SKY SUBSCRIBERS SERVICES LIMITED

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

Registered number: 02340150

Directors and Officers

For the year ended 31 December 2020

Directors

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

D E C Allan
C Smith
A C Stylianou

Company Secretary

Sky Corporate Secretary Limited

Registered office

Grant Way
Isleworth
Middlesex
United Kingdom
TW7 5QD

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Strategic Report

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

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

Business review and principal activities

The Company is a wholly-owned subsidiary of Sky UK Limited (the immediate parent company). The ultimate controlling party of the Company is Comcast Corporation ("Comcast") and operates together with Comcast Corporation's other subsidiaries as a part of Comcast Group ("the Group").

The Company's principal activities are to provide support services (including conditional access, which is the technical process of ensuring encryption of our broadcasted channels, and subscriber management services) and to act as an agent for the direct-to-home ("DTH") pay TV, broadband, telephony and mobile business of its parent company Sky UK Limited. The Company also operates the Irish branch of the Group, operating pay television, broadband and telephony services in Ireland.

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

The change in the Company's financial performance is primarily due the current period being 12 months and the comparative period being 18 months.

During the year, the Company's Athena Court Property Unit Trust subsidiary was wound down. The Company received a final distribution of £9 million (2019: £2 million) from its investment in Athena Court Property Unit Trust. The Company's remaining investment in Athena Court Property Unit Trust was impaired resulting in a charge being recognised of £10 million (2019: £3 million) in the income statement.

The audited financial statements for the year are set out on pages 15 to 57. The profit after tax for the year was £74 million (2019: £86 million). The Company's shareholder's equity is £785 million which is higher than at the prior period end (2019: £739 million) and is primarily due to profit for year and hedging reserves movement.

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 principal risks facing the Company are liquidity risk, credit risk and foreign exchange rate risk, which is mainly associated with intercompany balances, subscription revenue and purchases which are Euro denominated. The intercompany balances of the Company are detailed in notes 15 and 16.

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

Financial risk management objectives and policies

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

Credit risk

The balance sheet of the Company includes intercompany balances 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 15 and 16. 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 year.

Liquidity risk

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

Foreign exchange risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. The Company uses foreign exchange forward contracts to hedge these exposures. Refer to note 20 for further information.

Legislation and Regulation risk

U.K. Exit from the European Union

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

Employment policies

Organisation

Over the past 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 9,863 (2019: 9,219).

Managing and developing our people

Equal opportunities

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

Inclusion

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

Employee engagement

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

Impact of COVID-19

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

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

The Company has adapted to operational impacts of Covid-19, with call centre staff working remotely across the year, without material impact on the business. The Company's Irish branch has seen the impact of Covid-19 on Direct-to-Consumer revenues. Direct-to-consumer revenue has been negatively impacted, and future periods may be negatively impacted, as a result of lower sports subscription revenue due to the extent of reopening of our commercial customers.

Corporate Governance Statement

Code of conduct

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

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

The Board

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

Director Responsibilities

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

Opportunities & Risks

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

S172 Statement

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

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

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

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

Our Employees

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

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

Our Partners

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

Our Communities

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

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

Members

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

Streamlined Energy and Carbon Reporting

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

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

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

Streamlined Energy and Carbon Reporting (continued)

	2020		2019 (18 months)	
	UK and Ireland[1]	Sky Group	UK and Ireland[1]	Sky Group
Carbon Intensity				
Revenue (£m)	9,873	14,464	14,649	22,351
Carbon intensity (Total Scopes 1 and 2 (location-based) tCO_2e/£m revenu	5.93	6.05	6.81	6.57
Carbon Emissions (tCO_2e)				
Scope 1 (Fuel combustion and operation of facilities)	19,758	35,265	34,114	54,238
Scope 2 (market-based purchased energy)	4,983	21,191	11,213	44,689
Total Scope 1 and Scope 2 (market-based purchased energy)[2]	24,741	56,456	45,327	98,928
Scope 2 (location-based purchased energy)	38,820	52,276	65,692	92,712
Total Scope 1 and Scope 2 (location-based purchased energy)[2]	58,579	87,541	99,806	146,951
Total Energy consumption (kWh)	240,674,393	361,617,988	384,385,368	564,758,108

