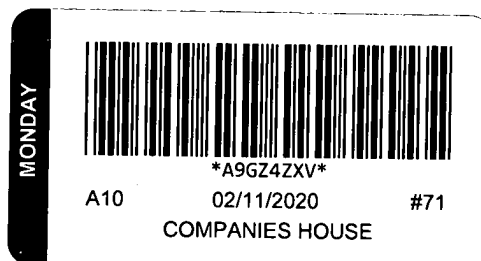


THE CLOUD NETWORKS LIMITED

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

Registered number: 05141256



Directors and Officers

For the 18 month period ended 31 December 2019

Directors

The Cloud Networks Limited's ("the Company") present Directors and those who served during the period are as follows:

D N Rey

C Smith

Company Secretary

C J Taylor (resigned 5 June 2019)

Sky Corporate Secretary Limited (appointed 5 June 2019)

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

United Kingdom

Auditor

Deloitte LLP

Statutory Auditor

London

United Kingdom

Strategic and Directors' Report

Strategic Report

The Directors present their Strategic and Directors' report on the affairs of the Company, together with the financial statements and Auditor's Report for the 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, 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 ultimate controlling party of the Company is Comcast Corporation ("Comcast") and operates together with Comcast Corporation's other subsidiaries as a part of Comcast Group ("the Group").

On 9 October 2018, the offer by Comcast Bidco Limited to acquire the entire issued and to be issued share capital of 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. In the fourth quarter of 2018, Comcast Bidco Limited acquired the remaining Sky Limited shares and it now owns 100% of the share capital of Sky Limited.

On 18 February 2019, Sky Limited 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 group of companies, now part of Comcast's inter-company funding relationships, which is discussed further below.

The Company's principal activity is the operation of a public wireless broadband network in the UK, supporting data, internet and voice services. The network provides public Wi-Fi access in over 20,000 venues across the UK. There have not been any significant changes in the Company's activities in the period under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

The business has built upon previous investment in its leading-edge technology, by extending its investment within the core platforms. This has supported continued enhancement of both available network bandwidth and core stability. The continued investment and logistical support provided by Sky UK Limited has underpinned the performance during the last 12 months.

Financial Review and Dividends

The audited financial statements for the period ended 31 December 2019 are set out on pages 9 to 26. The profit before tax for the period was £16,488,000 (2018: £15,140,000). Turnover was £32,543,000 (2018: £28,858,000) and operating expenses were £16,034,000 (2018: £13,765,000). It should be noted however, that the current period is 18 months versus 12 months in prior year, resulting in a comparable decrease in both revenue & costs. The main reasons for this are a reduced recharge of revenue to Sky UK Limited, and a change in contract with one of the largest customers which has reduced revenue; costs have reduced in line.

The Directors do not recommend the payment of a dividend for the period ended 31 December 2019 (2018: £nil). The balance sheet shows that the Company's shareholder's equity position at the period end was £78,534,000 (2018: £62,110,000).

Strategic and Directors' Report (continued)

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 financial risks, namely 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.

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 Company 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

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 following the U.K.'s withdrawal from the EU in January 2020. 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.

Employment policies

Organisation

Over the past 18 months, the Company has continued in its efforts to make the Company a great place to work. The Company has continued to place particular focus on leadership capability, looking both at the Company's leaders of today and future leaders. The average monthly number of full-time equivalent persons employed by the Company during the period was 42 (2018: 51).

Managing and developing our people

Equal opportunities

At Sky we believe in equal opportunities and that everyone should have full and fair consideration for all vacancies, promotions, training and development. We work with employees who have disabilities to remove barriers from the working environment to allow them to maximise their potential.

Inclusion

It's our people that make Sky, Europe's leading entertainment company, and we know that embracing different perspectives fosters innovation. Having diverse voices contribute to the decisions we take as a business helps us better anticipate and meet the needs of all our customers. Our ambition is to become the industry leader for inclusion, both on screen and behind the scenes. To help us achieve this we are focused on increasing the representation of people from BAME (Black, Asian, and minority ethnic) backgrounds in our business and remain committed to achieving gender parity. We are also actively supporting women to develop skills in traditionally underrepresented areas, with initiatives such as 'Get into Tech'. We support the aims of the UK legislation requiring organisations to publish their gender pay gap and are committed to equal pay.

