SKY TELECOMMUNICATIONS SERVICES LIMITED

Annual report and financial statements
For the year ended 31 December 2020

Registered number: 02883980

Directors and Officers

For the year ended 31 December 2020

Directors

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

T C Richards
C Smith
A C Stylianou

Secretary

Sky Corporate Secretary Limited

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Strategic and Directors' Report

For the year ended 31 December 2020

Strategic Report

The Directors present their Strategic and Directors' Report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 31 December 2020, with comparatives for the 18 months to 31 December 2019.

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 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.

The Company has adopted IFRS 16 'Leases' from 1 January 2020, which has not had a significant impact on the Company's financial performance on transition or during the year but has led to a significant increase in right-of-use assets and related lease liabilities being recognised on the balance sheet. Except for the first-time application of IFRS 16, 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 31 December 2020.

Financial Review and Dividends

The audited financial statements for the year ended 31 December 2020 are set out on pages 16 to 44.

The profit before tax for the year was £223m (2019: profit of £368m). Revenue has decreased to £1,410m (2019: £1,918m) and operating expenses have decreased to £1,181m (2019: £1,541m). The decrease in revenue and operating expenses is predominately due to the 12 month period being reported for 2020 compared to 18 months in 2019. The Company uses a cost-plus revenue model, in which costs are recharged to Sky UK Limited.

The balance sheet shows that the Company's shareholder's equity position at the year-end was £1,753m (2019: £1,556m), which has increased as a result of the profit in the year. The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: £nil).

Key performance indicators (KPIs)

The Sky Group ("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 Group's Treasury policy approved by the Comcast Audit Committee and Board of Directors, which provide written principles on the use of financial derivatives to manage risk. The Company does not use derivative financial instruments for speculative purposes.

Credit risk

The balance sheet of the Company includes intercompany balances. The Company is therefore exposed to credit risk on these balances. The intercompany balances of the Company are detailed in note 12. Given the amount and nature of the receivables balance, no allowance account has been made under IFRS 9, and there has been no write-off during the year.

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 on 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

The telecommunications and media regulatory framework applicable to Sky's business in the United Kingdom may be subject to greater uncertainty as a result of the UK's withdrawal from the European Union and the end of the transition period on 31 December 2020, with the possibility of greater divergence between the regulation of Sky's UK business and that of its other European businesses over time. The Directors are not able to predict the extent of any such divergence at this point in time.

Impacts of COVID-19

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

COVID-19 has had, and we expect will continue to have, material negative impacts on the Sky Group's results of operations primarily due to the impacts of professional sports. We expect the impacts of the COVID-19 pandemic will continue to have a material adverse impact on our results of operations over the near to medium term, although the extent of such impact will depend on restrictive governmental measures, further deterioration of the global economy, widespread availability and acceptance of vaccines and consumer behaviour in response to COVID-19. The most significant effects of COVID-19 began in the second half of the first quarter of 2020.

Impacts of COVID-19 (continued)

The Company's provision of network services for other Group companies, has been impacted by the timing of Sky and third party engineers being able to install broadband customers during Covid-19. The Company continues to invest in its network infrastructure assets, to ensure the reliability of supply to support the increased demand for broadband connectivity caused by Covid-19, which has accelerated trends such as working from home and hybrid working.

Corporate Governance Statement

Code of conduct

The Company is ultimately controlled by Comcast and operates together with Comcast's other subsidiaries as part of the Comcast Group. Comcast's Board of Directors is responsible for establishing corporate governance practices and policies for the Comcast Group and has adopted Comcast's Code of Conduct, which is applicable to Sky. The Company upholds the Code of Conduct, which is the common framework for what the Comcast Group stands for and how it operates. Further specifics are set out in the Code at https://www.cmcsa.com/corporate-governance. The Code sets out the four values that the broader Comcast Group is guided by – an entrepreneurial spirit, doing the right thing and acting with integrity, respect for each other and giving back – and explains how we put these principles into practice within the Group. Sky employees also receive its "Ways of Working" manual, which sets out its values as a business and expectations of employee behaviour. The Sky Group's policies may be found at https://www.skygroup.sky/documents-policies.

The Directors believe that the Comcast Code of Conduct, Sky's Ways of Working, and the corporate governance arrangements described below represent the primary areas of the Company's corporate governance framework given it operates as a wholly-owned subsidiary of Comcast Corporation. As a result, the Directors decided not to formally adopt a recognised code of corporate governance.

The Board

The Company's board (the "Board") is comprised of three directors. The size, structure and composition of the Board is appropriate to meet the Company's strategic needs and challenges and to promote effective decision making. The Directors did not receive remuneration for their role as statutory directors of the Company during the year, because they are employees who receive remuneration for their employment with the Sky Group or Comcast Group.

