SKY IQ LIMITED

Annual report and financial statements

For the 18 month period ended 31 December 2019

Registered number: 07246069

Directors and Officers

For the period ended 31 December 2019

Directors

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

C R Jones (resigned 5 June 2019)
C J Taylor (resigned 5 June 2019)
K Holmes (resigned 5 June 2019)
C Smith (appointed 5 June 2019)
T Richards (appointed 5 June 2019)

Secretary

C J Taylor (resigned 5 June 2019)
Sky Corporate Secretary Limited (appointed 5 June 2019)

Registered office

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Strategic and Directors' Report

Strategic Report

The Directors present their Strategic and Directors' report on the affairs of the Company, together with the financial statements and Auditor's Report for the 18 month period ended 31 December 2019. During the period the Company changed its year-end from 30 June to 31 December, to align with that of Comcast Corporation ("Comcast"), the ultimate controlling party of the Company. Accordingly, the financial statements comprise the 18 month period to 31 December 2019, with comparatives for the 12 months to 30 June 2018.

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

Business review and principal activities

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

The Company's principal activities are the provision of marketing services delivery to Sky UK Limited as well as a number of external clients. The Directors expect this activity to continue for the foreseeable future.

On 9 October 2018, the offer by Comcast Bidco Limited to acquire the entire issued and to be issued share capital of Sky Limited (formerly Sky plc) became wholly unconditional. As a result and as of that date, the ultimate controlling party of Sky Limited and its direct and indirect subsidiaries, including the Company, is now Comcast Corporation's. In the fourth quarter of 2018, Comcast Bidco Limited acquired the remaining Sky Limited (formerly Sky plc) shares and it now owns 100% of the share capital of Sky Limited.

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

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 July 2018. Except for the first-time application of IFRS 15 and IFRS 9, 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 12 month period ended 30 June 2018.

Financial Review and Dividends

The audited financial statements for the 18 month period ended 31 December 2019 are set out on pages 12 to 36. The profit before tax for the 18 month period was £10,188,000 (2018: profit of £9,767,000). Revenue has decreased to £29,528,000 (2018: £34,379,000) and operating expenses have reduced to £19,340,000 (2018: £24,612,000). The Directors do not recommend the payment of a dividend for the period ended 31 December 2019 (2018: £nil). The balance sheet shows that the Company's shareholder's equity position at the 18 month period end was £34,607,000 (2018: £25,249,000).

Key performance indicators (KPIs)

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

Principal risks and uncertainties

The Company's activities expose it to financial risks, namely credit risk, and liquidity risk.

The Directors do not believe the Company is exposed to significant cash flow risk, price risk, interest rate risk or foreign exchange.

Financial risk management objectives and policies

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

Credit risk - (trading companies)

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

Credit risk - (non-trading intercompany)

The balance sheet of the Company includes intercompany balances and 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 note 10. Given the amount and nature of the receivables balance, no allowance account has been made under IFRS 9, and there has been no write-off during the period.

Liquidity risk

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

Legislation and Regulation risk

U.K. Exit from the European Union

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

The telecommunications and media regulatory framework applicable to Sky's businesses in the U.K. and the EU may be subject to greater uncertainty following the U.K.'s withdrawal from the EU in January 2020. We cannot predict the extent of any potential changes to the regulatory framework involving U.K. and EU regulation of telecommunications and media, or changes to certain mutual recognition arrangements for media and broadcasting.

Impacts of COVID-19

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

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

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

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

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 period we gathered feedback from our teams through our People Survey. We achieved record levels of participation in the survey and we continue to achieve high levels of engagement, outperforming the 2018 employee engagement score.

Approved by the Board and signed on its behalf,

C Smith
Director

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD

13 November 2020

Directors' Report

The Directors who served during the period are shown on page 1. During the 18 month period ended 31 December 2019 the Directors proposed a dividend of nil (2018: nil).

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

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

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

Post balance sheet events

Subsequent to 31 December 2019, the novel COVID-19 outbreak was declared a pandemic and measures taken to prevent its spread are impacting Sky's business in a number of ways. The impacts of COVID-19 on the Company's business activities are set out in the Strategic Report.