Strategic and Directors' Report (continued)

Employee engagement

At Sky we listen to our people and encourage everyone to be involved. We know great ideas come from all corners of our business and it is part of our 'believe in better' spirit to harness those ideas for the benefit of our customers and our people. This period we gathered feedback from our teams through our People Survey. We achieved record levels of participation in the survey and we continue to achieve high levels of engagement, outperforming the 2018 employee engagement score.

Impacts of COVID-19


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

As a result of COVID-19, many sporting events and professional sports seasons were postponed in the first half of 2020, with certain sports, including European football, resuming in May and June 2020. This had a significant impact on Sky's results of operations in the first half of 2020. Direct-to-consumer revenue has been negatively impacted as a result of lower sports subscription revenue, and continued negative impacts as a result of the impacts of COVID-19 on the reopening plans of Sky's commercial customers are expected. Additionally, significant costs associated with broadcasting these programmes were not recognised as a result of sporting events not occurring as scheduled in the first half of 2020. Although sporting events have resumed, COVID-19 continues to result in uncertainty in the ultimate timing of when, or the extent to which, these events will occur in 2020; their broadcast is expected to impact the timing, and potentially the amount, of revenue and expense recognition.

Sky also temporarily suspended certain sales channels due to COVID-19, which negatively impacted net customer additions and revenue in the first half of 2020. Sales channels generally resumed operations in June 2020.

COVID-19 has resulted in the deterioration of economic conditions and increased economic uncertainty in the United Kingdom and Europe, intensifying what was an already deteriorating economic and advertising environment. These conditions negatively impacted revenue in the first half of 2020, and these conditions are expected to continue to reduce advertising spend and consumer demand for Sky's services for the remainder of 2020. In addition, there is increased risk associated with collections on Sky's outstanding receivables, and Sky has incurred and expects to continue to incur increases in its bad debt expense.

Approved by the Board and signed on its behalf,



C Smith
Director

Grant Way
Isleworth
Middlesex
TW7 5QD
United Kingdom

29 September 2020

Strategic and Directors' Report (continued)

Directors' 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 Director's 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 (as defined) and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them was approved by the Board of Directors on 29 September 2020.

Approved by the Board and signed on their behalf by:



C Smith
Director

Grant Way
Isleworth
Middlesex
TW7 5QD
United Kingdom

29 September 2020

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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, the directors are required to:

- select suitable accounting policies then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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.

Independent auditor's report to the members of The Cloud Networks Limited

Independent auditor's report to the members of The Cloud Networks Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of The Cloud Networks Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit & Loss Account;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the financial statements, 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.

Independent auditor's report to the members of The Cloud Networks Limited

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 FRC's website at: 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 period 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 Young FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 September 2020

Profit and Loss Account

For the period ended 31 December 2019

		18 months to 31 December 2019	12 months to 30 June 2018
	Note	£'000	£'000
Turnover	2	32,543	28,858
Cost of sales		(14,058)	(12,271)
Gross profit		18,485	16,587
Administrative expenses		(1,976)	(1,494)
Operating profit		16,509	15,093
Interest receivable and similar income	6	49	33
Other (losses)/gains	7	(70)	14
Profit before taxation	3	16,488	15,140
Tax on profit	8	(64)	(50)
Profit for the financial period		16,424	15,090

The accompanying notes are an integral part of this Profit and Loss Account.

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

All results relate to continuing operations.

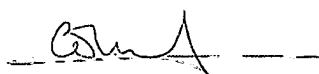
Balance Sheet

As at 31 December 2019

	Note	31 December 2019 £'000	30 June 2018 as re- presented £'000
Fixed assets			
Intangible assets	9	506	622
Tangible assets	10	1,046	1,617
		<u>1,552</u>	<u>2,239</u>
Current assets			
Stock	11	482	257
Debtors	12	111,893	89,963
Cash at bank and in hand		332	411
		<u>112,707</u>	<u>90,631</u>
Creditors: Amounts falling due within one year	13	(35,725)	(30,710)
Net current assets		<u>76,982</u>	<u>59,921</u>
Total assets less current liabilities		<u>78,534</u>	<u>62,160</u>
Provisions for liabilities	14	-	(50)
Net assets		<u><u>78,534</u></u>	<u><u>62,110</u></u>
Capital and reserves			
Called up share capital	15	8	8
Share premium account		35,433	35,433
Warrant reserves		60	60
Share-based payment reserve		2,517	2,517
Profit and loss account		40,516	24,092
		<u><u>78,534</u></u>	<u><u>62,110</u></u>