Director Responsibilities

The Company has an operating framework within the Comcast Group and Sky Group which sets out the rules, policies, and delegations of authorities with which the Company complies, and establishes clear lines of accountability and responsibility to support decision making. The Company delegates authority of day-to-day management to senior executives and engages leadership to set, approve and oversee the execution of the Company's and the Sky Group's business strategy. The Company follows Sky's Contract Standards and Approval Policies for approving contracts, which reserves certain matters for Sky and/or Comcast, and in some cases requires additional approvals from specific Sky or Comcast personnel. The Board meets on an ad hoc basis to consider the Company's activities and review and approve strategic and other key decisions.

Opportunities & Risks

To promote the long-term sustainable success of the Sky Group, Sky seeks to identify and capitalise on a broad range of opportunities whilst also mitigating risk. Sky has a formal risk management framework embedded within the business to support the identification and management of risk across the Sky Group.

Corporate Governance Statement (continued)

Opportunities & Risks (continued)

There is an ongoing monitoring process which is operated by the Sky Group risk team and supported by senior management across the Group, to identify and report on significant changes or new risks. The Sky Group Risk, Controls and Assurance function assists the business to develop risk registers and consolidates these to support both Sky's day-to-day approach to risk and to form part of Comcast's year end risk requirements.

Streamlined Energy and Carbon Reporting

We have been reporting our carbon footprint since 2005/06, which now includes our businesses in the UK, Republic of Ireland, Portugal, Germany, Austria and Switzerland, and Italy. In February 2020, we launched Sky Zero, our commitment to halve our greenhouse gas emissions across our value chain against a 2018 baseline, and become net zero carbon by 2030. Sky has been a CarbonNeutral® company since 2006, and we have already more than halved our operational emissions since 2012.

Over 2020 many of our sites across Europe remained open for our key worker engineers, journalists and broadcast operations employees. We replaced diesel generator fuel with low carbon HVO at three main sites, introduced 151 Ford Transit PHEV to Sky's commercial fleet, providing a 60% reduction in emissions against their diesel equivalents, and continue to invest in LED lighting. We optimised cooling at our technical sites and introduced automated computing power controls to our data centres, to maximise efficiency and reduce the number of physical devices needed at low demand times. In September 2020 we launched a renewable energy offer to our people to help them reduce their emissions at home.

Further information including a detailed breakdown of our Scopes 1, 2 and 3 emissions, our progress towards net zero carbon by 2030 and historic reporting can be found in our annual impact reports at https://www.skygroup.sky/reports.

	2020		2019 (18 months)	
	UK and Ireland[1]	Sky Group	UK and Ireland[1]	Sky Group
Carbon Intensity				
Revenue (£m)	9,873	14,464	14,649	22,351
Carbon intensity (Total Scopes 1 and 2 (location-based) tCO2e/£m revenu	5.93	6.05	6.81	6.57
Carbon Emissions (tCO2e)				
Scope 1 (Fuel combustion and operation of facilities)	19,758	35,265	34,114	54,238
Scope 2 (market-based purchased energy)	4,983	21,191	11,213	44,689
Total Scope 1 and Scope 2 (market-based purchased energy)[2]	24,741	56,456	45,327	98,928
Scope 2 (location-based purchased energy)	38,820	52,276	65,692	92,712
Total Scope 1 and Scope 2 (location-based purchased energy)[2]	58,579	87,541	99,806	146,951
Total Energy consumption (kWh)	240,674,393	361,617,988	384,385,368	564,758,108

Figures in the table above are reflecting UK and Ireland and Group revenue figures only and therefore will not agree to the revenue reported in these financial statements.

Methodology

We calculate our greenhouse gas emissions in carbon dioxide equivalent (CO2e) for Scopes 1 and 2 according to the Greenhouse Gas Protocol Corporate Standard and associated guidance. We use the emission factors from the latest UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting (Department for Business, Energy &

Industrial Strategy, 2020), IEA emission factors (2020 edition) and the Reliable Disclosure (RE-DISS) European Residual Mixes 2019. (1) UK & Ireland includes Sky's Joint Ventures, small international offices and news bureaux and business activities in Portugal. (2) Our total gross CO2e emissions include all Scope 1 and Scope 2 location-based greenhouse gas emissions; and our market-based emissions are those remaining after emissions factors from contractual instruments have been applied. Our energy providers retain, on our behalf, the Guarantees of Origin (GOs) and Renewable Energy Guarantee of Origin (REGOs). In addition, we offset our total gross emissions, including Scope 1, location-based Scope 2 and selected Scope 3 emissions, through the purchase of Voluntary Carbon Standard offsets. Our carbon emissions data and carbon intensity are subject to an annual independent assurance review, the results of which are published alongside our annual impact report. The 2020 carbon emissions data and carbon intensity have been independently assured by ERM CVS.

For our full basis of reporting, please see our website (https://www.skygroup.sky/documents-policies).

S172 Statement

Under section 172(1) of the Companies Act 2006 ("Section 172"), the Directors must act in a way that they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.
- The need to act fairly between members of the Company.

The Directors of the Company consider that they have discharged their duties under Section 172, considering the factors listed above in the decisions made during the year ended 31 December 2020.

