SKY UK LIMITED

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

Registered number: 02906991

Directors and Officers

For the year ended 31 December 2020

Directors

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

S J Van Rooyen (resigned 12 March 2021)
C Smith
A C Stylianou
S Robson (appointed 15 March 2021)

Secretary

Sky Corporate Secretary Limited

Registered office

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Strategic Report

The Directors present their Strategic and Directors' report on the affairs of the Company, together with the financial statements and Auditor's Report for the 12 month period ended 31 December 2020, with comparatives for the 18 months to 31 December 2019.

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

Business review and principal activities

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

The Company operates the leading pay television broadcasting service in the United Kingdom ("UK") and Ireland as well as broadband and telephony services. The Company's principal activities consist of the operation and distribution of wholly-owned television channels via a direct-to-home ("DTH") service and it supplies certain channels to cable operators for retransmission to their subscribers in the UK and Ireland.

In the year, the Company made an operating loss of £122 million (2019: loss of £70 million).

Total revenue in the year can be analysed as follows:

	2020 £m	2019 £m
Direct to consumer	**7,414**	11,141
Content	**565**	902
Advertising	**1,027**	1,814
Revenue	**9,006**	13,857

The decrease in revenue is predominantly due to the 12 month period being reported for 2020 as compared to 18 months in 2019. Aside from this, revenue movements are due to the below:

The decrease in direct to consumer revenue in the current year was driven by the Covid-19 impact on Sky Sports and Sky Business as a result of the temporary suspension of live sport during the year, offset by growth in Sky Mobile .

Content revenue decreased due to Covid-19 impacts on our wholesale partners.

Advertising revenue decreased due to the impact of Covid-19 on our core advertising business partially offset by growth in advanced advertising.

The Company's operating expense can be analysed as follows:

	2020 £m	2019 £m
Programming	**3,208**	5,269
Direct network costs	**473**	514
Sales, general and administration	**5,447**	8,144
Operating expenses	**9,128**	13,927

The decrease in operating expenses is predominantly due to the 12 month period being reported for 2020 as compared to 18 months in 2019. Aside from this, expense movements are due to the below:

The decrease in programming costs is predominantly driven by the decrease in sports rights costs mainly attributable to the impacts of the disruptions to professional sports seasons as a result of Covid-19, including the delayed start of the 2020/21 football season.

Direct network costs have increased as a result of the increase in mobile customers.

Sales, general and administration costs is slightly higher due to one-off costs relating to restructuring activities in the current year partly offset by one-off costs in the prior period associated with the cancellation of the previous share option and contingent share award schemes and costs associated with the takeover bids for Sky Limited and its subsidiaries (the "Sky Group").

Net assets at the balance sheet date were £2,405 million (2019: £2,134 million). The increase in the net assets during the year is primarily due to an increase in investments in subsidiaries funded by share capital issued during the year, offset by income statement losses discussed further above and hedging movements recognised in equity.

Net current liabilities increased in the year to £6,950 million (2019: £5,732 million), reflecting the net movement of Group funding exercises.

The Company has adopted IFRS 16 'Leases' from 1 January 2020, which has not had a significant impact on the Company's net financial performance on transition or during the year, but has led to a significant increase in right-of-use assets and related lease liabilities being recognised on balance sheet. Except for the first-time application of IFRS 16, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Company's financial statements as at and for the period ended 31 December 2019.

Financial Review and Dividends

The audited financial statements for the year ended 31 December 2020 are set out on pages 17 to 86. The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: nil).

There have not been any significant changes in the Company's activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Key performance indicators (KPIs)

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

Principal risks and uncertainties

The Company's business is heavily regulated and changes in regulations, changes in interpretation of existing regulations or failure to obtain required regulatory approvals or licences could adversely affect the Company's ability to operate or compete effectively. The Company's business is reliant on technology which is subject to the risk of failure, change and development. The Company operates in a highly competitive environment that is subject to rapid change and it must continue to invest to remain competitive. The failure of key suppliers could affect the Company's ability to operate as a business. The Company relies on a number of third parties and outsourced suppliers to support its supply chain. The Company's business is based on a subscription model and its future success relies on building long-term relationships with its customers. The Company generates wholesale revenue principally from one customer.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including market risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Group's treasury policy approved by Comcast's Audit Committee and 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. Refer to note 23 for further information.

Market Risk

The Company's principal market risks are exposure to changes in interest rates and foreign exchange rates, which arise both from the Company's sources of finance and its operations.

Interest rate risk

The Company has financial exposure to UK and European interest rates arising from interest rate derivatives transacted on behalf of the Sky Group and various loan balances with other companies within the Group. The Group's Treasury function monitors the Company's exposure to fluctuations in interest rates.

Foreign exchange risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts and cross currency swaps to hedge these exposures. Refer to note 23 for further information.

Credit risk

The Company's principal financial assets are cash, cash equivalents, trade and other receivables and derivative financial assets.

The Balance Sheet of the Company includes receivables due from third parties, as well as intercompany balances due from related parties. The Company is therefore exposed to credit risk on these balances. The Company recognises credit losses relating to these receivables, as applicable, under an expected loss model in accordance with IFRS 9 Financial Instruments. The receivables balances of the Company are detailed further in note 17.

Credit risk is managed centrally by the Group. The Balance Sheet of the Company includes intercompany balances and the Company is therefore exposed to credit risk on these balances. The intercompany balances of the Company are detailed in notes 17 and 18.

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

Price Risk

The Company is not exposed to significant price risk.

Liquidity risk

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

Legislation and Regulation risk

U.K. Exit from the European Union

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

Employment policies

Organisation

Over the past year, the Company has continued in its efforts to make the Company a great place to work. The Company has continued to place particular focus on leadership capability, looking both at the Company's leaders of today and future leaders.

The average monthly number of full-time equivalent persons employed by the Company during the year was 8,858 (2019: 8,284).

Managing and developing our people

Equal opportunities

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

Inclusion

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

Employee engagement

At Sky we listen to our people and encourage everyone to be involved. We know great ideas come from all corners of our business and it is part of our "Believe in Better" spirit to harness those ideas for the benefit of our customers and our people. This year we gathered feedback from our teams through our People Survey.

Impacts of COVID-19

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

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

Direct-to-consumer revenue has been negatively impacted, and future periods may be negatively impacted, as a result of lower sports subscription revenue due to the extent of reopening of our commercial customers. In addition, delays to the start of the current seasons for certain sports, including European football, resulted in the shift of additional events and the significant costs associated with broadcasting these programmes into the first quarter of 2021. We also expect additional events in the second quarter of 2021 compared to the same period in the prior year. We cannot predict the ultimate timing of when, or the extent to which, sporting events will occur in future periods.

Corporate Governance Statement

Code of conduct

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

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

The Board

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

Director Responsibilities

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

Opportunities & Risks

To promote the long-term sustainable success of the Sky Group, Sky seeks to identify and capitalise on a broad range of opportunities whilst also mitigating risk. Sky has a formal risk management framework embedded within the business to support the identification and management of risk across the Sky Group. There is an ongoing monitoring process which is operated by the Sky Group risk team and supported by senior management across the Group, to identify and report on significant changes or new risks. The Sky Group Risk, Controls and Assurance function assists the business to develop risk registers and consolidates these to support both Sky's day-to-day approach to risk and to form part of Comcast's year end risk requirements.

Streamlined Energy and Carbon Reporting

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

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

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

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

Streamlined Energy and Carbon Reporting (continued)

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

Methodology

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

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

S172 Statement

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

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

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

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

Our Employees

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

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

Our Partners

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

Our Communities

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

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

Members

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

Approved by the Board and signed on its behalf,

C Smith
Director

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD

22 June 2021

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 year (2019: 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. The Directors expect that the businesses will continue to generate adequate cash flow from operating activities and believe that these cash flows, together with the Company's existing cash, cash equivalents and investments, and available borrowings under its existing credit facilities, including the £3 billion revolving credit facility with Comcast, will be sufficient for the Company to meet its current and long-term liquidity and capital requirements. We further highlight that the Company has received confirmation that Comcast intends to support the Company for a period of at least 12 months from the date of signing of these financial statements.

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

Auditor

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

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/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 22 June 2021.

Approved by the Board and signed on their behalf by:

C Smith
Director

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD
22 June 2021

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

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

Auditor's Report

Independent auditor's report to the members of Sky UK Limited

Report on the audit of the financial statements

Opinion

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

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

We have audited the financial statements which comprise:

- the 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 30.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Employment Law, the Communications Regulation Act 2002, the Privacy and Electronic Communications Regulations 2003, the Communications Act 2003, the Broadcasting Act 1990, the Data Protection Act 2018 and the Bribery Act 2010.

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

As a result of performing the above, we identified the greatest potential for fraud in revenue recognition in relation to manual adjustments made to the system-based revenue profile for retail subscription revenue. We performed specific procedures to address this risk through

- Performing walkthroughs and tests of controls to confirm our understanding of the process by which revenue is calculated by the relevant billing systems
- Calculating an independent expectation of retail subscription revenues, understanding the nature of the adjustments and resulting journals that are made to the system-based profile and vouching a sample of these journals to sufficient, appropriate audit evidence.

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

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

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

Auditor's Report

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

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

Income statement

For the year ended 31 December 2020

	Notes	**12 months to 31 December 2020 £m**	18 months to 31 December 2019 £m
Revenue	2	**9,006**	13,857
Operating expense	3	**(9,128)**	(13,927)
Operating loss		**(122)**	(70)
Investment income	5	**119**	71
Finance costs	5	**(114)**	(87)
Net gains on investments	4	**-**	453
(Loss) / profit before tax	6	**(117)**	367
Tax	8	**(23)**	(94)
(Loss) / profit for the year attributable to equity shareholder		**(140)**	273

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

As a result, the 2019 figures presented for comparison purposes have not been adjusted. The impacts of this first-time adoption are presented in Note 1.

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

All results relate to continuing operations.

Statement of comprehensive income

For the year ended 31 December 2020

	12 months to 31 December 2020 £m	18 months to 31 December 2019 £m
(Loss) / profit for the year attributable to equity shareholder	**(140)**	273
Other comprehensive income		
Amounts recognised directly in equity that may subsequently be recycled to the Income Statement		
(Loss) / gain on cash flow hedges (see note 23)	**(3)**	26
Tax on cash flow hedges (see note 8)	**-**	(5)
	(3)	21
Other comprehensive (loss) / profit for the year (net of tax)	**(3)**	21
Total comprehensive (loss) / income for the year attributable to equity shareholder	**(143)**	294

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

As a result, the 2019 figures presented for comparison purposes have not been adjusted. The impacts of this first-time adoption are presented in Note 1.

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

All results relate to continuing operations.

Balance Sheet

As at 31 December 2020

	Notes	31 December 2020 £m	31 December 2019 £m
Non-current assets			
Intangible assets	9	**414**	374
Goodwill	10	**88**	88
Property, plant and equipment	11	**833**	834
Right-of-use assets	12	**181**	-
Investment in subsidiaries	13	**7,326**	6,828
Investments in joint ventures and associates	13	**50**	49
Deferred tax assets	14	**13**	7
Cost to obtain customer contracts	15	**54**	51
Trade and other receivables	17	**933**	6
Derivative financial assets	22	**39**	330
Minority equity investments	22	**1**	1
Total non-current assets		**9,932**	8,568
Current assets			
Inventories	16	**1,481**	1,587
Trade and other receivables	17	**5,229**	3,469
Cash and cash equivalents	22	**199**	611
Derivative financial assets	22	**74**	47
Total current assets		**6,983**	5,714
Total assets		**16,915**	14,282
Current liabilities			
Trade and other payables	18	**13,703**	11,345
Lease liabilities	21	**53**	1
Current tax liabilities		**17**	21
Provisions	19	**88**	22
Derivative financial liabilities	22	**72**	57
Total current liabilities		**13,933**	11,446
Net current liabilities		**(6,950)**	(5,732)
Non-current liabilities			
Trade and other payables	20	**132**	157
Lease liabilities	21	**126**	5
Provisions	19	**15**	-
Derivative financial liabilities	22	**304**	540
Total non-current liabilities		**577**	702
Total liabilities		**14,510**	12,148
Share capital	24	**10**	10
Share premium	25	**1,204**	774
Reserves	25	**1,191**	1,350
Total equity attributable to equity shareholder	25	**2,405**	2,134
Total liabilities and shareholder's equity		**16,915**	14,282

Balance Sheet (continued)
As at 31 December 2020

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

As a result, the 2019 figures presented for comparison purposes have not been adjusted. The impacts of this first-time adoption are presented in Note 1.

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

The financial statements of Sky UK Limited, registered number 02906991, were approved by the Board of Directors on 22 June 2021 and were signed on its behalf by:

C Smith
Director

22 June 2021

Statement of changes in equity

For the year ended 31 December 2020

	Share capital £m	Share premium £m	Hedging reserve £m	Retained earnings £m	Total shareholder's equity £m
At 1 July 2018	10	-	49	1,064	1,123
Restatement for IFRS9 and IFRS 15	-	-	-	23	23
At 1 July 2018 - restated	**10**	**-**	**49**	**1,087**	**1,146**
Profit for the period	-	-	-	273	273
Gains on cash flow hedges (see note 23)	-	-	26	-	26
Tax on items taken directly to equity (see note 8)	-	-	(5)	-	(5)
Total other comprehensive income for the period	**-**	**-**	**21**	**-**	**21**
Total comprehensive income for the period	**-**	**-**	**21**	**273**	**294**
Inventory cash flow hedge movements (see note 23)	-	-	(68)	-	(68)
Tax on items taken directly to equity (see note 8)	-	-	12	(11)	1
Issue of share capital	-	774	-	-	774
Share based payments	-	-	-	(13)	(13)
At 31 December 2019	**10**	**774**	**14**	**1,336**	**2,134**
Loss for the year	-	-	-	(140)	(140)
Losses on cash flow hedges (see note 23)	-	-	(3)	-	(3)
Total other comprehensive loss for the year	**-**	**-**	**(3)**	**-**	**(3)**
Total comprehensive loss for the year	**-**	**-**	**(3)**	**(140)**	**(143)**
Inventory cash flow hedge movements (see note 23)	-	-	(20)	-	(20)
Tax on items taken directly to equity (see note 8)	-	-	4	-	4
Issue of share capital (see note 24)	-	430	-	-	430
At 31 December 2020	**10**	**1,204**	**(5)**	**1,196**	**2,405**

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

As a result, the 2019 figures presented for comparison purposes have not been adjusted. The impacts of this first-time adoption are presented in Note 1.