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

Methodology

We calculate our greenhouse gas emissions in carbon dioxide equivalent (CO_2e) for Scopes 1 and 2 according to the Greenhouse Gas Protocol Corporate Standard and associated guidance. We use the emission factors from the latest UK Government Emissions Conversion Factors for Greenhouse Gas Company Reporting (Department for Business, Energy & Industrial Strategy, 2020), IEA emission factors (2020 edition) and the Reliable Disclosure (RE-DISS) European Residual Mixes 2019. (1) UK & Ireland includes Sky's Joint Ventures, small international offices and news bureaux and business activities in Portugal. (2) Our total gross CO_2e emissions include all Scope 1 and Scope 2 location-based greenhouse gas emissions; and our market-based emissions are those remaining after emissions factors from contractual instruments have been applied. Our energy providers retain, on our behalf, the Guarantees of Origin (GOs) and Renewable Energy Guarantee of Origin (REGOs). In addition, we offset our total gross emissions, including Scope 1, location-based Scope 2 and selected Scope 3 emissions, through the purchase of Voluntary Carbon Standard offsets. Our carbon emissions data and carbon intensity are subject to an annual independent assurance review, the results of which are published alongside our annual impact report. The 2020 carbon emissions data and carbon intensity have been independently assured by ERM CVS.

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

Approved by the Board and signed on its behalf,

C Smith
Director

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

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 (2019: £nil).

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

Going concern

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

Given the integrated nature of the Group's financial planning and treasury functions, the impact of COVID-19 on the Company's operations and funding requirements has been assessed at the Group level. The Directors expect that the businesses will continue to generate adequate cash flow from operating activities and believe that these cash flows, together with the Company's existing cash, cash equivalents and investments, and available borrowings under its existing credit facilities, including the £3 billion revolving credit facility with Comcast, will be sufficient for the Company to meet its current and long-term liquidity and capital requirements. We further highlight that the Company has received confirmation that Comcast intends to support the Company for a period of at least 12 months from the date of signing of these financial statements. Details of guarantees provided with respect to the Company's borrowings are disclosed in note 24(b) of the financial statements.

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

Auditor

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

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that 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 16 June 2021.

Approved by the Board and signed on their behalf by,

C Smith
Director

Grant Way
Isleworth, Middlesex
United Kingdom
TW7 5QD
16 June 2021

Statement of Directors' responsibilities

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

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

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

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

Auditor’s report

Independent auditor’s report to the members of Sky Subscribers Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Sky Subscribers Services Limited (the ‘company’):

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

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the cash flow statement;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 27.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

- Performing procedures over management’s forecasts performed to assess the future cash requirements of the ultimate parent entity Comcast Corporation (“Comcast”) and its subsidiaries (“the Group”), along with sensitivity analysis including the potential impact of COVID19;
- Assessing the Group’s ability to operate for the next 12 months.

- Inspecting the confirmation obtained by management from Comcast that it intends to support the Company.

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, 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 Irish Communications Regulation Act 2002, the Privacy and Electronic Communications Regulations 2003, the Communnications Act 2003, the Broadcasting Act 1990, the Data Protection Act 2018 and the Bribery Act 2010.

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

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

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

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

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

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

Auditor's report

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Income Statement

For the year ended 31 December 2020

	Notes	**12 months to 31 December 2020 £m**	18 months to 31 December 2019 £m
Revenue	2	**1,064**	1,449
Operating expense	3	**(978)**	(1,351)
Operating profit		**86**	98
Investment income	4	**9**	2
Finance income (costs)	4	**2**	-
Realised Loss on Investments		**(10)**	(3)
Profit before tax	5	**87**	97
Tax	7	**(13)**	(11)
Profit for the year attributable to equity shareholder		**74**	86

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

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

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

All results relate to continuing operations.

Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	**12 months to 31 December 2020**	18 months to 31 December 2019
		£m	£m
Profit for the year attributable to equity shareholder		**74**	86
Other comprehensive income			
Amounts recognised directly in equity that may subsequently be recycled to the income statement			
(Loss) / Gain on cash flow hedges	20	**(27)**	22
Tax on cash flow hedges	7	**3**	(3)
		(24)	19
Amounts reclassified and reported in the income statement			
(Gain)/ Loss on cash flow hedges	20	**(5)**	1
Tax charge on cash flow hedges	7	**1**	-
		(4)	1
Other comprehensive (loss)/ income for the year (net of tax)		**(28)**	20
Total comprehensive income for the year attributable to equity shareholder		**46**	106

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

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

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

All results relate to continuing operations.

Balance Sheet

As at 31 December 2020

	Notes	31 December 2020 £m	31 December 2019 £m
Non-current assets			
Intangible assets	8	**181**	200
Property, plant and equipment	9	**30**	28
Right-of-use assets	11	**29**	-
Investment in subsidiaries	12	**-**	8
Deferred tax assets	13	**6**	2
Derivative financial assets	19	**1**	-
Cost-to-obtain customer contracts	10	**5**	6
Total non-current assets		**252**	244
Current assets			
Inventories	14	**-**	1
Trade and other receivables	15	**1,388**	1,295
Cash and cash equivalents		**19**	8
Derivative financial assets	19	**-**	18
Total current assets		**1,407**	1,322
Total assets		**1,659**	1,566
Current liabilities			
Lease liabilities	18	**5**	2
Trade and other payables	16	**800**	803
Provisions	17	**21**	14
Derivative financial liabilities	19	**11**	-
Total current liabilities		**837**	819
Non-current liabilities			
Lease liabilities	18	**24**	-
Trade and other payables	16	**3**	4
Provisions	17	**6**	4
Derivative financial liabilities	19	**4**	-
Total non-current liabilities		**37**	8
Total liabilities		**874**	827
Net assets		**785**	739
Share capital	21	**-**	-
Share premium	21	**150**	150
Reserves		**635**	589
Total equity attributable to equity shareholder		**785**	739
Total liabilities and shareholder's equity		**1,659**	1,566

Balance Sheet

As at 31 December 2020

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

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

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

These financial statements of Sky Subscribers Services Limited, registered number 02340150, were approved and authorised for issue by the Board of Directors on 16 June 2021 and were signed on its behalf by:

C Smith
Director

16 June 2021

Cash Flow Statement

For the year ended 31 December 2020

	Note	**12 months to 31 December 2020 £m**	18 months to 31 December 2019 £m
Cash flows from operating activities			
Cash generated from operations	23	**46**	47
Net cash from operating activities		**46**	47
Cash flows from investing activities			
Dividends received	4	**-**	2
Purchase of property, plant and equipment		**(8)**	(9)
Purchase of intangible assets	8	**(21)**	(40)
Net cash used in investing activities		**(29)**	(47)
Cash flows from financing activities			
Cash payments for the principal portion of the lease liability		**(6)**	(2)
Net cash used in financing activities		**(6)**	(2)
Net increase/(decrease) in cash and cash equivalents		**11**	(2)
Cash and cash equivalents at the beginning of the year		**8**	10
Cash and cash equivalents at the end of the year		**19**	8

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

All results relate to continuing operations.

Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital	Share premium	Hedging reserve	Retained earnings	Total shareholder's equity
	£m	£m	£m	£m	£m
At 1 July 2018	**-**	**150**	**(4)**	**471**	**617**
Restatement for IFRS 9 and IFRS 15	-	-	-	6	6
Tax on items taken directly to equity	-	-	-	(1)	(1)
At 1 July 2018 Restated	**-**	**150**	**(4)**	**476**	**622**
Profit for the period	-	-	-	86	86
Recognition and transfer of cash flow hedges:	-	-	22	-	22
Tax on items taken directly to equity	-	-	(3)	-	(3)
Total comprehensive income for the period	**-**	**-**	**19**	**86**	**105**
Share-based payment	-	-	-	10	10
Tax on items taken directly to equity	-	-	-	2	2
At 31 December 2019	**-**	**150**	**15**	**574**	**739**
Profit for the period	-	-	-	74	74
Recognition and transfer of cash flow hedges:	-	-	(32)	-	(32)
Tax on items taken directly to equity	-	-	4	-	4
Total comprehensive income for the year	**-**	**-**	**(28)**	**74**	**46**
At 31 December 2020	**-**	**150**	**(13)**	**648**	**785**

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

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

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

Notes to the financial statements

1. Accounting policies

Sky Subscribers Services Limited (the "Company") is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is Grant Way, Isleworth, Middlesex, TW7 5QD and registered number is 02340150.

a) Statement of compliance

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

b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Directors' Report) and on an 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 for this year. The Company has adopted IFRS 16 'Leases' from 1 January 2020 – see further details below.

The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company.

The Company has taken advantage of the exemption from preparing the consolidated accounts afforded by section 401 of the Companies Act 2006, because it is a wholly-owned subsidiary of Comcast Corporation which prepares consolidated accounts which are publicly available (see note 27).

i) IFRS 16 – 'Leases'

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

The Company has adopted IFRS 16 using the modified retrospective transition method, and therefore there is no cumulative adjustment effect from initial application recognised in retained earnings.

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

- the Company recognised a lease liability at the date of initial application measured at the present value of the remaining minimum lease payments based on the incremental borrowing rate over the remaining lease term.
- the Company did not reassess whether a contract is or contains a lease on the date of initial application of IFRS 16 for all contracts identified as leases under previous accounting standards.
- for leases previously recognised as operating leases, the Company recognised a right-of-use asset at the date of initial application measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.
- for leases previously recognised as finance leases, the Company recognised the right-of-use asset and lease liability at date of initial application equal to the carrying amount of the lease asset and lease liability immediately before the date of initial application.
- the Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics such as lease term, class of underlying asset, currency and economic environment.
- the Company excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- the Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

Notes to the financial statements (continued)

1. Accounting policies (continued)

b) Basis of preparation (continued)

i) IFRS 16 – 'Leases' (continued)

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

The details of the accounting policies in relation to lease accounting under IFRS 16 are set out in further detail below.

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

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

Income Statement

	12 months ended 31 December 2020 IFRS 16 £m	**12 months ended 31 December 2020 Pre-IFRS 16 £m**	**12 months ended 31 December 2020 IFRS 16 impact £m**	Notes
Revenue	**1,064**	**1,064**	**-**	
Operating expense (before right-of-use depreciation)	(972)	(979)	7	a)
Right-of-use depreciation	(6)	-	(6)	b)
Operating profit	**86**	**85**	**1**	
Investment Income	9	9	-	
Financial income/(costs)	2	3	(1)	c)
Realised and Unrealised Gain (Loss) on investments	(10)	(10)		
Profit before tax	**87**	**87**	**-**	
Tax	(13)	(13)	-	
Profit for the year attributable to equity shareholder	**74**	**74**	**-**	

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

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

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

Notes to the financial statements (continued)

1. Accounting policies (continued)

b) Basis of preparation (continued)

i) IFRS 16 – 'Leases' (continued)

Balance Sheet

	31-Dec-20 IFRS 16 £m	31-Dec-20 Pre-IFRS 16 £m	31-Dec-20 IFRS 16 impact £m	Notes
Non-current assets				
Right-of-use assets	29	-	29	d)
Total non-current assets	**252**	**223**	**29**	
Total current assets	**1,407**	**1,407**	**-**	
Total assets	**1,659**	**1,630**	**29**	
Current liabilities				
Lease Liabilities	5	**-**	**5**	e)
Total current liabilities	**837**	**832**	**5**	
Net current assets	**570**	**575**	**5**	
Non-current liabilities				
Lease Liabilities	24	**-**	24	e)
Total non-current liabilities	**37**	**13**	**24**	
Total liabilities	**874**	**845**	**29**	
Net assets	**785**	**785**	**-**	
Retained earnings	648	648	-	f)
Total equity attributable to equity shareholder	**785**	**785**	**-**	
Total liabilities and shareholder's equity	**1,659**	**1,630**	**29**	