Due to the range of stakeholders and the size of the Comcast Group, stakeholder engagement often takes place at an operational, territory or Group level for Sky Group as well as Comcast, rather than at an individual company level. Decisions made by the Directors consider the Group's strategic goals and follow Comcast's Code of Conduct. Key decisions made at the Company level include approving the annual financial statements and dividend distribution in board meetings, among others.

Our Employees

The Directors recognise that employees are central to our success. We celebrate diversity, equity and inclusion, and seek to have a workforce that is inclusive and reflective of the diversity of our customers and modern society. At Sky, we know it is crucial to listen to, and empower, employees in order to achieve our vision, which is why we have programmes such as the Sky Forum in the UK and Ireland to empower employees to raise questions, provide feedback and propose suggestions and give senior leaders the opportunity to better understand the needs of their people and make adjustments to Sky's policies and action plans. We communicate frequently with our employees, publishing relevant content about matters affecting our business and our people via the company intranet, and have sought feedback from our employees during the COVID-19 pandemic on how we could best support them.

The Company is committed to equal opportunities in employment and recruitment and promoting the diversity of our workforce in respect of, among others, disability, race, gender, age, sexual orientation, pregnancy, marital status or fixed or part time status. We aim to ensure a transparent, professional working environment where employees treat each other with respect and in which all employment-related decisions (from recruitment through to career development and progression) are based on the individual's qualifications, ability, performance, skills and potential. Applications for employment by anyone with a physical or mental impairment are always fully considered, bearing in mind the abilities of the applicant concerned. For members of staff with a disability or who become disabled during employment, every effort is made to ensure that their employment with the Sky Group continues and that appropriate adjustments are considered and support provided, in line with our reasonable adjustment policy. In the event that a disabled employee is unable to continue in their current role after considering the adjustments available, we have a redeployment policy and process to provide support to help the employee secure an alternative role. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be equal to that of other employees.

Our Partners

As a part of the Comcast Group, we understand the need to foster relationships with suppliers and customers. We seek to build long-term relationships with them and help them succeed. A critical part of doing business is partnering with others, and we believe that partnerships are built on trust and mutual advantage. We interact honestly and with integrity in the marketplace and expect our business partners to do the same. The Group considers these relationships and the feedback received from engagement with our partners in their decision-making process.

Our Communities

As a part of the Comcast Group, a global media and technology company, we are committed to using the power of our platforms, our people, and our reach to create positive change and a more equitable society. By supporting local communities, our teammates, and our planet we can help create a world of open possibilities – so together, we can build a future that benefits generations to come. We are focusing our efforts in the following areas:

- *Digital Equity.* Helping people access the resources, skills, and tools they need to succeed in an increasingly digital world.
- *Diversity, Equity & Inclusion.* Creating a more diverse and equitable company and society.
- *Environment.* Shaping a more sustainable future by improving our environmental impact.
- *Values & Integrity.* Fostering a company culture built on integrity and respect. Our values and principles guide everything we do.

Members

The Company is a wholly owned subsidiary of Sky UK Limited and is part of the Sky Group. The duties of the Directors are exercised in a way that is most likely to promote the success of the Company and Sky as a whole, while having regard to factors outlined in Section 172.

Approved by the Board and signed on its behalf,

T C Richards
Director
Grant Way
Isleworth
Middlesex
TW7 5QD

16 June 2021

Director's Report

The Directors who served during the year are shown on page 1. No dividend was proposed for the year ended 31 December 2020.

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. 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 that Comcast intends to support the Company 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 they ought to have taken as a Director to make themself 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 16 June 2021.

Approved by the Board and signed on their behalf by:

T C Richards
Director
Grant Way
Isleworth
Middlesex
TW7 5QD

16 June 2021

Statement of Directors' responsibilities

For the year ended 31 December 2020

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 have elected to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. 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 year. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

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

Auditor's report

Independent Auditor's report to the members of Sky Telecommunications Services Limited:
Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (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 accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

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 Financial Reporting Council's (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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Auditor's report (continued)

Conclusions relating to going concern (continued)

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Performing procedures over management's forecasts performed to assess the future cash requirements of the ultimate parent entity Comcast Corporation ("Comcast") and its subsidiaries ("the Group"), along with sensitivity analysis including the potential impact of COVID-19;
- Assessing the Group's ability to operate for the next 12 months;
- Inspecting the confirmation obtained by management from Comcast that it intends to support the Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 report (continued)

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Employment Law, the Data Protection Act 2018 and the Bribery Act 2010.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in revenue recognition, and we varied the nature, timing and extent of our procedures to address this risk, including procedures specifically designed to address the risk of fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

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
- 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 Y

Jon Young FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16 June 2021

Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	**12 months to 31 December 2020 £'m**	18 months to 31 December 2019 £'m
Revenue	2	**1,410**	1,918
Operating expenses	3	**(1,181)**	(1,541)
Operating Profit		**229**	377
Finance costs	4	**(6)**	(9)
Profit before taxation	5	**223**	368
Taxation	7	**(26)**	(71)
Profit for the year		**197**	297

From 1 January 2020, the Company has applied IFRS 16 'Leases' using a modified retrospective approach, recognising the cumulative effects of first-time adoption in opening equity at 1 January 2020, where applicable.