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

The financial statements of The Cloud Networks Limited, registered number 05141256 were approved and authorised for issue by the Board of Directors on 29 September 2020 and were signed on its behalf by:



C Smith

Director

29 September 2020

Statement of Changes in Equity

For the period ended 31 December 2019

	Share capital £'000	Share premium £'000	Warrant reserve £'000	Share- based payment reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 July 2017	8	35,433	60	2,517	9,002	47,020
Profit for the year	-	-	-	-	15,090	15,090
Total comprehensive income for the year	-	-	-	-	15,090	15,090
At 30 June 2018	8	35,433	60	2,517	24,092	62,110
Profit for the period	-	-	-	-	16,424	16,424
Total comprehensive income for the period	-	-	-	-	16,424	16,424
At 31 December 2019	8	35,433	60	2,517	40,516	78,534

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

Notes to the financial statements

1. Accounting policies

The Cloud Networks 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, United Kingdom and registered number is 05141256.

a) Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standard 102 issued by the Financial Reporting Council, and the Companies Act 2006.

b) Basis of preparation

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

The financial statements have been prepared on a historical cost basis and in accordance with Financial Reporting Standard 102 issued by the Financial Reporting Council. The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel. Where relevant, equivalent disclosures have been given in the group financial statements of Comcast. The Group financial statements of Comcast are available to the public and can be obtained as set out in note 17.

The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company.

c) Intangible assets and property, plant and equipment ("PPE")

i. Intangible assets

Research expenditure is recognised in operating expense in the Profit and Loss Account 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 Profit and Loss Account 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:

Notes to the financial statements

i. Intangible assets (continued)

Trademarks	5 to 25 years straight-line over licence period, as applicable
Internally generated intangible assets	3 to 5 years straight-line
Software development (external) and software licences	3 to 7 years straight-line
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 g below.

ii. Property, plant and equipment

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses. 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; and
- 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. Assets that are not yet available for use, are not depreciated. Principal useful economic lives used for this purpose are:

Equipment, furniture and fixtures	3 to 20 years
Assets under finance leases and leasehold improvements	Lesser of lease term and the useful economic life of the asset

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 Group's general borrowings, the interest cost to be capitalised is calculated based upon the weighted average cost of borrowing to the 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

d) Stock

This is stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. The amount recognised in the Profit and Loss Account is determined on a weighted average cost basis.

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.

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) 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.

Notes to the financial statements

g) Revenue recognition

Revenue, which excludes value added tax, represents the gross inflow of economic benefit from the Company's operating activities, and is measured at the fair value of the consideration received or receivable.

The Company's main sources of revenue are recognised as follows:

Revenue represents sales of wireless broadband services to retail customers, site owners and other service providers, including wholesale telecoms operators, net of value added tax. Retail products include sale of vouchers enabling access to the internet with payment via credit cards and indirectly through site owners. Site revenues include provision of internet access services using wireless technology together with vouchers sold on a wholesale basis. Service Provider customers pay for access to the Company's wireless broadband infrastructure in order to provide service to their own customers, on a per minute, per month or per year basis. Revenue from vouchers is recognised at the time of sale whilst any contracts for revenue over a period of time are spread evenly over that contract period. Other income is generated from set up fees for new contracts and is recognised at the date the site goes live and the set-up fee is billed to the customer.

h) 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 Profit and Loss Account as the employees' services are rendered.

Where the Company provides pensions to eligible employees through defined contribution schemes, the amount charged to the Profit and Loss Account in the period represents the cost of contributions payable by the Company to the schemes in exchange for employee services rendered in that year/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.

i. 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.

Notes to the financial statements

i. 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 Profit and Loss Account, 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.

i) 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 recorded at the rates of exchange at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to pounds sterling at the exchange rate prevailing at the date of the initial transaction. Gains and losses from the retranslation of assets and liabilities are included net in profit for the period.

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after 1 January 2020. 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.

