SKY LIMITED
(formerly Sky plc)

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

Registered number: 02247735

Directors and Officers

For the period ended 31 December 2019

Directors

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

M J Cavanagh (appointed 8 November 2018)
D L Cohen (appointed 8 November 2018)
T J Reid (appointed 15 April 2019)

A G Axen (resigned 21 December 2018)
A R Block (appointed 8 November 2018, resigned 14 April 2019)
C G Carey (resigned 9 October 2018)
T J Clarke (resigned 9 October 2018)
J Conyers (appointed 9 October 2018, resigned 8 November 2018)
D J Darroch (resigned 8 November 2018)
M J Gilbert (resigned 9 October 2018)
A J Griffith (resigned 8 November 2018)
J R Murdoch (resigned 9 October 2018)
J P Nallen (resigned 9 October 2018)
M Pigasse (resigned 21 December 2018)
A J Sukawaty (resigned 9 October 2018)
K Wehr-Seiter (resigned 9 October 2018)

Secretary

Sky Corporate Secretary Limited (appointed 14 June 2019)
C J Taylor (resigned 14 June 2019)

Registered office

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Strategic 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 activity

On 9 October 2018, the offer by Comcast Bidco Limited to acquire the entire 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 is Comcast Corporation and the company operates together with Comcast Corporation's other subsidiaries as a part of the Comcast Group ("the Group"). In the fourth quarter of 2018, Comcast Bidco Limited acquired the remaining Sky shares and now owns 100% of the share capital of Sky Limited.

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

The Company's principal activity is to act as a holding Company for certain subsidiary undertakings, to obtain loans on behalf of and issue loans to other Group companies and to licence the Sky brand to other companies in the Group. The Directors expect this activity to continue for the foreseeable future.

This period the Company made a profit before tax of £272 million (2018: £624 million). The decrease is predominately due to no dividends being received from subsidiaries in the period (2018: £577 million).

The Balance Sheet shows that the Company's total shareholder's equity position at the period end was £9,024 million (2018: £7,828 million).

During the period the company issued 26,523,032 ordinary shares of £0.50 each, for a premium of £1,193 million.

Financial Review and Dividends

The audited financial statements for the period ended 31 December 2019 are set out on pages 16 to 50. The profit after tax for the period was £219 million (2018: £616 million).

The Directors do not recommend the payment of a final dividend for the period ended 31 December 2019 (2018: nil). For the period ended 31 December 2019 there was an interim dividend paid of 14.90 pence (2018: special dividend of 10 pence and interim dividend of 13.06 pence).

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.

Non-Financial Statement

The operations of Comcast Corporation (the Company's ultimate parent company) and its direct and indirect subsidiaries, including the Company are primarily managed in reportable business segments. The operations of the Company and its direct and indirect subsidiaries (collectively referred to as 'Sky') are presented as one of those reportable business segments in the Comcast Group's Annual Report (Form 10-K) for the year ended 31 December 2019 - https://www.cmcsa.com/financials/annual-reports.

i) Environmental Matters

Sky are a leading voice in tackling big, global issues. We were the first media company in the world to go carbon neutral in 2006 and have been campaigning for healthy oceans since 2017 which includes a commitment to remove all single-use plastic from our operations, supply chain and ensuring all Sky products are free from single-use plastic. In 2019 we made a further commitment to go net zero carbon. Further details on these and Sky's other initiatives are available on Sky's Bigger Picture corporate site - https://www.skygroup.sky/bigger-picture.

ii) Company Employees

From Sky's employment and HR policies on recruitment to development, Sky focuses on creating an inclusive culture, where everyone can contribute their best. This has resulted in Sky being named as a Top 50 employer of Women in 2019 and receiving 1st place in the Top 50 Inclusive UK Employer awards (https://careers.sky.com/inclusion/).

iii) Gender Pay Gap Reporting

Sky annually publishes its Gender Pay Gap Report, giving transparency to the difference between the average pay of all men and women across the whole business; irrespective of role or seniority, for further information refer to Gender Pay Gap Report 2019.

iv) Social Matters

At Sky, we believe in giving back to our communities and this has been achieved through Sky Cares, a programme that supports thousands of Sky employee volunteers giving their time and energy to local good causes. Among other initiatives, Sky also runs a media training programme in partnership with the MAMA Youth Project, which has enabled 520 young people to receive training since 2005; and it has a sports scholarship programme which mentors, sponsors and supports some of the UK's most promising young athletes, resulting in 24 young sports people being supported and Olympic medals (including Gold) being won since 2011.

v) Respect for Human Rights

At Sky we respect, protect and remedy the rights of everyone we reach. We conduct human rights impact assessments across our business activities on an ongoing basis and our human rights leadership group, which involves representatives from across the business, address issues and identify opportunities for improvement in our business, our supply chains and content production. This is explained further in Sky's Human Rights Policy Statement - https://www.skygroup.sky/documents-policies.

vi) Modern Slavery

Also, publicly available is Sky's Modern Slavery Statement 2019 (https://www.skygroup.sky/modern-slavery), identifying and demonstrating how we work to address the risks of modern slavery in our business operations and supply chain.

Non-Financial Statement (continued)

vii) Anti-Corruption and Anti-Bribery Matters

Matters relating to anti-corruption and anti-bribery are covered on a group wide level by our Comcast Code of Conduct (employee) document (https://www.skygroup.sky/documents-policies), to ensure compliance, Sky provides mandatory training on Fraud, Bribery and Corruption to all employees.

viii) Sourcing Responsibly

Sky is committed to sourcing responsibly and in 2019, with our parent company Comcast Corporation, we developed an enhanced Comcast Code of Conduct (Suppliers and Business Partners), for the whole Group and developed a new approach to monitoring environmental, social and governance standards whilst tracking the progress that suppliers make, through external audits managed, attended and reviewed by our Group Supply Chain Compliance Team.

As the Company is principally a holding company, there are no separate key performance indicators. In terms of principal risks in relation to the matters addressed in this statement, these are either managed by the parent company Comcast Corporation or by the Company's direct subsidiary Sky UK Limited.

Principal risks and uncertainties

The Company's activities expose it to financial risks, namely credit risk, liquidity risk, foreign exchange risk (including any fluctuations arising as a result of the UK's decision to exit the European Union), interest rate risk and legislation and regulation risk. The Company is also exposed to risk through the performance of its investments.

The Directors do not believe the Company is exposed to significant cash flow risk or price risk.

Financial risk management objectives and policies

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

Credit risk

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

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. Sky Ltd and its subsidiaries ("the Sky Group") currently has access to a £3 billion revolving credit facility with Comcast Corporation which is due to expire on 11 January 2024. The Company benefits from this liquidity through intra-group facilities and loans.

Foreign exchange risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses cross currency swaps to hedge these exposures. Refer to note 13 for further information.

Interest rate risk

The Company has financial exposure to UK interest rates arising from floating rate borrowings, interest rate derivatives and various loan balances with other companies within the Sky Group. The Group's Treasury function monitors the Company's exposure to fluctuations in interest rates. Refer to note 13 for further information.

Investment performance risk

The risk facing the Company relates to the recoverability of the Company's investment in subsidiaries. Recovery of these assets is dependent upon the generation of sufficient profits to pay dividends or from the proceeds of sale of such investments, in the event of their disposal. The Company reviews the carrying amount of its investments at balance sheet date to determine whether there is any indication of impairment.

Changes in Capital Structure

During the period the company issued 26,523,032 ordinary shares of £0.50 each, for a premium of £1,193 million (note 14).

Legislation and Regulation risk

U.K. Exit from the European Union

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

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

Impacts of COVID-19

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

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

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

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

Strategic Report (continued)

Approved by the Board and signed on its behalf,

M J Cavanagh
Director

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD
9 June 2020

Directors' Report

Directors' Report

The Directors who served during the year are shown on page 1.

The Directors do not recommend the payment of a final dividend in the current period (2018: nil).

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

Going concern

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

Given the integrated nature of the Group's financial planning and treasury functions, the impact of COVID-19 on the Company's operations and funding requirements has been assessed at the Group level. Although negatively impacted by COVID-19, the Directors expect that the businesses will continue to generate adequate cash flow from operating activities and believe that these cash flows, together with the Company's existing cash, cash equivalents and investments, and available borrowings under its existing credit facilities, including the £3 billion revolving credit facility with Comcast, will be sufficient for the Company to meet its current and long-term liquidity and capital requirements. We further highlight that the Company has received confirmation of support from Comcast for a period of at least 12 months from the date of signing of these financial statements. Details of guarantees provided with respect to the Company's borrowings are disclosed in note 10 of the 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/she 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 9 June 2020.