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

For a description of the nature and purpose of the hedging reserve, see note 25.

Cash Flow Statement

For the year ended 31 December 2020

	Note	**12 months to 31 December 2020 £m**	18 months to 31 December 2019 £m
Cash flows from operating activities			
Cash generated from operations	26	**(1,018)**	(1,580)
Interest received		**1**	39
Tax paid		**(63)**	(262)
Net cash used in operating activities		**(1,080)**	(1,803)
Cash flows from investing activities			
Funding to the Group's joint ventures and associates		**-**	(47)
Proceeds on disposal of investments		**-**	545
Purchase of property, plant and equipment		**(79)**	(87)
Purchase of intangible assets		**(145)**	(219)
Purchase of Subsidiaries (net of cash and cash equivalents purchased)		**(1)**	(9)
Cash proceeds from investing derivatives		**42**	-
Cash payments from investing derivatives		**(39)**	-
Net cash (used in)/from investing activities		**(222)**	183
Cash flows generated from financing activities			
Proceeds from intercompany revolving credit facilities		**1,667**	1,152
Repayment of intercompany revolving credit facilities		**(663)**	(300)
Cash payments for the principal portion of lease liabilities		**(56)**	-
Cash payments for the interest portion of lease liabilities		**(6)**	-
Payments to satisfy exercise of Sky Group employee share awards		**-**	(12)
Cash proceeds from financing derivatives		**68**	-
Cash payments from financing derivatives		**(112)**	-
Interest paid		**(8)**	(113)
Net cash from financing activities		**890**	727
Net decrease in cash and cash equivalents		**(412)**	(893)
Cash and cash equivalents at the beginning of the year/period		**611**	1,504
Cash and cash equivalents at the end of the year/period		**199**	611

The accompanying notes are an integral part of this Cash Flow Statement.

All cash flows relate to continuing operations.

Notes to the financial statements

1. Accounting policies

Sky UK Limited (the "Company") is a private company, limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is Grant Way, Isleworth, Middlesex, TW7 5QD and registered number is 02906991.

a) Statement of compliance

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB.

b) Basis of preparation

The financial statements have been prepared on 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 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 accounts afforded by section 401 of the Companies Act 2006, because it is a wholly-owned subsidiary of Comcast Corporation which prepares consolidated accounts which are publicly available (see note 30).

The Company has adopted the new accounting pronouncements which became effective for this year. The Company has adopted IFRS 16 'Leases' from 1 January 2020.

i. IFRS 16 – 'Leases'

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

The Company has adopted IFRS 16 using the modified retrospective transition method, with the cumulative effect from initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application, 1 January 2020, where applicable.

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

- the Company recognised a lease liability at the date of initial application measured at the present value of the remaining minimum lease payments based on the incremental borrowing rate over the remaining lease term.
- the Company did not reassess whether a contract is or contains a lease on the date of initial application of IFRS 16 for all contracts identified as leases under previous accounting standards.
- for leases previously recognised as operating leases, the Company recognised a right-of-use asset at the date of initial application measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Notes to the financial statements

1. Accounting policies (continued)

b) Basis of preparation (continued)

i. IFRS 16 – 'Leases' (continued)

- for leases previously recognised as finance leases, the Company recognised the right-of-use asset and lease liability at date of initial application equal to the carrying amount of the lease asset and lease liability immediately before the date of initial application.
- the Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics such as lease term, class of underlying asset, currency and economic environment.
- the Company excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- the Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

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

The details of the accounting policies in relation to lease accounting under IFRS 16 are set out in note 1(k).

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

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

	12 months ended 31 December 2020 IFRS 16 £m	**12 months ended 31 December 2020 Pre-IFRS 16 £m**	**12 months ended 31 December 2020 IFRS 16 impact £m**	Notes
Revenue	9,006	9,006	-	
Operating expense (before right-of-use depreciation)	(9,080)	(9,130)	50	a)
Right of use depreciation	(48)	-	(48)	b)
Operating loss	**(122)**	**(124)**	**2**	
Investment income	119	119	-	
Finance costs	(114)	(109)	(5)	c)
Loss before tax	**(117)**	**(114)**	**(3)**	
Tax	(23)	(23)	-	
Loss for the year attributable to equity shareholder	**(140)**	**(137)**	**(3)**	

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

Notes to the financial statements

1. Accounting policies (continued)

b) Basis of preparation (continued)

i. IFRS 16 – 'Leases' (continued)

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

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

	31 December 2020 IFRS 16 £m	31 December 2020 Pre-IFRS 16 £m	31 December 2020 IFRS 16 impact £m	Notes
Non-current assets				
Right-of-use assets	181	-	181	d)
Total non-current assets	**9,932**	**9,751**	**181**	
Total current assets	**6,983**	**6,990**	**(7)**	
Total assets	**16,915**	**16,741**	**174**	
Current liabilities				
Lease liabilities	53	2	51	e)
Total current liabilities	**13,933**	**13,882**	**51**	
Non-current liabilities				
Lease liabilities	126	-	126	e)
Total non-current liabilities	**577**	**451**	**126**	
Total liabilities	**14,510**	**14,333**	**177**	
Net assets	**2,405**	**2,408**	**(3)**	
Retained earnings	1,196	1,199	(3)	f)
Total equity attributable to equity shareholder	**2,405**	**2,408**	**(3)**	
Total liabilities and shareholder's equity	**16,915**	**16,741**	**174**	

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

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

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

1. Accounting policies (continued)

b) Basis of preparation (continued)

i. IFRS 16 – 'Leases' (continued)

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

At 1 January 2020	£m
Operating lease commitments disclosed as at 31 December 2019	70
Transponder contracted commitments disclosed as at 31 December 2019	157
Adjustments as a result of a different treatment (e.g. extension and termination options)	1
Discounting using the incremental borrowing rate at the date of initial application	(14)
Lease liability recognised as at 1 January 2020	**214**

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position of the date of initial application was 2.4%.

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

c) Intangible assets and property, plant and equipment

i. Intangible assets

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

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

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

Principal useful economic lives used for this purpose are:

Internally generated intangible assets	3 to 5 years straight-line
Software development (external) and software licences	3 to 7 years straight-line
Other intangible assets	1 to 5 years straight-line

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

Notes to the financial statements

1. Accounting policies (continued)

c) Intangible assets and property, plant and equipment (continued)

ii. Property, plant and equipment

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

The costs of assets comprise the following, where applicable:

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

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

Freehold buildings	25 to 40 years
Equipment, furniture and fixtures	3 to 20 years
Leasehold improvements	Lesser of lease term and the useful economic life of the asset

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

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

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

d) 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.

1. Accounting policies (continued)

d) 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" (as amended by IFRS 9), 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, to the extent that the hedges are effective, ineffective portions are recognised in profit or loss immediately.

Amounts accumulated in the hedging reserve are subsequently recognised in the initial cost or other carrying value of the non-financial asset or liability on the Balance Sheet and in the Income Statement in the periods in which the related hedged items are 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 and is recognised in the initial cost or other carrying amount of a non financial asset or liability on the Balance Sheet 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.

1. Accounting policies (continued)

d) Derivative financial instruments and hedging activities (continued)

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.

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.

iii. Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value, with unrealised gains or losses reported in the Income Statement. Embedded derivatives are carried on the Balance Sheet at fair value from the inception of the host contract. Changes in fair value are recognised within the Income Statement during the year in which they arise.

e) Inventories

i. Acquired and commissioned television programme inventories for broadcast

Programme inventories for broadcast are stated at the lower of cost and net realisable value ("NRV"), including, where applicable, estimated subscriber escalation payments, and net of the accumulated expense charged to the Income Statement to date. Such programming rights are included as inventories when the legally enforceable licence period commences and all of the following conditions have been met: (a) the cost of each programme is known or reasonably determinable; (b) the programme material has been accepted by the Company in accordance with the conditions of the rights, and (c) the programme is available for its first showing.

Prior to being included in inventories, the programming rights are classified as television programme rights not yet available for transmission and not recorded as inventories on the Company's Balance Sheet and are instead disclosed as contractual commitments (see note 28). Payments made in advance of the legal right to broadcast the programmes are treated as prepayments in trade and other receivables.

The cost of television programme inventories is recognised in the operating expense line of the Income Statement, over the period the Company utilises and consumes the programming rights, applying linear-broadcast and time-based methods of amortisation depending on the type of programme right, taking into account the circumstances primarily as described below. These circumstances may change or evolve over time and as such, the Comcast Group regularly reviews and updates the method used to recognise programming expense.

Sports – the majority or all of the cost is recognised in the Income Statement on the first broadcast or, where the rights are for multiple seasons or competitions, such rights are recognised principally on a straight-line basis across the seasons or competitions. Where the rights are packaged, sold and/or significantly consumed over the off-season, the Company allocates an appropriate portion of the total rights value to the off-season period, and that cost is recognised on a straight-line basis over the off-season period.

Notes to the financial statements

1. Accounting policies (continued)

e) Inventories (continued)

i. Acquired and commissioned television programme inventories for broadcast (continued)

Where sports rebates relates to a delay in events taking place, the rebate is treated as a modification to the original contract (change in price), such that the benefit of the rebate is spread over the remaining contractual period in line with underlying amortisation patterns. However, where a sports rebate relates to a partial or complete cancellation of events, the rebate is treated as a reduction in amortisation of the sports right in the accounting period, reflecting the fact that as the events were not delivered for broadcast, no cost should be recognised in the income statement.

News - the cost is recognised in the Income Statement as incurred.

Movies - The cost is recognised in the Income Statement on a straight-line basis over the period for which the broadcast rights are licensed.

General entertainment - the cost relating to acquired, commissioned and produced programming rights for broadcast on the Company's linear channels are recognised in the Income Statement on either an accelerated or straight-line basis. The amortisation profile is principally based on the expected value of each planned broadcast on the Company's linear channels and the time period over which the economic value of the content is expected to be consumed and utilised. Relicensed content is amortised on a straight-line basis over the time period the rights are expected to be utilised. The cost attributable or apportioned to non-linear (on demand) rights are amortised on a straight-line basis over the period for which those rights are licensed or over the time period the rights are expected to be utilised.

The Group regularly reviews its programming rights for impairment. Where programme rights are surplus to the Company's requirements, and no gain is anticipated through a disposal of the rights, or where the programming will not be broadcast for any other reason, a write-down to the Income Statement is made. Any reversals of inventory write-downs are recognised as reductions in operating expense.

ii. Programme distribution rights

Programme distribution rights are valued at the lower of cost and NRV, net of the accumulated expense charged to the Income Statement to date.

The cost of the programme distribution rights is recognised in operating expense in line with the profile of expected revenue generation.

iii. Set-top boxes, routers and related equipment

Set-top boxes, routers and related equipment held for sale to customers are valued at the lower of cost and NRV, the latter of which reflects the value that the business expects to realise from the set-top boxes and related equipment in the hands of the customer, and are recognised through the operating expense line of the Income Statement. The cost of inventory is expensed on enablement, which is the process of activating the viewing card during installation, so as to enable a viewer to view encrypted broadcast services, and effectively represents the completion of the installation process for new customers. The amount recognised in the Income Statement is determined on a weighted average cost basis, in accordance with IAS 2 "Inventories".

iv. Raw materials, consumables, goods held for resale and third party equipment and vouchers used in marketing

Raw materials, consumables and goods held for resale are valued at the lower of cost and NRV. The cost of raw materials, consumables and goods held for resale is recognised through the operating expense line of the Income Statement on a first-in-first-out basis.

1. Accounting policies (continued)

e) Inventories (continued)

iv. Raw materials, consumables, goods held for resale and third party equipment and vouchers used in marketing (continued)

Third party equipment used for marketing purposes, such as televisions, tablets and consoles, vouchers providing money off third party goods and prepaid credit cards are recognised at purchase cost in inventory, and subsequently in operating expense on delivery to the customer.

v. Mobile Handsets and accessories

Mobile handsets and accessories held for sale to customers are valued at the lower of cost and NRV. The cost is recognised through the operating expense line of the Income Statement on a first-in-first-out basis.

f) 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. Minority equity investments

Equity investments are carried at fair value with movements in fair value recognised either profit or loss, or directly in the available-for-sale reserve, according to an irrecoverable election made at the asset's inception, on an asset by asset basis.

Minority equity investments are included within non-current assets unless the carrying value is expected to be recovered principally through sale within the next 12 months, in which case they are included within current assets.

On disposal, the difference between the carrying amount and the sum of the consideration received is recognised in the Income Statement.

ii. 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.

iii. 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.

1. Accounting policies (continued)

f) Financial assets and liabilities (continued)

iv. Short-term deposits

This includes short-term deposits and commercial paper which have maturity dates of more than three months from inception. These deposits are initially recognised at fair value, and then carried at amortised cost through the Income Statement less any allowance for impairment losses.

v. 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.

vi. 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.

vii. 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.

g) 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 inventories (see accounting policy e), non-current assets classified as held-for-sale, financial assets (see accounting policy f) and deferred taxation (see accounting policy l) 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. Impairment of goodwill is not reversed.

Notes to the financial statements

1. Accounting policies (continued)

h) Provisions

Provisions are recognised when the Company has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Company's best estimate of the transfer of benefits that will be required to settle the obligation as of the balance sheet date.

Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

i) Revenue recognition

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

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

Direct to consumer revenue includes subscription and transactional revenue from residential and commercial customers. Subscription revenue includes revenue from residential and commercial subscribers to TV, Mobile and home communication products, including over-the-top ("OTT") subscriptions, and income from set-top box, Mobile handset and tablet sales, and installation, service calls and warranties.

