

SKY STUDIOS LIMITED

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

Registered number: 04377175



Directors and Officers

For the year ended 31 December 2020

Directors

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

T C Richards

C Smith

C L Cooper (Appointed 23 July 2020, Resigned 31 May 2021)

S Robson (Appointed 31 May 2021)

Company Secretary

Sky Corporate Secretary Limited

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

United Kingdom

Auditor

Deloitte LLP

Statutory Auditor

London

United Kingdom

Strategic and Directors' Report

Strategic Report

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

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

Business review and principal activities

The Company operates together with Comcast Corporation's other subsidiaries as a part of the Comcast Group. The Company is a wholly-owned subsidiary of Parthenon Media Group Limited (the immediate parent company).

The Company is a media company that distributes video content. The Company's key asset is its library of programmes and hours of content. The principal activity of the Company in the year has continued to be that of the distribution of television programmes. There have not been any significant changes in the Company's activities in the year under review.

In 2020, Sky Studios Elstree, the new Sky Studios state-of-the-art film and TV studio, received planning permission to proceed with construction in the UK. Set to open in 2022, Sky Studios Elstree will become home to a host of Sky Originals, created by Sky Studios, as well as major film productions from Universal Pictures, Focus Features and Working Title, and television series from Universal Studio Group.

It is anticipated that a finance lease will be recognised on Sky Studios obtaining control of the Elstree asset currently under construction, which is expected to complete in 2022.

Financial Review and Dividends

The audited accounts for the year ended 31 December 2020 are set out on pages 11 to 24. The Directors consider turnover and operating profit/loss to be key performance indicators of the Company. Turnover for the year ended 31 December 2020 was £100,552k (2019: £107,207k) and the loss after tax was £27,785k (2019: £22,769k loss).

The loss after tax reflects the impairment of content rights during the year of £36,876k (2019: £50,990k) as well as the increased cost relating to the amortisation of programme stock. The Directors continue to take steps to identify new revenue streams from the existing programme library.

The Balance Sheet shows that the Company's shareholders deficit position at the end of the year was £28,214k (2019: £429k deficit).

No dividend was proposed for the year ended 31 December 2020.

Key performance indicators (KPIs)

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

Strategic and Directors' Report (continued)

Principal risks and uncertainties

The Company's business is dependent on the quality of programming in its library and its ability to monetise this content through its efficient and established distribution systems and its network of relationships. 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 and customers could affect the Company's ability to operate as a business.

The Company's activities expose it to financial risks, namely credit risk, liquidity risk and foreign exchange risk, including any fluctuations arising as a result of the UK's decision to exit the European Union.

Foreign exchange risk

The Company's international activities expose it to the financial risks of changes in foreign currency exchange rates. The Group uses natural offsets, foreign exchange forward contracts and cross currency swaps to hedge these exposures across the Group.

Credit risk

The balance sheet of the Company includes receivables due from third parties, associates and intercompany balances due from related parties. The Company is therefore exposed to credit risk on these balances. The intercompany balances of the Company are detailed in notes 12 and 13.

Liquidity risk

The Company relies on the Group Treasury function to manage its liquidity and ensure that sufficient funds are available for ongoing operations and future developments. The Group has access to an undrawn £3 billion revolving credit facility which is due to expire on 11 January 2024. The Company benefits from this liquidity through intra-group facilities and loans.

Legislation and Regulation risk

U.K. Exit from the European Union

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

The telecommunications and media regulatory framework applicable to Sky's 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.

Impact of COVID-19

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

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

Strategic and Directors' Report (continued)

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

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

Employment policies

Organisation

Over the past 12 months, the Company has continued in its efforts to make the Company a great place to work. The Company has continued to place particular focus on leadership capability, looking both at the Company's leaders of today and future leaders.

The average monthly number of full-time equivalent persons employed by the Company during the year was 68 (2019: 47).

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.