Approved by the Board and signed on their behalf by,

M J Cavanagh
Director

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD
9 June 2020

Directors' responsibilities statement

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKY LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Sky Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity
- the cash flow statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. 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 as applied to listed entities, 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.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • completeness and existence of derivative instruments; and • recoverability of trade and other receivables from subsidiaries.
Materiality	The materiality that we used in the current year was £200m which was determined on the basis of 2% of total assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Auditor's report

Significant changes in our approach	For the year ended 30 June 2018, the company prepared consolidated accounts for Sky Limited and its subsidiaries ("the Sky Group"). The key audit matters for that year related to the Sky Group as a whole only. Subsequently the company was acquired by Comcast Corporation ("Comcast") and its results are now included in the consolidated accounts of Comcast for the year ended 31 December 2019. As a result, the company is exempt from preparing consolidated financial statements and we have therefore identified key audit matters in the current period that relate to the company only.

4. 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Completeness and existence of derivative instruments

Key audit matter description	Sky Limited uses complex derivative instruments in order to hedge interest rates, as set out in note 12 of the Financial Statements. The instruments are individually material at an aggregated value at £391m (2018:£490m), and therefore there is a risk that inappropriate recognition or exclusion of a financial instrument could lead to a material misstatement in derivative asset and liability values. Our identified risk is in respect of the inclusion or exclusion of derivative as a result of fraud or error made to include or exclude individual derivatives. Further details are included within the strategic report on pages 2 to 6, the audit report on page 10, critical accounting estimates and judgements note in note 1 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures performed included: • obtaining an understanding and testing of the relevant controls in respect of recognition of derivatives; • obtaining independent counterparty confirmations to confirm existence of financial assets and liabilities; and • circularising of independent counterparties to confirm completeness of financial assets and liabilities.
Key observations	Based on our work, we considered that derivative instruments exist and are complete.

5.2. Recoverability of trade and other receivables from subsidiaries

Key audit matter description	Trade and other receivables is a material balance at a value of £6,520m (2018: £7,272m) as set out in Note 9 of the Financial Statements. There is significant level of judgement involved in determining the recoverability of these receivables from group undertakings based on the financial position and future prospects of the group undertakings, including assessing the requirement for recognising expected credit losses under IFRS 9 Financial Instruments. This takes into consideration a range of factors such as the trading performance of the group undertakings, the expected revenue growth and discount rates. Further details are included within the strategic report on pages 2 to 6, the audit report on page 10, critical accounting estimates and judgements note in note 1 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures performed included: • obtaining an understanding of the relevant controls relating to the trade and other receivables process; • agreeing intercompany debtors to intercompany counterparties and • evaluating management's adoption of IFRS 9's approach to impairment, in particular by challenging whether the application of the expected credit loss model to intercompany receivables is in compliance with the standard.
Key observations	Based on our work, we consider that the trade and other receivables from subsidiaries are appropriately stated.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£200m (2018: £62m)
Basis for determining materiality	2% (2018: 2%) of total assets. In prior year, materiality was capped based on the materiality for Sky Group. In the current period the company is exempt from preparing consolidated financial statements and hence no cap has been applied.
Rationale for the benchmark applied	The entity primarily exists to finance the operations of the wider group. The total assets which the company holds exist to carry out this function, and as such are of key importance to the operations of the entity.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

1. our risk assessment, including our assessment of the company's overall control environment and
2. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the board of directors that we would report to the board of directors on all audit differences in excess of £10m (2018: £3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the board of directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

We tested and relied upon general IT controls over key systems relevant to the financial reporting process for the entity, which included the general ledger and treasury systems being SAP and Reval. We obtained an understanding of controls relevant to the key audit matters which have been applied to an account balance level.

8. Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9. 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.

10. 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

11. 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.

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

12.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

13. 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.

Auditor's report

Jon Young, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

9 June 2020

Income Statement

For the period ended 31 December 2019

	Notes	**18 months to 31 December 2019 £m**	12 months to 30 June 2018 £m
Revenue	2	**412**	241
Operating expense	3	**(33)**	(54)
Operating profit		**379**	187
Dividend income from subsidiaries		**-**	577
Investment income	4	**164**	109
Finance Costs	4	**(271)**	(249)
Profit before tax	5	**272**	624
Tax	6	**(53)**	(8)
Profit for the period attributable to equity shareholder		**219**	616

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

All results relate to continuing operations.

Statement of Comprehensive Income

For the period ended 31 December 2019

	Notes	18 months to 31 December 2019 £m	12 months to 30 June 2018 £m
Profit for the period attributable to equity shareholder		**219**	616
Other comprehensive income			
Amounts recognised directly in equity that may subsequently be recycled to the income statement			
Gain / (loss) on cash flow hedges	12	**56**	(81)
Tax on cash flow hedges	6	**(14)**	-
Amounts reclassified and reported in the income statement			
Gain on cash flow hedges	12	**27**	59
Tax on cash flow hedges	6	**-**	4
Other comprehensive income / (loss) for the period (net of tax)		**69**	(18)
Total comprehensive income for the period attributable to equity shareholder		**288**	598

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

All results relate to continuing operations.

Balance Sheet
As at 31 December 2019

	Notes	**31 December 2019 £m**	30 June 2018 £m
Non-current assets			
Investment in subsidiaries	7	**8,965**	8,191
Deferred tax assets	8	**5**	18
Derivative financial assets	12	**387**	433
Trade and other receivables	9	**-**	4
Total non-current assets		**9,357**	8,646
Current assets			
Trade and other receivables	9	**6,520**	7,272
Cash and cash equivalents		**-**	2
Derivative financial assets	12	**4**	57
Total current assets		**6,524**	7,331
Total assets		**15,881**	15,977
Current liabilities			
Borrowings	10	**960**	438
Trade and other payables	11	**49**	95
Derivative financial liabilities	12	**-**	1
Total current liabilities		**1,009**	534
Net current assets		**5,515**	6,797
Non-current liabilities			
Borrowings	10	**5,726**	7,426
Derivative financial liabilities	12	**122**	189
Total non-current liabilities		**5,848**	7,615
Total Liabilities		**6,857**	8,149
Share capital	14	**873**	860
Share premium	15	**3,897**	2,704
Reserves	15	**4,254**	4,264
Total equity attributable to equity shareholder	15	**9,024**	7,828
Total liabilities and shareholder's equity		**15,881**	15,977

The accompanying notes are an integral part of this balance sheet.

Balance Sheet
As at 31 December 2019

The financial statements of Sky Limited, registered number 02247735 were approved by the Board of Directors on 9 June 2020 and were signed on its behalf by:

M J Cavanagh
Director
9 June 2020

Statement of Changes in Equity

For the period ended 31 December 2019

	Share Capital	Share premium	Special reserve	Capital redemption reserve	Capital reserve	ESOP reserve	Hedging reserve	Retained earnings	Total shareholder's equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 July 2017	**860**	**2,704**	**14**	**190**	**844**	**(78)**	**(70)**	**3,269**	**7,733**
Profit for the year	-	-	-	-	-	-	-	616	616
Recognition and transfer of cash flow hedges	-	-	-	-	-	-	(22)	-	(22)
Tax on items taken directly to other comprehensive income	-	-	-	-	-	-	4	-	4
Total comprehensive (loss) income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(18)**	**616**	**598**
Share-based payment	-	-	-	-	-	69	-	(176)	(107)
Dividends	-	-	-	-	-	-	-	(396)	(396)
At 30 June 2018	**860**	**2,704**	**14**	**190**	**844**	**(9)**	**(88)**	**3,313**	**7,828**
Profit for the year	-	-	-	-	-	-	-	219	219
Recognition and transfer of cash flow hedges	-	-	-	-	-	-	83	-	83
Tax on items taken directly to other comprehensive income	-	-	-	-	-	-	(14)	-	(14)
Total comprehensive (loss) income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**69**	**219**	**288**
Issue of share capital	13	1,193	-	-	-	-	-	-	1,206
Share-based payment	-	-	-	-	-	9	-	(47)	(38)
Dividends	-	-	-	-	-	-	-	(260)	(260)
At 31 December 2019	**873**	**3,897**	**14**	**190**	**844**	**0**	**(19)**	**3,225**	**9,024**

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

For a description of the nature and purpose of each equity reserve, see note 15.