- Definition of Material (Amendments to IAS 1 and IAS 8) – effective 1 January 2020; and
- Interest Rate Benchmark Reform (Amendments to IAS 39) – effective 1 January 2020.

k) Critical accounting policies and the use of judgements and estimates

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 Group'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 (see note 2)

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. When the Company sells installation or service in one bundled transaction, the total consideration from the arrangement is allocated to each element based on its relative fair value. The fair value of each individual element is determined using vendor specific or third party evidence. The amount of revenue the Company recognises for delivered elements is limited to the cash received.

Notes to the financial statements

ii. Taxation, including deferred taxation (see note 8)

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 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 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.

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.

iii. Intangible assets and property, plant and equipment (see notes 9 and 10)

The assessment of the useful economic lives of these assets requires judgement. Depreciation and amortisation is charged to the Profit and Loss Account 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.

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 by, for example, 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.

Notes to the financial statements

Key sources of estimation uncertainty

There are no areas identified for which there are major sources of estimation uncertainty at the reporting period end, 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 contrast, areas where estimation is applied primarily in the context of applying critical accounting policies and judgements, have been discussed in the preceding section above.

2. Turnover

	2019	2018
	£'000	£'000
Continuing operations		
Rendering of services	32,543	28,858
Total turnover	32,543	28,858

Turnover arises from services provided in the United Kingdom.

3. Profit before tax

Profit on ordinary activities before taxation has been arrived at after charging:

	2019	2018 as re-
	£'000	presented £'000
Net foreign exchange gains	(27)	(61)
Amortisation of intangible fixed assets (see note 9)	557	312
Depreciation of tangible fixed assets (see note 10)	869	516
Provision for bad and doubtful debts	7	-
Staff costs (see note 5)	3,752	3,277
Stock recognised as an expense	2,875	1,872

4. Auditor's remuneration

Amounts paid to the auditor for the audit of the Company's annual financial statements of £25,000 (2018: £12,000) were borne by another Group subsidiary in 2019 and 2018. No amounts for other services have been paid to the auditor.

Notes to the financial statements

5. Staff Costs

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	3,254	2,793
Social security costs	336	331
Pension costs	162	153
	3,752	3,277

The average monthly number of full-time equivalent persons (including executive directors) employed by the Company during the period was as follows:

	2019 Number	2018 Number
Transmission and Technology	40	49
Directors	2	2
	42	51

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

Administrative services are provided by employees of other Group companies with no charge being made.

6. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable:		
Intercompany interest receivable	49	33
Total interest receivable	49	33

For the period ended 31 December 2019, intercompany interest is receivable on a loan made to Sky Operational Finance Limited at an interest rate of 1.5%.

Notes to the financial statements

7. Other Losses/gains

	2019 £'000	2018 £'000
(Loss)/gain on revaluation of amounts owed by Group companies	(70)	14
	(70)	14

No other gains or losses have been recognised in respect of loans and receivables, other than as disclosed in note 6.

8. Tax

a) Tax on profit on ordinary activities

	2019 £'000	2018 £'000
Corporation tax:		
UK Corporation tax	-	-
Foreign tax	-	-
	-	-
Deferred tax:		
Origination and reversal of temporary differences	68	58
Adjustment in respect of prior years	3	(2)
Adjustment in respect of change in tax rates	(7)	(6)
	64	50

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

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	16,488	15,140
Tax at the UK corporation tax rate of 19.0% (2018: 19.0%)	3,133	2,877
Tax effect of expenses that are not deductible in determining taxable profit	70	2
Group relief claimed for £nil consideration	(3135)	(2,821)
Deferred tax asset recognised at enacted rate rather than blended rate	(7)	(6)
Adjustment in respect of prior years	3	(2)
Total tax charge for the period	64	50

All current taxation in the current period relates to UK corporation tax.

Notes to the financial statements

8. Tax (continued)

(b) Deferred tax

The deferred tax included in the Balance Sheet is as follows:

	2019	2018
	£'000	£'000
Included in debtors (note 12)	361	425
	<hr/>	<hr/>
Accelerated capital allowances	361	425
	<hr/>	<hr/>

	2019
	£'000
At 1 July 2018	425
Deferred tax in profit and loss account	(68)
Adjustment in respect of prior years	(3)
Adjustment in respect of change in tax rates	7
	<hr/>
At 31 December 2019	361
	<hr/>

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. At the Statement of Financial Position date, 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.