Approved by the board and signed on its behalf by,



T C Richards
Director
Grant Way
Isleworth
Middlesex
TW7 5QD

10 September 2021

Strategic and Directors' Report (continued)

Directors' Report

The Directors who served during the year are shown on page 1. No dividend was proposed for the year ended 31 December 2020 (18 months to 31 December 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 Director's report.

Going concern

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

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

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

Auditor

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

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director to make themselves 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 10 September 2021.

Approved by the board and signed on its behalf by,



T C Richards
Director

Grant Way
Isleworth
Middlesex
TW7 5QD

10 September 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

Auditor's report (continued)

Independent Auditor's report to the members of Sky Studios Limited **Report on the audit of the financial statements**

Opinion

In our opinion the financial statements of Sky Studios' Ltd. (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 17

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Auditor's report (continued)

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.

Auditor's report (continued)

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 frameworks that the company operates in, and identified the key laws and regulations that:

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

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

As a result of performing the above, we identified the greatest potential for fraud in distribution revenue being recognised in the incorrect period. Our specific procedures performed to address this risk included performing tests of detail over distribution revenue recognised post-year end and tracing to supporting evidence to conclude on whether it was recorded in the correct period.

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 (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception


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

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

We have nothing to report in respect of these matters.

Use of our report

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



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

Profit and Loss Account

For the year ended 31 December 2020

		12 months to 31 December 2020	18 months to 31 December 2019
	Note	£'000	£'000
Turnover	4	100,552	107,207
Cost of sales		(122,553)	(126,806)
Gross Loss		(22,001)	(19,599)
Administrative Expenses		(4,043)	(2,782)
Operating loss	5	(26,044)	(22,381)
Finance costs		(1,689)	-
Loss before taxation		(27,733)	(22,381)
Tax on Loss	8	(52)	(388)
Loss for the financial year		(27,785)	(22,769)

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

For the period ended 31 December 2019 and the year ended 31 December 2020, the Company did not have any other items of Comprehensive Income. Accordingly, no statement of other comprehensive income is presented.

All results relate to continuing operations.

Balance Sheet

As at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Fixed assets			
Intangible assets	9	239,159	80,458
Tangible assets	10	1,131	187
Investments	11	-	-
		240,290	80,645
Current assets			
Debtors	12	83,294	62,557
Cash at bank and in hand		37	37
		83,331	62,594
Creditors: Amounts falling due within one year	13	(351,835)	(143,668)
Net current liabilities		(268,504)	(81,074)
Total assets less current liabilities		(28,214)	(429)
Net assets		(28,214)	(429)
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account		(28,214)	(429)
Shareholders' Funds		(28,214)	(429)

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

The financial statements of Sky Studios Limited (registered number 04377175) were approved by the board of directors and authorised for issue on 10 September 2021. They were signed on its behalf by:



T C Richards

Director

10 September 2021

Statement of Changes in Equity

For the year ended 31 December 2020

	Note	Share capital £'000	Profit and loss account £'000	Total £'000
At 30 June 2018		-	22,340	22,340
Loss for the year	5	-	(22,769)	(22,769)
At 31 December 2019		-	(429)	(429)
Loss for the year	5	-	(27,785)	(27,785)
At 31 December 2020		-	(28,214)	(28,214)

The accompanying notes are an integral part of the Statements of Changes in Equity.

Notes to the financial statements

1. General information

Sky Studios Limited ("the Company") is a private limited liability company, limited by shares, incorporated in the United Kingdom and registered in England and Wales under Companies Act 2006. The address of the registered office is Grant Way, Isleworth, Middlesex, TW7 5QD, United Kingdom and registered number is 04377175. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 5.

2. Statement of Compliance

These financial statements are separate financial statements. The Company is taking advantage of s401 under the Companies act, meaning it is exempt from preparing consolidated accounts as it is included in the Group accounts of Sky Limited ("Sky"). The Group accounts of Sky are available to the public and can be obtained as set out in note 17.

The individual financial statements of Sky Studios Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

3. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of accounting

The financial statements have been prepared on the historical cost basis and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

b) Investments

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

c) Turnover

Turnover represents amounts receivable for production services and distribution fees net of VAT.