Cash Flow Statement

For the period ended 31 December 2019

	Note	18 months to 31 December 2019 £m	12 months to 30 June 2018 £m
Cash flows from operating activities			
Cash generated from operations	16	**-**	-
Net cash from operating activities		**-**	-
Cash flows from financing activities			
Proceeds from the exercise of share options		**3**	14
Loan to subsidiaries		**(5)**	(13)
Net cash (used in) / from financing activities		**(2)**	1
Net (decrease) / increase in cash and cash equivalents		**(2)**	1
Cash and cash equivalents at the beginning of the period		**2**	1
Cash and cash equivalents at the end of the period		**-**	2

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

Notes to the financial statements

1. Accounting policies

Sky 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 02247735.

a) Statement of compliance

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

b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Directors' Report) and on a historical cost basis, except for the remeasurement to fair value of certain financial assets and liabilities as described in the accounting policies below.

The Company has adopted the new accounting pronouncements which became effective this period. The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 July 2018.

i) IFRS 15 – 'Revenue from contracts with customers'

The Company has finalised its analysis and adopted IFRS 15 from 1 July 2018. As permitted by the standard, the Company has taken advantage of the modified transitional provisions and as such the prior period results remain as previously reported. Under the modified approach the cumulative approach of initially applying the standard is recognised in equity at 1 July 2018, with no restatement of prior periods.

IFRS 15 requires that the recognition of revenue from contracts with customers must reflect:

- the rate at which performance obligations are fulfilled, corresponding to the transfer to a customer of control of a good or service, where control transfers either over time, or at a point in time; and
- the amount to which the seller expects to be entitled as consideration for its activities.

There is no impact of the first-time adoption of IFRS 15 at 1 July 2018 on the Company's opening balance sheet or the income statement for the period.

ii) IFRS 9 – 'Financial Instruments'

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial instruments: Recognition and Measurement' and is effective on the Company from 1 July 2018.

The Company has applied the classification, measurement and impairment requirements of the standard on a modified retrospective basis, adjusting the opening balance sheet at the transition date of 1 July 2018 with no restatement of comparative periods. IFRS 9 also contains new rules relating to hedge accounting, although the adoption of these is not mandatory and the Company will continue to apply IAS 39 hedge accounting policies.

IFRS 9 introduces an impairment model based on expected credit losses. This requires a provision for impairment to be considered, and if required to be recorded, when the receivable is recognised, compared to IAS 39 which requires a provision to be made only when a loss event occurs. The Company elected to apply IFRS 9's simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. This involves, for example, the application of a provision matrix where trade receivables are grouped based on shared credit risk characteristics and ageing, or other appropriate methods given the nature of the receivable, and requires an estimate of expected lifetime credit loss rates. These loss rates are based on, inter alia,

Notes to the financial statements

1. Accounting policies (continued)

b) Basis of preparation (continued)

ii) IFRS 9 – 'Financial Instruments' (continued)

the entity's historical credit losses, adjusted for reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, in order to derive an expectation. The application of this approach has not had a material impact on the provision for impairment of third party trade receivables compared to the Company's previous approach under IAS 39.

Amounts due from group companies are typically non-interest bearing and are repayable on demand. With respect to impairment provisions under IFRS 9, an expectation of credit losses for intercompany loan receivables is required, taking into consideration similar factors as for third party balances above, in addition to entity's ability to trade and borrow as part of the wider Group, in order to settle the receivables. The IFRS 9 credit loss model has not had a material impact with respect to impairment of entity's intercompany receivables compared to the Company's previous approach under IAS 39.

IFRS 9 requires all equity investments to be held on the balance sheet at fair value, with associated movements incurred in either the income statement or in equity reserves. The Company has elected to recognise such movements in the income statement within financing cost.

IFRS 9 requires that amounts recognised in non-financial assets (basis adjustment) are recognised directly in equity, which were previously recognised in other comprehensive income under IAS 39 'Financial Instruments: Recognition and Measurement.'

There is no impact of the first-time adoption of IFRS 9 at 1 July 2018 on the Company's opening balance sheet.
Except for the first-time application of IFRS 9, no other new accounting pronouncements had a significant impact on the Company's results or financial position.

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.

The Company has taken advantage of the exemption from preparing the consolidated financial statements afforded by section 401 of the Companies Act 2006, because it is a wholly-owned subsidiary of the Comcast Corporation which prepares consolidated financial statements which are publicly available (see note 20).

c) Derivative financial instruments and hedging activities

The Company uses derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates.

Derivatives are held at fair value from the date on which a derivative contract is entered into. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under IFRS 13 "Fair Value Measurement". The Company calculates a separate credit valuation adjustment ('CVA') or debit valuation adjustment ('DVA') for each derivative based upon the net position for each counterparty relationship.

The Company calculates the CVA where it has a net asset position using a quoted credit default swap curve for the counterparty and calculates the DVA where it has a net liability position using an industry proxy credit default swap curve for the Company. The fair value of derivative financial instruments is calculated by discounting future cash flows with reference to the benchmark Libor curve, adjusted by the relevant credit default swap curve.

Notes to the financial statements

1. Accounting policies (continued)

c) Derivative financial instruments and hedging activities (continued)

Certain derivatives held by the Company which relate to highly probable forecast transactions ("hedged items"), which meet qualifying criteria under IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), are designated as cash flow hedges. Other derivatives which hedge changes in fair value of fixed rate financial instruments and meet the requirements of IAS 39 are designated as fair value hedges. Certain other derivatives held by the Company do not meet the qualifying criteria for recognition for accounting purposes as hedges, despite this being their economic function. Changes in the fair values of these derivatives are recognised immediately in the Income Statement. The Company does not hold or issue derivatives for speculative purposes.

i. Derivatives that qualify for cash flow hedge accounting

Changes in the fair values of derivatives that are designated as cash flow hedges ("cash flow hedging instruments") are initially recognised in the hedging reserve.

Amounts accumulated in the hedging reserve are subsequently recognised in the Income Statement when the related hedged item is recognised in the Income Statement. At inception, the effectiveness of the Company's cash flow hedges is assessed through a comparison of the principal terms of the hedging instrument and the underlying hedged item. The ongoing effectiveness of the Company's cash flow hedges is assessed using the dollar-offset approach, with the expected cash flows of hedging instruments being compared to the expected cash flows of the hedged items. This assessment is used to demonstrate that each hedge relationship is expected to be highly effective on inception, has been highly effective in the period and is expected to continue to be highly effective in future periods. The measurement of hedge ineffectiveness for the Company's hedging instruments is calculated using the hypothetical derivative method, with the fair values of the hedging instruments being compared to those of the hypothetical derivative that would result in the designated cash flow hedge achieving perfect hedge effectiveness.

The excess of the cumulative change in the fair value of the actual hedging instrument compared to that of the hypothetical derivative is deemed to be hedge ineffectiveness, which is recognised in the Income Statement.

The Company uses a range of 80% to 125% for hedge effectiveness, in accordance with IAS 39, and any relationship which has effectiveness outside this range is deemed to be ineffective and hedge accounting is suspended.

When a cash flow hedging instrument expires, is terminated or is exercised, or if a hedge no longer meets the qualifying criteria for hedge accounting, any cumulative gain or loss existing in the hedging reserve at that time remains in the hedging reserve provided that the underlying transaction is still expected to occur. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the hedging reserve is immediately recognised in the Income Statement and all future changes in the fair value of the cash flow hedging instruments are immediately recognised in the Income Statement.

ii. Derivatives that qualify for fair value hedge accounting

The Company has designated certain derivatives as fair value hedges as defined under IAS 39. Any changes in the fair value of the derivatives are recognised immediately in the Income Statement. The carrying values of the underlying hedged items are adjusted for the change in the fair value of the hedged risks, with the gains or losses recognised immediately in the Income Statement, offsetting the fair value movement on the derivative.

Prospective effectiveness is assessed quarterly, through a comparison of the principal terms of the hedging instrument and the underlying hedged item, including the likelihood of default by the derivative counterparty.