Notes to the financial statements

9. Intangible assets

	Internally generated intangible assets	Software development (external)	Software licences	Other intangible assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 30 June 2018 as re-presented	677	179	354	92	1,302
Additions	18	343	-	80	441
At 31 December 2019	695	522	354	172	1,743
Amortisation					
At 30 June 2018 re-presented	309	16	330	25	680
Charge for the period	256	161	24	116	557
At 31 December 2019	565	177	354	141	1,237
Carrying amount					
At 30 June 2018 as re-presented	368	163	24	67	622
At 31 December 2019	130	345	-	31	506

Assets have been re-presented between asset classes to consistently reflect their usage by the Company. The carrying amount of the assets is unaffected by this presentational change.

Notes to the financial statements

10. Tangible Fixed Assets

	Leasehold Improvements £'000	Equipment, Fixture & Fittings £'000	Totals £'000
Cost or valuation			
At 30 June 2018 as re-presented	158	5,502	5,660
Additions	-	298	298
At 31 December 2019	158	5,800	5,958
Accumulated depreciation and impairment			
At 30 June 2018 as re-presented	155	3,888	4,043
Charge for the period	3	866	869
At 31 December 2019	158	4,754	4,912
Carrying amount			
At 30 June 2018 as re-presented	3	1,614	1,617
At 31 December 2019	-	1,046	1,046

Assets have been re-presented between asset classes to consistently reflect their usage by the Company. The carrying amount of the assets is unaffected by this presentational change.

11. Stock

	2019 £'000	2018 £'000
Consumables	482	257
	482	257

Stock consists of consumables utilised during the installation of hardware at customer sites. There is no material difference between the balance sheet value of the stock and their replacement cost.

Notes to the financial statements

12. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	55	374
Taxation and social security	-	-
Amounts owed by Parent company	63,165	53,581
Amounts owed by group undertakings	47,461	34,613
Prepayments and accrued income	570	600
Deferred tax asset	361	425
Other debtors	281	370
	111,893	89,963

The directors consider that the carrying amount approximates the fair value.

Amounts due from other Group companies totalling £47,461,245 (2018: £34,613,541) of which £45,314,822 (2018: £32,422,941) represent other receivables; they are non-interest bearing and are repayable on demand.

On 29 June 2015 the Company entered into a loan with Sky Operational Finance Limited. The loan bears interest at a rate of 1.5% and is repayable on demand. As at 31 December 2019 the total amount outstanding was £2,146,423 (2018: £2,190,600).

There are amounts receivable from the parent company totalling £63,165,125 (2018: 53,580,967). These balances are non-interest bearing and repayable on demand.

13. Creditors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade creditors	(314)	(435)
Taxation and social security	(141)	(194)
Amounts owed to group undertakings	(32,149)	(25,689)
Accruals	(2,339)	(3,507)
Deferred income	(782)	(885)
	(35,725)	(30,710)

The directors consider that carrying amount approximates the fair value.

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

Deferred income arises as a result of subscription & install income received in advance.

Notes to the financial statements

14. Provisions

	At 1 July 2017 £'000	Provided during the year £'000	Utilised during the year £'000	At 30 June 2018 £'000	Provided during the period £'000	Utilised during the period £'000	At 31 December 2019 £'000
Current liability:							
Restructuring provision ⁽ⁱ⁾	(123)	-	73	(50)	-	50	-

(i) During the year ended 30 June 2018, the Company utilised £73,000 for the cost of the restructuring exercise undertaken, during the period ended 31 December 2019 the remaining £50,000 was also utilised.

15. Share capital

	2019 £('000)	2018 £('000)
Authorised, allotted, called-up and fully paid		
30,583,988 (2018: 30,583,988) ordinary shares of £0.00025 (2018: £0.00025) each	8	8

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

16. Transactions with related parties

During the period the company has not entered into transactions with any related party outside the group in which its results are consolidated (see note 17).

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

Notes to the financial statements

17. 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, a company incorporated in Pennsylvania, United States.

The Company is ultimately controlled by Comcast and operates together with Comcast's other subsidiaries, as a part of 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>.

18. 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.