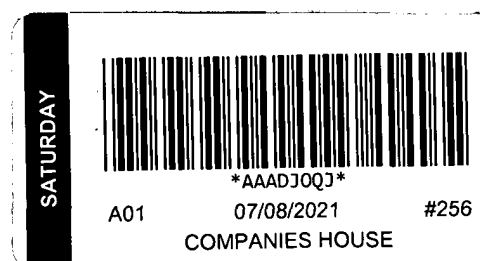


# THE CLOUD NETWORKS LIMITED

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

Registered number: 05141256



## Directors and Officers

For the year ended 31 December 2020

### **Directors**

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

D N Rey (resigned 31 December 2020)

C Smith

TC Richards (appointed 30 September 2020)

S Robson (appointed 31 December 2020)

### **Company Secretary**

Sky Corporate Secretary Limited

### **Registered office**

Grant Way

Isleworth

Middlesex

United Kingdom

TW7 5QD

### **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 12 month period 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 operates together with Comcast Corporation's other subsidiaries as a part of the Comcast Group.

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 year under review, however the activities have been impacted by Covid-19, more information on Covid impacts can be found in the note on page 4. 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 year ended 31 December 2020 are set out on pages 12 to 29. The profit before tax for the year was £7,958,000 (2019: £16,488,000). Turnover was £17,525,000 (2019: £32,543,000) and operating expenses were £9,730,000 (2019: £16,034,000). It should be noted however, that the current year is 12 months versus 18 months in prior period, resulting in a comparable decrease in both revenue & costs. The main reasons for this are Covid-19 impacts on revenue due to periods where we were not charging customers and less Installs being carried out in the year, as well as a reduced recharge of revenue to Sky UK Limited, costs have not reduced as much in line with revenue due to the proportion of fixed costs.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: £nil). The balance sheet shows that the Company's shareholder's equity position at the year-end was £85,099,000 (2019: £78,534,000).

## Key performance indicators (KPIs)

The Sky Group ("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.

## Strategic and Directors' Report (continued)

### **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**

#### **UK 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.

### **Employment policies**

#### **Organisation**

Over the year, 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 year was 38 (2019: 42).

### **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.

#### **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 year we gathered feedback from our teams through our People Survey.

## Strategic and Directors' Report (continued)

### Impact 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 material negative impacts on the Sky Group's results of operations primarily due to the impacts of professional sports. We expect the effects of the COVID-19 pandemic will continue to adversely impact our results of operations over the near to medium term, although the extent of such impact will depend on restrictive governmental measures, global economic conditions, expanded availability and acceptance of vaccines and consumer behaviour in response to COVID-19. The most significant effects of COVID-19 began in the latter part of the first quarter of 2020.

Direct-to-consumer revenue has been negatively impacted, and future periods may be negatively impacted, as a result of lower sports subscription revenue due to the closures and extent of reopening of our commercial customers' locations. In addition, delays to the start of the 2020-2021 seasons for certain sports, including European football, resulted in the shift of additional events and the significant costs associated with broadcasting these programmes into the first and second quarters of 2021 compared to a normal year. We expect the timing of sports seasons to generally return to a normal calendar beginning in the third quarter of 2021.

Given the nature of the Company's operations, other than the impacts on the Sky Group as a whole set out above, there are no significant direct impacts on the Company of COVID-19.

Approved by the Board and signed on its behalf,



T C Richards  
Director

Grant Way  
Isleworth  
Middlesex  
United Kingdom  
TW7 5QD

28 July 2021

## Strategic and Directors' Report (continued)

### Directors' 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 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. 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 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 28 July 2021.

## Strategic and Directors' Report (continued)

Approved by the Board and signed on their behalf by:



T C Richards  
Director

Grant Way  
Isleworth  
Middlesex  
United Kingdom  
TW7 5QD

28 July 2021

## 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 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 instead of 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 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; 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.



# Auditor's Report

## 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 31<sup>st</sup> December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance 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 instead of 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"; 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 17.

The financial reporting framework that has been applied in their preparation is 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 instead of 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".

#### 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.

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.

# Auditor's Report

## **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.

## **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](http://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.

## Auditor's Report

We obtained an understanding of the legal and regulatory frameworks 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.

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

## Auditor's Report

- 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  
28 July 2021

## Profit and Loss Account

For the year ended 31 December 2020

		<b>12 months to 31 December 2020</b>	18 months to 31 December 2019
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Turnover	2	<b>17,525</b>	32,543
Cost of sales		<b>(7,243)</b>	(14,058)
<b>Gross profit</b>		<b>10,282</b>	18,485
Administrative expenses		<b>(2,487)</b>	(1,976)
<b>Operating profit</b>		<b>7,795</b>	16,509
Interest receivable and similar income	6	<b>36</b>	49
Other gains/(losses)	7	<b>127</b>	(70)
<b>Profit before taxation</b>	3	<b>7,958</b>	16,488
Tax on profit	8	<b>(1,393)</b>	(64)
<b>Profit for the financial year</b>		<b>6,565</b>	16,424

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

For the period ended 31 December 2019 and the year ended 31 December 2020, the Company did not have any other items of Comprehensive Income.