Auditor

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

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them was approved by the Board of Directors on 13 November 2020.

Approved by the Board and signed on their behalf by:

C Smith
Director

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD

13 November 2020

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for 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 IQ Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 of Sky IQ Limited (the "company") which comprise:

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

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

Basis for opinion

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

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

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

Other information (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

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

13 November 2020

Statement of Comprehensive Income

For the period ended 31 December 2019

	Notes	**18 months to 31 December 2019 £'000**	12 months to 30 June 2018 £'000
Revenue	2	**29,528**	34,379
Operating expense	3	**(19,340)**	(24,612)
Profit before tax	4	**10,188**	9,767
Tax	6	**(830)**	(124)
Profit for the period attributable to equity shareholders		**9,358**	9,643

From 1 July 2018, the Company has applied IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' using a modified retrospective approach, recognising the cumulative effects of first-time adoption in opening equity at 1 July 2018.

As a result, the 2018 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 2019

	Notes	31 December 2019 £'000	30 June 2018 £'000
Non-current assets			
Intangible assets	7	**5,436**	6,809
Property, plant and equipment	8	**2,226**	3,183
Total non-current assets		**7,662**	9,992
Current assets			
Trade and other receivables	10	**33,009**	25,163
Cash and cash equivalents		**354**	65
Total current assets		**33,363**	25,228
Total assets		**41,025**	35,220
Current liabilities			
Trade and other payables	11	**6,069**	9,838
Provisions	12	**270**	-
Total current liabilities		**6,339**	9,838
Net current assets		**27,024**	15,390
Non-current liabilities			
Deferred tax liabilities	9	**79**	133
Total non-current liabilities		**79**	133
Total liabilities		**6,418**	9,971
Net assets		**34,607**	25,249
Share capital	15	**-**	-
Share premium	16	**8,100**	8,100
Retained earnings	16	**26,507**	17,149
Total equity attributable to equity shareholders	16	**34,607**	25,249
Total liabilities and shareholders' equity		**41,025**	35,220

From 1 July 2018, the Company has applied IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' using a modified retrospective approach, recognising the cumulative effects of first-time adoption in opening equity at 1 July 2018.

As a result, the 2018 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 IQ Limited, registered number 07246069 were approved and authorised for issue by the Board of Directors on 13 November 2020 and were signed on its behalf by:

C Smith
Director
13 November 2020

Statement of Changes in Equity

For the period ended 31 December 2019

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 July 2017	**-**	**8,100**	**7,506**	**15,606**
Profit for the year	-	-	9,643	9,643
At 30 June 2018	**-**	**8,100**	**17,149**	**25,249**
Profit for the period	-	-	9,358	9,.358
At 31 December 2019	**-**	**8,100**	**26,507**	**34,607**

From 1 July 2018, the Company has applied IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' using a modified retrospective approach, recognising the cumulative effects of first-time adoption in opening equity at 1 July 2018.

As a result, the 2018 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.

Cash Flow Statement

For the period ended 31 December 2019

	Note	18 months to 31 December 2019 £'000	12 months to 30 June 2018 £'000
Cash flows from operating activities			
Cash generated from operations	17	**370**	4,487
Net cash from operating activities		**370**	4,487
Cash flows from investing activities			
Purchase of property, plant and equipment		**(33)**	(467)
Purchase of intangible assets		**(48)**	(4,006)
Net cash used in investing activities		**(81)**	(4,473)
Net increase in cash and cash equivalents		**289**	14
Cash and cash equivalents at the beginning of the period		**65**	51
Cash and cash equivalents at the end of the period		**354**	65

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

Notes to the financial statements

1. Accounting policies

Sky IQ Limited (the "Company") is a private company limited by shares, incorporated in the United Kingdom, and registered in England and Wales. The address of the registered office is Grant Way, Isleworth, Middlesex, TW7 5QD, United Kingdom and registered number is 07246069. The Company's principal activities are set out in the Director's report.

a) Statement of compliance

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

b) Basis of preparation

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

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

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

The Company has finalised its analysis and adopted IFRS 15 from 1 July 2018. As permitted by the standard, the Company has taken advantage of the modified transitional provisions and as such the prior period results remain as previously reported. No adjustment has been identified on transition to IFRS 15 or recognised during the period.