Revenue is recognised, net of any discount given, at a point in time or over time as the goods or services are provided, and control is transferred.

A bundle exists where a customer enters into contracts for goods and services at or around the same time, where the transaction can only be understood commercially with reference to the bundle of goods and services as a whole, and where there is price inter-dependency between the products in a bundle. Where a customer purchases further products or services subsequent to the original sale, these are judged to represent contract modifications and are accounted for according to IFRS 15's guidance on contract modifications.

When the Company sells a set-top box, installation or service and a subscription in one bundled transaction, the total consideration from the arrangement is allocated to each element based on their relative fair values, according to standalone selling prices. The fair value of each individual element is determined using vendor specific or third party evidence. Discounts are allocated to products on a pro-rata basis according to relative fair values.

Transactional revenue includes the purchase of physical content, OTT passes, pay-per-view and buy to keep content by residential and commercial customers.

Transactional revenue is recognised, net of any discount given, at a point in time or over time as relevant goods or service are provided, and control is transferred.

Content revenue includes revenue from the sale of channels and programmes across other platforms and internationally.

Channel sales revenue is recognised as the services are provided on a wholesale basis to cable and other retailers and is based on the number of subscribers taking the Sky channels, as reported to the Company by the cable and other retailers, and the applicable rate card or contract.

Programming sales revenue is earned from the production of programming and the distribution of programming rights. Production and Distribution revenue are typically recognised when control of the programme is transferred to the customer.

Notes to the financial statements

1. Accounting policies (continued)

i) Revenue recognition (continued)

Advertising sales revenue is recognised when the advertising is broadcast. Revenue generated from airtime sales, where Sky acts as an agent on behalf of third parties, is recognised on a gross basis, as under IFRS 15 Sky is concluded to be responsible for delivering the service and has sufficient influence over price, to be concluded as Principal. A portion of advertising revenue is deferred relating to deal debt, where a campaign has delivered less than its expected impacts, under IFRS 15's refund liability guidance.

Where revenue is accrued under IFRS 15's requirements, this is presented as a contract asset within trade and other receivables. Where revenue is deferred under IFRS 15's requirements, this is presented as a contract liability within trade and other payables.

j) Employee benefits

Wages, salaries and social security contributions

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

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

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

The Company issues equity-settled share-based payments to certain employees, using shares of its ultimate parent undertaking, which are measured at fair value and recognised as an expense in the Income Statement with a corresponding increase in liabilities to the ultimate parent undertaking.

The fair values of these payments are measured at the dates of grant using option-pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the Company's estimate of the number of awards which will be forfeited, either due to employees leaving the Company prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted for the probability of achieving these via the option pricing model. The total amount recognised in the Income Statement as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures. In the event of a cancellation, whether by the Company or by a participating employee, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in the Income Statement.

1. Accounting policies (continued)

k) Leases

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

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

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

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

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

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

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

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The Company also remeasures the carrying amount to reflect any reassessment or lease modifications. Interest on the liability will be charged as an expense on the Income statement. The Company have assessed the impact of initial application of IFRS 16, disclosed in Note 1(b)(i).

Lessor

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

1. Accounting policies (continued)

k) Leases (continued)

Lessor (continued)

Assets which are provided under operating lease arrangements are recognised as assets within property, plant and equipment. The assets remain in the economic ownership of the Group for the duration of the lease, and are depreciated over their useful economic lives. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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

l) Tax, including deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the 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 / Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity.

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

m) Distributions to equity shareholders

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

n) Foreign currency translation

The Company's functional currency and presentational currency is pounds sterling.

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

1. Accounting policies (continued)

o) 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 after 1 January 2021. These new pronouncements are listed below. The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods..

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

p) Critical accounting policies and judgement and key sources of estimation uncertainty

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

Critical accounting policies and judgements

i. Revenue (see note 2)

Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement. This may involve estimating the fair value of consideration before it is received. Judgement is required in determining which products constitute a bundle, and how revenue is allocated to products within the bundle.

When the Company sells a set-top box, installation service and TV, home communications and/or mobile subscription in one bundled transaction, the total consideration from the arrangement is allocated to each element based on its relative fair value, according to the standalone selling prices of each performance obligation. The fair value of each individual element is determined using vendor specific or third party evidence. Discounts are allocated to products on a pro-rata basis according to relative fair values.

Mobile handset and tablet revenues are recognised upfront on delivery to the customer. The Sky Mobile proposition includes an option whereby the customer can sell their handset to Sky at a pre-set market price. This requires the application of judgement in assessing whether or not the customer's option is on-market, taking into account the expected future resale value of the equipment. If the option is concluded to be on-market, the Group recognises handset and tablet revenue on delivery, and any future purchases of customer handsets or tablets at the time of purchase, as inventory.

1. Accounting policies (continued)

p) Critical accounting policies and judgement and key sources of estimation uncertainty (continued)

i. Revenue (see note 2) (continued)

As a result of right to purchase the customer's handset at market price, Sky recognises a refund liability and a right to returned goods asset, representing its best estimate of expected cash outflow in repurchasing the handset asset.

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

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

Provisions for tax contingencies require management to make judgements 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. 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 year which could have a material impact on the Company's profit and loss and/or cash position.

The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the balance sheet date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deferred tax assets can be utilised.

iii. Intangible assets and property, plant and equipment (see notes 9 and 11)

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

Determining whether the carrying amount of these assets has any indication of impairment also requires judgement. If an indication of impairment is identified, further judgement is required to assess whether the carrying amount can be supported by, for example, the net present value of future cash flows forecast to be derived from the asset. This forecast involves cash flow projections and selecting the appropriate discount rate, where applicable.

Assessing whether assets meet the required criteria for initial capitalisation requires judgement. This requires a determination of whether the assets will result in future benefits to the Company. In particular, internally generated intangible assets must be assessed during the development phase to identify whether the Company has the ability and intention to complete the development successfully.

Determining the costs of assets to be capitalised requires judgement. Specifically, judgement and estimation is required in determining the amount of duties and non-refundable taxes, probable trade discounts and rebates, and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (including relevant delivery and logistics costs to the customer's premises) to be allocated to the asset.

1. Accounting policies (continued)

p) Critical accounting policies and judgement and key sources of estimation uncertainty (continued)

iv. Programming inventory for broadcast (see note 16)

The key area of accounting for programming inventory for broadcast that requires judgement is the assessment of the appropriate profile over which to amortise general entertainment programming, and the proportion of sports rights cost which should be allocated to an off-season period.

General entertainment programming

This assessment requires the Company to form an expectation of:

- the number of times a programme will be broadcast on the Company's linear channels, and the time period over which the programme is expected to be utilised;
- the relative value associated with each broadcast; and
- the relative value associated with linear channel and non-linear programme rights. Linear channel rights refer to the rights to broadcast a programme on the Company's linear broadcast channels and non-linear rights reflect the rights to make a programme available on the Company's on demand service.

In order to perform this assessment, the Company considers the following factors:

The frequency with which, and the time period over which, the programme is expected to be utilised on the Company's linear channels and non-linear services. This is usually based on a combination of the actual period specified in the contract for the programme rights, the initial expectation of when airings will be scheduled and the alternative programming available to the Company within this period. Linear rights are consumed when the programmes are broadcast, non-linear rights are consumed over the period the programme is made available.

Expectations as to the number of viewers a programme is likely to achieve for each individual broadcast on the Company's linear channels over the contractual broadcast period. The number of viewers per broadcast directly influences advertising revenue for channels, although this consideration is partly influenced by the Company's assessment of the potential impact of the publicly available information on its competitors' scheduling intentions against planned broadcasts.

The potential benefits associated with utilising programming. Certain high-profile or high-quality programming titles have additional value to the Company, as they attract new TV customers and encourage retention of existing TV customers. As such, these programmes are able to retain more value throughout their licence period than would be indicated when considering the expected customer viewing and consumption numbers alone.

The relative value associated with linear channel and non-linear rights are assessed based on the manner in which the Company expects to utilise the programming rights and the relative value perceived by customers for the Company's channels and services. Those relative values may also differ based on the type and genre of programme. Such values are reviewed by the Company against current and expected future trends in customer viewing behaviour for the Company's programming and channels. The value apportioned to non-linear rights (in addition to any separately acquired non-linear rights) is amortised on a straight-line basis over the period of the broadcast rights, as the Company considers this to be the profile most closely aligned to its consumption of those rights. A broadcast-based amortisation model is not relevant or appropriate for this type of right as the Company makes the programmes available for a period of time rather than for a specified number of broadcasts.

Notes to the financial statements

1. Accounting policies (continued)

p) Critical accounting policies and judgement and key sources of estimation uncertainty (continued)

iv. Programming inventory for broadcast (see note 16) (continued)

Sports rights off-season allocation

The majority or all of sports right cost is recognised in the Income Statement on first broadcast or, where the rights are for multiple seasons or competitions, principally on a straight-line basis across the seasons or competitions. Where the rights are packaged, sold and/or significantly consumed over the off-season, the Company also allocates an appropriate portion of the total rights value to the off-season period, and that cost is recognised on a straight-line basis over the off-season.

Judgement is therefore required in determining how the Company utilises and consumes sports rights during the off-season. In forming this judgement, it considers the hours expected to be scheduled in the off-season, viewing expected to be achieved in the off-season, subscriber profiles over the off-season, as well as other qualitative considerations.

v. Mobile handset financing (see note 5)

In prior years, the Company entered into a securitisation facility with a third party for the sale of mobile handset receivables, whereby it has transferred substantially all the risks and rewards of the receivables. As a result, the receivables have been derecognised such that the transfer of handset receivables is treated as a sale.

The Company applies judgement in its assessment of the derecognition of handset trade receivables on a cohort-by-cohort basis, taking into account its best estimate of expected credit losses and expected volatility of credit losses. In doing so, it considers historical credit losses and volatility incurred with respect to other Sky products and services, as well as external benchmarks. As a result of the discount applied and the securitisation entity's investment structure, c90-95% of expected losses and variability in losses is expected to be transferred.

vi. Leases (see notes 12 and 21)

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

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

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

In applying this framework, the Company has determined that its service arrangements relating to transponders contain leased assets under IFRS 16's guidance. It is concluded that the most relevant decisions regarding how the capacity of the transponder assets are used, and ultimately how the assets themselves are used, in order to derive economic benefits over the agreement term, are directed by Sky as customer. This judgement is also aligned to the accounting policy and treatment of the Group.

Notes to the financial statements

1. Accounting policies (continued)

p) Critical accounting policies and judgement and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Areas for which there are major sources of estimation uncertainty (as defined by IAS 1), that have a significant risk of causing a material adjustment to be made to the carrying value amounts of assets and liabilities, are discussed below.

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.

i. Investment in Subsidiaries – impairment review (see note 13(i))

The carrying value of the Company's investment in other group companies is supported by either the historical cost value of underlying investments, their fair value (if, for example, a recent third party valuation report is available) or their value in use, which is contingent on the Company's judgement in selecting key assumptions and in its estimation of future financial performance.

This estimation is underpinned by the Sky Group's latest available long-range plan, and extrapolated beyond the forecast period using reasonable assumptions. Given the nature of Sky's subscription-based business model and significantly fixed and committed cost base, management has sufficient confidence in its ability to execute and realise these plans.

The assessment of the value in use of investments in these businesses is sensitive to the method, assumptions and estimates underlying the calculations. The sensitivity of the outcome to plausible changes in key inputs is considered as part of the judgement in making the assessments. If the Company's investments do not achieve the results included in the forecast, this could result in an impairment in future periods. Uncertainty around key sources of estimation will be resolved through the passage of time, potentially over the course of several years depending on events, as future performance materialises and latest forecasts can be considered.

2. Revenue

	2020	2019
	£m	£m
Direct to consumer	**7,414**	11,141
Content	**565**	902
Advertising	**1,027**	1,814
	9,006	13,857

Revenue arises from goods and services provided to the United Kingdom, with the exception of £365 million (2019: £641 million) which arises from services provided outside the United Kingdom.

3. Operating expense

	2020	2019
	£m	£m
Programming	**3,208**	5,269
Direct network costs	**473**	514
Sales, general and administration	**5,447**	8,144
	9,128	13,927

4. Net gains on Investments

During the year, the Company realised net gains on disposal of investments of £nil (2019: gain of £459 million).

The Company also made fair value losses of £nil on other equity investments (2019: losses of £6 million).

Notes to the financial statements

5. Investment income and finance costs

	2020 £m	2019 £m
Investment income		
Cash, cash equivalents and short-term deposits	**1**	**5**
Other external interest receivable	**2**	**6**
Intercompany interest receivable[(i)]	**11**	**32**
Foreign exchange gain on loan	**105**	**28**
	119	**71**
Finance costs		
- Interest Payable and similar charges		
Intercompany interest payable[(ii)]	**(46)**	(70)
Interest on lease liabilities	**(6)**	(1)
Foreign exchange loss on loan	**(66)**	(43)
	(118)	(114)
- Other finance income		
Remeasurement of other derivative financial instruments (not qualifying for hedge accounting)	**4**	27
	(114)	(87)

(i) Intercompany interest is receivable on certain loans to Sky Operational Finance Limited and Comcast Bidco Holdings Limited (see note 17).

(ii) Intercompany interest is payable on certain loans to Sky Operational Finance Limited, Sky Limited, Sky Group Finance Limited, Comcast Bidco Holdings Limited and Comcast Corporation (see note 18).

Borrowing costs included in the cost of qualifying assets during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.6% (2019: 2.3%) to expenditure on such assets. The amount capitalised in the current year amounted to £13 million (2019: £10 million).

6. (Loss)/ profit before tax

(Loss)/ profit before tax is stated after charging:

	2020	2019
	£m	£m
Cost of inventories recognised as an expense	**2,952**	4,519
Write down of inventory charged to operating expenses	**4**	14
Provision for bad and doubtful debts	**40**	52
Depreciation and impairment of property, plant and equipment	**77**	117
Amortisation and impairment of intangible assets	**98**	120
Depreciation and impairment of right of use assets	**48**	-
Loss on disposal of property, plant and equipment	**3**	1
Loss on disposal of intangibles assets	**3**	6
Rentals on operating leases and similar arrangements	**-**	23

Foreign exchange

Foreign exchange differences recognised in the Income Statement during the year amounted to £43 million gain (2019: £76 million gain).