Notes to the financial statements

1. Accounting policies (continued)

c) Derivative financial instruments and hedging activities (continued)

ii. Derivatives that qualify for fair value hedge accounting (continued)

The retrospective effectiveness of the Company's fair value hedges is calculated quarterly using the cumulative dollar-offset approach, with movements in the fair value of the hedged item being compared to movements in the fair value of the hedging instrument. The Company uses a range of 80% to 125% for hedge effectiveness and any relationship which has effectiveness outside this range is deemed to be ineffective and hedge accounting is suspended.

d) Financial assets and liabilities

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

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

i. Trade and other receivables

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

An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses provided for on an expected loss model according to IFRS 9, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the Income Statement.

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.

iv. Borrowings

Borrowings are recorded as the proceeds received, net of direct issue costs. Finance charges, including any premium payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest method and are added to the carrying amount of the underlying instrument to which they relate, to the extent that they are not settled in the period in which they arise.

v. Investment in subsidiaries

An investment in a subsidiary is recognised at cost less any provision for impairment. As permitted by section 133 of the Companies Act 2006, where the relief afforded under section 131 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

1. Accounting policies (continued)

e) Impairment

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

An impairment is recognised in the Income Statement whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

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

f) ESOP reserve

Where the Company or its subsidiaries purchase the Company's own equity shares, the cost of those shares, including any attributable transaction costs, is presented within the ESOP reserve as a deduction in shareholders' equity in 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 source of revenue is from licensing the Sky brand name to subsidiaries. Revenue is recognised in the Income Statement over the period that the licence is held.

h) 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 the goodwill and 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

1. Accounting policies (continued)

h) 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 Income Statement, 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) Distributions to equity shareholders

Dividends are recognised in the retained earnings reserve in the year/period in which they are declared.

The cost of repurchasing the Company's own equity shares for cancellation ("share buy-backs") is recorded in retained earnings. In addition, the nominal cost of shares repurchased is deducted from share capital and a matching credit is recorded in the capital redemption reserve.

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 2019. These new pronouncements are listed below. The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

- IFRS 17 'Insurance Contracts' (effective 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020)
- IFRS 16 'Leases'

The adoption of IFRS 16 is not expected to have a material impact on the presentation of the Company's assets and liabilities as it does not currently have any operating or finance leases.

l) Critical accounting policies and the use of judgement 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.

Notes to the financial statements

1. Accounting policies (continued)

l) Critical accounting policies and the use of judgement and estimates (continued)

i. Tax including deferred taxation (see note 6)

The Company's tax charge is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.

Provisions for tax contingencies require management to make judgements and estimates 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 and include any liability for interest and penalties. Tax benefits are not recognised unless it is probable that the tax positions will be sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of the likely resolution of the issue through negotiation and/or litigation. The amounts recognised in the financial statements in respect of each matter are derived from the Company's best estimation and judgement, as described above. However the inherent uncertainty regarding the outcome of these items means the eventual resolution could differ from the provision and in such event the Company would be required to make an adjustment in a subsequent period which could have a material impact on the Company's profit or loss and/or cash position.

ii. Investments (see note 7)

Determining whether the carrying amount of these investments 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 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.

Key sources of estimation uncertainty

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

By 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. Revenue

	2019	2018
	£m	£m
Operating revenue	**412**	241

3. Operating expense

	2019	2018
	£m	£m
Sales, general and administration	**33**	54

Notes to the financial statements

4. Investment income and finance costs

	2019 £m	2018 £m
Investment income		
Intercompany interest receivable[i]	**164**	109
Dividend Income	**-**	577
	164	686

	2019 £m	2018 £m
Finance Costs		
Interest payable and similar charges		
Facility related costs	**(5)**	(2)
Guaranteed Notes (see note 10)	**(253)**	(198)
	(258)	(200)
Other Finance Income (expense)		
Remeasurement of borrowings and borrowings-related derivative financial instruments (not qualifying for hedge accounting)	**174**	(84)
Foreign exchange (loss) / gain arising on intercompany loan agreement	**(187)**	35
(Loss) arising on derivatives in a designated fair value hedge accounting relationship	**-**	(8)
Gain arising on adjustment for hedged item in a designated fair value hedge accounting relationship	**-**	8
	(13)	(49)
External Finance Costs	**(271)**	(249)

(i) Intercompany interest is receivable on certain loans to Sky Operational Finance Limited (see note 9).

5. Profit before taxation

Employee Services

There were no employee costs during the period (2018: £nil), as the Company had no employees, other than the Directors. Services are provided by employees of other companies within the Group with no charge being made for their services.

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

Audit fees

Amounts paid to the auditor for the audit of the Company's annual financial statements of £0.1m (2018: £3.5m) 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

6. Tax

a) Tax recognised in the income statement / statement of comprehensive income

	2019	2018
	£m	£m
Current tax expense (credit)		
Current year/period	**52**	14
Adjustment in respect of prior years	**2**	-
Adjustment in respect of change in tax rates	**-**	(1)
Total current tax charge	**54**	13
Deferred tax expense		
Origination and reversal of temporary differences	**(1)**	(6)
Adjustment in respect of prior years	**-**	1
Total deferred tax (credit)	**(1)**	(5)
Tax charge	**53**	8

b) Tax recognised directly in equity

	2019	2018
	£m	£m
Deferred tax (credit) charge relating to cash flow hedges	**14**	(4)
Total tax recognised directly in equity	**14**	(4)

c) Reconciliation of effective tax rate

The tax expense/(credit) for the period is higher (2018: lower) than the expense/(credit) that would have been calculated 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	2018
	£m	£m
Profit before tax	**272**	624
Profit before tax multiplied by rate of corporation tax in the UK of 19.0% (2018: 19.0%)	**51**	119
Effects of:		
Non-deductible expense	**-**	(111)
Deferred tax write off following tax rate change	**-**	(1)
Adjustment in respect of prior years	**2**	1
Tax	**53**	8

All tax relates to UK corporation tax.

Notes to the financial statements

7. Investment in subsidiaries and associates

(a) Non-current loans and subscription for shares in subsidiaries

The movement in the year / period was as follows:

	2019 £m	2018 £m
Cost and funding		
Beginning of period	**9,196**	10,528
Subscription for shares	**774**	8
Disposals	**-**	(1,340)
End of period	**9,970**	9,196
Amounts provided		
Beginning of period	**(1,005)**	(1,005)
End of period	**(1,005)**	(1,005)
Net book value		
Beginning of period	**8,191**	9,523
End of period	**8,965**	8,191

Investments in subsidiaries shown above represent the cost of the shares of the subsidiary undertakings plus capital contributions, less provisions made for any impairment in value.

During the period the Company subscribed for £774 million shares in Sky UK Ltd.

Details of all investments of the Company are as follows:

Subsidiaries

Incorporated in England and Wales
Grant Way, Isleworth, Middlesex TW7 5QD

Name
Direct Holdings
365 Media Group Limited
British Sky Broadcasting Group Limited
Picnic Limited
S.A.T.V. Publishing Limited
Sky Finance Europe Limited
Sky Group Finance Limited
Sky Guarantee Investments Limited
Sky Holdings Limited
Sky Operational Finance Limited
Sky Television Limited
Sky UK Limited
Indirect holdings
Amstrad Limited
Avanti Media Group Limited (51%)
Blast! Films Limited (70%)
British Sky Broadcasting Limited
Ciel Bleu 6 Limited
Cymru International Limited
Diagonal View Limited
Dolphin TV Limited

Notes to the financial statements

7. Investment in subsidiaries and associates (continued)

(a) Non-current loans and subscription for shares in subsidiaries (continued)

Subsidiaries (continued)

Independent Fibre Retail Limited
International Channel Pack Distribution Limited
Kidsprog Limited
Love Productions Limited
Multicultural & Ethnic Media Sales Limited
NBC Universal Global Networks UK Limited
Newserge Limited
NOW TV Limited
Parthenon Media Group Limited
Parthenon 2 Limited
Rivals Digital Media Limited
Sky Comedy Limited
Sky Corporate Secretary Limited (formerly MEMSTV Limited)
Sky CP Limited
Sky Europe Limited
Sky Global Media Limited
Sky Group Limited
Sky Healthcare Scheme 2 Limited
Sky History Limited
Sky Home Communications Limited
Sky In-Home Service Limited
Sky International Limited
Sky International Operations Limited
Sky IP International Limited
Sky IQ Limited
Sky LLU Assets Limited
Sky Mobile Services Limited
Sky New Media Ventures Limited
Sky News Limited
Sky Ocean Ventures (General Partner) Limited
Sky Ocean Ventures Limited Partnership
Sky Ocean Ventures Partner Limited
Sky Publications Limited
Sky Retail Stores Limited
Sky SNA Limited
Sky SNI Limited
Sky SNI Operations Limited
Sky Studios Limited (formerly Parthenon Entertainment Limited)
Sky Studios Productions Limited (formerly Parthenon 1 Limited)
Sky Subscribers Services Limited
Sky Telecommunications Limited
Sky Telecommunications Services Limited
Sky Ventures Limited
The Cloud Networks Limited
Third Day Productions Limited (formerly Sky Channel Limited)
True North Productions Limited (66%)
Una Tickets Limited
Virtuous Systems Limited