Since 1 July 2018, the Company has applied the provisions of IFRS 15, described below, to measure and recognise revenue.

IFRS15 requires that the recognition of revenue from contracts with customers must reflect:

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

The Company's revenue comprises:

- Software annual licence and hosting revenues which are recognised evenly over time, as the services are performed;
- Resource revenues which are recognised in the period based on the percentage of contracted hours completed; and
- Infrastructure revenue which is recognised at a point in time

ii) IFRS 9 – 'Financial Instruments'

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

Notes to the financial statements

1. Accounting policies (continued)

b) Basis of preparation (continued)

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

The Company has applied the classification, measurement and impairment requirements of the standard on a modified retrospective basis, adjusting the opening balance sheet at the transition date of 1 July 2018 with no restatement of comparative periods. The areas which impact the Company relate to e.g. the recognition of impairment provisions for customer receivables and other financial assets and the accounting for minority investments. IFRS 9 also contains new rules relating to hedge accounting, although the adoption of these is not mandatory and the Company will continue to apply IAS 39 hedge accounting policies.

IFRS 9 introduces an impairment model based on expected credit losses. This requires a provision for impairment to be considered, and if required to be recorded, when the receivable is recognised, compared to IAS 39 which requires a provision to be made only when a loss event occurs. The Company elected to apply IFRS 9's simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. This involves, for example, the application of a provision matrix where trade receivables are grouped based on shared credit risk characteristics and ageing, or other appropriate methods given the nature of the receivable, and requires an estimate of expected lifetime credit loss rates. These loss rates are based on, inter alia, the entity's historical credit losses, adjusted for reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, in order to derive an expectation. The application of this approach has not had a material impact on the provision for impairment of third party trade receivables compared to the Company's previous approach under IAS 39.

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

IFRS 9 requires certain of the Company's trade receivables to be measured at fair value, as opposed to amortised cost. The balance sheet impact of this was less than £1 million as at 1 July 2018.

IFRS 9 requires all equity investments to be held on the balance sheet at fair value, with associated movements incurred in either the statement of comprehensive income or in equity reserves. There is no impact on the Company's balance sheet as a result.

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

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

i. Intangible assets

Research expenditure is recognised in operating expense in the Statement of Comprehensive Income 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.

Notes to the financial statements

1. Accounting policies (continued)

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

i. Intangible assets (continued)

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 Statement of Comprehensive Income 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 e below.

ii. Property, plant and equipment

Owned PPE is stated at cost, net of accumulated depreciation and any impairment losses, (see accounting policy e). 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

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are treated as PPE.

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

Equipment, furniture and fixtures	3 to 20 years

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

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

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

d) Financial assets and liabilities

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

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

i. Trade and other receivables

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

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

ii. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are also included as a component of cash and cash equivalents.

iii. Trade and other payables

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

e) Impairment

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

An impairment is recognised in the Statement of Comprehensive Income 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.

Notes to the financial statements

1. Accounting policies (continued)

e) Impairment (continued)

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.

f) Provisions

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

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

g) Revenue recognition

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

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

- Software annual licence revenues of Elements software (internal Sky IQ Limited product). Revenue is recognised evenly over the licence period at fair value;
- Hosting revenues derived from hosting and managing client systems and infrastructure. Revenue is recognised evenly over the contracted hosting period at fair value;
- Resource revenues derived from internal developers, analysts and consultants working on client specific activities. Revenue is recognised in the period based on the percentage of contracted hours completed at fair value; and
- Infrastructure - revenue is generated from the initial implementation of a client's marketing solution. The implementation will include infrastructure costs, third party licence costs and internal resource costs to create the client platform

h) Employee benefits

Wages, salaries and social security contributions

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

Where the Company provides pensions to eligible employees through defined contribution schemes, the amount charged to the Statement of Comprehensive Income 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.