Audit fees

An analysis of auditor's remuneration is as follows:

	2020	2019
	£m	£m
Total audit fees	**2**	2

Fees payable to the Company's auditor for the audit of the annual accounts were £0.8 million (2019: £0.9 million) and fees payable to the Company's auditor for settlement of audit fees on behalf of other Group companies were £1.2 million (2019: £1.2 million).

7. Employee benefits and key management compensation

a) Company employee benefits

	2020 £m	2019 £m
Wages and salaries	**562**	727
Social security costs	**73**	137
Costs of employee share option schemes (i)	**89**	436
Contributions to the Sky Pension Plan ("the Pension Plan") (ii)	**31**	46
	755	1,346

(i) The expense recognised for employee share option schemes relates wholly to equity-settled share-based payments. After the acquisition of the Sky Group by Comcast Corporation on 9 October 2018, the previous share schemes operated by Sky were settled. New awards were granted under the Restricted Stock Units schemes operated by Comcast Corporation (note 24).

(ii) The Company operates a defined contribution pension scheme through the Pension Plan. The pension charge for the year represents the cost of contributions payable by the Company to the scheme during the year. The Company's amount payable to the scheme at 31 December 2020 was £6 million (2019: £5 million).

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the year was 8,858 (2019: 8,284).

	2020 Number	2019 Number
Channels and services	**2,932**	3,148
Transmission and technology	**3,653**	3,055
Customer services, sales and marketing	**1,318**	1,263
Management and administration	**955**	818
	8,858	8,284

b) Key management compensation

	2020 £m	2019 £m
Short-term employee benefits	**5**	18
Share-based payment expense	**8**	27
	13	45

Key management are defined as the Directors of the Company.

During the year, the highest paid director was paid compensation of £8 million (2019: £20 million). The highest paid director received 153,733 shares during the year under share award schemes (2019: exercised options over 800,000 shares). Please refer to Note 24 for further information on share option and contingent share award schemes.

8. Tax

a) Tax recognised in the Income Statement

	2020 £m	2019 £m
Current tax expense		
Current year	-	50
Adjustment in respect of prior years	25	43
Total current tax charge	25	93
Deferred tax expense		
Origination and reversal of temporary differences	(2)	(2)
Adjustment in respect of prior years	-	3
Total deferred tax charge	(2)	1
Tax	23	94

b) Tax recognised directly in equity

	2020 £m	2019 £m
Current tax credit relating to share-based payments	-	4
Deferred tax charge relating to share-based payments	-	(15)
Deferred tax credit relating to cash flow hedges	4	7
Current tax charge relating to IFRS 15 restatement	-	(5)
	4	(9)

c) Reconciliation of total tax charge

The tax expense for the year is higher (2019: higher) than the standard rate of corporation tax in the UK (19%) (2019: 19%) applied to (loss)/ profit before tax. The differences are explained below:

	2020 £m	2019 £m
(Loss)/ profit before tax	(117)	367
(Loss)/ profit before tax multiplied by rate of corporation tax in the UK of 19% (2019: 19%)	(22)	70
Effects of:		
Group relief	11	-
Other permanent differences	9	(22)
Adjustments in respect of prior years	25	46
Tax	23	94

All tax relates to UK corporation tax.

9. Intangible assets

	Internally generated intangible assets	Software development (external) and software licences	Other intangible assets	Internally generated intangible assets not yet available for use	Acquired intangible assets not yet available for use	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 July 2018	322	177	90	28	15	632
Additions	62	26	-	86	38	212
Disposals	(51)	(19)	(2)	-	-	(72)
Transfers	59	14	-	(59)	(14)	-
At 31 December 2019	**392**	**198**	**88**	**55**	**39**	**772**
Additions	32	14	6	55	34	141
Disposals	(18)	(46)	-	-	-	(64)
Transfers	41	25	5	(41)	(30)	-
At 31 December 2020	**447**	**191**	**99**	**69**	**43**	**849**
Amortisation						
At 1 July 2018	205	116	23	-	-	344
Amortisation	78	37	5	-	-	120
Disposals	(46)	(18)	(2)	-	-	(66)
At 31 December 2019	**237**	**135**	**26**	**-**	**-**	**398**
Amortisation	67	27	4	-	-	98
Disposals	(16)	(45)	-	-	-	(61)
At 31 December 2020	**288**	**117**	**30**	**-**	**-**	**435**
Carrying amounts						
At 1 July 2018	117	61	67	28	15	288
At 31 December 2019	155	63	62	55	39	374
At 31 December 2020	**159**	**74**	**69**	**69**	**43**	**414**

The Company's internally generated intangible assets primarily relate to software development associated with the Company's customer management and accounting systems.

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

	2021	2022	2023	2024	2025
	£m	£m	£m	£m	£m
Estimated amortisation charge	94	69	44	16	8

Other intangible assets include certain assets with indefinite useful lives. The carrying value of these assets at 31 December 2020 is £25 million (2019: £25 million).

Notes to the financial statements

10. Goodwill

On the 29 April 2012, the assets of Living TV Group Holdings Limited, which was put into liquidation as part of a Group restructuring programme, were transferred to the Company in a common control transaction for consideration of £144 million. The net assets acquired were transferred at book value of £144 million. On transfer the carrying value of the goodwill was £18 million, and the carrying value of the intangible asset relating to the customer contract between Living TV Group Holdings Limited and the Company was £70 million. This resulted in the recognition of £88 million of goodwill by the Company (2019: £88 million).

11. Property, plant and equipment

	Freehold land and buildings (i)	Leasehold improvements	Equipment, furniture and fixtures	Assets not yet available for use	Total
	£m	£m	£m	£m	£m
Cost					
At 1 July 2018	634	23	769	14	1,440
Additions	13	-	32	42	87
Disposals	-	-	(33)	-	(33)
Transfers	4	-	12	(16)	-
At 31 December 2019	**651**	**23**	**780**	**40**	**1,494**
Additions	-	-	22	57	79
Disposals	(2)	-	(29)	-	(31)
Transfers	14	-	24	(38)	-
At 31 December 2020	**663**	**23**	**797**	**59**	**1,542**
Depreciation					
At 1 July 2018	76	15	484	-	575
Depreciation	23	5	89	-	117
Disposals	-	-	(32)	-	(32)
At 31 December 2019	**99**	**20**	**541**	**-**	**660**
Depreciation	15	3	59	-	77
Disposals	(1)	-	(27)	-	(28)
At 31 December 2020	**113**	**23**	**573**	**-**	**709**
Carrying amounts					
At 1 July 2018	558	8	285	14	865
At 31 December 2019	552	3	239	40	834
At 31 December 2020	**550**	**-**	**224**	**59**	**833**

(i) Depreciation was not charged on £81 million of land (2019: £81 million).

12. Right-of-use assets

	Property £m	Retail Stores £m	Transponders £m	Total £m
Cost				
At 31 December 2019	-	-	-	-
Initial application of IFRS 16	40	15	159	214
At 1 January 2020	**40**	**15**	**159**	**214**
Additions	7	8	-	15
At 31 December 2020	**47**	**23**	**159**	**229**
Depreciation				
At 31 December 2019	-	-	-	-
At 1 January 2020	**-**	**-**	**-**	**-**
Depreciation	6	6	36	48
At 31 December 2020	**6**	**6**	**36**	**48**
Carrying amounts				
At 31 December 2019	-	-	-	-
At 1 January 2020	40	15	159	214
At 31 December 2020	**41**	**17**	**123**	**181**

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

Notes to the financial statements

13. Investment in subsidiaries, joint ventures and associates

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

The movement in the year was as follows:

	Loans £m	Shares £m	2020 £m	2019 £m
Cost and funding				
Beginning of year	36	6,884	6,920	5,152
Subscription for shares	-	432	432	1,819
Remeasurement of hedged item qualifying for hedge accounting	-	66	66	(51)
End of year	**36**	**7,382**	**7,418**	6,920
Amounts provided				
Beginning of year	(5)	(87)	(92)	(88)
Impairment of investments	-	-	-	(4)
End of year	**(5)**	**(87)**	**(92)**	(92)
Net book value				
Beginning of year	31	6,797	6,828	5,064
End of year	**31**	**7,295**	**7,326**	6,828

On 23 July 2020, the Company issued 1 ordinary share to Sky Limited in exchange for the assignment of loan note receivable with a face value of €469 million (£430 million) issued by Sky Operational Finance Limited. On the same date, the Company acquired 1 ordinary share in Sky International Operations Limited in exchange for the €469 million (£430 million) loan note receivable issued by Sky Operational Finance Limited.

During the year, the Company made further investments in other subsidiaries of £2 million.

The Company and its subsidiaries are involved in the operation of pay television broadcasting and home communications services, including the provision of broadband and telephone operations. Certain subsidiary companies provide ancillary functions which support these operations. Joint ventures and associates are involved in the transmission of specialist channels and the production of television programming.

Unless otherwise indicated, all shareholdings owned directly or indirectly by the Company represent 100% of the issued share capital of the subsidiary and the share capital is comprised of ordinary shares. All entities primarily operate in their country of incorporation and are listed at their registered addresses.

Notes to the financial statements

13. Investment in subsidiaries, joint ventures and associates (continued)

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

Details of the investments of the Company are as follows:

Incorporated in England and Wales

Grant Way, Isleworth, Middlesex TW7 5QD

Name
Direct holdings
Amstrad Limited
British Sky Broadcasting Limited
Ciel Bleu 6 Limited
Diagonal View Limited
Dolphin TV Limited
Independent Fibre Retail Limited
International Channel Pack Distribution Limited
Multicultural & Ethnic Media Sales Limited
NBC Universal Global Networks UK Limited
NOW TV Limited
Parthenon Media Group Limited
Rivals Digital Media Limited
Sky Corporate Secretary Limited
Sky CP Limited
Sky Europe Limited
Sky Global Media Limited
Sky Group Limited
Sky Healthcare Scheme 2 Limited
Sky Home Communications Limited
Sky In-Home Service Limited
Sky International Limited
Sky International Operations 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 Partner Limited
Sky Publications Limited
Sky Retail Stores Limited
Sky SNI Limited
Sky Subscribers Services Limited
Sky Telecommunications Limited
Sky Telecommunications Services Limited
Sky Ventures Limited
The Cloud Networks Limited
Third Day Productions Limited
Una Tickets Limited
Virtuous Systems Limited

13. Investment in subsidiaries, joint ventures and associates (continued)

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

Indirect holdings
Agreed Voices Limited
Blast! Films Limited
Cymru International Limited
Kidsprog Limited
Love Productions Limited
Newserge Limited
Parthenon 2 Limited
Rising Voices Limited
Sky Comedy Limited
Sky History Limited
Sky IP International Limited
Sky IQ Limited
Sky Ocean Ventures Limited Partnership
Sky SNA Limited
Sky SNI Operations Limited
Sky Studios Limited
Sky Studios Productions Limited
Sky UK Investments Limited
Sugar Films Limited
Transistor Films Limited (formerly Znak & Co Limited)
True North Productions Limited (83%)
Wider Voices Limited

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

Name
Indirect holdings
Blast! Films - Hunger Limited
Blast! Films - One Day 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)*

Notes to the financial statements

13. Investment in subsidiaries, joint ventures and associates (continued)

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

Incorporated in Germany

Medienallee 26, 85774 Unterföhring, Munich

Name
Indirect holdings
NBC Universal Global Networks Deutschland GmbH
Premiere WIN Fernsehen GmbH
SCAS Satellite CA Services GmbH
Sky Deutschland GmbH
Sky Deutschland Fernsehen Gmbh & Co.KG
Sky Deutschland Interaction Center I GmbH
Sky Deutschland Interaction Center II GmbH
Sky Deutschland Verwaltungs GmbH
Sky German Holdings GmbH
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
Infobonn Text, Informations und Pressebüro Verwaltungsgesellschaft mbH
DFA Deutsche Fernsehnachrichten Agentur GmbH
GIGA Television GmbH
ZAP Television Beteiligungs GmbH (83.5%)
ZAP Television GmbH & Co. KG (83.5%)

13. Investment in subsidiaries, joint ventures and associates (continued)

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

Incorporated in Italy

Via Monte Penice, 7-20138 Milan

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

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

C/o Comcast Capital Corporation, 1201 N. Market Street, Suite 1000, Wilmington, Delaware 19801

Name
Indirect holdings
Big Sky Music, LLC
Callisto Media West, LLC
Jupiter Entertainment, LLC
Jupiter Entertainment Holdings LLC
Jupiter Entertainment North, LLC
Sky Ocean Ventures US, Inc

8923 Linksvue Drive, Knoxville, TN 37922

Name
Indirect holdings
Catalina Content, LLC

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

Name
Indirect holdings
PhotoOps, LLC
The Production Hive, LLC

13. Investment in subsidiaries, joint ventures and associates (continued)

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

2029 Century Park East, Suite 1750, Los Angeles CA 90067

Name
Indirect holdings
International Journeys, LLC
Welcome To Hollywood, LLC

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

Name
Indirect holdings
Baking Show, LLC
Cotham Hill Productions, LLC
Eagle Street Productions, LLC
Jet Tracks, LLC
Love American Journeys, LLC
Love Productions USA, Inc
USA Love Development, 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

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

13. Investment in subsidiaries, joint ventures and associates (continued)

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

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

(ii) Investments in joint ventures and associates

The movement in the year was as follows:

	2020 £m	2019 £m
Cost and funding		
Beginning of year	**49**	89
Subscription for shares	**1**	49
Disposal	**-**	(89)
End of year	**50**	49
Net book value		
Beginning of year	**49**	89
End of year	**50**	49

Details of the investments in joint ventures and associates are as follows:

Incorporated in England and Wales

1 Queen Caroline Street, London, W6 9YN

Name	Description and proportion of shares held (%)
Indirect holdings	
AETN UK	50.00%