Notes to the financial statements

7. Investment in subsidiaries and associates (continued)

(a) Non-current loans and subscription for shares in subsidiaries (continued)

36 Cardiff Road, Llandaff, Cardiff, CF5 2DR

Name
Indirect holdings
Avanti Media Limited *(subsidiary of Avanti Media Group Limited)*

10th Floor, The Met Building, 22 Percy Street, London W1T 2BU

Name
Indirect holdings
Znak & Co Limited *(subsidiary of Znak & Co LLC)*

Unit 100 Highgate Studios, 53-79 Highgate Road, London NW5 1TL

Name
Indirect holdings
Blast! Films – Hunger Limited *(subsidiary of Blast! Films Limited)*
Blast! Films – One Day Limited *(subsidiary of Blast! Films Limited)*

Millbank Tower, 21-24 Millbank, London SW1P 4QP

Name
Indirect holdings
Attheraces Holdings Limited *(50.413%)*
Attheraces Limited *(subsidiary of Attheraces Holdings Limited)*
Attheraces (UK) Limited *(subsidiary of Attheraces Holdings Limited)*
Go Racing Limited *(subsidiary of Attheraces Holdings Limited)*

5 Technology Park, Colindeep Lane, Colindale NW9 6BX

Name
Indirect holdings
Sugar Films Limited (50.1%)

Incorporated in Germany

Medienallee 26, 85774 Unterföhring, Munich

Name
Indirect holdings
BSkyB GmbH
Premiere WIN Fernsehen GmbH
SCAS Satellite CA Services GmbH
Sky Deutschland GmbH
Sky Deutschland Fernsehen Gmbh & Co.KG
Sky Deutschland Verwaltungs GmbH
Sky Deutschland Interaction Center I GmbH
Sky Deutschland Interaction Center II GmbH
Sky German Holdings GmbH

Notes to the financial statements

7. Investment in subsidiaries and associates (continued)

(a) Non-current loans and subscription for shares in subsidiaries (continued)

Medienallee 26, 85774 Unterföhring, Munich

Name
Indirect holdings
Sky Hotel Entertainment GmbH
Sky Media GmbH

Oderstraße 59, 14513 Teltow, Potsdam

Name
Indirect holdings
Sky Deutschland Customer Center GmbH

Eckdrift 109, 19061 Schwerin-Krebsförden

Name
Indirect holdings
Sky Deutschland Service Center GmbH

Theresienstraße 47 a, 80333, Munich

Name
Indirect holdings
NBC Universal Global Networks Deutschland GmbH
Infobonn Text, Informations und Pressebüro Verwaltungsgesellschaft mbH (*subsidiary of NBC Universal Global Networks Deutschland GmbH*)
DFA Deutsche Fernsehnachrichten Agentur GmbH (*subsidiary of NBC Universal Global Networks Deutschland GmbH*)
GIGA Television GmbH (*subsidiary of DFA Deutsche Fernsehnachrichten Agentur GmbH*)
ZAP Television Beteiligungs GmbH (83.5% *subsidiary of DFA Deutsche Fernsehnachrichten Agentur GmbH*)
ZAP Television GmbH & Co. KG (83.5% *subsidiary of DFA Deutsche Fernsehnachrichten Agentur GmbH*)

Incorporated in Italy

Via Monte Penice, 7-20138 Milan

Name
Indirect holdings
Digital Exchange S.r.l
Nuova Società Televisiva Italiana S.r.l
Sky Italia S.r.l
Sky Italian Holdings S.p.A
Sky Italia Network Services S.r.l
Telepiù S.r.l
Vision Distribution SpA *(60%))*

7. Investment in subsidiaries and associates (continued)

(a) Non-current loans and subscription for shares in subsidiaries (continued)

Incorporated in the USA

Corporation Trust Center 1209 Orange Street, Wilmington, New Castle, Delaware, 19801

Name
Indirect holdings
BSkyB US Holdings, Inc.
Znak & Co LLC *(membership interest (67.5%))*

1675 S. State Street, Suite B, Dover, DE 19901

Name
Indirect holdings
Big Sky Music, LLC *(subsidiary of Jupiter Entertainment Holdings LLC)*
Callisto Media West, LLC *(subsidiary of Jupiter Entertainment Holdings LLC)*
Catalina Content, LLC *(subsidiary of Jupiter Entertainment Holdings LLC)*
Hive Collective, LLC *(subsidiary of Jupiter Entertainment Holdings LLC)*
Jupiter Entertainment, LLC *(subsidiary of Jupiter Entertainment Holdings LLC)*
Jupiter Entertainment Holdings LLC *(Membership interest (60%))*
Jupiter Entertainment North, LLC *(subsidiary of Jupiter Entertainment Holdings LLC)*

8923 Linksvue Drive, Knoxville, TN 37922

Name
Indirect holdings
Catalina Content, LLC *(subsidiary of Jupiter Entertainment Holdings LLC)*

4800 Old Kingston Pike, Suite 2200, Knoxville, TN 37919

Name
Indirect holdings
PhotoOps, LLC *(subsidiary of Jupiter Entertainment Holdings LLC)*

1201 N. Market Street, Suite 1000, Wilmington, New Castle County, Delaware, 19801

Name
Indirect holdings
Sky Ocean Ventures US, Inc *(subsidiary of Sky Ocean Ventures Limited Partnership)*

1925 Century Park East, 22nd Floor, Los Angeles CA 90067-90071

Name
Indirect holdings (subsidiaries of Love Productions Limited)
Baking Show, LLC
International Journeys, LLC
Love American Journeys, LLC
Love Production USA, Inc
USA Love Development, LLC
Welcome to Hollywood, LLC

7. Investment in subsidiaries and associates (continued)

(a) Non-current loans and subscription for shares in subsidiaries (continued)

3415 South Sepulveda Boulevard, Suite 1200, Los Angeles CA 90034

Name
Indirect holdings (subsidiaries of Love Productions Limited)
Cotham Hill Productions, LLC
Eagle Street Productions, LLC
Jet Tracks, LLC

Incorporated in other overseas countries

Austria – Handelskai 92, 1200 Wien

Name
Indirect holdings
Sky Österreich Fernsehen GmbH
Sky Österreich Verwaltung GmbH

Belgium – Boulevard Charlemagne 1, 1041 Brussels

Name
Indirect holdings
Sky Channel SA

Denmark – Aagade 15B, 9000 Aalborg, Denmark

Name
Direct holdings
Sky Labs Aalborg A/S (formerly Futarque A/S)

Hong Kong – Level 54, Hopewell Centre, 183 Queen's Road East

Name
Indirect holdings
Sky Manufacturing Services Limited

Ireland – Fifth Floor, One Burlington Plaza, Burlington Road, Dublin 4

Name
Indirect holdings
Sky Ireland Limited

Switzerland – Rue du Puits-Godet 10, Neuchâtel

Name
Indirect holdings
Sky Switzerland SA

Switzerland – Stockerhof, Dreikönigstrasse 31A, CH8002 Zürich

Name
Indirect holdings
Sky International AG

Notes to the financial statements

8. Deferred tax

Recognised deferred tax assets / liabilities

	Financial instruments temporary differences £m	Total £m
At 1 June 2017	9	9
Credit to income	5	5
Credit to equity	4	4
At 30 June 2018	18	18
Credit to income	**1**	**1**
(Charge) to equity	**(14)**	**(14)**
At 31 December 2019	**5**	**5**

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.

At 31 December 2019 a deferred tax asset of £201 million (2018: £208 million) has not been recognised in respect of gross capital losses of £1,181 million (2018: £1,171 million) related to the Group's holding in KirchPayTV, on the basis that utilisation of these temporary differences is not probable.