Turnover from a production commissioned or contracted by broadcasters is recognised as turnover in proportion to the stage of completion of the production at the relevant date. The stage of completion of a production is determined based on the proportion of costs incurred for work performed to date to total expected production costs.

Turnover from the distribution of programmes is recognised when a contract has been executed by both the Company and licensee and the relevant programmes have been delivered to the broadcaster.

Distribution turnover from programmes or formats distributed by third parties and other ancillary turnover is recognised once the Company has been notified of the sums due to it. Non-refundable advance payments received from third parties are recognised as turnover on execution of a contract. Any fees received in advance, which do not meet all the above criteria, are included in deferred income until the above criteria are met.

Notes to the financial statements

3. Significant accounting policies (continued)

d) Foreign currencies

Transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the year in which they arise.

e) Taxation

UK corporation tax is provided at current amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which carried forward tax losses can be offset and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

f) Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- over the term of the lease
Plant and machinery	- Straight-line over 3-20 years
Fixtures and fittings	- Straight-line over 3-20 years
Motor vehicles	- Straight-line over 3-20 years

g) Intangible Assets

i) Film rights

Intangible assets, which comprise internally generated and acquired film distribution rights are initially stated at cost, respectively, less accumulated amortisation and impairment losses. Internally generated intangible assets are classified as assets under construction until they are available for use.

Amortisation of an intangible asset begins when the asset is available for use and is charged to the Profit and Loss Account through operating expense based on the estimated useful life of between 3 and 10 years. The estimated useful life is based on the genre of the programme. This requires an element of judgement from management.

During the year, an impairment review was undertaken and any programme which was no longer expected to generate revenues was fully impaired, with the charge taken to the Profit and Loss Account.

Notes to the financial statements

3. Significant accounting policies (continued)

g) Intangible Assets (continued)

ii) Internally generated software

Amortisation of internally generated software begins when the asset is available for use and is charged to the Profit and Loss Account through operating expense on a straight-line basis over the intangible asset's estimated useful life of 4 years.

h) Production and development costs

Production costs incurred in programming where future distribution rights are retained are capitalised in the balance sheet as intangible assets as they are incurred. Amortisation of an intangible asset begins when the asset is available for use and is charged to the Profit and Loss Account through operating expense based on the estimated useful life. The estimated useful life is based on the genre of the programme.

Production costs incurred in programming where no distribution rights are retained are charged to the profit and loss account as they are incurred.

Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

i) Wages and salaries, pension costs and other post-retirement benefits

Wages, salaries, social security contributions, bonuses payable and non-monetary benefits for current employees are recognised in the Profit and Loss Account as the employees' services are rendered. The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the profit and loss account in the year to which they relate.

j) Financial instruments

(i) 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.

(ii) Debtors

Trade and other debtors are stated at their recoverable amount. A provision is made when the amount receivable is not considered recoverable and the full amount is written off when the probability for recovery of a balance is assessed as being remote.

(iii) Creditors

Trade and other creditors are non-derivative financial liabilities and are measured at amortised cost using the effective interest method. Trade and other creditors with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

Notes to the financial statements

3. Significant accounting policies (continued)

k) 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 its selection or application materially affects the Company's financial position or results. The Directors are required to use their judgement in order to select and apply the Company's critical accounting policies.

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) Turnover (see note 4)

- Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement. This may involve estimating the fair value of consideration before it is received.

(ii) Tax (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 estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.
- Accruals 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.

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

- The assessment of the useful economic lives of these assets requires judgement. Depreciation and amortisation is charged to the income statement based on the useful economic life selected, which requires an estimation of the year and profile over which the Company expects to consume the future economic benefits embodied in the assets. The Company reviews its useful economic lives on at least an annual basis.
- Determining whether the carrying amount of these assets has any indication of impairment also requires judgement. If an indication of impairment is identified, further judgement is required to assess whether the carrying amount can be supported by the net present value of future cash flows forecast to be derived from the asset. This forecast involves cash flow projections and selecting the appropriate discount rate.
- 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. No property, plant and equipment arrangements have been entered into as at the reporting date.