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

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

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

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

At 1 January 2020	**£m**
Operating lease commitments disclosed as at 31 December 2019	31
Leases identified on transition to IFRS 16	7
Discounting using the incremental borrowing rate at the date of initial application	(3)
Lease liability recognised as at 1 January 2020	35

Lease liability recognised as at 1 January 2020

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position of the date of initial application was 2.72%.

Notes to the financial statements (continued)

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

1. Accounting policies (continued)

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

i. Intangible assets

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

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

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

Principal useful economic lives used for this purpose are:

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

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

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

The costs of assets comprise the following, where applicable:

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

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

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

Notes to the financial statements (continued)

1. Accounting policies (continued)

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

ii. Property, plant and equipment ("PPE")

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) Derivative financial instruments and hedging activities

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

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

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

Certain derivatives held by the Company which relate to highly probable forecast transactions ("hedged items"), which meet qualifying criteria under IAS 39 "Financial Instruments: Recognition and Measurement" (as amended by IFRS 9), are designated as cash flow hedges. The Company does not hold or issue derivatives for speculative purposes.

i. Derivatives that qualify for cash flow hedge accounting

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

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

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

1. Accounting policies (continued)

d) Derivative financial instruments and hedging activities (continued)

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

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

e) Inventories

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

f) Financial assets and liabilities

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

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

i. Trade and other receivables

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

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

ii. Cash and cash equivalents

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

iii. Trade and other payables

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

Notes to the financial statements (continued)

1. Accounting policies (continued)

f) Financial assets and liabilities (continued)

iv. Borrowings

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

v. Investment in subsidiaries

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

g) Impairment

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

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

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

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

h) Provisions

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

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

Notes to the financial statements (continued)

1. Accounting policies (continued)

i) Revenue recognition

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

The Company's main sources of revenue is derived from intercompany revenue earned from the provision of call centre services to other Group companies, which is recognised over time as the services are provided.

Revenue is also derived from Irish customers, which are recognised over time as the services are performed, or at a point in time as the goods are provided and control is transferred. They comprise:

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

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

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

j) Employee benefits

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

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

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

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

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

1. Accounting policies (continued)

j) Employee benefits (continued)

Company or by a participating employee, the compensation expense that would have been recognised over the remainder of the vesting period is recognised immediately in the income statement.

k) Leases

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

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

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

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

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

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

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

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The Company also remeasures the carrying amount to reflect any reassessment or lease modifications. Interest on the liability will be charged as an expense on the Income statement.

1. Accounting policies (continued)

k) Leases (continued)

Lessor

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

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

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

l) Tax, including deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the Income Statement except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity.

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

m) Distributions to equity shareholders

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

Notes to the financial statements (continued)

1. Accounting policies (continued)

n) Foreign currency translation

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

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

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

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning after 1 January 2021. These new pronouncements are listed below. The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

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

p) Critical accounting policies and the use of 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.

(i) Revenue (see note 2)

Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgement. This may involve estimating the fair value of consideration before it is received. Judgement is required in determining which products constitute a bundle, and how revenue is allocated to products within the bundle. When the Company sells a set-top box, installation service and TV and home communications in one bundled transaction, the total consideration from the arrangement is allocated to each element based on its relative fair value, according to the standalone selling price of each performance obligation. The fair value of each individual element is determined using vendor specific or third party evidence.

Discounts are allocated to products on a pro-rata basis according to relative fair values.