As a result, the 2019 figures presented for comparison purposes have not been adjusted. 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 year ended 31 December 2020 and the period ended 31 December 2019, the Company did not have any other items of Comprehensive Income.

All results relate to continuing operations.

Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £'m	Share premium £'m	Retained earnings £'m	Total shareholder's equity £'m
At 30 June 2018	**6**	**461**	**792**	**1,259**
Profit for the period	-	-	297	297
At 31 December 2019	**6**	**461**	**1,089**	**1,556**
Profit for the year	-	-	197	197
At 31 December 2020	**6**	**461**	**1,286**	**1,753**

From 1 January 2020, the Company has applied IFRS 16 'Leases' using a modified retrospective approach, recognising the cumulative effects of first-time adoption in opening equity at 1 January 2020, where applicable.

As a result, the 2019 figures presented for comparison purposes have not been adjusted. 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 2020

	Notes	31 December 2020 £'m	31 December 2019 £'m
Non-current assets			
Property, plant and equipment	9	**127**	132
Intangible assets	8	**89**	87
Right-of-use assets	10	**15**	-
Deferred tax assets	11	**18**	16
Costs-to-fulfil customer contract	8	**75**	68
Total non-current assets		**324**	303
Current assets			
Trade and other receivables	12	**1,773**	1,461
Cash and cash equivalents		**3**	-
Total current assets		**1,776**	1,461
Total assets		**2,100**	1,764
Current liabilities			
Trade and other payables	13	**272**	146
Lease liabilities	16	**5**	2
Total current liabilities		**277**	148
Non-current liabilities			
Lease liabilities	16	**67**	57
Trade and other payables	14	**3**	3
Total non-current liabilities		**70**	60
Total liabilities		**347**	208
Share capital	18	**6**	6
Share premium		**461**	461
Reserves		**1,286**	1,089
Total equity attributable to equity shareholder		**1,753**	1,556
Total liabilities and shareholder's equity		**2,100**	1,764

From 1 January 2020, the Company has applied IFRS 16 'Leases' using a modified retrospective approach, recognising the cumulative effects of first-time adoption in opening equity at 1 January 2020, where applicable.

As a result, the 2019 figures presented for comparison purposes have not been adjusted. 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 16 June 2021 and were signed on its behalf by:

T C Richards
Director

16 June 2021

Cash Flow statement

For the year ended 31 December 2020

	Note	12 months to 31 December 2020 £'m	18 months to 31 December 2019 £'m
Cash flows from operating activities			
Cash generated from operations	20	**85**	120
Net cash generated from operating activities		**85**	120
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(37)**	(39)
Purchase of intangible assets		**(35)**	(75)
Net cash used in investing activities		**(72)**	(114)
Cash flows from financing activities			
Repayment of principle portion of lease liabilities		**(5)**	(3)
Repayment of interest portion of lease liabilities		**(5)**	(9)
Net cash used in financing activities		**(10)**	(12)
Net increase(decrease) in cash and cash equivalents		**3**	(6)
Cash and cash equivalents at the beginning of the year		**-**	6
Cash and cash equivalents at the end of the year		**3**	-

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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the 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 an historical cost basis.

The Company has adopted the new accounting pronouncements which became effective for this year. The Company has adopted IFRS 16 'Leases' from 1 January 2020. The Company has assessed the impact of initial application of IFRS 16, below.

i) IFRS 16 – 'Leases'

On 1 January 2020, the Company adopted the new IFRS 16 Leases accounting standard. As permitted by the standard, the Company has taken advantage of the modified transitional provisions and as such the prior period results remain as previously reported.

The Company has adopted IFRS 16 using the modified retrospective transition method, and therefore there is no cumulative adjustment effect from initial application recognised in retained earnings.

Under the implementation of IFRS 16, it is possible to elect to apply certain practical expedients to reduce complexity on adoption of the new requirements. The main practical expedients applied by the Company are:

- the Company recognised a lease liability at the date of initial application measured at the present value of the remaining minimum lease payments based on the incremental borrowing rate over the remaining lease term.
- the Company did not reassess whether a contract is or contains a lease on the date of initial application of IFRS 16 for all contracts identified as leases under previous accounting standards.
- for leases previously recognised as operating leases, the Company recognised a right-of-use asset at the date of initial application measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.
- for leases previously recognised as finance leases, the Company recognised the right-of-use asset and lease liability at date of initial application equal to the carrying amount of the lease asset and lease liability immediately before the date of initial application.
- the Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics such as lease term, class of underlying asset, currency and economic environment.
- the Company excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Notes to the financial statements

1. Accounting policies (continued)

i) IFRS 16 – 'Leases' (continued)

- the Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

No adjustments were required relating to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

The details of the accounting policies in relation to lease accounting under IFRS 16 are set out in Note j below.

