amount can be supported, for example, by the net present value of future cash flows forecast to be derived from the asset. This forecast involves cash flow projections and selecting the appropriate discount rate, where applicable.
- Assessing whether assets meet the required criteria for initial capitalisation requires judgement. This requires a determination of whether the assets will result in future benefits to the Company. In particular, internally generated intangible assets must be assessed during the development phase to identify whether the Company has the ability and intention to complete the development successfully.
- Determining the costs of assets to be capitalised requires judgement. Specifically, judgement and estimation is required in determining the amount of duties and non-refundable taxes, probable trade discounts and rebates, and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (including relevant delivery and logistics costs to the customer's premises) to be allocated to the asset.

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2018 or later periods. These new pronouncements are listed below: The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

- IFRS 16 'Leases'

When IFRS 16 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 16 on each line item in the financial statements in the reporting period. Depending on the adoption method that is utilised, certain practical expedients may be applied on adoption. The Company has not yet finalised which method it will adopt, but it is currently expected that the Company will transition to IFRS 16 on a modified retrospective basis setting the right of use asset equal to the associated lease liability.

IFRS 16 replaces IAS 17 'Leases' and will primarily change lease accounting for lessees; lessor accounting under IFRS 16 is expected to be similar to lease accounting under IAS 17. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

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

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

The detailed assessment of the impact on the Company is ongoing, with the current focus being on assessing of the completeness of lease contracts and what discount rate would be appropriate for the Company's circumstances..

The adoption is expected to have a significant but not material impact on the presentation of the Company's assets and liabilities, mainly relating to significant property leases. It is expected that the Company will recognise a right of use asset and total lease liability of £15m on transition.

## Notes to the financial statements

### 2. Revenue

	<b>18 months to 31 December 2019</b>	12 months to 30 June 2018
	<b>£'m</b>	<b>£'m</b>
Wholesale broadband services	<b>1,900</b>	1,249
Provision of network services	<b>7</b>	8
Other	<b>11</b>	2
<b>Total revenue</b>	<b>1,918</b>	1,259

Revenue arises from services provided in the United Kingdom.

### 3. Operating expense

	<b>18 months to 31 December 2019</b>	12 months to 30 June 2018
	<b>£'m</b>	<b>£'m</b>
Direct network costs	<b>1,343</b>	870
Sales, general & admin	<b>198</b>	138
<b>Total operating expenses</b>	<b>1,541</b>	1,008

### 4. Investment income and finance costs

	<b>18 months to 31 December 2019</b>	12 months to 30 June 2018
	<b>£'m</b>	<b>£'m</b>
<b>Finance costs</b>		
Interest payable on finance leases	<b>9</b>	6

## Notes to the financial statements

### 5. Profit before taxation

Profit before tax is stated after charging :

	<b>18 months to 31 December 2019</b>	12 months to 30 June 2018
	<b>£'m</b>	£'m
Depreciation of property, plant and equipment	<b>72</b>	57
Amortisation of intangible assets	<b>79</b>	85
Rentals on operating leases and similar arrangements	<b>4</b>	3

### Audit fees

Amounts paid to the Auditor for audit services of £125,000 (2018: £10,500) were borne by another Group subsidiary in 2019 and 2018. No amounts for other services have been paid to the Auditor.

### 6. Employee benefits and key management compensation

#### a) Company employee benefits

	<b>18 months to 31 December 2019</b>	12 months to 30 June 2018
	<b>£'m</b>	£'m
Wages and salaries	<b>61</b>	32
Social security costs	<b>7</b>	4
Contributions to the Sky Pension Plan ("the Pension Plan")	<b>4</b>	2
<b>Total</b>	<b>72</b>	38

The Company operates a defined contribution pension scheme (the "Pension Plan"). The pension charge for the period represents the cost of contributions payable by the Company to the scheme during the period. The Company's amount payable to the scheme at 31 December 2019 was nil (30 June 2018: £nil).

The average number of full-time equivalent persons employed by the Company during the period was nil (12 months to 30 June 2018: nil).