Notes to the financial statements

1. Accounting policies (continued)

h) Employee benefits (continued)

Wages, salaries and social security contributions (continued)

The Company issues equity-settled share-based payments to certain employees which are measured at fair value and recognised as an expense in the Statement of Comprehensive Income with a corresponding increase in equity.

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

i) Tax, including deferred tax

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

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

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

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 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.

Notes to the financial statements

1. Accounting Policies (continued)

j) Foreign currency translation

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

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

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, . which have been published but are only effective for accounting periods beginning on or after 1 January 2020. These new pronouncements are listed below. The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

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

When IFRS 16 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 16 applied as an adjustment to equity on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 16 on each line item in the financial statements in the reporting period. Depending on the adoption method that is utilised, certain practical expedients may be applied on adoption. The Company has not yet determined which method it will adopt.

IFRS 16 replaces IAS 17 'Leases' and will primarily change lease accounting for lessees; lessor accounting under IFRS 16 is expected to be similar to lease accounting under IAS 17. Lessee accounting under IFRS 16 will be similar in many respects to existing IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

Where a contract meets IFRS 16's definition of a lease, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables.

Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability, which may impact the phasing of operating profit and profit before tax, compared to existing cost profiles and presentation in the Statement of Comprehensive Income, and will also impact the classification of associated cash flows.

The detailed assessment of the impact on the Company is ongoing, with the current focus being on assessing of the completeness of lease contracts.

The adoption is expected to have a material impact on the presentation of the Company's assets and liabilities, mainly relating to significant property leases. Due to the quantity of contracts under review, management has not yet completed its detailed impact assessment of the new accounting standard. However, indicatively it is expected that the Company will recognise a right of use asset and total lease liability of £9 million on transition.

Notes to the financial statements

1. Accounting Policies (continued)

l) 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 Group's accounting policies also requires the use of estimates and assumptions that affect the Group's financial position or results.

Below is a summary of the Company's critical accounting policies and details of the key areas of judgement that are exercised in their application.

Critical accounting policies and judgements

(i) Taxation, including deferred taxation (see note 6)

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

Provisions for tax contingencies require management to make judgements in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless it is probable that the tax positions will be sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of the likely resolution of the issue through negotiation and/or litigation. The amounts recognised in the financial statements in respect of each matter are derived from the Company's best judgement, as described above.

However, the inherent uncertainty regarding the outcome of these items means the eventual resolution could differ from the provision and in such event the Company would be required to make an adjustment in a subsequent period which could have a material impact on the Company's profit and loss and/or cash position.

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

(ii) Intangible assets and property, plant and equipment (see notes 7 and 8)

The assessment of the useful economic lives of these assets requires judgement. Depreciation and amortisation is charged to the Statement of Comprehensive Income 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.

Notes to the financial statements

1. Accounting Policies (continued)

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

(ii) Intangible assets and property, plant and equipment (see notes 7 and 8) (continued)

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

Notes to the financial statements

2. Revenue

	2019	2018
	£'000	£'000
Externally generated revenue	**4,533**	1,785
Internally generated revenue from Group Companies	**24,995**	32,594
	29,528	34,379

Revenue arises from goods and services provided to the UK.

3. Operating expense

	2019	2018
	£'000	£'000
Direct costs	**1,385**	1,338
Sales, general and administration	**15,544**	22,846
Depreciation and Amortisation	**2,411**	428
	19,340	24,612

4. Profit before tax

Profit before tax is stated after charging:	2019	2018
	£'000	£'000
Depreciation and impairment of property, plant and equipment	**990**	397
Amortisation and impairment of intangible assets	**1,421**	31

Employee Services

There were no employee costs during the 18-month period, as the Company had no employees, other than the Directors. Services are provided by employees of other companies within the Group with no charge being made for their services. The Directors did not receive any remuneration during the 18-month period in respect of their services to the Company.

Audit fees

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

Notes to the financial statements

5. Employee benefits and key management compensation

a) Company employee benefits

	2019 £'000	2018 £'000
Wages and salaries	**12,024**	15,662
Social security costs	**1,278**	1,649
Contributions to the Sky Pension Plan (i)	**721**	935
	14,023	18,246

(i) The Company operates a defined contribution pension scheme (the "Pension Plan"). The pension charge for the period represents the cost of contributions payable by the Company to the schemes during the period. The amount paid to the schemes at 31 December 2019 was £721,000 (2018: £935,000).