All results relate to continuing operations.

# Balance Sheet

As at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
<b>Fixed assets</b>			
Intangible assets	9	250	506
Tangible assets	10	542	1,046
		<b>792</b>	1,552
<b>Current assets</b>			
Stock	11	390	482
Debtors	12	122,295	111,893
Cash at bank and in hand		712	332
		<b>123,397</b>	112,707
<b>Creditors: Amounts falling due within one year</b>	13	<b>(38,027)</b>	(35,725)
<b>Net current assets</b>		<b>85,370</b>	76,982
<b>Total assets less current liabilities</b>		<b>86,162</b>	78,534
Provisions for liabilities	14	<b>(1,063)</b>	-
<b>Net assets</b>		<b>85,099</b>	78,534
<b>Capital and reserves</b>			
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		47,081	40,516
		<b>85,099</b>	78,534

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 28 July 2021 and were signed on its behalf by:



T C Richards  
Director  
28 July 2021

# Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Warrant reserve £'000	Share- based payment reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
<b>At 1 July 2018</b>	<b>8</b>	<b>35,433</b>	<b>60</b>	<b>2,517</b>	<b>24,092</b>	<b>62,110</b>
Profit for the period	-	-	-	-	16,424	16,424
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,424</b>	<b>16,424</b>
<b>At 31 December 2019</b>	<b>8</b>	<b>35,433</b>	<b>60</b>	<b>2,517</b>	<b>40,516</b>	<b>78,534</b>
Profit for the year	-	-	-	-	6,565	6,565
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,565</b>	<b>6,565</b>
<b>At 31 December 2020</b>	<b>8</b>	<b>35,433</b>	<b>60</b>	<b>2,517</b>	<b>47,081</b>	<b>85,099</b>

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 an historical cost basis.

The financial statements have been prepared on an 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

## 1. Accounting policies (continued)

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

#### 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 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.

#### 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.

## Notes to the financial statements

### **1. Accounting policies (continued)**

#### **e) Financial assets and liabilities**

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

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

#### **i. Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and, where no stated interest rate is applicable, are measured at the original invoice amount, if the effect of discounting is immaterial. Where discounting is material, trade and other receivables are measured at amortised cost using the effective interest method.

#### **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.

#### **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:

## Notes to the financial statements

### **1. Accounting policies (continued)**

#### **g) Revenue recognition (continued)**

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 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.

#### **i) 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.

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 year 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.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### i) Tax, including deferred tax (continued)

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.

#### j) 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 year.

#### k) 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 2021. 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 IAS 39 (effective 1 January 2021)
- 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)

#### l) 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

### **1. Accounting policies (continued)**

#### **i) Critical accounting policies and the use of judgements and estimates (continued)**

##### **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 are 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

## 1. Accounting policies (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, 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

	2020 £'000	2019 £'000
<b>Continuing operations</b>		
Rendering of services	17,525	32,543
<b>Total turnover</b>	<b>17,525</b>	<b>32,543</b>

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:

	2020 £'000	2019 £'000
Net foreign exchange gains	(6)	(27)
Amortisation of intangible fixed assets (see note 9)	255	557
Depreciation of tangible fixed assets (see note 10)	477	869
Provision for bad and doubtful debts	(4)	7
Staff costs (see note 5)	1,227	3,752
Stock recognised as an expense	899	2,875

## 4. Auditor's remuneration

Amounts paid to the auditor for the audit of the Company's annual financial statements of £25,000 (2019: £25,000) were borne by another Group subsidiary in 2020 and 2019. No amounts for other services have been paid to the auditor.

## Notes to the financial statements

### 5. Staff Costs

Their aggregate remuneration comprised:

	<b>2020</b> <b>£'000</b>	2019 £'000
Wages and salaries	<b>878</b>	3,254
Social security costs	<b>215</b>	336
Pension costs	<b>134</b>	162
	<b><u>1,227</u></b>	<u>3,752</u>

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

	<b>2020</b> <b>Number</b>	2019 Number
Transmission and Technology	<b>36</b>	40
Directors	<b>2</b>	2
	<b><u>38</u></b>	<u>42</u>

The Directors did not receive any remuneration during the year (2019: £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

	<b>2020</b> <b>£'000</b>	2019 £'000
Interest receivable:		
Intercompany interest receivable	<b>36</b>	49
Total interest receivable	<b><u>36</u></b>	<u>49</u>

For the year ended 31 December 2020, 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 Gains/(Losses)

	2020 £'000	2019 £'000
Gain/(Loss) on revaluation of amounts owed by Group companies	127	(70)
	<u>127</u>	<u>(70)</u>

No other gains or losses have been recognised in respect of loans and receivables, other than those disclosed in notes 6 & 7.