#### b) Key management compensation

The Directors did not receive any remuneration during the period (12 months to 30 June 2018: £nil) in respect of their services to the Company.

## Notes to the financial statements

### 7. Taxation

#### a) Taxation recognised in the Statement of Comprehensive Income

	2019 £'m	2018 £'m
<b>Current tax expense</b>		
Current period	65	39
Adjustment in respect of prior years	6	-
<b>Total current tax</b>	<b>71</b>	<b>39</b>
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	-	(1)
<b>Total deferred tax</b>	<b>-</b>	<b>(1)</b>
<b>Taxation</b>	<b>71</b>	<b>38</b>

#### b) Reconciliation of effective tax rate

The tax expense for the period is higher (2018: lower) than the expense that would have been charged using the rate of corporation tax in the UK of 19.0% (2018: 19.00%) applied to profit before tax. The differences are explained below:

	2019 £'m	2018 £'m
Profit before tax	368	245
Profit before tax multiplied by rate of corporation tax in the UK of 19.00% (2018: 19.00%)	70	47
Effects of:		
Group relief for no consideration	(5)	(9)
Adjustment in respect of prior years	6	-
<b>Taxation</b>	<b>71</b>	<b>38</b>

All taxation relates to UK corporation tax.

## Notes to the financial statements

### 8. Intangible assets

	Other intangibles
	£'m
<b>Cost</b>	
<b>At 30 June 2017</b>	<b>418</b>
Additions	90
<b>At 30 June 2018</b>	<b>508</b>
Additions	75
Re-class	(184)
Disposals	(6)
<b>At 31 December 2019</b>	<b>393</b>
<b>Amortisation</b>	
<b>At 30 June 2017</b>	<b>(296)</b>
Charge for the year	(85)
<b>At 30 June 2018</b>	<b>(381)</b>
Charge for the period	(79)
Re-class	149
Disposals	5
<b>At 31 December 2019</b>	<b>(306)</b>
<b>Carrying amounts</b>	<b>£'m</b>
At 30 June 2018	127
<b>At 31 December 2019</b>	<b>87</b>

The transfers in the in the period represent the reclassification of certain intangible assets as costs to fulfil under IFRS 15 Revenue, which has been adopted on a modified retrospective basis without comparatives being restated.

The estimated future amortisation charge on intangible assets with finite lives for each of the next five years is set out below. It is likely that future amortisation will vary from the figures below as the estimate does not include the impact of any future investments, disposals or capital expenditure.

	2020	2021	2022	2023	2024
	£'m	£'m	£'m	£'m	£'m
Estimated amortisation charge	28	25	11	2	2

## Notes to the financial statements

### 9. Property, plant and equipment

	Leasehold improvements £'m	Equipment, furniture and fixtures £'m	Assets no yet available for use £'m	Total £'m
<b>Cost</b>				
<b>At 30 June 2017</b>	<b>17</b>	<b>882</b>	<b>-</b>	<b>899</b>
Additions	2	16	-	18
Disposals	-	1	-	1
<b>At 30 June 2018</b>	<b>19</b>	<b>899</b>	<b>-</b>	<b>918</b>
Additions	-	34	5	39
Disposals	-	(12)	-	(12)
<b>At 31 December 2019</b>	<b>19</b>	<b>921</b>	<b>5</b>	<b>945</b>
<b>Depreciation</b>				
<b>At 30 June 2017</b>	<b>(8)</b>	<b>(688)</b>	<b>-</b>	<b>(696)</b>
Charge for the year	(3)	(54)	-	(57)
<b>At 30 June 2018</b>	<b>(11)</b>	<b>(742)</b>	<b>-</b>	<b>(753)</b>
Charge for the period	(2)	(70)	-	(72)
Disposal	-	12	-	12
<b>At 31 December 2019</b>	<b>(13)</b>	<b>(800)</b>	<b>-</b>	<b>(813)</b>
<b>Carrying amounts</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
At 30 June 2018	8	157	-	165
<b>At 31 December 2019</b>	<b>6</b>	<b>121</b>	<b>5</b>	<b>132</b>

All assets held under finance leases were fully depreciated in both years.