Notes to the financial statements

3. Significant accounting policies (continued)

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

Key sources of estimation uncertainty

The performance of Programme Rights has been identified as a major sources of estimation uncertainty at the reporting year end, that have a significant risk of causing a material adjustment to be made to the carrying value amounts of assets and liabilities within the next financial year.

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

4. Turnover

An analysis of the Company's turnover is as follows:

	2020 £'000	2019 £'000
Turnover:		
Production and distribution of programmes	100,552	107,207

An analysis of the Company's turnover by geographical market is set out below:

	2020 £'000	2019 £'000
Turnover:		
United Kingdom	25,729	16,066
European Union Markets	31,497	58,377
Rest of the World	43,326	32,764
	<u>100,552</u>	<u>107,207</u>

5. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation has been arrived at after crediting:

	2020 £'000	2019 £'000
Net foreign exchange (gains) / losses	1,801	1,326
Depreciation of tangible fixed assets (note 10)	74	162
Amortisation of intangible assets (note 9)	31,629	48,901
Impairment of intangible assets (note 9)	36,876	50,990

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £25,000 (2019: £25,000). No amounts for other services have been paid to the auditor (2019: £nil).

Notes to the financial statements

7. Staff Costs

The average monthly number of employees (including executive directors) was:

	2020 Number	2019 Number
Channels and services	68	47

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	3,117	6,522
Social security costs	302	450
Other pension costs	118	213
	<u>3,537</u>	<u>7,185</u>

The directors did not receive any remuneration during the year in respect of their services to the Company (2019: £nil).

8. Tax on profit on ordinary activities

The tax charge / (credit) comprises:

	2020 £'000	2019 £'000
Current tax on profit on ordinary activities		
Overseas taxation	<u>190</u>	<u>307</u>
Total current tax	190	307
Deferred tax: origination and reversal of temporary differences	(101)	(118)
Deferred tax: impact of change in tax rates	(37)	(9)
Deferred tax asset written off	-	209
Deferred tax: prior year adjustments	<u>-</u>	<u>(1)</u>
Total deferred tax	(138)	81
Total tax on profit on ordinary activities	<u>52</u>	<u>388</u>

Notes to the financial statements

8. Tax on profit on ordinary activities (continued)

The tax assessed for the year is higher than (2019: higher) the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
(Loss) / Profit on ordinary activities before tax	(27,733)	(22,381)
Tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(5,269)	(4,252)
Tax effect of expenses that are not deductible in determining taxable profit	23	198
Effect of tax losses not recognised in deferred tax	-	-
Group relief surrendered/(claimed) for no consideration	5,145	3,936
Prior year adjustment	-	(1)
Deferred tax write-off following rate reduction	(37)	(9)
Deferred tax asset written off	-	209
Foreign Tax not creditable	190	307
Total tax charge / (credit) for year	52	388

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 £6 million

Notes to the financial statements

9. Intangible Assets

	Film rights not yet available for use	Film rights	Internally generated software	Total
	£'000	£'000	£'000	£'000
Cost				
At 31 December 2019	33,533	246,662	257	280,452
Additions	188,375	38,861	25	227,261
Transfers	(18,760)	18,760		-
Disposals	-	-	(261)	(261)
At 31 December 2020	203,148	304,283	21	507,452
Amortisation				
At 31 December 2019	-	199,832	162	199,994
Charge for the year	-	31,588	41	31,629
Impairment	-	36,876	-	36,876
Amortisation on Disposal	-	-	(206)	(206)
At 31 December 2020	-	268,296	(3)	268,293
Carrying amount				
At 31 December 2019	33,533	46,830	95	80,458
At 31 December 2020	203,148	35,987	24	239,159

The amortisation and impairment in the year of film rights and internally generated software have been charged to cost of sales in the profit and loss.