2nd Floor, 27 Mortimer Street, London W1T 3JF

Name	Description and proportion of shares held (%)
Direct holdings	
DTV Services Limited	20.00%

6th Floor, One London Wall, London EC2Y 5EB

Name	Description and proportion of shares held (%)
Direct holdings	
Internet Matters Limited	25.00%

Notes to the financial statements

13. Investment in subsidiaries, joint ventures and associates (continued)

(ii) Investments in joint ventures and associates (continued)

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

Name	Description and proportion of shares held (%)
Indirect holdings	
GBI Racing Limited	50.00%
Global Mutuel (UK) Limited	50.00%

17-19 Hawley Crescent, Camden, London NW1 8TT

Name	Description and proportion of shares held (%)
Indirect holdings	
Nickelodeon UK Limited	40.00%
Paramount UK Partnership	25.00%

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

Name	Description and proportion of shares held (%)
Indirect holdings	
The Lighthouse Film and Television Limited	25.00%

Longboat Pictures Office 4,219 Kensington High Street, London W8 6BD

Name	Description and proportion of shares held (%)
Indirect holdings	
Longboat Pictures Limited	25.00%

3 Park Square East, Leeds LS1 2NE

Name	Description and proportion of shares held (%)
Indirect holdings	
Pitch Music Limited	33.33%

St Albans House, 57-59 Haymarket, London SW1Y 4QX

Name	Description and proportion of shares held (%)
Indirect holdings	
Odeon and Sky Filmworks Limited	50.00%

Manning House 1st Floor, 22 Carlisle Place, London SW19 1JA

Name	Description and proportion of shares held (%)
Direct holdings	
Thinkbox TV Limited	20.00%

16 The Furlong, Henleaze, Bristol, United Kingdom, BS6 7TF

Name	Description and proportion of shares held (%)
Indirect holdings	
True To Nature Limited	24.90%

Notes to the financial statements

13. Investment in subsidiaries, joint ventures and associates (continued)

(ii) Investments in joint ventures and associates (continued)

4 Roger Street, 2nd Floor, London, United Kingdom, WC1N 2JX

Name	Description and proportion of shares held (%)
Direct holdings	
Clearcast Limited	37.50%

Incorporated in other overseas countries

USA – 874 Walker Rd, Suite C, Dover, DE 19904

Name	Description and proportion of shares held (%)
Indirect holdings	
Talos Films, LLC	Membership interest (25.00%)

USA – 2140 S Dupont Highway, Camden, Kent, DE, 19934

Name	Description and proportion of shares held (%)
Indirect holdings	
Skybound Stories Inc	26.77%

USA – 16192 Coastal Highway, Lewes, Sussex, DE 19958

Name	Description and proportion of shares held (%)
Indirect holdings	
Life of Crime Productions, LLC	Membership interest (25.00%)

UAE – P.O.Box 77845, Abu Dhabi

Name	Description and proportion of shares held (%)
Indirect holdings	
Sky News Arabia FZ-LLC	50.00%

Guernsey – St John's House, Union Street, St Peter Port, Guernsey

Name	Description and proportion of shares held (%)
Direct holdings	
Triton Holdings Limited	19.20%

British Virgin Islands – Geneva Place, Waterfront Drive, Road Town, Tortola, British Virgin Islands

Name	Description and proportion of shares held (%)
Direct holdings	
iSmash Group Limited	14.00%

Notes to the financial statements

14. Deferred tax

Recognised deferred tax (liability)/asset

	Accelerated tax depreciation	Short-term temporary differences	Share-based payments temporary differences	Financial instrument temporary differences	Total
	£m	£m	£m	£m	£m
At 1 July 2018	(9)	(4)	36	(7)	16
(Charge)/credit to income	1	(1)	(2)	1	(1)
(Charge)/credit to equity	-	-	(15)	7	(8)
At 31 December 2019	(8)	(5)	19	1	7
(Charge)/credit to income	3	(1)	2	(2)	2
Credit to equity	-	-	-	4	4
At 31 December 2020	**(5)**	**(6)**	**21**	**3**	**13**

There is an unrecognised deferred tax asset of £1 million (2019: £1 million) in respect of tax trading losses and £43 million in respect of tax capital losses (2019: £39 million). There is currently insufficient evidence to support the recognition of a deferred tax asset relating to these losses.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rate enacted for the relevant periods of reversal is 19% (2019: 17%). On 3 March 2021 the Chancellor announced that the government will legislate to increase the corporation tax rate to 25% from 1 April 2023. This change has not been enacted or substantively enacted at the Statement of Financial Position date and is not therefore reflected in these financial statements. The impact of the rate change on the deferred tax balance is expected to be in the region of £5 million.

15. Cost to obtain customer relationships

Costs to obtain contracts relate to commissions paid to staff relating to acquisition of new subscriber contracts. At 31 December 2020 the balance of cost to obtain contracts was £54 million (2019: £51 million).

These costs are amortised on a straight-line basis over the customer's minimum contract period as this reflects the period over which benefits are transferred to the customer.

16. Inventories

	2020	2019
	£m	£m
Television programme rights	**1,430**	1,557
Other inventories	**51**	30
Total inventory	**1,481**	1,587

At 31 December 2020 75% (2019: 72%) of the television programme rights and 100% (2019: 100%) of other inventories is expected to be recognised in the Income Statement within 12 months.

17. Trade and other receivables

	2020 £m	2019 £m
Gross trade receivables	**805**	503
Less: loss allowance	**(106)**	(102)
Net trade receivables	**699**	401
Amounts receivable from other Group companies[a]	**1,570**	1,725
Amounts receivable from subsidiaries[b]	**2,043**	514
Amounts receivable from joint ventures and associates[c]	**2**	5
Prepayments	**525**	465
Accrued income	**271**	258
Contract assets	**46**	55
Other receivables	**73**	46
Current trade and other receivables	**5,229**	3,469
Amounts receivable from other Group companies[a]	**914**	-
Non-current prepayments	**18**	4
Other receivables	**1**	2
Total non-current trade and other receivables	**933**	6
Total trade and other receivables	**6,162**	3,475

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

Amounts relating to contract assets are balances that arise from customers with contracts for TV, Broadband, Talk and Mobile services, for performance obligations already satisfied. Amounts previously recognised as a contract asset are reclassified to trade receivables at the point at which it is invoiced to the customer. The contract asset is recognised in the Income Statement over the customer's minimum contract period.

The Company measures a loss allowance account on the contract asset due from customers using an expected loss approach under IFRS 9, taking into account historical churn experience and future prospects.

The Company regularly reviews and updates its estimation techniques, assumptions and calculations as required, the net Income Statement and Balance Sheet impact of which was not material in the year.

The ageing of the Company's net trade receivables which are past due but not impaired is as follows:

	2020 £m	2019 £m
Not past due date	**661**	373
Up to thirty days past due date	**25**	17
Thirty to sixty days past due date	**9**	9
Sixty to 120 days past due date	**2**	2
More than 120 days past due date	**2**	-
	699	401

17. Trade and other receivables (continued)

Loss allowance

	2020 £m	2019 £m
Balance at beginning of year	**102**	93
Increase in loss allowance recognised in Income Statement	**4**	9
Balance at end of year	**106**	102

a) Amounts receivable from other Group companies

Current

Amounts due from other Group companies as at 31 December 2020 are £1,570 million (2019: £1,725 million). £723 million (2019: £676 million) represent tráde receivables, these are non-interest bearing and are repayable on demand. The balance of £847 million (2019: £1,049 million) are loans as detailed below:

On 15 September 2008, the Company entered into an agreement with Sky Holdings Limited ("SHL"). The loan is interest bearing at a rate of twelve month LIBOR plus 0.75% and is repayable on demand. On 27 July 2011 the loan was converted into a revolving credit facility of up to £24 million. This facility is repayable on demand and is non-interest bearing. At 31 December 2020 the balance of the loan was £23 million (2019: £23 million).

On 26 June 2009, the Company entered into a £380 million revolving credit facility agreement with Sky Operational Finance Limited. This facility is repayable on demand and is non-interest bearing. At 31 December 2020 the balance on this account was £173 million (2019: £173 million).

On 11 November 2014 the Company entered into an agreement with Sky Operational Finance Limited for a loan amount of up to €125 million, which was extended to €350 million in February 2018 and extended further to €750 million from March 2020. The loan is interest bearing at a rate of 3 month EURIBOR plus 1% and is repayable on demand. At 31 December 2020 the balance on the account was £380 million (2019: £295 million).

On 12 November 2014, the Company entered into an agreement with Sky Operational Finance Limited for a loan amount of up to €200 million, which was extended to €500 million in September 2018. The loan is repayable on demand and bears interest at a rate of 3 month EURIBOR. At 31 December 2020 the balance of this loan plus interest was £nil (2019: £293 million).

On 5 October 2015, the Company redenominated an agreement with Sky Operational Finance Limited for a loan of up to €30 million, which was extended to €40 million from September 2020. The loan is repayable on demand and bears interest at a rate of EURIBOR plus 1%. At 31 December 2020, the balance of this loan plus interest was £28 million (2019: £23 million).

On 8 March 2017, the Company entered into an agreement with Sky Operational Finance Limited for a loan amount of up to £17 million. The loan is interest bearing at a rate of 1.5% per annum and is repayable on demand. At 31 December 2020 the balance on the account was £16 million (2019: £15 million).

The Company has entered into other revolving credit facilities and loans with other Group companies amounting to £227 million (2019: £227 million), all are non-interest bearing and repayable on demand.

17. Trade and other receivables (continued)

a) Amounts receivable from other Group companies (continued)

Current (continued)

Within the Company there is a concentration of risk within accounts receivable from other Group companies. No allowance has been recorded against amounts receivable from other Group companies (2019: no allowance) as the Company has assessed that all Group companies with which it holds debt have sufficient funds to repay.

Non-Current

On 23 July 2020, the Company entered into an agreement with Comcast Bidco Holdings Limited for a loan amount of up to $1.25 billion. The loan is repayable on 16 September 2024 and bears interest at a rate of 0.575% per annum. At 31 December 2020 the balance of this loan plus interest was £915 million (2019: nil).

b) Amounts receivable from subsidiaries

Amounts due from subsidiaries as at 31 December 2020 are £2,043 million (2019: £514 million). £523 million (2019: £265 million) represent trade receivables, these balances are non-interest bearing and are repayable on demand. The balance of £1,520 million (2019: £249 million) are loans as detailed below:

A non-interest bearing loan to Sky Ventures Limited that is repayable on demand. At 31 December 2020 the balance on the account was £4 million (2019: £4 million).

In addition on 17 October 2011 the Company entered into a £60 million revolving credit facility agreement with Sky Ventures Limited. This facility is repayable on demand and is non-interest bearing. At 31 December 2020 the balance on this account was £12 million (2019: £12 million).

In November 2018 the Company entered into a €25 million loan agreement with Sky Italian Holdings SpA. The loan is interest bearing at a rate of EURIBOR + 1% per annum and is repayable on demand. At 31 December 2020 the balance on the account was £nil (2019: £19 million).

In June 2019 the Company entered into a €1.5 billion revolving credit facility with Sky Deutschland Fernsehen GmbH & Co. KG with an expiry date of 1 July 2024. The facility is interest bearing at a rate of EURIBOR +1.15% per annum. At 31 December 2020 the balance on the account was £899 million (2019: £213 million).

On 1 April 2020, the Company entered into an agreement with Sky Italia s.r.l for a revolving credit facility of up to €1 billion. The loan is repayable at the earlier of a mutual agreed date or 1 April 2023 and bears interest at a rate of EURIBOR + 1.15% per annum. At 31 December 2020 the balance of this account was £605 million (2019: nil).

The Company has entered into other revolving credit facilities and loans with other subsidiaries amounting to £nil (2019: £1 million), all are non-interest bearing and repayable on demand.

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

Within the Company there is a concentration of risk within accounts receivable from other Group companies and subsidiaries. No allowance has been recorded against these amounts receivable (2019: no allowance) as the Company has assessed that all Group companies with which it holds debt have sufficient funds to repay the debt.

17. Trade and other receivables (continued)

c) Amounts receivable from joint ventures and associates

Amounts due from joint ventures and associates represent trade receivables, these balances are non-interest bearing and are repayable on demand.

18. Trade and other payables

	Note	**2020**	2019
		£m	£m
Trade payables		**651**	999
Amounts payable to the parent Company[(a)]		**1,375**	517
Amounts payable to subsidiaries[(b)]		**3,760**	3,520
Amounts payable to other Group companies[(c)]		**6,277**	5,290
Amounts payable to joint ventures and associates		**3**	6
Amounts payable to other related parties	29	**-**	2
Contract liabilities		**38**	24
VAT		**464**	206
Accruals		**670**	369
Deferred income		**415**	382
Other payables		**50**	30
		13,703	11,345

The Directors consider that the carrying amount of trade and other payables approximates their fair values. Trade payables principally comprise amounts outstanding for programming purchases and on-going costs.

a) Amounts payable to the parent company

In July 1999, Sky Limited issued US $650 million of guaranteed notes and loaned the proceeds to the Company. The Company is liable to the 8.20% external interest payments on the notes. The Company also pays the same rate of interest to Sky Limited. At 31 December 2020 the total of the loan was £49 million (2019: £49 million).

In December 2018, the Company entered into a loan agreement with Sky Limited for £357 million. The loan is non-interest bearing and repayable on demand. At 31 December 2020 the balance of the loan plus interest was £357 million (2019: £358 million).

In 23 July 2020, the Company entered into a loan agreement with Sky Limited for US$1,250 million. The loan is interest bearing at 0.45% per annum and is repayable on 16 September 2024. At 31 December 2020 the balance on this account was £915 million (2019: £nil).

The Company also has trade payable balances with Sky Limited of £54 million (2019: £110 million), these balances are non-interest bearing and are repayable on demand.

b) Amounts payable to subsidiaries

All amounts are trade payables; these balances are non-interest bearing and are repayable on demand.