### 8. Tax

#### a) Tax on profit on ordinary activities

	2020 £'000	2019 £'000
Corporation tax:		
UK Corporation tax	1,508	-
Deferred tax:		
Origination and reversal of temporary differences	30	68
Adjustment in respect of prior years	(92)	3
Adjustment in respect of change in tax rates	(53)	(7)
	<u>1,393</u>	<u>64</u>

The tax expense for the year is equal to (2019: equal to) the expense that would have been charged using the rate of corporation tax in the UK of 19% (2019: 19%) applied to profit before tax. The differences are explained below:

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	7,958	16,488
Tax at the UK corporation tax rate of 19.0% (2019: 19.0%)	1,512	3,133
Tax effect of expenses that are not deductible in determining taxable profit	26	70
Group relief claimed for £nil consideration	-	(3,135)
Deferred tax asset recognised at enacted rate rather than blended rate	(53)	(7)
Adjustment in respect of prior years	(92)	3
Total tax charge for the year	<u>1,393</u>	<u>64</u>

All current taxation in the current year 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:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
Included in debtors (note 12)	<b>476</b>	361
	<hr/>	<hr/>
Accelerated capital allowances	<b>476</b>	361
	<hr/>	<hr/>

	<b>2020</b>
	<b>£'000</b>
At 1 January 2020	361
Deferred tax in profit and loss account	(30)
Adjustment in respect of prior years	92
Adjustment in respect of change in tax rates	<u>53</u>
At 31 December 2020	<u><b>476</b></u>

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%). 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 not expected to be material.

## Notes to the financial statements

### 9. Intangible assets

	Internally generated intangible assets	Software development (external)	Software licences	Other intangible assets	Acquired intangible assets not yet available for use	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 31 December 2019	695	522	354	172	-	1,743
Additions	-	(16)	-	5	10	(1)
Disposals	-	-	(282)	-	-	(282)
<b>At 31 December 2020</b>	<b>695</b>	<b>506</b>	<b>72</b>	<b>177</b>	<b>10</b>	<b>1460</b>
<b>Amortisation</b>						
At 31 December 2019	565	177	354	141	-	1,237
Charge for the year	98	125	-	32	-	255
Disposals	-	-	(282)	-	-	(282)
<b>At 31 December 2020</b>	<b>663</b>	<b>302</b>	<b>72</b>	<b>173</b>	<b>-</b>	<b>1210</b>
<b>Carrying amount</b>						
At 31 December 2019	130	345	-	31	-	506
<b>At 31 December 2020</b>	<b>32</b>	<b>204</b>	<b>-</b>	<b>4</b>	<b>10</b>	<b>250</b>

## Notes to the financial statements

### 10. Tangible Assets

	Leasehold Improvements	Equipment, Fixture & Fittings	Totals
	£'000	£'000	£'000
<b>Cost or valuation</b>			
At 31 December 2019	158	5,800	5,958
Additions	-	1	1
Disposals	(147)	(314)	(461)
<b>At 31 December 2020</b>	<b>11</b>	<b>5,487</b>	<b>5,498</b>
<b>Accumulated depreciation and impairment</b>			
At 31 December 2019	158	4,754	4,912
Charge for the year	-	477	477
Disposals	(147)	(286)	(433)
<b>At 31 December 2020</b>	<b>11</b>	<b>4,945</b>	<b>4,956</b>
<b>Carrying amount</b>			
At 31 December 2019	-	1,046	1,046
<b>At 31 December 2020</b>	<b>-</b>	<b>542</b>	<b>542</b>

### 11. Stock

	2020 £'000	2019 £'000
Consumables	390	482
	<b>390</b>	<b>482</b>

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

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	43	55
Taxation and social security	-	-
Amounts owed by Parent company	69,010	63,165
Amounts owed by Group undertakings	51,930	47,461
Prepayments and accrued income	498	570
Deferred tax asset	476	361
Other debtors	338	281
	<b>122,295</b>	<b>111,893</b>

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

Amounts due from other Group companies totalling £51,929,657 (2019: £47,461,245) of which £49,628,135 (2019: £45,314,822) 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 2020 the total amount outstanding was £2,301,522 (2019: £2,146,423).

There are amounts receivable from the parent company totalling £69,010,470 (2019: £63,165,125). These balances are non-interest bearing and repayable on demand.

### 13. Creditors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade creditors	(508)	(314)
Taxation and social security	(124)	(141)
Amounts owed to Group undertakings	(35,895)	(32,149)
Accruals	(1,207)	(2,339)
Deferred income	(293)	(782)
	<b>(38,027)</b>	<b>(35,725)</b>

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 for liabilities

	At 1 July 2018 £'000	Provided during the period £'000	Utilised during the period £'000	At 31 December 2019 £'000	Provided during the year £'000	Utilised during the year £'000	At 31 December 2020 £'000
Current liability:							
Restructuring provision <sup>(i)</sup>	50	-	(50)	-	1,257	(194)	1,063

(i) During the period ended 31 December 2019 the £50,000 provision was utilised. During the year ended 31<sup>st</sup> December 2020 another restructuring provision was put in place and partly utilised in the year.

### 15. Share capital

	2020 £('000)	2019 £('000)
<b>Authorised, allotted, called-up and fully paid</b>		
30,583,988 (2019: 30,583,988) ordinary shares of £0.00025 (2019: £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 year 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 year in respect of services to the Company (2019: £nil).

### 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 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 Comcast 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>.