Intangible assets are amortised over their estimated useful lives as disclosed in note 3 of the notes to the accounts. An annual review is undertaken to ensure that the proportion of costs amortised to date matches the proportion of revenue to date. An impairment is calculated to accelerate the amortisation on titles where the amortised cost does not appropriately match revenue. Development costs have been capitalised.

Notes to the financial statements

10. Tangible Fixed Assets

	Short Leasehold £'000	Plant and machinery £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Totals £'000
Cost or valuation					
At 31 December 2019	2	408	743	10	1,163
Additions	-	-	1,117	-	1,117
Disposals	-	-	(599)	-	(599)
At 31 December 2020	2	408	1,261	10	1,681
Accumulated depreciation and impairment					
At 31 December 2019	2	408	556	10	976
Charge for the year	-	-	74	-	74
Depreciation on Disposal	-	-	(500)	-	(500)
At 31 December 2020	2	408	130	10	550
Carrying amount					
At 31 December 2019	-	-	187	-	187
At 31 December 2020	-	-	1,131	-	1,131

11. Investments

The company has the following investments:

Name	Country of incorporation	Description and proportion of shares held (%)	Principal activity
Direct holdings			
Cymru International Limited	United Kingdom	2 ordinary shares of £1.00 each - 100%	Distribution and Licensing
Sky Studios Productions Limited	United Kingdom	1 ordinary share of £1.00 - 100%	Television programme production activities
Agreed Voices Limited	United Kingdom	1 ordinary share of £1.00 - 100%	Television programme production activities
Rising Voices Limited	United Kingdom	1 ordinary share of £1.00 - 100%	Television programme production activities
Wider Voices Limited	United Kingdom	1 ordinary share of £1.00 - 100%	Television programme production activities

Notes to the financial statements

12. Debtors

Amounts falling due within one year:

	2020	2019
	£'000	£'000
Trade debtors	3,588	35,291
Amounts owed by group undertakings	59,030	6,692
Amounts owed by associates	-	288
VAT	16,137	2,026
Other debtors	61	200
Prepayments and accrued income	4,028	17,748
Deferred tax asset	450	312
	83,294	62,557

There are amounts receivable from other group undertakings totalling £59,030k (2019: £6,692k); these balances are non-interest bearing and repayable on demand.

The directors believe that carrying amount approximates the fair value under FRS 102.

There are amounts receivable from associates totalling £nil (2019: £288k); these balances are non-interest bearing and repayable on demand.

13. Creditors

Amounts falling due within one year:

	2020	2019
	£'000	£'000
Trade creditors	9,008	1,803
Amounts owed to group undertakings	321,243	123,095
Indirect tax liabilities	166	440
Accruals and deferred income	21,418	18,330
	351,835	143,668

There are amounts payable to other group undertakings totalling £321,243k (2019: £123,095k); these balances are non-interest bearing and are repayable on demand.

14. Provision for deferred tax

	2020	2019
	£'000	£'000
Accelerated capital allowances	(71)	(50)
Other timing differences	-	(-)
Tax losses available	-	-
Provisions	(379)	(262)
Total Provision	(450)	(312)

There are unused losses of £413k which can be carried forward indefinitely however these have not been recognised in deferred tax as they are ringfenced against certain productions where suitable profits are not expected to arise.

Notes to the financial statements

15. Share capital

	2020	2019
	£	£
Allotted, called-up and fully paid		
100 (2019: 100) ordinary shares of £1 (2019: £1) each	100	100

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

16. Related party disclosures

During the year, the Company did not conduct business transactions with companies that form part of the 21st Century Fox, Inc. group, a major shareholder in Sky until 9 October 2018. Transactions with 21st Century Fox, Inc. group for the prior year was as follows:

	2020	2019
	£'000	£'000
Supply of services by the Company	-	150
Purchase of services by the Company	-	1,167

Transactions with other Group companies

The Company conducts business transactions with other Comcast Group companies:

	2020	2019
	£'000	£'000
Supply of services by the Company	-	813

For details of amounts owed by and owed to other Group companies, see note 12 and note 13.

17. Ultimate parent undertaking

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

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

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

<https://www.cmcsa.com>.