#### Costs to fulfil

On adoption of IFRS 15 Revenue, it was identified that certain broadband network connection fees previously accounted for under IAS 38 Intangible Assets, were more faithfully represented to be costs to fulfil under IFRS 15 instead. As a result, these costs have been reclassified within non-current assets.

These costs are amortised over the end broadband customer's minimum contract period and continue to be expensed through Direct Network Costs.

## Notes to the financial statements

### 10. Deferred tax

#### Recognised deferred tax assets

	31 December 2019	30 June 2018
	£'m	£'m
Depreciation in excess of capital allowances	15	14
Other timing differences	1	1
<b>Total</b>	<b>16</b>	<b>15</b>

Deferred tax assets have been recognised at 31 December 2019 (and 30 June 2018) on the basis that management deem it probable that there will be suitable taxable profits against which these assets can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rates enacted or substantively enacted for the relevant periods of reversal are: 19.0% from 1 April 2017 and 17.0% from 1 April 2020 in the UK.

On 11 March 2020 the Chancellor announced that in April 2020 the UK government will legislate to retain the current 19% rate. This change was substantively enacted on 17 March 2020, after the Statement of Financial Position date, and therefore is not included in these financial statements

### 11. Trade and other receivables

	31 December 2019	30 June 2018
	£'m	£'m
Gross trade receivables	4	2
Net trade receivables	4	2
Amounts receivable from Group companies	1,388	1,076
Prepayments	8	8
Accrued Income	3	-
VAT receivable	53	45
Other receivables	5	1
	<b>1,461</b>	<b>1,132</b>

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

#### Amounts receivable from Group companies

Amounts owed by Group companies totalling £1,388m (2018: £1,076m) are non-interest bearing and repayable on demand.

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

## Notes to the financial statements

### 11. Trade and other receivables (continued)

#### Amounts receivable from Group companies (continued)

Within the Company there is a concentration of risk within amounts receivable from other Group companies. No allowances have been recorded against amounts receivable from Group companies as they have been assessed to be fully recoverable.

### 12. Trade and other payables

	31 December 2019	30 June 2018
	£'m	£'m
Trade payables	15	25
Amounts payable to other Group companies	83	17
Accruals	44	70
Deferred income	2	2
Other payables	2	1
	146	115

### 13. Non-current trade and other payables

	31 December 2019	30 June 2018
	£'m	£'m
Other payables	3	3

The Directors consider that the carrying amount of trade and other payables approximates fair value. Trade payables principally comprise amounts outstanding for the purchase of fibre optic cable services.

#### Amounts payable to other Group companies

Amounts owed to other Group companies are non-interest bearing and repayable on demand.

## Notes to the financial statements

### 14. Provisions

	At 01 July 2017	Provided during the year	Utilised during the year	At 30 June 2018	Provided during the year	Utilised during the year	At 31 December 2019
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>Current liabilities</b>							
Other provision (i)	-	3	-	3	-	(3)	-
<b>Non-current liabilities</b>							
Other provision (i)	4	-	(1)	3	-	(3)	-
<b>Total</b>	<b>4</b>	<b>3</b>	<b>(1)</b>	<b>6</b>	<b>-</b>	<b>(6)</b>	<b>-</b>

(i) Other provision

The other provision is primarily in relation to onerous network maintenance and co-location contracts which have an average length of 20 years and are due to expire in 2020 and 2021. All amounts are due to be paid over the length of the relevant contract.

### 15. Borrowings

	31 December 2019	30 June 2018
	£'m	£'m
<b>Current</b>		
Obligations under finance leases	2	4
<b>Non-current</b>		
Obligations under finance leases	57	58
<b>Total borrowings</b>	<b>59</b>	<b>62</b>

## Notes to the financial statements

### 15. Borrowings (continued)

#### Finance leases

The minimum lease payments under finance leases fall due as follows:

	31 December 2019	30 June 2018
	£'m	£'m
Within one year	7	10
Between one and two years	7	6
Between two and three years	7	7
Between three and four years	7	8
Between four and five years	7	8
After five years	100	108
Minimum lease payments of finance lease liabilities	135	147
Future finance charges on finance lease liabilities	(76)	(85)
<b>Present value of finance lease liabilities</b>	<b>59</b>	<b>62</b>

The main obligations under finance leases are in relation to financial arrangements in connection with broadband network infrastructure. During the year, repayments of £7m (2018: £7m) were made against the lease. A proportion of these payments have been allocated against the capital outstanding. The leases bear interest at a rate of 11.1% (2018: 11.1%) per annum and expire in March 2040.