Notes to the financial statements

18. Trade and other payables (continued)

c) Amounts payable to other Group companies

There are amounts due to other Group companies totalling £6,277 million (2019: £5,290 million) of which £510 million (2019: £568 million) are trade payables; these balances are non-interest bearing and are repayable on demand. There are £5,767 million (2019: £4,722 million) of intercompany revolving credit facilities and loans, of which £23 million (2019: £23 million) is non-interest bearing. All loans are repayable on demand.

On 16 October 2009, the Company entered into a loan agreement with Sky Group Finance Limited for £611 million. Under the terms of the loan agreement interest is payable at one month LIBOR plus 2.00%. At 31 December 2020 the balance of the loan plus interest was £808 million (2019: £790 million).

On 15 September 2008, the Company entered into a £150 million revolving credit facility agreement with Sky Operational Finance Limited and another with Sky Holdings Limited ("SHL"). At the same time the Company entered into reciprocal facilities on the same terms with Sky Group Finance Limited. The facilities are repayable on demand and bear interest at a rate of twelve month LIBOR plus 1.00%. At 31 December 2020 the cumulative balance of these loans plus interest was £100 million (2019: £99 million).

On 24 July 2014, the Company entered into an agreement with Sky Operational Finance Limited for a loan amount of £541 million. The loan is non-interest bearing and repayable on demand. At 31 December 2020 the balance of this loan was £538 million (2019: £538 million).

On 30 July 2014, the Company entered into an agreement with Sky Operational Finance Limited for a loan amount of £1,346 million. The loan is non-interest bearing and repayable on demand. At 31 December 2020 the balance of this loan was £1,346 million (2019: £1,346 million).

On 27 November 2014, the Company entered into an agreement with Sky Operational Finance Limited for a loan amount of £408 million. The loan is repayable on demand and bears interest at 6 month LIBOR. At 31 December 2020 the balance of the loan plus interest was £408 million (2019: £408 million).

On 26 February 2015, the Company entered into an agreement with Sky Operational Finance Limited for a loan amount of up to €140 million. The loan is repayable on demand and bears interest at 2.00% per annum. At 31 December 2020 the balance of the loan was £132 million (2019: £122 million).

On 1 April 2015, the Company entered into an agreement with Sky Operational Finance Limited for a loan amount of €600 million. The loan is repayable on demand and bears interest at 3 month EURIBOR plus 0.75%. As at 31 December 2020 the balance of the loan was £192 million (2019: £182 million).

On 17 November 2015, the Company entered into an agreement with Sky Operational Finance Limited for a loan amount of £356 million. The loan is repayable on demand and bears interest at 3.72% per annum. At 31 December 2020 the balance of the loan plus interest was £358 million (2019: £358 million).

In 2019, the Company entered into a £3 billion revolving credit facility with Comcast with an expiry date of 10 January 2024. The facility bears interest at Libor plus 0.60% per annum. At 31 December 2020 the balance of the facility was £1,859 million (2019: £854 million).

The Company has entered into other loans with other Group companies amounting to £26 million (2019: £25 million).

19. Provisions

	At 1 July 2018 £m	Provided during the year £m	Utilised during the year £m	At 31 December 2019 £m	**Provided during the year £m**	**Utilised during the year £m**	**At 31 December 2020 £m**
Current liabilities							
Restructuring provision (i)	10	12	(15)	7	**80**	**(9)**	**78**
Property provisions (ii)	4	11	(10)	5	**1**	**(3)**	**3**
Other	5	22	(17)	10	**-**	**(3)**	**7**
	19	45	(42)	22	**81**	**(15)**	**88**
Non-current liabilities							
Property provisions (ii)	5	2	(7)	-	**15**	**-**	**15**
Other	6	-	(6)	-	**-**	**-**	**-**
	11	2	(13)	-	**15**	**-**	**15**

(i) As at 31 December 2020 there was a £78 million provision relating to restructuring (2019: £7million) which primarily relates to severance. It is anticipated that this will be utilised within 12 months of the balance sheet date.

(ii) The Company has provided amounts for onerous contracts in relation to property services, maintenance and legal disputes. The timing of the cash flows for onerous contracts and maintenance are dependent on the remaining terms of the contracts. The timing of the cash flows for legal disputes cannot be reasonably determined.

20. Non-current trade and other payables

	2020 £m	2019 £m
Non-current trade and other payables		
Other payables	**132**	157
	132	157

The Directors consider that the carrying amount of trade and other payables approximates their fair values. Trade payables principally comprise amounts outstanding for programming purchases and ongoing costs.

21. Lease liabilities

	2020 £m	2019 £m
Current lease liabilities	**53**	1
Non-current lease liabilities	**126**	5

Maturity of lease liabilities	2020 £m	2019 £m
Within one year	**53**	1
Later than one year but not later than five years	**108**	5
Later than five years	**18**	-
Total lease liabilities	**179**	6

The future minimum lease payments for operating leases for the period ended 31 December 2019 is included in note 27.

The total cash outflow for leases in the year is £63 million (2019: £ nil).

Upon first time adoption of IFRS 16 Leases these operating leases are recognised as lease liabilities on the statement of financial position.

22. Derivatives and other financial instruments

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

	2020				2019			
	Asset		**Liabilities**		Asset		Liabilities	
	Fair value £m	**Notional £m**	**Fair value £m**	**Notional £m**	Fair value £m	Notional £m	Fair value £m	Notional £m
Fair Value Hedges								
Cross-currency Swaps	**-**	**-**	**(259)**	**1,003**	-	-	(210)	1,003
Cash flow hedges:								
Forward exchange contracts	**-**	**22**	**(18)**	**510**	-	98	(10)	473
Derivatives not in a formal hedge relationship:								
Forward exchange contracts	**100**	**3,470**	**(86)**	**2,304**	49	2,354	(47)	2,419
Cross-currency swaps	**13**	**100**	**(13)**	**100**	324	2,062	(321)	2,062
Interest rate swaps	**-**	**-**	**-**	**-**	4	450	(4)	450
Embedded Derivative	**-**	**-**	**-**	**-**	-	-	(5)	25
Total	**113**	**3,592**	**(376)**	**3,917**	377	4,964	(597)	6,432

22. Derivatives and other financial instruments (continued)

The maturity of the derivative financial instruments is as follows:

	2020		2019	
	Asset £m	**Liability £m**	Asset £m	Liability £m
In one year or less	**70**	**(65)**	47	(57)
Between one and two years	**26**	**(146)**	5	(11)
Between two and five years	**4**	**(7)**	222	(311)
More than five years	**13**	**(158)**	103	(218)
Total	**113**	**(376)**	377	(597)

The Company's portfolio of rate derivatives is diversified by maturity, counterparty and type. Natural offsets between transactions within the portfolio and the designation of certain derivatives as hedges significantly reduce the risk of Income Statement volatility.

Counterparty exposure from all derivatives is managed within credit limits that ensure that there is no significant risk to any one counterparty. In addition to this deals are only executed with counterparties that have a long-term rating of A- or better at the time of execution.

The Sky Group Treasury function is responsible for liquidity management, and the management of foreign exchange, interest rate and credit risks. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by Comcast Corporation who 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 that no speculative trading in financial instruments 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.

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 from 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 forward exchange contracts and cross currency swaps to hedge transactional and translational currency exposures.

Hedge accounting classification and impact

The Company designates its cross currency swaps as fair value hedges of the spot FX risk on disposal or impairment of its investment in Sky International Operations Limited, which is recorded at historical cost in accordance with IAS 21. Changes in the fair value of the derivatives are recognised immediately in the Income Statement. The fair value of the investment is calculated by retranslating the designated portion of the investment at the prevailing balance sheet exchange rate, with the gains or losses recognised immediately in the Income Statement, which offset the designated element of the fair value movement of the derivatives.

22. Derivatives and other financial instruments (continued)

The Company designates its forward foreign exchange contracts as cash flow hedges of forecast foreign currency sales and purchases. Gains or losses are released from the hedging reserve and included in the initial cost or other carrying amount of the non-financial asset or liability on the Balance Sheet and affect the Income Statement in the same periods as the related hedge items. If forecast transactions are no longer expected to occur, any amounts included in the hedging reserve related to that forecast transaction would be recognised directly in the Income Statement. During the current year gains of £20 million were removed from the hedging reserve and credited to inventories in the Balance Sheet (2019: gains of £68 million).

Hedge effectiveness testing is performed quarterly using the dollar-offset approach. The actual movement in the hedging items is compared with the movement in the valuation of the hypothetically perfect hedge of the underlying risk at inception, and any ineffectiveness is recognised directly in the Income Statement. Less than £1 million of ineffectiveness was recognised in the Income Statement during the current year (2019: less than £1 million).

A hedge relationship is deemed to be effective if the ratio of changes in valuation of the underlying hedged item and the hedging instrument is within the range of 80% to 125%. Any relationship which has a ratio outside this range is deemed to be ineffective, at which point hedge accounting is suspended. During the current year, there were no instances in which the hedge relationship was not highly effective. (2019: no instances).

(a) Carrying value and fair value

The accounting classification of each class of the Company's financial assets and liabilities, together with their fair values is as follows:

	Financial Assets at		Financial Liabilities at			
	Amortised Cost £m	Fair Value through Profit and Loss £m	Amortised Cost £m	Fair Value through Profit and Loss £m	Total carrying value £m	Total fair values £m
At 31 December 2020						
Derivative financial instruments	**-**	**113**	**-**	**(376)**	**(263)**	**(263)**
Trade and other payables	**-**	**-**	**(12,786)**	**-**	**(12,786)**	**(12,786)**
Minority equity investments	**-**	**1**	**-**	**-**	**1**	**1**
Trade and other receivables	**4,704**	**-**	**-**	**-**	**4,704**	**4,704**
Cash and cash equivalents	**199**	**-**	**-**	**-**	**199**	**199**
At 31 December 2019						
Derivative financial instruments	-	377	-	(597)	(220)	(220)
Trade and other payables	-	-	(10,733)	-	(10,733)	(10,733)
Minority equity investments	-	1	-	-	1	1
Trade and other receivables	3,004	-	-	-	3,004	3,004
Cash and cash equivalents	611	-	-	-	611	611

22. Derivatives and other financial instruments (continued)

(a) Carrying value and fair value (continued)

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and which are traded on active liquid markets is determined with reference to quoted market prices;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts;
- Interest rate and cross-currency swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and
- The fair value of obligations under finance leases and other borrowings is estimated by discounting the future cash flows to net present value. The fair value of short-term deposits and cash and cash equivalents is equivalent to carrying value due to the short-term nature of these instruments.

The differences between carrying values and fair values reflect unrealised gains or losses inherent in the financial instruments, based on valuations as at 31 December 2020 and 31 December 2019. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

(b) Fair value hierarchy

The following table categorises the Company's financial instruments which are held at fair value into one of three levels to reflect the degree to which observable inputs are used in determining their fair values:

	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
At 31 December 2020				
Financial assets				
Minority equity investments: unlisted	1	-	-	1
Cross currency swaps	13	-	13	-
Forward foreign exchange and option contracts	100	-	100	-
Total	**114**	**-**	**113**	**1**
Financial liabilities				
Cross currency swaps	(272)	-	(272)	-
Forward foreign exchange and option contracts	(104)	-	(104)	-
Total	**(376)**	**-**	**(376)**	**-**

22. Derivatives and other financial instruments (continued)

(b) Fair value hierarchy (continued)

	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
At 31 December 2019				
Financial assets				
Minority equity investments: listed	1	-	-	1
Interest rate swaps	4	-	4	-
Cross currency swaps	324	-	324	-
Forward foreign exchange and option contracts	49	-	49	-
Total	**378**	-	**377**	**1**
Financial liabilities				
Interest rate swaps	(4)	-	(4)	-
Cross currency swaps	(531)	-	(531)	-
Forward foreign exchange and option contracts	(57)	-	(57)	-
Embedded Derivative	(5)	-	(5)	-
Total	**(597)**	-	**(597)**	-

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.

(c) Offsetting of financial assets and liabilities

The following table show those financial asset and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

				Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial assets / (liabilities) £m	Gross amounts of financial assets / (liabilities) offset in the balance sheet £m	Net amounts presented in Balance Sheet £m	Right of set off with derivative counterparties £m	Net amount £m
At 31 December 2020					
Derivative financial assets	113	-	113	(21)	92
Derivative financial liabilities	(376)	-	(376)	21	(355)
Total	**(263)**	-	**(263)**	-	**(263)**
At 31 December 2019					
Derivative financial assets	377	-	377	(225)	152
Derivative financial liabilities	(597)	-	(597)	225	(372)
Total	**(220)**	-	**(220)**	-	**(220)**

22. Derivatives and other financial instruments (continued)

(c) Offsetting of financial assets and liabilities (continued)

Financial assets and liabilities are offset and the amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derivative financial instruments that do not meet the criteria for offset could be settled net in certain circumstances under ISDA ('International Swaps and Derivatives Association') agreements where each party has the option to settle amounts on a net basis in the event of default from the other.

(d) Changes in assets and liabilities arising from financing activities

	31 December 2019	IFRS16 recognition 1 January 2020	Net (proceeds) / repayments	Interest Paid	Additions to leases	Net Financing Costs(ii)	31 December 2020
	£m	£m	£m	£m	£m	£m	£m
Comcast RCF(iii)	(853)	-	(1,004)	-		-	(1,857)
Comcast RCF - Interest(iii)	(1)	-	-	8		(9)	(2)
Derivatives - Financing(iv)	1	-	44	-		(32)	13
Lease liabilities	(6)	(214)	56	6	(15)	(6)	(179)
Assets and liabilities arising from financing activities(i)	**(859)**	**(214)**	**(904)**	**14**	**(15)**	**(47)**	**(2,025)**

(i) Comcast RCF and Interest, derivatives relating to financing and leases (including impact of IFRS16).

(ii) Includes Comcast RCF Interest, derivative fair value and foreign exchange which impact the Income statement or other comprehensive income and lease interest.

(iii) The Comcast RCF and Interest is included within Amounts payable to other Group Companies in Note 18.

(iv) These are financing derivatives only and are subsets of the Balance Sheet derivatives (which also include operating and investing derivatives).