The average monthly number of full-time equivalent persons (including temporary employees) employed by the Company during the period was nil (2018: nil). Employees whose services are utilised by the Company are employed by Sky UK Limited, a fellow Group Company and employee costs are recharged to the Company. The Directors did not receive any remuneration during the year (2018: nil) in respect of their services to the Company.

6. Tax

a) Tax recognised in the Statement of Comprehensive Income

	2019 £'000	2018 £'000
Current tax expense (credit)		
Current year/period	**884**	-
Adjustment in respect of prior years	**-**	-
Total current tax charge (credit)	**884**	-
Deferred tax expense		
Origination and reversal of temporary differences	**(66)**	62
Change in corporation tax rate	**(2)**	71
Adjustment in respect of prior years	**14**	(9)
Total deferred tax charge (credit)	**(54)**	124
Tax Charge	**830**	124

6. Tax (continued)

b) Reconciliation of effective tax rate

The tax expense for the 18 month period is lower (2018: lower) than the expense that would have been charged using the rate of corporation tax in the UK of 19.0% (2018: 19.0%) applied to profit before tax. The differences are explained below:

	2019	2018
	£'000	£'000
Profit before tax	**10,188**	9,767
Profit before tax multiplied by rate of corporation tax in the UK of 19.0% (2018: 19.0%)	**1,936**	1,856
Effects of:		
Non-deductible expense	**-**	8
Fixed Asset timing differences	**3**	
Adjustment in respect of prior years	**14**	71
Change in corporation tax rate	**(2)**	(9)
Group Relief for £nil consideration	**(1,121)**	(1,802)
Group Relief for £ consideration	**(398)**	-
Group Relief creditor	**398**	-
Tax	**830**	124

All tax relates to UK corporation tax.

Notes to the financial statements

7. Intangible assets and Goodwill

	Goodwill £'000	Internally generated intangible assets £'000	Other intangible assets £'000	Internally generated intangible assets not yet available for use £'000	Acquired intangible assets not yet available for use £'000	Total £'000
Cost						
At 1 July 2017	2,140	2,695	4,300	52	324	9,511
Additions	-	1,837	2,169	-	-	4,006
At 30 June 2018	**2,140**	**4,532**	**6,469**	**52**	**324**	**13,517**
Additions	-	-	-	20	97	117
Disposals	-	(69)	-	-	-	(69)
Transfers	-	417	-	-	(417)	-
At 31 December 2019	**2,140**	**4,880**	**6,469**	**72**	**4**	**13,565**
Amortisation						
At 1 July 2017	-	(2,695)	(3,982)	-	-	(6,677)
Amortisation	-	(30)	(1)	-	-	(31)
At 30 June 2018	**-**	**(2,725)**	**(3,983)**	**-**	**-**	**(6,708)**
Amortisation	-	(1,419)	(2)	-	-	(1,421)
At 31 December 2019	**-**	**(4,144)**	**(3,985)**	**-**	**-**	**(8,129)**
Carrying amounts						
At 1 July 2017	2,140	-	318	52	324	2,834
At 30 June 2018	2,140	1,807	2,486	52	324	6,809
At 31 December 2019	**2,140**	**736**	**2,484**	**72**	**4**	**5,436**

Goodwill of £2,140,000 arose from the acquisition of the hosted database business from Experian plc. Goodwill is allocated to one CGU in Sky IQ Ltd only. Impairment reviews were performed on this balance at 31 December 2019, which did not indicate impairment.

Recoverable amounts were calculated on the basis of net cash flow from existing client contracts to the remaining term of those contracts and on the basis of a latest five-year plan. The cash flows were discounted using a pre-tax discount rate of 9%.

The Company's internally generated intangible assets relate to software development associated with our customer management systems and set-top boxes. The Company's other intangible assets mainly include copyright licenses, customer lists and relationships, and patents and brands acquired in business combinations.