1. Accounting policies (continued)

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

(ii) Tax, including deferred tax (see notes 7 and 13)

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

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

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

iii) Intangible assets and property, plant and equipment (see notes 8 and 9)

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

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

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

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

Notes to the financial statements (continued)

1. Accounting policies (continued)

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

(iv) Leases

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

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

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

2. Revenue

	2020	2019
	£m	£m
Group support services revenue	**554**	776
Irish branch revenue	**510**	673
	1,064	1,449

Group support services revenue is generated from intercompany recharges for the provision of core management and call handling services to the rest of the Sky Group (the "Group"). Irish branch revenue relates to revenue from direct-to-home ("DTH") pay television, broadband and telephony subscriptions in Ireland. All revenue arises from services provided in the UK and Ireland.

3. Operating expense

	2020	2019
	£m	£m
Programming	**266**	332
Sales, general and administration	**712**	1,019
	978	1,351

Within Programming expenses we have included Direct Network costs associated with the Irish branch of £64 million (2019: £92 million).

Notes to the financial statements (continued)

4. Investment income and finance income (costs)

	2020	2019
	£m	£m
Investment income		
Distribution receivable(i)	**9**	2
Other finance income / (expense)		
IFRS16 lease interest	**(1)**	-
Foreign exchange gains and losses	**3**	-
	2	-

(i) During the year, the Company received a distribution of £9 million (2019: £2 million) from its investment in Athena Court Property Unit Trust.

5. Profit before tax

Profit before tax is stated after charging:

	2020	2019
	£m	£m
Depreciation and impairment of property, plant and equipment	**6**	8
Amortisation and impairment of intangible assets	**40**	46
Amortisation and impairment of right-of-use assets	**6**	-
Loss on disposal of property, plant and equipment	**1**	4
Rentals on operating leases and similar arrangements	**-**	13

Audit fees

Amounts paid to the auditor for the audit of the Company's financial statements of £125,000 (2019: £125,000) were borne by another Group subsidiary in 2020 and 2019. No amounts for other services have been paid to the auditor.

6. Employee benefits and key management compensation

a) Company employee benefits

	2020	2019
	£m	£m
Wages and salaries	**319**	387
Social security costs	**26**	33
Costs of employee share option schemes(i)	**5**	33
Contributions to the Sky Pension Plan(ii)	**16**	20
	366	473

(i) The expense recognised for employee share option schemes relates wholly to equity-settled share-based payments.

(ii) The Company operates defined contribution pension schemes. The pension charge for the year represents the cost of contributions payable by the Company to the schemes during the year. The amount payable to the schemes at 31 December 2020 was £3 million (2019: £2 million).

6. Employee benefits and key management compensation (continued)

a) Company employee benefits (continued)

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

	2020	2019
Customer service, sales and marketing	**9,266**	8,387
Transmission and technology	**108**	111
Management and administration	**463**	699
Channels and services	**26**	22
	9,863	9,219

b) Key management compensation

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

7. Tax

a) Tax recognised in the Income Statement

	2020	2019
	£m	£m
Current tax expense		
Current year	**14**	18
Adjustments in respect of prior years	**-**	(7)
Total current tax	**14**	11
Deferred tax expense /(credit)		
Origination and reversal of temporary differences	**(1)**	-
Total deferred tax	**(1)**	-
Tax	**13**	11

b) Tax recognised directly in equity

	2020	2019
	£m	£m
Current tax credit relating to share-based payments	**-**	2
Current tax (charge)/credit relating to IFRS15	**-**	(1)
Deferred tax (charge)/credit relating to cash flow hedges	**4**	(3)
	4	(2)

7. Tax (continued)

c) Reconciliation of effective tax rate

The tax expense for the year is lower (2019: lower) than the expense that would have been calculated using the rate of corporation tax in the UK of 19.0% (2019: 19.0%) applied to profit before tax. The differences are explained below:

	2020	2019
	£m	£m
Profit before tax	**87**	97
Profit before tax multiplied by blended rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**17**	18
Effects of:		
Non-deductible expense	**1**	2
Net (decrease) increase in respect of share-based payments	**-**	4
Effect of branch exemption	**(4)**	(6)
Adjustments in respect of prior years	**(1)**	(7)
Tax	**13**	11

Tax predominantly relates to UK corporation tax and is settled by Sky UK Limited on the Company's behalf. In addition, the Irish branch of the company is liable to Irish corporation tax.