9. Other receivables

	2019 £m	2018 £m
Amounts receivable from subsidiaries	**6,513**	7,267
Prepayments and other receivables	**7**	5
Current other receivables	**6,520**	7,272
Non-current prepayment	**-**	4
Total other receivables	**6,520**	7,276

a) Amounts receivable from subsidiaries

Amounts due from subsidiaries as at 31 December 2019 are £6,513 million (2018: £7,267 million). £161 million (2018: £527 million) represent trade receivables, these are non-interest bearing and are repayable on demand. The balance of £6,352 million (2018: £6,740 million) are loans as detailed below:

On 17 November 2015, the Company made a loan of £356 million to Sky Operational Finance Limited. This loan bears interest at 3.721% and is repayable on demand. At 31 December 2019 the balance of the loan was £358 million (2018: £358 million).

Notes to the financial statements

9. Other receivables (continued)

(a) Amounts receivable from subsidiaries (continued)

On 1 April 2015, the Company made a loan of €600 million to Sky Operational Finance Limited. This loan bears interest at 3 month EURIBOR plus 0.75% and is repayable on demand. At 31 December 2019 the balance of the loan was £509 million (2018: £531 million).

On 27 November 2014, the Company made a loan of €400 million to Sky Operational Finance Limited. This loan bears interest at 2.750% and is repayable on demand. At 31 December 2019 the balance of the loan was £340 million (2018: £360 million).

On 24 November 2014, the Company made loans of €850 million and €126 million to Sky Operational Finance Limited. These loans bear interest at a rate of 1.875% and 2.940% respectively, and are repayable on demand. At 31 December 2019 the balance of the loans were £722 million and £107million respectively (2018: £761 million and £111 million respectively).

On 16 September 2014, the Company made loans of €969 million and €582 million to Sky Operational Finance Limited. These loans bear interest at 2.187% and EURIBOR plus 0.656% respectively and are repayable on demand. At 31 December 2019 the balance of the loans were £826 million and £nil respectively (2018: £862 million and £514 million respectively).

On 15 September 2014, the Company made loans of €1,500 million and €1,000 million to Sky Operational Finance Limited. These loans bear interest at 1.500% and 2.500% respectively and are repayable on demand. At 31 December 2019 the balance of the loans were £1,276 million and £854 million respectively (2018: £1,342 million and £902 million respectively).

In July 2014, the Sky Operational Finance Limited entered into a loan agreement with Rainbow Finance (Jersey) Limited for £1,345,720,000. This loan was assigned from Rainbow Finance (Jersey) Limited to Sky Limited following the winding up of Rainbow Finance (Jersey) Limited in December 2017. This loan is non-interest bearing and is repayable on demand. The balance outstanding at 31 December 2019 was £953 million (2018: £951 million).

In July 1999, Sky Limited issued US $650 million of guaranteed notes and loaned the proceeds to Sky UK Limited. Sky UK Limited is liable to the 8.200% external interest payments on the notes. Sky UK Limited also pays the same rate of interest to Sky Limited. At 31 December 2019 the total of the loan was £49 million (2018: £48 million).

In December 2018, the Company made a loan of £358 million to Sky UK Limited. The loan is non-interest bearing and repayable on demand. At 31 December 2019 the balance of the loan was £358 million (2018: nil).

All other amounts receivable from subsidiaries are non-interest bearing and are also repayable on demand.

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

The Company's credit risk is primarily attributable to its other receivables. The majority of its other receivables balance is due from Sky Operational Finance Limited and Sky UK Limited. The risk of these entities defaulting on amounts owed is considered low due to Sky Operational Finance Limited being a conduit to pass through intercompany financing and due to Sky UK Limited's successful operation of pay television broadcasting and home communications services in the UK and Ireland.

Notes to the financial statements

10. Borrowings

	2019 £m	2018 £m
Current Borrowings		
US$582.8 million of 9.500% Guaranteed Notes repayable in November 2018	**-**	438
€600 million of Floating Rate Notes repayable in April 2020	**508**	-
£450 million of 2.875% Guaranteed Notes repayable in November 2020	**452**	-
Total Current Borrowings	**960**	438
Non-Current Borrowings		
US$750 million of 2.625% Guaranteed Notes repayable in September 2019	**-**	561
€600 million of Floating Rate Notes repayable in April 2020	**-**	530
£450 million of 2.875% Guaranteed Notes repayable in November 2020	**-**	453
€1,500 million of 1.5% Guaranteed Notes repayable in September 2021	**1,268**	1,322
US$800 million of 3.125% Guaranteed Notes repayable in November 2022	**602**	603
€850 million of 1.875% Guaranteed Notes repayable in November 2023	**719**	749
US$1,250 million of 3.75% Guaranteed Notes repayable in September 2024	**940**	942
€500m of 2.250% Guaranteed Notes repayable in November 2025	**422**	440
€1,000 million of 2.5% Guaranteed Notes repayable in September 2026	**844**	880
£300 million of 6.000% Guaranteed Notes repayable in May 2027	**297**	297
£300 million of 4.0% Guaranteed Notes repayable in November 2029	**298**	298
€400 million of 2.75% Guaranteed Notes repayable in November 2029	**336**	351
Total Non-Current Borrowings	**5,726**	7,426
Total	**6,686**	7,864

Notes to the financial statements

10. Borrowings (continued)

At 31 December 2019 the Company had in issue the following Guaranteed Notes:

		Interest Rate Hedging		Hedged Interest Rates	
	Hedged Value	**Fixed**	**Floating**	**Fixed**	**Floating**
	£m	**£m**	**£m**		
Non-Current Borrowings					
£450 million of 2.875% Guaranteed Notes repayable in November 2020	**450**	-	**450**		3m LIBOR + 1.230%
US$800 million of 3.125% Guaranteed Notes repayable in November 2022	**503**	**503**	-	3.226%	-
€500 million of 2.250% Guaranteed Notes repayable in November 2025	**356**	**356**	-	3.721%	-
£300 million of 6.0% Guaranteed Notes repayable in May 2027	**300**	**300**	-	6.000%	-
£300 million of 4.0% Guaranteed Notes repayable in November 2029	**200**	**200**	-	4.000%	-
	1,809	**1,359**	**450**		
	€m	**€m**	**€m**		
€600 million of Floating Rate Notes repayable in April 2020	**600**	-	**600**	-	3m EURIBOR + 0.750%
€1,500 million of 1.5% Guaranteed Notes repayable in September 2021	**1,500**	**1,500**	-	1.500%	-
€850 million of 1.875% Guaranteed Notes repayable in November 2023	**850**	**850**	-	1.875%	-
US$1,250 million of 3.75% Guaranteed Notes repayable in September 2024	**969**	**969**	-	2.187%	-
€1,000 million of 2.5% Guaranteed Notes repayable in September 2026	**1,000**	**1,000**	-	2.500%	-
£300 million of 4.0% Guaranteed Notes repayable in November 2029	**126**	**126**	-	2.943%	-
€400 million of 2.75% Guaranteed Notes repayable in November 2029	**400**	**400**	-	2.750%	-
	5,445	**4,845**	**600**		

10. Borrowings (continued)

At 30 June 2018 the Company had in issue the following Guaranteed Notes:

	Hedged Value*	Interest Rate Hedging Fixed	Floating	Hedged Interest Rates Fixed	Floating
	£m	£m	£m		
Non-Current Borrowings					
US$582.8 million of 9.500% Guaranteed Notes repayable in November 2018	**389**	**260**	**129**	7.091%	6m LIBOR + 5.542%
£450 million of 2.875% Guaranteed Notes repayable in November 2020	**450**	-	**450**	-	3m LIBOR + 1.230%
US$800 million of 3.125% Guaranteed Notes repayable in November 2022	**503**	**503**	-	3.226%	-
€500 million of 2.250% Guaranteed Notes repayable in November 2025	**356**	**356**	-	3.721%	-
£300 million of 6.0% Guaranteed Notes repayable in May 2027	**300**	**300**	-	6.000%	-
£300 million of 4.0% Guaranteed Notes repayable in November 2029	**200**	**200**	-	4.000%	-
	2,198	**1,619**	**579**		
	€m	**€m**	**€m**		
US$750 million of 2.625% Guaranteed Notes repayable in September 2019	**581**	**-**	**581**	-	3m EURIBOR + 0.656%
€600 million of Floating Rate Notes repayable in April 2020	**600**	**-**	**600**	-	3m EURIBOR + 0.750%
€1,500 million of 1.5% Guaranteed Notes repayable in September 2021	**1,500**	**1,500**	**-**	1.500%	-
€850 million of 1.875% Guaranteed Notes repayable in November 2023	**850**	**850**	**-**	1.875%	-
US$1,250 million of 3.75% Guaranteed Notes repayable in September 2024	**969**	**969**	**-**	2.187%	-
€1,000 million of 2.5% Guaranteed Notes repayable in September 2026	**1,000**	**1,000**	**-**	2.500%	-
£300 million of 4.0% Guaranteed Notes repayable in November 2029	**126**	**126**	**-**	2.943%	-
€400 million of 2.75% Guaranteed Notes repayable in November 2029	**400**	**400**	**-**	2.750%	-
	6,026	**4,845**	**1,181**		