The Company have assessed the impact of implementation of IFRS 16 on the financial statements with the significant impacts relating to; the first-time recognition of right-of-use assets and lease liabilities; reduction in operating lease rental expenses in profit and loss; increase in lease interest expense and right-of-use depreciation charges in profit and loss.

The impacts of adopting IFRS 16 on the Company's financial statements for the year ended 31 December 2020 are set out below:

	12 months ended 31 December 2020 IFRS 16 £m	12 months ended 31 December 2020 Pre-IFRS 16 £m	12 months ended 31 December 2020 IFRS 16 impact £m	Notes
Revenue	**1,410**	**1,410**	-	
Operating expense (before right-of-use depreciation)	(1,179)	(1,181)	2	a)
Right-of-use depreciation	(2)	-	(2)	b)
Operating profit	**229**	**229**	-	
Investment income	-	-	-	
Financial costs	(6)	(6)	-	c)
Net gains on investments	-	-	-	
Profit before tax	**223**	**223**	-	
Tax	(26)	(26)	-	
Profit for the year attributable to equity shareholder	**197**	**197**	-	

a) The decrease in operating expenses is driven by a reduction in lease expenses as these are now recognised as depreciation of right-of-use assets and interest costs on lease obligations, under IFRS 16.

b) The increase in right-of-use depreciation expense is related to the recognition of new right-of-use assets that are depreciated over the lease term.

c) The increase in lease interest expense is related to interest on recognition of lease obligations.

1. Accounting policies (continued)

i) IFRS 16 – 'Leases' (continued)

	31 December 2020 IFRS 16 £m	31 December 2020 Pre-IFRS 16 £m	31 December 2020 IFRS 16 impact £m	Notes
Non-current assets	**309**	309	-	
Right-of-use assets	**15**	-	15	d)
Total non-current assets	**324**	**309**	**15**	
Total current assets	**1,776**	**1,776**	**-**	
Total assets	**2,100**	**2,085**	**15**	
Current liabilities	**272**	272	-	
Lease liabilities	5	3	2	e)
Total current liabilities	**277**	**275**	**2**	
Non-current liabilities	**3**	3	-	
Lease liabilities	67	54	13	e)
Total non-current liabilities	**70**	**57**	**13**	
Total liabilities	**347**	**332**	**15**	
Net assets	**1,753**	**1,753**	**-**	
Retained earnings	**1,286**	1,286	-	f)
Total equity attributable to equity shareholders	**1,753**	**1,753**	**-**	
Total liabilities and shareholders' equity	**2,100**	**2,085**	**15**	

d) The right-of-use assets reflect the contractual right-to-use assets over a period of time in exchange for consideration.

e) The increase in lease liabilities relates to the recognition of the present value of lease payments due on right-of-use assets held.

f) The movement in retained earnings reflect the impact of IFRS 16 implementation on the Income statement, where applicable.

Notes to the financial statements

1. Accounting policies (continued)

i) IFRS 16 – 'Leases' (continued)

The operating lease commitments disclosed as at 31 December 2019 have been reconciled to the opening lease liabilities recognised as follows:

At 1 January 2020	£m
Operating lease commitments disclosed as at 31 December 2019	23
Discounting using the incremental borrowing rate at the date of initial application	(6)
Lease liability recognised as at 1 January 2020	**17**

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position of the date of initial application was 2.6%.

Except for the first-time application of IFRS 16, no other new accounting pronouncements had a significant impact on the Company's results or financial position.

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.

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.

1. Accounting policies (continued)

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

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.

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.

1. Accounting policies (continued)

e) Financial assets and liabilities (continued)

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.

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.

1. Accounting policies (continued)

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 year represents the cost of contributions payable by the Company to the schemes in exchange for employee services rendered in that year. 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.

j) Leases

The Company adopted the following IFRS 16 Leases accounting policies from 1 January 2020.

IFRS 16 primarily changes lease accounting for lessees; lessor accounting under IFRS 16 remains unchanged. IFRS 16 removes the distinction between operating and finance leases and requires the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables, for all leases. The Company has elected to not apply the general requirements to short-term leases (lease term of 12 months or less). These leases will be recognised on a straight-line basis as an expense on the income statement over the term. The Company has also elected not to recognise non-lease components separately from lease components for those classes of assets in which non-lease components are not significant with respect to the total value of the arrangement.

Right-of-use (ROU) assets comprise the initial measurement of the corresponding lease liability, plus lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred.

ROU assets are subsequently measured using the cost model by charging depreciation to profit and loss over the term of the lease and adjusting for any remeasurement of the lease liability or impairment of the asset.

A provision is recognised if the Company incurs an obligation for costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. If the costs incurred relate to a ROU asset, the costs are included in the related ROU asset.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at commencement date, adjusting for any remeasurement of the lease liability if it can be readily determined, and discounted by using the rate implicit to the lease. If this rate cannot be readily determined, the lessee utilises the incremental borrowing rate of interest required to finance the expected payments during the lease term. Lease payments included in the initial measurement comprise fixed payments, less any incentives receivable; variable lease payments that depend on an index or rate; amounts expected to be paid under residual value guarantees; the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments for penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Notes to the financial statements

1. Accounting policies (continued)

j) Leases (continued)

The Company determines the lease term as the non-cancellable term of the contract, together with any period covered by an extension (or termination) option whose exercise is at the option of the Company and is assessed to be reasonably certain that it will be exercised (or will not be exercised). The Company considers all accessible information by asset class in the industry and evaluates relevant factors that create an economic incentive to exercise an option.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The Company also remeasures the carrying amount to reflect any reassessment or lease modifications. Interest on the liability will be charged as an expense on the Income statement.