### 16. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables, and borrowings. The accounting classification of each class of the Company's financial assets and financial liabilities together with their fair values is as follows:

	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total carrying value	Total fair values
	£'m	£'m	£'m	£'m
<b>At 31 December 2019</b>				
Trade and other payables	-	(149)	(149)	(149)
Obligations under finance leases	-	(59)	(59)	(59)
Trade and other receivables	1,397	-	1,397	1,397
Cash and cash equivalents	-	-	-	-
<b>At 30 June 2018</b>				
Trade and other payables	-	(118)	(118)	(118)
Obligations under finance leases	-	(62)	(62)	(62)
Provisions	-	(6)	(6)	(6)
Trade and other receivables	1,079	-	1,079	1,079
Cash and cash equivalents	6	-	6	6

## Notes to the financial statements

### 16. Financial risk management objectives and policies (continued)

#### Liquidity risk

The Company relies on the Group Treasury function to manage its liquidity and ensure that sufficient funds are available for ongoing operations and future developments. The Group currently has access to a £3 billion revolving credit facility with its ultimate parent, Comcast Corporation, which is due to expire 11 January 2024. The Company benefits from this liquidity through intra-group facilities and loans

The Company's financial liabilities are shown in note 12, 13, 14 and 15.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 12 months	Between one and two years	Between two and five years	More than five years	Total
	£'m	£'m	£'m	£'m	£'m
<b>At 31 December 2019</b>					
Trade and other payables	149	-	-	-	149
Obligations under finance leases	7	7	21	100	135
Provisions	-	-	-	-	-
<b>At 30 June 2018</b>					
Trade and other payables	118	-	-	-	118
Obligations under finance leases	10	6	23	108	147
Provisions	3	-	-	3	6

#### Capital Risk Management

The capital structure of the Company consists of equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings. Risk and treasury management is governed by Comcast Corporation's policies by its Board of Directors.

#### Credit risk

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 11.

#### Sensitivity Analysis

If interest rates had been one percentage point higher and all other variants were held constant, the Company's profit/loss for the period ended 31 December 2019 would increase by less than £1 million (2018: increase by less than £1 million).

## Notes to the financial statements

### 17. Share capital

	31 December 2019	30 June 2018
	£'m	£'m
<b>Allotted, called-up and fully paid</b>		
5,821,764 (2018: 5,821,764) ordinary shares of £1 each	6	6

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

### 18. Shareholders' equity

	31 December 2019	30 June 2018
	£'m	£'m
Share capital	6	6
Share premium	461	461
Retained earnings	1,089	792
	<b>1,556</b>	<b>1,259</b>

### 19. Notes to the Cash Flow Statement

#### Reconciliation of profit before tax to cash generated from operations

	18 months to 31 December 2019	12 months to 30 June 2018
	£'m	£'m
<b>Profit before tax</b>	<b>368</b>	<b>245</b>
Depreciation of property, plant and equipment	72	57
Amortisation of intangible assets	79	85
Amortisation of cost to fulfil	64	-
Net finance costs	9	6
<b>Operating profit before working capital changes</b>	<b>592</b>	<b>393</b>
(Increase) in trade and other receivables	(401)	(275)
Increase in trade and other payables	32	(10)
increase in deferred income	-	2
(Decrease) in provisions	(6)	1
<b>Total cash generated from operations</b>	<b>217</b>	<b>111</b>