The following guarantees are in place relating to outstanding borrowings: (a) Sky UK Limited, Sky Subscribers Services Limited, Sky Group Finance Limited, Sky Telecommunications Services Limited, Sky CP Limited and Comcast Corporation have given joint and several guarantees in relation to the outstanding Guaranteed Fixed and Floating Rate Notes issued by the Company; and (b) the Company, Sky UK Limited, Sky Subscribers Services Limited, Sky Telecommunications Services Limited, Sky CP Limited and Comcast Corporation have given joint and several guarantees in relation to the outstanding Guaranteed Notes issued by Sky Group Finance Limited.

11. Other payables

	2019	2018
	£m	£m
Amounts payable to parent company(i)	**7**	-
Accruals	**42**	95
	49	95

Notes to the financial statements

11. Other payables (continued)

i) Amounts payable to parent company

There are amounts due to the parent company totalling £7 million (2018: £nil) of which £7 million (2018: £nil) are trade payables; these balances are non-interest bearing and are repayable on demand.

The Directors consider that the carrying amount of other payables approximates their fair values.

12. Derivatives and other financial Instruments

Fair Values

Set out below is a comparison of the carrying values and the estimated fair values of the Company's financial assets and financial liabilities at 31 December 2019 and 30 June 2018:

	Financial Assets at Amortised Cost £m	Financial Liabilities at Amortised Cost £m	Financial Assets at Fair Value £m	Financial Liabilities at Fair Value £m	Total carrying value £m	Total fair values £m
At 31 December 2019						
Quoted Bond debt	**-**	**(6,686)**	**-**	**-**	**(6,686)**	**(7,264)**
Derivative financial instruments	**-**	**-**	**391**	**(122)**	**269**	**269**
Trade and other payables	**-**	**(49)**	**-**	**-**	**(49)**	**(49)**
Trade and other receivables	**6,516**	**-**	**-**	**-**	**6,516**	**6,516**
At 30 June 2018						
Quoted Bond debt	-	(7,864)	-	-	(7,864)	(8,255)
Derivative financial instruments	-	-	490	(190)	300	300
Trade and other payables	-	(95)	-	-	(95)	(95)
Trade and other receivables	7,267	-	-	-	7,267	7,267

Set out below are the derivative financial instruments entered into by the Company to manage its interest rate and foreign exchange risk.

	2019				2018			
	Asset		**Liability**		Asset		Liability	
	Fair Value £m	**Notional £m**	**Fair Value £m**	**Notional £m**	Fair Value £m	Notional £m	Fair Value £m	Notional £m
Fair Value Hedges								
Interest rate swaps	**-**	**-**	**-**	**-**	14	450	-	-
Cross-currency swaps	**-**	**-**	**-**	**-**	102	466	-	-
Cash flow hedges								
Cross-currency swaps	**328**	**1,634**	**-**	**-**	275	1,634	-	-
Derivatives not in a formal hedge relationship								
Interest rate swaps	**4**	**450**	**-**	**-**	3	441	(1)	260
Cross-currency swaps	**59**	**143**	**(122)**	**1,017**	96	533	(189)	1,483
Total	**391**	**2,227**	**(122)**	**1,017**	490	3,524	(190)	1,743

Notes to the financial statements

12. Derivatives and other financial Instruments (continued)

Fair values (continued)

The maturity of the derivative financial instruments is shown below:

	2019		2018	
	Asset £m	**Liability £m**	Asset £m	Liability £m
In one year or less	**4**	**-**	57	(1)
Between one and two years	**-**	**-**	102	(49)
Between two and five years	**257**	**(53)**	78	-
In more than five years	**130**	**(69)**	253	(140)
Total	**391**	**(122)**	490	(190)

The fair values of financial assets and financial liabilities are determined as detailed below and all items held at fair value are classified as Level 2 in the fair value hierarchy, with the exception of the Company's quoted bond debt which is determined with reference to quoted market prices based on Level 1 of the fair value hierarchy.

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured using inputs, other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market source data.

Level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data.

13. Financial risk management objectives and policies

The Group's Treasury function is responsible for raising finance for the Company's operations. The Sky Group treasury function manages liquidity, foreign exchange, interest rate and credit risks. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by both the Audit Committee and the Board, which receive regular updates of Treasury activity. Derivative instruments are transacted for risk management purposes only. It is the Group's policy that all hedging is to cover known risks and no speculative trading is undertaken. Regular and frequent reporting to management is required for all transactions and exposures, and the internal control environment is subject to periodic review by the Group's internal audit team.

The Sky Group's principal market risks are exposures to changes in interest rates and foreign exchange rates, which arise both from the Sky Group's sources of finance and its operations. Following evaluation of those market risks, the Sky Group selectively enters into derivative financial instruments to manage these exposures. The principal instruments currently used are interest rate swaps to hedge interest rate risks, and cross currency swaps and forward foreign exchange contracts to hedge transactional and translational currency exposures.

Market risk

The following table sets out the maturity profile and average interest rates and foreign currency exchange rates of the hedging instruments used in the Company's hedging strategies:

13. Financial risk management objectives and policies (continued)

Market risk (continued)

	0 - 6 Months	6 - 12 Months	Beyond 12 Months
Cash flow hedges			
Foreign Currency risk			
Cross Currency Swaps (GBP:USD) fixed			
Notional Amount (£m)	-	-	1,278
Average exchange rate	-	-	1.60
Average GBP Interest rate	-	-	3.29%
Cross Currency Swaps (GBP:EUR) fixed			
Notional Amount (£m)	-	-	356
Average exchange rate	-	-	1.40
Average GBP Interest rate	-	-	3.76%

The following table represents the corresponding carrying values and nominal amounts of derivatives in a continued hedge relationship as at 31 December 2019:

	Nominal Amount of the hedging Instrument	Carrying amount of the hedging Instrument		Line item in the statement of financial position where the hedging instrument is located	Opening Balance 1 July 2018	(Gain) / Loss deferred to OCI	Gain / (Loss) recycled to finance income / costs	Closing Balance 31 December 2019	Hedge ineffectiveness recognised in financing (income) / costs
		Assets	Liabilities						
	£m	£m	£m		£m	£m	£m	£m	£m
Cash Flow Hedges									
Foreign Currency risk									
Cross-Currency Swaps	1,634	328	-	Derivative Financial Assets	94	(56)	(24)	14	(2)
Discontinued hedge	-	-	-		13	-	(3)	10	-

The following table represents the changes in value of hedging instrument and hedged item for calculating hedge ineffectiveness as at 31 December 2019:

	Hedging Instrument	Change in value of hedging instrument for calculating hedge ineffectiveness	Change in value of hedged item for calculating hedge ineffectiveness
		£m	£m
Cash Flow Hedges			
Foreign Exchange Risk			
Foreign Currency Denominated Borrowings	Cross Currency Swaps	(58)	56

Notes to the financial statements

13. Financial risk management objectives and policies (continued)

Foreign exchange risk

The following analysis details the Company's sensitivity to movements in pounds sterling against all currencies in which it has significant transactions. The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the period end for a 25% change in foreign currency rates.

A 25% strengthening in pounds sterling against the US dollar would have no impact on profit (2018: nil), relating to non-cash movements in the valuation of derivatives. The same strengthening would have an adverse impact on other equity of £21 million (2018: adverse impact of £9 million).

A 25% weakening in pounds sterling against the US dollar would have no impact on profit (2018: nil), relating to non-cash movements in the valuation of derivatives. The same weakening would have a beneficial impact on other equity of £36 million (2018: beneficial impact of £15 million).