Lessor

When the Company is a lessor, the leases are classified as finance or operating leases. If the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

At commencement of the lease, assets under finance lease arrangement are derecognised from property, plant and equipment. Amounts due from lessees under finance leases are recognised as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return.

k) Tax, including deferred tax

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

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

1. Accounting policies (continued)

k) Tax, including deferred tax (continued)

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.

l) 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.

1. Accounting policies (continued)

l) Critical accounting policies, and judgement and key sources of estimations uncertainty (continued)

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.

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 year 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.
- 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.

v. Leases

Lease terms used in the calculation of right-of-use assets and lease liabilities are estimated. The term is based on the non-cancellable period, including periods covered by options to extend the lease term or terminate, where exercise is assessed to be reasonably certain on an individual lease basis.

As the Company is part of a wider Sky/Comcast financing facility, the Company has concluded that discount rates provided by Comcast and derived from Comcast's borrowing cost by term, represents the Company's best estimate of its incremental borrowing rate in the context of the wider Group. The Company have also applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Company has applied judgement in determining whether or not certain service arrangements are or contain a lease, taking into account IFRS 16 guidance, and the Group accounting policies of its ultimate parent, regarding whether there is an identified asset, and whether the asset is specified, in order to determine if there is a leased asset requiring recognition under IFRS 16.

Notes to the financial statements

1. Accounting policies (continued)

l) Critical accounting policies, and judgement and key sources of estimations uncertainty (continued)

Key sources of estimation uncertainty

There are no areas identified for which there are major sources of estimation uncertainty at the reporting year end (as defined by IAS 1), that have a significant risk of causing in a material adjustment to be made to the carrying value amounts of assets and liabilities within the next financial year.

By contract, areas where estimation is applied primarily in the context of applying critical accounting policies and judgements, have been discussed in the preceding section above

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 January 2021 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.

- Interest Rate Benchmark Reform (Phase 2) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective 1 January 2021)
- Annual Improvements to IFRS Standards 2018 - 2020 - Amendments to IFRS 1, IFRS 9 and IFRS 16 (effective 1 January 2022)
- Conceptual Framework - Amendments to IFRS 3 'Business Combinations' (effective 1 January 2022)
- Proceeds before Intended Use - Amendments to IAS 16 'Property, Plant and Equipment' (effective 1 January 2022)
- Onerous Contracts - Cost of Fulfilling a Contract - Amendment to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (effective 1 January 2022)
- Classification of Liabilities as Current or Non-current - Amendment to IAS 1 'Presentation of Financial Statements' (effective 1 January 2023)
- Implementation issues - Amendments to IFRS 17 'Insurance Contracts' (effective 1 January 2023)

Notes to the financial statements

2. Revenue

	12 months to 31 December 2020 £'m	18 months to 31 December 2019 £'m
Wholesale broadband services	**1,395**	1,900
Provision of network services	**6**	7
Other	**9**	11
Total revenue	**1,410**	1,918

Revenue arises from services provided in the United Kingdom.

3. Operating expense

	12 months to 31 December 2020 £'m	18 months to 31 December 2019 £'m
Direct network costs	**1,047**	1,343
Sales, general and administration	**134**	198
Total operating expenses	**1,181**	1,541

4. Investment income and finance costs

	12 months to 31 December 2020 £'m	18 months to 31 December 2019 £'m
Finance costs		
Lease interest	**(6)**	(9)

Notes to the financial statements

5. Profit before taxation

Profit before tax is stated after charging:

	12 months to 31 December 2020 £'m	18 months to 31 December 2019 £'m
Depreciation of property, plant and equipment	**42**	72
Amortisation of intangible assets	**32**	79
Rentals on operating leases and similar arrangements	**-**	4

Audit fees

Amounts paid to the Auditor for audit services of £125,000 (2019: £125,000) were borne by another Group subsidiary in 2019 and 2020. No amounts for other services have been paid to the Auditor.

6. Employee benefits and key management compensation

a) Company employee benefits

	12 months to 31 December 2020 £'m	18 months to 31 December 2019 £'m
Wages and salaries	**43**	61
Social security costs	**5**	7
Contributions to the Sky Pension Plan ("the Pension Plan")	**3**	4
Total	**51**	72

The Company operates a defined contribution pension scheme (the "Pension Plan"). The pension charge for the year represents the cost of contributions payable by the Company to the scheme during the year. The Company's amount payable to the scheme at 31 December 2020 was nil (31 December 2019: £nil).