## Notes to the financial statements

### 20. Contracted commitments, contingencies and guarantees

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

	Less than one year	Between one and five years	After five years	Total at 31 December 2019	Total at 30 June 2018
	£(m)	£(m)	£(m)	£(m)	£(m)
Third party payments	31	39	-	70	71
Property, plant and equipment	8	2	-	10	5
Intangible assets	3	2	-	5	-
	<b>42</b>	<b>43</b>	-	<b>85</b>	76

### 21. Operating lease commitments

The minimum lease rentals to be paid under non-cancellable operating leases at 31 December 2019 and 30 June 2018 are as follows:

	2019 £'m	2018 £'m
Within one year	3	3
Between one and two years	3	3
Between two and three years	3	2
Between three and four years	3	2
Between four and five years	3	2
After five years	8	7
	<b>23</b>	19

Operating leases relate to properties with lease terms of between 2 and 19 years. All operating leases contain market review clauses. The Company does not have the option to purchase the leased asset at the expiry of the lease period.

## Notes to the financial statements

### 22. Transactions with related parties

Sky's treasury function is responsible for liquidity management across Sky's operations. It is standard practice for the Company to lend and borrow cash to and from other Sky companies as required.

The Company, together with Sky UK Limited, Sky Group Finance Limited, Sky CP Limited, Sky Subscribers Services Limited and Comcast Corporation as given joint and several guarantees in relation to the outstanding public debt market of €600 million of Floating Rate Notes repayable in April 2020, £450 million of 2.875% Guaranteed Notes repayable in November 2020, €1,500 million of 1.500% Guaranteed Notes repayable in September 2021, US\$800 million of 3.125% Guaranteed Notes repayable in November 2022, €850 million of 1.875% Guaranteed Notes repayable in November 2023, US\$1,250 million of 3.750% Guaranteed Notes repayable in September 2024, €1,000 million of 2.500% Guaranteed Notes repayable in September 2026, £300 million of 6.000% Guaranteed Notes repayable in May 2027, €400 million of 2.750% Guaranteed Notes repayable in November 2029 and £300 million of 4.000% Guaranteed Notes repayable in November 2029 issued by Sky Limited.

The Company, together with Sky UK Limited, Sky Limited, Sky CP Limited, Sky Subscribers Services Limited and Comcast Corporation have given joint and several guarantees in relation to the outstanding public debt market of US\$350 million of 6.500% Guaranteed Notes repayable in October 2035 issued by Sky Group Finance Limited.

#### a) Transactions with other Group companies

	18 months to 31 December 2019	12 months to 30 June 2018
	£'m	£'m
Supply of services by the Company	1,889	1,244
Purchases of goods/services by the Company	118	74

During the period the Company had related party transactions with Sky LLU Assets Limited, Sky UK Limited and Sky Subscribers Services Limited. For details of amounts owed by and amounts owed to fellow subsidiary undertakings, see notes 11 and 12.

Sky's treasury function is responsible for liquidity management across Sky's operations. It is standard practice for the Company to lend and borrow cash to and from other Sky companies as required.

#### b) Key management

The Company has a related party relationship with the Directors of the Company as key management. At 31 December 2019, there were three (30 June 2018: two) key managers, both of whom were Directors of the Company.

## Notes to the financial statements

### **23. Ultimate parent undertaking**

The Company is a wholly-owned subsidiary undertaking of Sky UK Limited a Company incorporated and registered in England and Wales. The Company's ultimate parent company and the largest group in which the results of the company are consolidated is Comcast Corporation ("Comcast"), a company incorporated in the United States of America and registered in Pennsylvania.

The Company is ultimately controlled by Comcast and operates together with Comcast's other subsidiaries, as a part of the Comcast Group (the "Group"). The only group in which the results of the Company are consolidated is that headed by Comcast.

The consolidated financial statements of the Group are available to the public and may be obtained from Comcast Investor Relations at Comcast Corporation, One Comcast Center, Philadelphia, PA 19103, USA. Or at:

<https://www.cmcsa.com/investors>.

### **24. Post Balance Sheet Events**

Subsequent to 31 December 2019, the novel COVID-19 outbreak was declared a pandemic, and measures taken to prevent its spread are impacting Sky's business in a number of ways. The impacts of COVID-19 on the Company's business activities are set out in the Strategic Report.