23. 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.

Notes to the financial statements

23. Financial risk management objectives and policies (continued)

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:

	0 - 6 Months	6 - 12 Months	Beyond 12 Months
At 31 December 2020			
Cash flow hedges			
Foreign Currency risk			
Forward Currency Contracts (GBP:USD)			
Notional Amount (£m)	152	116	264
Average exchange rate to GBP	1.31	1.33	1.33
At 31 December 2019			
Cash flow hedges			
Foreign Currency risk			
Forward Currency Contracts (GBP:USD)			
Notional Amount (£m)	177	145	252
Average exchange rate to GBP	1.31	1.30	1.32
Cross Currency Swaps (GBP:EUR) fixed			
Notional Amount (£m)	-	-	1,003
Average exchange rate	-	-	1.37
Average GBP Interest rate	-	-	4.49%

The following table represents the corresponding carrying values and nominal amounts of derivatives in a continued hedge relationship:

		Carrying amount of the hedging Instrument			Other Comprehensive Income				
	Nominal Amount of the hedging Instrument	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is located	Opening Balance 1 January 2020	(Gain) / Loss deferred to OCI	Gain / (Loss) reclassified to inventories	Closing Balance 31 December 2020	Hedge ineffective-ness recognised in financing (income) / costs
	£m	£m	£m		£m	£m	£m	£m	£m
Cash Flow Hedges									
Foreign Currency Risk									
Forward exchange contracts	532	-	(18)	Derivative Financial Asset and Derivative Financial Liabilities	(17)	3	20	6	-
Fair Value Hedges									
Foreign Currency Risk									
Cross-currency swaps	1,003	-	(259)	Derivative Financial Asset and Derivative Financial Liabilities	-	-	-	-	-

23. Financial risk management objectives and policies (continued)

Market risk (continued)

	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	Other Comprehensive Income				Hedge ineffectiveness recognised in financing (income) / costs
		Assets	Liabilities		Opening Balance 1 July 2018	(Gain) / Loss deferred to OCI	Gain / (Loss) reclassified to inventories	Closing Balance 31 December 2019	
	£m	£m	£m		£m	£m	£m	£m	£m
Cash Flow Hedges									
Foreign Currency Risk									
Forward exchange contracts	571	-	(10)	Derivative Financial Asset and Derivative Financial Liabilities	(60)	(26)	69	(17)	-
Fair Value Hedges									
Foreign Currency Risk									
Cross-currency swaps	1,003	-	(210)	Derivative Financial Asset and Derivative Financial Liabilities	-	-	-	-	-

The following table represents the corresponding carrying values of the hedged item and the accumulated amount of fair value hedge adjustments:

	Carrying amount of the hedged item		Line item in the statement of financial position where the hedged item is located	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
	Assets	Liabilities		Assets	Liabilities
	£m	£m		£m	£m
At 31 December 2020					
Fair Value Hedges					
Foreign Currency Risk					
Investment	1,228	-	Investments in subsidiaries	242	-
At 31 December 2019					
Fair Value Hedges					
Foreign Currency Risk					
Investment	1,163	-	Investments in subsidiaries	177	-

23. Financial risk management objectives and policies (continued)

Market risk (continued)

The following table represents the changes in value of hedging instrument and hedged item for calculating hedge ineffectiveness:

	Hedging Instrument	Change in value of hedging instrument for calculating hedge ineffectiveness	Change in value of hedged item for calculating hedge ineffectiveness
		£m	£m
At 31 December 2020			
Cash Flow Hedges			
USD Payables	Forward Contracts	3	(3)
At 31 December 2019			
Cash Flow Hedges			
USD Payables	Forward Contracts	(26)	26

Capital Risk Management

The capital structure of the Company consists of equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings.

Risk and treasury management is governed by Comcast Corporation's policies approved by its Board of Directors.

Liquidity risk

The Company's financial liabilities are shown in notes 18, 19 and 20.

The following table analyses the Company's non-derivative 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. These amounts may not reconcile to the amounts disclosed on the Balance Sheet for provisions and trade and other payables.

		Less than 12 months	Between one and two years	Between two and five years	More than five years
		£m	£m	£m	£m
At 31 December 2020					
Non-derivative financial liabilities					
Trade and other payables		**12,786**	**113**	**16**	**3**
Provisions		**88**	**-**	**1**	**14**
Gross settled derivatives					
Asset	Outflow	**2,567**	**698**	**233**	**116**
	Inflow	**(2,634)**	**(718)**	**(234)**	**(126)**
Liability	Outflow	**1,755**	**1,559**	**368**	**806**
	Inflow	**(1,697)**	**(1,423)**	**(364)**	**(684)**

23. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

		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					
Trade and other payables		10,733	46	106	5
Provisions		22	-	-	-
Gross settled derivatives					
Asset	Outflow	1,964	539	1,933	984
	Inflow	(2,008)	(538)	(2,144)	(1,039)
Liability	Outflow	2,288	671	2,740	954
	Inflow	(2,248)	(677)	(2,457)	(824)

Credit risk

The Company is exposed to default risk amounting to the positive fair value of derivative financial assets held. However, this risk is deemed to be low. Counterparty risk forms a central part of the Group's treasury policy, which is monitored and reported on regularly. Treasury policies ensure that all derivative transactions are only effected with strong relationship banks and at the date of signing each carried a minimum credit rating of "Baa2" or equivalent from Standard and Poor's.

Credit risk in the Company's residential customer base is mitigated by billing and collecting in advance for digital television subscriptions for the majority of its residential customer base.

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts as disclosed in note 17.

Interest rate risk

The Company has financial exposure to UK and European interest rates arising from interest rate derivatives transacted on behalf of the Sky Group and various loan balances with other companies within the Sky Group. The Sky Group's Treasury function monitors the Company's exposure to fluctuations in interest rates.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for 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.

A one percentage point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been one percentage point higher and all other variables were held constant, the Company's profit for the year ended 31 December 2020 would decrease by £6 million (2019: profit for the year would increase by £10 million).

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 Company's actual exposure to market rates changes as the Company's portfolio of debt, cash and foreign currency contracts changes. In addition, 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. 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.

23. Financial risk management objectives and policies (continued)

Foreign exchange risk

The Company's revenues are substantially denominated in pounds sterling, although a significant proportion of operating costs are denominated in US dollars. These costs relate mainly to the Company's programming contracts with US suppliers.

The Sky Group hedges currency exposures on US dollar denominated highly probable cash flows by using forward exchange contracts purchased up to thirty months ahead of the cash flow and currently no longer hedges transactional euro exposures arising in the UK.

It is the Group's policy that all US dollar foreign currency exposures are substantially hedged in advance of the year in which they occur. At 31 December 2020, the Sky Group had purchased forward foreign exchange contracts representing:

Approximately 76% (2019: 99%) of US dollar denominated costs falling due within one year and, on a declining basis across a thirty month planning horizon are hedged via:

- Outstanding commitments to purchase, in aggregate, $1,435 million (2019: $1,689 million) at an average exchange rate of £1.00 to $1.32 (2019: £1.00 to $1.31), of which $595 million was purchased on behalf of other group companies.
- Outstanding commitments to sell, in aggregate, $73 million (2019: $8 million) at an average exchange rate of £1.00 to $1.35 (2019: £1.00 to $1.36), of which $46 million was sold on behalf other group companies.

In respect of hedging current Balance Sheet exposures:

- Outstanding commitments to sell, in aggregate, €1,903 million (2019: €1,044 million) at an average rate of £1.00 to €1.11 (2019: £1.00 to €1.17).
- Outstanding commitments to purchase, in aggregate, €85 million (2019: €416 million) at an average rate of £1.00 to €1.11 (2019: £1.00 to €1.18).

The Company has taken out the following positions on behalf of other Group companies:

- Outstanding commitments to purchase, in aggregate, $1,291 million (2019: $911 million) at an average exchange rate of €1.00 to $1.18 (2019: €1.00 to $1.15), all of which was purchased on behalf of other group companies.
- Outstanding commitments to sell, in aggregate, $30 million (2019: $24 million) at an average exchange rate of €1.00 to $1.16 (2019: €1.00 to $1.12), all of which was sold on behalf of other group companies.
- Outstanding commitments to purchase, in aggregate, £30 million (2019: £26 million) at an average rate of £0.89 to €1.00 (2019: £0.90 to €1.00), all of which was purchased on behalf of other group companies.
- Outstanding commitments to sell, in aggregate,€536 million (2019: €474 million) at an average rate of £0.87 to €1.00 (2019: £0.89 to €1.00), all of which was sold on behalf of other group companies.

For changes in the fair values of derivatives that are designated as cash flow hedges, the effective portion of the gain or loss is initially reported in the hedging reserve. Amounts accumulated in the hedging reserve are recognised in the initial cost or other carrying value of the non-financial asset or liability on the Balance Sheet and affect the Income Statement in the same periods as the related hedged item. For those derivatives not designated for hedge accounting purposes, which include the derivatives transacted on behalf of other group companies, all changes in fair value are recognised immediately in the Income Statement.

23. Financial risk management objectives and policies (continued)

Foreign exchange risk (continued)

For forward exchange contracts, hedge accounting is applied to changes in the full fair value. Any hedge ineffectiveness on the forward exchange contracts is recognised directly in the Income Statement. The ongoing effectiveness testing is performed using the dollar-offset approach. If forecast transactions are no longer expected to occur, any amounts included in the hedging reserve related to that forecast transaction would be recognised directly in the Income Statement. Certain forward exchange contracts have not been designated as hedges and movements in their values continue to be recorded directly in the Income Statement.

It is the Company's policy that anticipated USD foreign currency exposures are substantially hedged in advance of the fiscal year in which the exposure occurs.

Foreign exchange sensitivity

The following analysis details the Company's sensitivity to movements in pounds sterling and 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 year-end for a 25% change in foreign currency rates.

- A 25% strengthening in pounds sterling against the Dollar would have a beneficial effect on profit of £4 million (2019: adverse impact of £3 million). The same move would have an adverse impact on other equity of £83 million (2019: adverse impact of £86 million).
- A 25% weakening in pounds sterling against the Dollar would have an adverse effect on profit of £7 million (2019: beneficial impact of £5 million). The same move would have a beneficial impact on other equity of £138 million (2019: beneficial impact of £144 million).
- A 25% strengthening in pounds sterling against the Euro would have a beneficial impact on profit of £45 million (2019: beneficial impact of £40 million). The same move would have no impact on other equity (2019: no impact).
- A 25% weakening in pounds sterling against the Euro would have an adverse impact on profit of £74 million (2019: adverse impact of £66 million). The same move would have no impact on other equity (2019: no impact).

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 Company's actual exposure to market rates is constantly changing as the Company's portfolio of foreign currency and equity contracts changes.

In addition, 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. 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

24. Share capital

	2020 Number	2020 £m	2019 Number	2019 £m
Authorised, called-up and fully paid				
Ordinary shares of £1 each				
Beginning of year	**10,002,007**	**10**	10,002,002	10
Issued during the year	**1**	**-**	5	-
End of year	**10,002,008**	**10**	10,002,007	10

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

On 23 July 2020, the Company issued 1 ordinary share to Sky Limited in exchange for the assignment of a loan note receivable with a face value of €469 million (£430 million) issued by Sky Operational Finance Limited.

Share option and contingent share award schemes

The Company operates various equity-settled share option schemes (the "Schemes") for certain employees, using shares in the Company's ultimate parent company, previously Sky Limited and now Comcast Corporation. After the acquisition of the Sky Group by Comcast Corporation on 9 October 2018, the previous share schemes operated by Sky were settled. New awards were granted under the Restricted Stock Units schemes operated by Comcast Corporation.

The awards outstanding can be summarised as follows:

Scheme	2020 Number of ordinary shares	2019 Number of ordinary shares
Sharesave Scheme options(i)	**1,636,835**	1,328,857
Comcast Corporation RSU awards(ii)	**3,771,227**	4,904,179
Management Special Incentive awards(iii)	**1,219,508**	843,170
	6,627,570	7,076,206

(i) Sharesave Scheme options

All Sharesave Scheme options outstanding at 31 December 2020 and 31 December 2019 have no performance criteria attached, other than the requirement that the employee remains in employment with Sky. Options granted under the Sharesave Scheme are to be exercised within six months of the relevant award vesting date.

The Sharesave Scheme is open to all employees. Options are normally exercisable after either three or five years from the date of grant. The price at which options are offered is not less than 80% of the middle-market price on the dealing day immediately preceding the date of invitation.

(ii) Comcast Corporation RSU awards

All awards outstanding at 31 December 2020 and 31 December 2019 vest provided that on the vesting date the grantee is and has from the date of the grant continuously been an employee of the Company or a Subsidiary Company during the restricted period.

24. Share capital (continued)

Share option and contingent share award schemes (continued)

(iii) Management Special Incentive awards

All Management Special Incentive award outstanding at 31 December 2020 and 31 December 2019 vest only if performance conditions are met.

Share option and contingent share award schemes

During the prior year, Sky's previous Management LTIP, LTIP, Management Co-Investment LTIP, and Co-Investment LTIP awards were cancelled following Comcast's acquisition of Sky on 9 October 2018.

For the purposes of the disclosure below, the previous Management LTIP, LTIP, Management Co-Investment LTIP, Co-Investment LTIP awards, together with the Comcast Corporation RSU awards and Management Special Incentive awards ('Senior Management Schemes') have been aggregated.