The average number of full-time equivalent persons employed by the Company during the year was nil (18 months to 31 December 2019: nil).

b) Key management compensation

The Directors did not receive any remuneration during the year (18 months to 31 December 2019: £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

	2020 £'m	2019 £'m
Current tax expense		
Current period	**23**	65
Adjustment in respect of prior years	**5**	6
Total current tax	**28**	71
Deferred tax credit		
Change in corporation tax rate	**(2)**	-
Total deferred tax	**(2)**	-
Taxation	**26**	71

b) Reconciliation of effective tax rate

The tax expense for the year is lower (2019: higher) than the expense that would have been charged using the rate of corporation tax in the UK of 19.0% (2019: 19.00%) applied to profit before tax. The differences are explained below:

	2020 £'m	2019 £'m
Profit before tax	**223**	368
Profit before tax multiplied by rate of corporation tax in the UK of 19.00% (2019: 19.00%)	**42**	70
Effects of:		
Change in corporation tax rate	**(2)**	-
Group relief for no consideration	**(19)**	(5)
Adjustment in respect of prior years	**5**	6
Taxation	**26**	71

All taxation relates to UK corporation tax.

8. Intangible assets

	Other intangibles
	£'m
Cost	
At 1 July 2018	**508**
Additions	75
Re-classification under IFRS 15	(184)
Disposals	(6)
At 31 December 2019	**393**
Additions	35
Disposals	(6)
At 31 December 2020	**422**

Amortisation	
At 1 July 2018	**(381)**
Charge for the period	(79)
Re-classification under IFRS 15	149
Disposals	5
At 31 December 2019	**(306)**
Charge for the year	(32)
Disposal	5
At 31 December 2020	**(333)**

	Other intangibles
Carrying amounts	**£'m**
At 1 July 2018	127
At 31 December 2019	87
At 31 December 2020	**89**

Costs-to-fulfil

On adoption of IFRS 15 Revenue in the prior period, 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.

As at 31 December 2020 cost-to-fulfil assets were £75m (2019: £68m).

8. Intangible assets (continued)

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.

	2021 £'m	2022 £'m	2023 £'m	2024 £'m	2025 £'m
Estimated amortisation charge	28	14	4	2	1

9. Property, plant and equipment

	Leasehold improvements £'m	Equipment, furniture and fixtures £'m	Assets not yet available for use £'m	Total £'m
Cost				
At 1 July 2018	**19**	**899**	**-**	**918**
Additions	-	34	5	39
Disposals	-	(12)	-	(12)
At 31 December 2019	**19**	**921**	**5**	**945**
Additions	-	8	29	37
Disposals	-	(2)	-	(2)
At 31 December 2020	**19**	**927**	**34**	**980**
Depreciation				
At 1 July 2018	**(11)**	**(742)**	**-**	**(753)**
Charge for the period	(2)	(70)	-	(72)
Disposal	-	12	-	12
At 31 December 2019	**(13)**	**(800)**	**-**	**(813)**
Charge for the year	(1)	(41)	-	(42)
Disposal	-	2	-	2
At 31 December 2020	**(14)**	**(839)**	**-**	**(853)**
Carrying amounts	**£'m**	**£'m**	**£'m**	**£'m**
At 1 July 2018	8	157	-	165
At 31 December 2019	6	121	5	132
At 31 December 2020	**5**	**88**	**34**	**127**

All assets recognised previously as finance leases under IAS 17 were fully depreciated in both years.

Notes to the financial statements

10. Right-of-use assets

	Freehold land and buildings £m	Total £m
Cost		
At 31 December 2019	-	-
Initial application of IFRS 16	17	17
At 1 January 2020	**17**	**17**
At 31 December 2020	**17**	**17**
Depreciation		
At 31 December 2019	-	-
At 1 January 2020	**-**	**-**
Depreciation	(2)	(2)
At 31 December 2020	**(2)**	**(2)**
Carrying amounts		
At 31 December 2019	-	-
At 1 January 2020	17	17
At 31 December 2020	**15**	**15**

Right-of-use assets have been recognised from 1 January 2020 on a modified retrospective basis. See note 1 for further information on first time adoption of IFRS 16 Leases.

The majority of leases relate to property. The rents payable under these leases are subject to renegotiation at the various intervals specified in the leases.

11. Deferred tax

Recognised deferred tax assets

Depreciation in excess of capital allowances	**31 December 2020 £'m**	31 December 2019 £'m
At 31 December 2019	**16**	15
Charge/(credit)	**2**	1
At 31 December 2020	**18**	16

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rate enacted for the relevant periods of reversal is 19% (2019: 17%).

11. Deferred tax (continued)

On 3 March 2021 the Chancellor announced that the government will legislate to increase the corporation tax rate to 25% from 1 April 2023. This change has not been enacted or substantively enacted at the Statement of Financial Position date and is not therefore reflected in these financial statements.