A 25% strengthening in pounds sterling against the euro would have a beneficial impact on profit of £26 million (2018: beneficial impact of £25 million), relating to non-cash movements in the valuation of derivatives. The same strengthening would have an adverse impact on other equity of £12 million (2018: adverse impact of £11 million).

A 25% weakening in pounds sterling against the euro would have an adverse impact on profit of £43 million (2018: adverse impact of £41 million), relating to non-cash movements in the valuation of derivatives. The same weakening would have a beneficial impact on other equity of £20 million (2018: beneficial impact of £18 million).

Interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

For each one hundred basis point rise or fall in interest rates at 31 December 2019, and if all other variables were held constant, the Company's profit for the period ended 31 December 2019 would decrease or increase by £3 million (2018: decrease or increase by £5 million) and other equity reserves would decrease or increase by £14 million (2018: decrease or increase by £15 million).

A one hundred basis point rise or fall in interest rates represents a large but realistic movement which can easily be multiplied to give sensitivities at different interest rates.

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company. In addition, the Company's actual exposure to market rates changes as the Company's portfolio of debt changes.

The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses.

Notes to the financial statements

13. Financial risk management objectives and policies (continued)

Liquidity risk

The Company's financial liabilities are shown in notes 10 and 11.

The principal source of liquidity is cash generated from operations, combined with access to a £3 billion revolving credit facility with its ultimate parent, Comcast Corporation, which expires on 11 January 2024. At 31 December 2019, this facility was drawn by £853m (30 June 2018: undrawn under external RCF).

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The amounts disclosed may not reconcile to the amounts disclosed on the balance sheet for trade and other payables.

		Less than 12 months £m	**Between one and two years £m**	**Between two and five years £m**	**More than five years £m**
At 31 December 2019					
Non-derivative financial liabilities					
Bonds - USD		**54**	**54**	**1,672**	**-**
Bonds – GBP		**581**	**1,344**	**867**	**1,709**
Bonds – EUR		**493**	**30**	**90**	**714**
Trade and other payables		**49**	**-**	**-**	**-**
Provisions		**-**	**-**	**-**	**-**
Net settled derivatives		**(4)**	**-**	**-**	**-**
Gross settled derivatives					
Asset	Outflow	**64**	**64**	**1,437**	**604**
	Inflow	**(76)**	**(76)**	**(1,738)**	**(757)**
Liability	Outflow	**33**	**33**	**921**	**447**
	Inflow	**(38)**	**(38)**	**(889)**	**(354)**

	Less than 12 months £m	Between one and two years £m	Between two and five years £m	More than five years £m
At 30 June 2018				
Non-derivative financial liabilities				
Bonds - USD	531	630	760	1,000
Bonds – GBP	43	43	553	756
Bonds – EUR	78	609	1,534	2,632
Trade and other payables	95	-	-	-
Provisions	-	-	-	-
Net settled derivatives	(7)	(5)	(9)	-
Gross settled derivatives				
Outflow	508	1,080	789	2,810
Inflow	(594)	(1,158)	(941)	(3,004)

Notes to the financial statements

13. Financial risk management objectives and policies (continued)

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of less than £1 million (2018: £2 million). The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 9. Given the amount and nature of the receivables balance, no allowance account has been made under IFRS 9, and there has been no write-off during the period.

14. Share capital

	2019 Number	**2019 £m**	2018 Number	2018 £m
Authorised, called-up and fully paid				
Ordinary shares of £0.50 each				
Beginning of period	**1,719,017,230**	**860**	1,719,017,230	860
Issued during the period	**26,523,032**	**13**	-	-
End of period	**1,745,540,262**	**873**	1,719,017,230	860

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

During the period the Company issued 26,523,032 ordinary shares at a premium of £1,193 million.

15. Shareholders' equity

	2019 £m	2018 £m
Share capital	**873**	860
Share premium	**3,897**	2,704
Hedging reserve	**(19)**	(88)
ESOP Reserve	**-**	(9)
Other reserves	**1,048**	1,048
Retained earnings	**3,225**	3,313
	9,024	7,828

Share premium and special reserve

During the period the Company issued 26,523,032 ordinary shares at a premium of £1,193 million.

On 10 December 2003, the High Court approved a reduction in the Company's share premium account of £1,120 million, as approved by the Company's shareholders at the AGM held on 14 November 2003. This amount was equal to the Company-only profit and loss account reserve deficit at 30 June 2003. As part of the application, the Company's balance sheet at 30 September 2003 was required to be presented. At that date, the deficit on the Company only profit and loss account reserve had reduced by £14 million since 30 June 2003, to £1,106 million. As a condition of the reduction, the reduction in the share premium account of £1,120 million was permitted to be offset against the profit and loss account reserve by the amount of the deficit at 30 September 2003. The excess of £14 million was credited to a special reserve, which is included in other reserves, and, under the terms of the reduction, will remain undistributable until all the creditors of the Company and its guarantors (as at 10 December 2003) are paid.

Notes to the financial statements

15. Shareholders' equity (continued)

Hedging reserve

Changes in the fair values of derivatives that are designated as cash flow hedges are initially recognised in the hedging reserve, and subsequently recognised in the income statement when the related hedged items are recognised in the income statement. In addition, deferred taxation relating to these derivatives is also initially recognised in the hedging reserve prior to transfer to the income statement.

ESOP reserve

The cost of the Company's ordinary shares held by the Group's ESOP is treated as a deduction in arriving at total shareholders' equity. The movement in the ESOP reserve was as follows:

	Number of ordinary shares	Average price paid per share	£m
At 1 July 2017	**6,863,924**	£11.46	78
Share options exercised during the year	**(26,476,347)**	£10.17	(269)
Shares purchased by the ESOP during the year	**20,590,751**	£9.72	200
At 30 June 2018	**978,328**	£9.69	9
Share options exercised during the year	**978,328**	£9.69	(9)
At 31 December 2019	**-**	-	-

Other reserves

The company's other reserves include a capital redemption reserve, a capital reserve and a special reserve. The capital redemption reserve was £190 million as at 31 December 2019 (2018: £190 million). The capital reserve was £844 million as at 31 December 2019 (2018: £844 million). The special reserve was £14 million as at 31 December 2019 (2018: £14 million).

16. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2019 £m	2018 £m
Profit before tax	**272**	624
Dividend income	**-**	(577)
Net finance costs	**107**	140
	379	187
Increase in other receivables	**(379)**	(187)
Cash generated from operations	**-**	-

17. Contracted commitments, contingencies and guarantees

The Company, together with Sky UK Limited, Sky Subscribers Services Limited, Sky Telecommunications Services Limited, Sky CP Limited and Comcast Corporation have given joint and several guarantees in relation to the outstanding Guaranteed Notes issued by Sky Group Finance Limited.

Notes to the financial statements

18. Transactions with related parties

a) Transactions with subsidiaries

	2019	2018
	£m	£m
Supply of services by the Company	**412**	241
Interest received from funding to subsidiaries	**164**	109
	576	350

The Company has related-party transactions with its subsidiaries. In particular, it is normal treasury practice for the Company to lend and borrow cash to and from its subsidiaries as required. Under this policy, Sky UK Limited settled liabilities of £426 million and €192 million (2018: £498 million and €104 million) on behalf of the Company during the year.

The Company recognised £412 million (2018: £241 million) for licensing the Sky brand name to subsidiaries.

b) Derivative contracts on behalf of the Company

Sky UK Limited took out a number of swaps with counterparty banks prior to and during the period on behalf of the Company. The face value of the swaps that had not matured as at 31 December 2019 was £2,512 million (2018: £3,444 million).

c) Transactions with the parent company

For details of amounts owed to the parent company, see note 11.

19. Dividends

	2019	2018
	£m	£m
2018 Special dividend paid: 10.00p per ordinary share	-	172
2018 Interim dividend paid: 13.06p per ordinary share	-	224
2019 Interim dividend paid: 14.90p per ordinary share	**260**	-
	260	396

The 2019 interim dividend is 14.90 pence per ordinary share being £260 million.

20. Ultimate parent undertaking

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

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

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

Notes to the financial statements

21. Post Balance Sheet Events

On 1 April 2020, the company repaid the external €600 million Floating Rate Notes at maturity and €600 million was borrowed from Comcast.

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.