The movement in share awards outstanding is summarised in the following table:

	Sharesave Scheme		Senior Management Schemes		Total	
	Number of shares under option	Weighted average exercise price	Number of shares under option	Weighted average exercise price	Number of shares under option	Weighted average exercise price
	Number	£	Number	£	Number	£
Outstanding at 1 July 2018	4,741,104	7.33	24,631,408	0.00	29,372,512	1.18
Granted during the period	1,330,667	27.26	20,308,428	0.00	21,639,095	1.68
Cancelled during the period	(4,741,104)	7.33	(37,246,136)	0.00	(41,987,240)	0.83
Expired during the period	(1,810)	27.26	(1,946,351)	0.00	(1,948,161)	0.03
Outstanding at 31 December 2019	**1,328,857**	**27.26**	**5,747,349**	**0.00**	**7,076,206**	**5.12**
Granted during the year	**327,844**	**27.39**	**1,906,815**	**0.00**	**2,234,659**	**4.02**
Vested during the year	**-**	**-**	**(2,864,686)**	**0.00**	**(2,864,686)**	**0.00**
Forfeited during the year	**(19,866)**	**27.26**	**(373,349)**	**0.00**	**(393,215)**	**1.38**
Transferred during the year	**-**	**-**	**574,606**	**0.00**	**574,606**	**0.00**
Outstanding at 31 December 2020	**1,636,835**	**27.29**	**4,990,735**	**0.00**	**6,627,570**	**6.74**

The weighted average market price of Comcast's shares at the date RSU awards vested during the year was £33.78 (2019: £nil).

24. Share capital (continued)

Share option and contingent share award schemes (continued)

The following table summarises information about share awards outstanding at 31 December 2020 and 31 December 2019:

	Sharesave Scheme		Senior management schemes		Total	
	2020	2020 Weighted average remaining contractual life	2020	2020 Weighted average remaining contractual life	2020	2020 Weighted average remaining contractual life
Range of Exercise Prices	Number	Years	Number	Years	Number	Years
£0.00 - £1.00	-	-	4,990,735	1.07	4,990,735	1.07
£27.00 - £28.00	1,636,835	2.65	-	-	1,636,835	2.65
	1,636,835	**2.65**	**4,990,735**	**1.07**	**6,627,570**	**1.46**

	2019	2019	2019	2019	2019	2019
Range of Exercise Prices	Number	Years	Number	Years	Number	Years
£0.00 - £1.00	-	-	5,747,349	1.16	5,747,349	1.16
£27.00 - £28.00	1,328,857	3.51	-	-	1,328,857	3.51
	1,328,857	3.51	5,747,349	1.16	7,076,206	1.60

The exercise prices of options outstanding at 31 December 2020 ranged from nil to £27.39 (2019: nil to £27.26).

At 31 December 2020 and 31 December 2019 none of the outstanding Sharesave awards were exercisable. On vesting, RSUs are automatically assigned to the employee.

Information for awards granted during the year

The weighted average fair value of equity-settled share options granted during the year, as estimated at the date of grant, was £29.51 (2019: £18.19). This was calculated using the Black-Scholes share option pricing model.

Expected volatility was determined by calculating the historical volatility of Comcast's share price, over a period equal to the expected life of the options. Expected life was based on the contractual life of the options and adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

The following weighted average assumptions were used in calculating these fair values:

Weighted average fair value assumptions

(i) Sharesave Scheme

The weighted average fair value of equity-settled share awards granted during the year under the Sharesave Scheme, as estimated at the date of grant, was £8.14 (2019: £8.47). This was calculated using the Black-Scholes share option pricing model.

24. Share capital (continued)

Weighted average fair value assumptions (continued)

(i) Sharesave Scheme (continued)

The following weighted average assumptions were used in calculating these fair values:

	2020	2019
Share price	**£33.79**	£33.92
Exercise price	**£27.39**	£27.26
Expected volatility	**25.9%**	22.8%
Expected life	**3.5 years**	3.6 years
Expected dividends	**2.1%**	1.9%
Risk-free interest rate	**0.2%**	1.6%

(ii) Senior Management Schemes

The weighted average fair value of equity-settled share awards granted during the year under the Senior Management Schemes, as estimated at the date of grant, was £33.18 (2019: £19.40). Awards granted as nil-priced options were treated as the award of a free share. For all other awards, fair value was calculated using the Black-Scholes share option pricing model.

The following weighted average assumptions were used in calculating these fair values:

	2020	2019
Share price	**£33.20**	£19.94
Exercise price	**£0.00**	£0.00
Expected volatility	**0.0%**	0.0%
Expected life	**3.0 years**	2.7 years
Expected dividends	**0.0%**	1.0%
Risk-free interest rate	**0.8%**	0.9%

25. Shareholder's equity

	2020 £m	2019 £m
Share capital	**10**	10
Share premium	**1,204**	774
Hedging reserve	**(5)**	14
Retained earnings	**1,196**	1,336
	2,405	2,134

Hedging reserve

Changes in the fair values of derivatives that are designated as cash flow hedges are initially recognised in the hedging reserve, to the extent that the hedges are effective. Amounts accumulated in the hedging reserve are subsequently recognised in the initial cost or other carrying value of the non-financial asset or liability on the Balance Sheet and the Income Statement in the periods in which the related hedged items are recognised in the Income Statement. In addition, deferred tax relating to these derivatives is also initially recognised in the hedging reserve prior to transfer to the Income Statement.

26. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations	**2020**	2019
	£m	£m
(Loss) profit before tax	**(117)**	367
Depreciation and impairment of property, plant and equipment	**77**	117
Amortisation and impairment of intangible assets	**98**	120
Depreciation and impairment of right-of-use assets	**48**	-
Impairment of investment in subsidiaries and minority equity investments	**-**	6
Loss on disposal of property, plant and equipment	**3**	1
Loss on disposal of intangible assets	**3**	6
Share-based payment expense	**-**	(13)
Investment income	**(119)**	(71)
Finance costs	**114**	87
	107	620
(Increase) / decrease in trade and other receivables	**(2,543)**	4,605
Decrease / (Increase) in inventories	**106**	(811)
Increase / (decrease) in trade and other payables	**1,271**	(5,910)
Increase / (decrease) in provisions	**81**	(8)
Decrease in derivative financial assets	**(40)**	(76)
Cash generated from operations	**(1,018)**	(1,580)

27. Operating lease commitments

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

	2019
	£m
Within one year	15
Between one and two years	12
Between two and three years	9
Between three and four years	6
Between four and five years	5
After five years	23
	70

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

From 1 January 2020, the Company has recognised right-of-use assets and lease liabilities in respect of these commitments. Refer to note 21.

28. Contracted commitments, contingencies and guarantees

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

	Less than 1 year £m	Between 1 and 5 years £m	After 5 Years £m	Total at 31 December 2020 £m	Total at 31 December 2019 £m
Television programme rights	1,914	3,613	236	**5,763**	7,884
Third party payments(i)	121	243	-	**364**	284
Transponder capacity(ii)	-	-	-	**-**	157
Property, plant and equipment	44	-	-	**44**	-
Intangible asset	16	7	-	**23**	3
Other	377	203	4	**584**	362
	2,472	**4,066**	**240**	**6,778**	8,690

(i) The third party payment commitments are in respect of distribution agreements for the television channels owned and broadcast by third parties, retailed by the Group to retail and commercial subscribers ("Sky Distributed Channels").

(ii) Transponder capacity commitments are in respect of the SES satellites that the Group uses for digital transmissions to both retail subscribers and cable operators. In the current year these are recognised on the Balance Sheet as lease liabilities (see note 21).

Foreign currency commitments are translated to pounds sterling at the rate prevailing at the balance sheet date.

b) Contingencies and guarantees

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

29. Transactions with related parties

a) Major shareholders of Sky Limited

The Company conducted business transactions with companies that were part of the Twenty-First Century Fox, Inc group, who was a major shareholder of Sky Limited, the ultimate parent undertaking of the Company until 9 October 2018:

	2020 £m	2019 £m
Supply of services by the Company	-	8
Purchases of goods / services by the Company	-	(42)

Services supplied to Twenty-First Century Fox, Inc. companies

During the prior period, until 9 October 2018, the Company supplied programming, airtime, transmission, transponder facilities, marketing consultancy services, channel distribution services and set-top boxes to Twenty-First Century Fox, Inc. companies.

29. Transactions with related parties (continued)

Purchases of goods and services and from Twenty-First Century Fox, Inc. companies

During the prior period, until 9 October 2018, the Company purchased programming, technical and marketing services from Twenty-First Century Fox, Inc. companies.

The Company conducts business transactions with companies that are part of the Comcast Group, the ultimate parent undertaking of the Company since 9 October 2018:

	2020 £m	2019 £m
Supply of services by the Company	**29**	32
Purchases of goods / services by the Company	**(544)**	(230)
Amounts owed by the Company	**(1,939)**	1,004

Services supplied to Comcast

During the year, the Company supplied programming, airtime, transmission, transponder facilities, marketing consultancy services, and channel distribution services to Comcast.

Purchases of goods and services and from Comcast

During the year, the Company purchased programming, technical and marketing services from Comcast.

b) Key management

The Company has a related party relationship with the Directors of the Company as key management. At 31 December 2020, there were three (2019: three) key managers, each of whom were Directors of the Company. For further details, see note 7(b).

c) Transactions with parent company

The Group's Treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from other Group companies as required. Under this policy, the Company paid £450 million (2019: paid £532 million) on behalf of Sky Limited.

On 23 July 2020, the Company issued 1 ordinary share to Sky Limited in exchange for the assignment of loan note receivable with a face value of €469 million (£430 million) issued by Sky Operational Finance Limited.

d) Transactions with subsidiaries

The Company conducts business transactions with subsidiaries:

	2020 £m	2019 £m
Supply of services by the Company	**16**	31
Purchases of goods / services by the Company	**(3,015)**	(4,598)

For details of amounts owed by and owed to subsidiaries, see note 17 and note 18.

Principal services supplied to subsidiaries:

- Supply of access to selected third party channels.
- Installation services and box costs
- Call handling services

29. Transactions with related parties (continued)

d) Transactions with subsidiaries (continued)

- Telemarketing services
- Subscriber handling
- Intellectual property rights

The Group's Treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from subsidiaries as required. Under this policy, the Company received £3,026 million on behalf of its subsidiaries (2019: Company received £2,408 million).

e) Transactions with other Group companies

The Group's Treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from other Sky companies as required. Under this policy the Company received £110 million on behalf of other Group companies during the year (2019: received £1,166 million).

f) Forward contracts on behalf of Sky In Home Service Limited

In the prior year, the Company took out a number of forward contracts with counterparty banks prior to and during the year on behalf of its subsidiary Sky In-Home Service Limited (SIHS). On the same dates as these forward contracts were entered into, the Company entered into equal and opposite contracts with SIHS in respect of these forward contracts.

During the year, US$nil (2019: US$496 million) was paid to SIHS upon maturity of forward exchange contracts and £nil (2019: £368 million) was received from SIHS upon maturity of forward exchange contracts.

g) Forward contracts on behalf of Sky Italia Srl ("Sky Italia")

The Company took out a number of foreign exchange contracts with counterparty banks prior to and during the year on behalf of the indirect subsidiary Sky Italia. On the same dates as these forward contracts were entered into, the Company entered into equal and opposite contracts with Sky Italia in respect of these forward contracts.

The Company was not exposed to any of the net gains or losses on these forward contracts. The face value of the forward contracts that had not matured as at 31 December 2020 was £497 million (2019: £436 million).

During the year, US$354 million (2019: US$750 million) was paid to Sky Italia upon maturity of forward exchange contracts, £39 million (2019: £50 million) was paid to Sky Italia upon maturity of forward exchange contracts and €347 million (2019: €679 million) was received from Sky Italia upon maturity of forward exchange contracts.

h) Forward contracts on behalf of Sky Deutschland GmbH ("Sky Deutschland")

The Company took out a number of forward exchange contracts with counterparty banks prior to and during the year on behalf of the indirect subsidiary Sky Deutschland. On the same dates as these forward contracts were entered into, the Company entered into equal and opposite contracts with Sky Deutschland in respect of these forward contracts.

The Company was not exposed to any of the net gains or losses on these forward contracts. The face value of the forward contracts that had not matured as at 31 December 2020 was £500 million (2019: £295 million).

29. Transactions with related parties (continued)

h) Forward contracts on behalf of Sky Deutschland GmbH ("Sky Deutschland") (continued)

During the year, US$267 million (2019: US $403 million) was paid to Sky Deutschland upon maturity of forward exchange contracts, £30 million (2019: £29 million) was paid to Sky Deutschland upon maturity of forward exchange contracts and €265 million (2019: €369 million) was received from Sky Deutschland upon maturity of forward exchange contracts.

i) Derivative contracts on behalf of Sky Limited

The Company was not exposed to any of the net gains or losses on these derivative contracts. The face value of the swaps that had not matured as at 31 December 2020 was £100 million (2019: £2,512 million).

j) Derivative contracts on behalf of Sky CP Limited ("Sky CP")

The Company took out a number of forward exchange contracts with counterparty banks prior to and during the year on behalf of the indirect subsidiary Sky CP. On the same dates as these forward contracts were entered into, the Company entered into equal and opposite contracts with Sky CP in respect of these forward contracts.

The Company was not exposed to any of the net gains or losses on these forward contracts. The face value of the forward contracts that had not matured as at 31 December 2020 was £469 million (2019: £555 million).

During the year, US$73 million (2019: US$251 million) was paid to Sky CP upon maturity of forward exchange contracts and £435 million (2019: £178 million) was received from Sky CP upon maturity of forward exchange contracts.

k) Derivative contracts on behalf of Sky Subscribers Services Limited ("SSSL")

The Company took out a number of forward exchange contracts with counterparty banks during the year on behalf of the indirect subsidiary SSSL. On the same dates as these forward contracts were entered into, the Company entered into equal and opposite contracts with SSSL in respect of these forward contracts.

The Company was not exposed to any of the net gains or losses on these forward contracts. The face value of the forward contracts that had not matured as at 31 December 2020 was £480 million (2019: £402 million).

During the year, £301 million (2019: £101 million) was paid to SSSL upon maturity of forward exchange contracts and €332 million (2019: €112 million) was received from SSSL upon maturity of forward exchange contracts.

Notes to the financial statements

30. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky 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, a company incorporated in the United States of America and registered in Pennsylvania.

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

The consolidated financial statements of the Comcast Group are available to the public and may be obtained from Company Investor Relations at Comcast Corporation, One Comcast Center, Philadelphia, PA 19013, USA. Or at: https:\\www.cmcsa com\investors.