The impact of the rate change on the deferred tax balance is expected to be in the region of £5,800,000

12. Trade and other receivables

	31 December 2020	31 December 2019
	£'m	£'m
Gross trade receivables	**1**	4
Net trade receivables	**1**	4
Amounts receivable from Group companies	**1,660**	1,388
Prepayments	**7**	8
Accrued Income	**3**	3
VAT receivable	**56**	53
Other receivables	**46**	5
	1,773	1,461

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 £1,660m (2019: £1,388m) 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.

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.

13. Trade and other payables

	31 December 2020 £'m	31 December 2019 £'m
Trade payables	**14**	15
Amounts payable to other Group companies	**175**	83
Accruals	**79**	44
Deferred income	**2**	2
Other payables	**2**	2
	272	146

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.

14. Non-current trade and other payables

	31 December 2020 £'m	31 December 2019 £'m
Other payables	**3**	3

15. Provisions

	At 30 June 2018 £'m	Provided during the year £'m	Utilised during the year £'m	At 31 December 2019 £'m	Provided during the year £'m	Utilised during the year £'m	At 31 December 2020 £'m
Current liabilities							
Other provision (i)	3	-	(3)	-	-	-	-
Non-current liabilities							
Other provision (i)	3	-	(3)	-	-	-	-
Total	6	-	(6)	-	-	-	-

(i) Other provision

15. Provisions (continued)

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 2021. All amounts are due to be paid over the length of the relevant contract.

16. Lease liabilities

	2020 £m	2019 £m
Current lease liabilities	**5**	2
Non-current lease liabilities	**67**	57

Maturity of lease liabilities	**2020 £m**	2019 £m
Within one year	**5**	2
Later than one year but not later than five years	**15**	6
Later than five years	**52**	51
Total lease liabilities	**72**	59

Changes in assets and liabilities arising from financing activities

	At 31 December 2019 £'m	IFRS16 recognition 1 January 2020 £'m	Net proceeds / (repayments) of borrowings £'m	Net financing costs (ii) £'m	**At 31 December 2020 £'m**
Lease liability (i)	(59)	(17)	10	(6)	**(72)**

(i) Includes finance leases
(ii) Includes finance lease interest

Notes to the financial statements

17. 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
At 31 December 2020				
Trade and other payables	-	(272)	(272)	(272)
Lease liabilities	-	(72)	(72)	(72)
Trade and other receivables	1,710	-	1,710	1,710
Cash and cash equivalents	3	-	3	3
At 31 December 2019				
Trade and other payables	-	(149)	(149)	(149)
Lease liabilities	-	(59)	(59)	(59)
Trade and other receivables	1,397	-	1,397	1,397
Cash and cash equivalents	-	-	-	-

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 13, 14, 15 and 16.

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
At 31 December 2020					
Trade and other payables	272	3	-	-	275
Lease liabilities	9	7	20	92	128
At 30 December 2019					
Trade and other payables	146	3	-	-	149
Lease liabilities	7	7	21	100	135

Notes to the financial statements

17. Financial risk management objectives and policies (continued)

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 the Group's policies approved by the Comcast Audit Committee and Board of Directors.

Credit risk

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 12.

18. Share capital

	31 December 2020 £'m	31 December 2019 £'m
Allotted, called-up and fully paid		
5,821,764 (2019: 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

19. Shareholders' equity

	31 December 2020 £'m	31 December 2019 £'m
Share capital	**6**	6
Share premium	**461**	461
Retained earnings	**1,286**	1,089
	1,753	1,556

20. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	12 months to 31 December 2020 £'m	18 months to 31 December 2019 £'m
Profit before tax	**223**	368
Depreciation of property, plant and equipment	**42**	72
Amortisation of intangible assets	**32**	79
Amortisation of right-of-use assets	**2**	-
Loss on disposal of intangible assets	**1**	-
Net finance costs	**6**	9
	306	528
(Increase) in trade and other receivables	**(340)**	(401)
Increase in trade and other payables	**126**	32
(Increase) in cost to fulfil assets	**(7)**	(33)
(Decrease) in provisions	**-**	(6)
Total cash generated from operations	**85**	120

21. Contracted commitments, contingencies and guarantees

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

	Less than one year £(m)	Between one and five years £(m)	After five years £(m)	Total at 31 December 2020 £(m)	Total at 31 December 2019 £(m)
Third party payments	8	11	-	**19**	70
Property, plant and equipment	4	-	-	**4**	10
Intangible assets	3	4	-	**7**	5
	15	**15**	**-**	**30**	85

Notes to the financial statements

22. Operating lease commitments

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

	2019
	£'m
Within one year	3
Between one and two years	3
Between two and three years	3
Between three and four years	3
Between four and five years	3
After five years	8
	23

The majority of operating leases relate to property. The rents payable under these leases are subject to renegotiation at the various intervals specified in the leases.

From 1 January 2020, the Company has recognised right-of-use assets and lease liabilities in respect of these commitments. Refer to note 1b(i).

23. 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 Group companies as required.

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

Key management

The Company has a related party relationship with the Directors of the Company as key management. At 31 December 2020, there were three (31 December 2019: three) key managers, all of whom were Directors of the Company.

Notes to the financial statements

24. 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 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.