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

	2020 £'000	2021 £'000	2022 £'000	2023 £'000	2024 £'000
Estimated amortisation charge	**(1,041)**	**(1,037)**	**(519)**	**-**	**-**

Notes to the financial statements

8. Property, plant and equipment

	Equipment, furniture and fixtures	Assets not yet available for use	Total
	£'000	£'000	£'000
Cost			
At 1 July 2017	6,952	-	6,952
Additions	467	-	467
At 30 June 2018	**7,419**	**-**	**7,419**
Additions	22	11	33
At 31 December 2019	**7,441**	**11**	**7,452**
Depreciation			
At 1 July 2017	(3,839)	-	(3,839)
Depreciation	(397)	-	(397)
At 30 June 2018	**(4,236)**	**-**	**(4,236)**
Depreciation	(990)	-	(990)
At 31 December 2019	**(5,226)**	**-**	**(5,226)**
Carrying amounts			
At 1 July 2017	3,113	-	3,113
At 30 June 2018	3,183	-	3,183
At 31 December 2019	**2,215**	**11**	**2,226**

Notes to the financial statements

9. Deferred tax

Recognised deferred tax assets / liabilities

	Accelerated tax depreciation	**Goodwill**	**Provision**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 June 2017	101	(110)	-	(9)
Charge to income	(111)	(13)	-	(124)
At 30 June 2018	(10)	(123)	-	(133)
(Charge) credit to income	**36**	**(28)**	**46**	**54**
At 31 December 2019	**26**	**(151)**	**46**	**(79)**

Deferred tax assets have been recognised at 31 December 2019 (and 30 June 2018) on the basis that management deem it probable that there will be suitable taxable profits against which these assets can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rates enacted or substantively enacted for the relevant periods of reversal are: 19.0% from 1 April 2017 and 17.0% from 1 April 2020 in the UK.

A corporate rate of 19% has been used in the calculation of the deferred tax assets and liabilities in the Company. This rate has been calculated to reflect the best estimate of the tax rate which will impact temporary timing differences as they unwind.

10. Trade and other receivables

	2019	2018
	£'000	£'000
Gross trade receivables	**48**	709
Less: Loss allowance	**(46)**	-
Net trade receivables	**2**	709
Amounts receivable from other Group companies[a]	**31,932**	22,153
VAT	**15**	139
Prepayments	**214**	2,088
Accrued income	**-**	74
Other	**846**	-
Total trade and other receivables	**33,009**	25,163

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. There are no contract assets which require recognition under IFRS 15.

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

	2019	2018
	£'000	£'000
Not past due date	**-**	-
Up to 30 days past due date	**-**	-
30 to 60 days past due date	**-**	-
60 to 120 days past due date	**-**	-
More than 120 days past due date	**2**	709
	2	709

Loss allowance

	2019	2018
	£'000	£'000
Balance at beginning of period	**-**	-
Increase in loss allowance recognised in profit or loss during the period	**46**	-
Balance at end of period	**46**	-

a) Amounts receivable from other Group companies

Amounts due from other Group companies totalling £31,932,000 (2018: £22,153,000) represent trade receivables; they are non-interest bearing and are repayable on demand.

11. Trade and other payables

	2019	2018
	£'000	£'000
Trade payables	**92**	110
Amounts payable to other Group companies[a]	**5,539**	5,715
Amounts payable to parent company	**399**	-
VAT	**-**	3
Accruals	**-**	3,997
Deferred income	**-**	13
Other	**39**	-
	6,069	9,838

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. There are no contract liabilities which require recognition under IFRS 15.

a) Amounts payable to other Group companies

Amounts payable to other Group companies is £5,539,000 (2018: £5,715,000). These are non-interest bearing and repayable on demand.

12. Provisions

	At 1 July 2017	Provided during the year	Utilised during the year	At 30 June 2018	**Provided during the period**	**Utilised during the period**	**At 31 December 2019**
	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Current liabilities							
Provision for Property [i]	-	-	-	-	**2,841**	**(2,571)**	**270**

(i) Dilapidation provision for St Albans.

Notes to the financial statements

13. Financial instruments

(a) Carrying value and fair value

The Company's principal financial instruments comprise trade and other payables. The Company has various financial assets such as trade and other receivables and cash.

The accounting classification of each class of the Company's financial assets and financial liabilities is as follows:

	Financial assets measured at amortised cost £'000	Financial liabilities measured at amortised cost £'000	Total carrying value £'000	Total fair values £'000
At 31 December 2019				
Trade and other payables	**-**	**(6,069)**	**(6,069)**	**(6,069)**
Trade and other receivables	**32,780**	**-**	**32,780**	**32,780**
Cash and cash equivalents	**354**	**-**	**354**	**354**
At 30 June 2018				
Trade and other payables	-	(9,822)	(9,822)	(9,822)
Trade and other receivables	22,936	-	22,936	22,936
Cash and cash equivalents	65	-	65	65

14. Financial risk management objectives and policies

The Group's Treasury function is responsible for raising finance for the Company's operations, together with associated liquidity management and management of 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 Group's principal market risks are exposures to changes in interest rates and foreign exchange rates, which arise both from the Group's sources of finance and its operations. Following evaluation of those market risks, the 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.

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's policies approved by its Board of Directors. The Company is not subject to external capital requirements.

Credit risk

The Company is exposed to default risk amounting to cash and cash equivalents of £354,000 (2018: £65,000). The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 10. Given the amount and nature of the receivables balance, no allowance account has been made under IFRS 9, and there has been no write-off during the period.

Notes to the financial statements

14. Financial risk management objectives and policies (continued)

Liquidity risk

The Company's financial liabilities are shown in note 11.

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

	Less than 12 months £'000	**Between one and two years £'000**	**Between two and five years £'000**	**More than five years £'000**
At 31 December 2019				
Non-derivative financial liabilities				
Trade and other payables	**6,069**	-	-	-
Provisions	**270**	-	-	-
At 30 June 2018				
Non-derivative financial liabilities				
Trade and other payables	(9,822)	-	-	-

15. Share capital

	2019 £	2018 £
Authorised, allotted, called-up and fully paid		
100 (2018: 100) ordinary shares of £1 (2018: £1) each	**100**	100

The Company has two classes of ordinary shares which carries equal voting rights and no contractual right to receive payment. The Company has 81 A shares and 19 B shares.

16. Shareholders' equity

	2019 £'000	2018 £'000
Share capital	-	-
Share premium	**8,100**	8,100
Retained earnings	**26,507**	17,149

Notes to the financial statements

17. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2019	2018
	£'000	£'000
Profit before tax	**10,188**	9,767
Depreciation and impairment of property, plant and equipment	**990**	397
Amortisation and impairment of intangible assets	**1,421**	31
	12,599	10,195
Increase in trade and other receivables	**(8,731)**	(6,437)
(Decrease)/increase in trade and other payables	**(3,768)**	729
Increase in provisions	**270**	-
Cash generated from operations	**370**	4,487

18. Contracted commitments, contingencies and guarantees

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

	Less than one year £'000	**Between one and five years £'000**	**After five years £'000**	**Total at 31 December 2019 £'000**	Total at 30 June 2018 £'000
Third party resource	**15**	-	-	**15**	2,076
Software					-
Facility Costs					1
Hardware					-
	15	-	-	**15**	2,077

Notes to the financial statements

19. Transactions with related parties

Transactions with other Group companies

The Company conducts business transactions with other Group companies:

	2019	2018
	£'000	£'000
Supply of services by the Company	**24,995**	32,594

For details of amounts owed by and owed to other Group companies, see note 10 and note 11.

Principal services supplied to other Group companies:

- Marketing services including insight, analytics and consultancy

Principal goods/services purchased from 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 Group companies as required.

20. Ultimate parent undertaking

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

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

21. Post Balance Sheet Events

Subsequent to 31 December 2019, the novel COVID-19 outbreak was declared a pandemic, and measure taken to prevent its spread are impacting Sky's business in a number of ways. The impacts of COVID-19 on the Company's business activities are set out in the Strategic Report.