Notes to the financial statements (continued)

8. Intangible assets

	Internally generated intangible assets	Software development (external)	Software licences	Other intangible assets	Internally generated assets not yet available for use	Acquired intangible assets not yet available for use	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 July 2018	92	137	25	6	20	140	420
Additions	8	2	12	-	4	14	40
Disposals	(18)	(3)	(3)	-	-	-	(24)
Transfers	21	151	-	-	(21)	(151)	-
At 31 December 2019	**103**	**287**	**34**	**6**	**3**	**3**	**436**
Additions	2	-	-	-	3	16	21
Disposals	(7)	(3)	(9)	-	-	-	(19)
Transfers	1	1	-	-	(1)	(1)	-
At 31 December 2020	**99**	**285**	**25**	**6**	**5**	**18**	**438**
Amortisation							
At 1 July 2018	63	121	22	5	-	-	211
Amortisation	19	10	16	1	-	-	46
Disposals	(15)	(3)	(3)	-	-	-	(21)
At 31 December 2019	**67**	**128**	**35**	**6**	**-**	**-**	**236**
Amortisation	14	25	-	-	-	-	39
Disposals	(6)	(2)	(10)	-	-	-	(18)
At 31 December 2020	**75**	**151**	**25**	**6**	**-**	**-**	**257**
Carrying Amounts							
At 1 July 2018	29	16	3	1	20	140	209
At 31 December 2019	36	159	(1)	-	3	3	200
At 31 December 2020	**24**	**134**	**-**	**-**	**5**	**18**	**181**

The Company's internally generated intangible assets relate to software development associated with our customer management system. The Company's other intangible assets mainly include copyright licences, customer lists and relationships.

The estimated future annual 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.

	2021	2022	2023	2024	2025
	£m	£m	£m	£m	£m
Estimated amortisation charge	36	29	23	19	18

Notes to the financial statements (continued)

9. Property, plant and equipment

	Freehold land and buildings[(i)] £m	Leasehold improvements £m	Equipment, furniture and fixtures £m	Assets not yet available for use £m	Total £m
Cost					
At 1 July 2018	22	1	34	2	59
Additions	4	-	3	2	9
Disposals	-	-	(7)	-	(7)
Transfers	-	-	3	(3)	-
At 31 December 2019	**26**	**1**	**33**	**1**	**61**
Additions	8	-	-	-	8
Disposals	-	-	(7)	-	(7)
Transfers	-	-	1	(1)	-
At 31 December 2020	**34**	**1**	**27**	**-**	**62**
Accumulated Depreciation					
At 1 July 2018	14	-	17	-	31
Depreciation	-	1	7	-	8
Disposals	-	-	(6)	-	(6)
At 31 December 2019	**14**	**1**	**18**	**-**	**33**
Depreciation	1	-	5	-	6
Disposals	-	-	(7)	-	(7)
At 31 December 2020	**15**	**1**	**16**	**-**	**32**
Carrying amounts					
At 1 July 2018	8	1	17	2	28
At 31 December 2019	12	-	15	1	28
At 31 December 2020	**19**	**-**	**11**	**-**	**30**

(i) Depreciation was not charged on £1 million of land (2019: £1 million).

10. Cost to obtain customer relationships

Costs to obtain contracts relate to commissions paid to staff relating to acquisition of new subscriber contracts.

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

Notes to the financial statements (continued)

11. Right-of-use Assets

	Land and buildings	Total
	£m	£m
Cost		
At 31 December 2019	-	-
Initial application of IFRS16	35	35
At 1 January 2020	**35**	**35**
At 31 December 2020	**35**	**35**
Accumulated depreciation		
At 1 January 2020	**-**	**-**
Charge for the year	6	6
At 31 December 2020	**6**	**6**
Carrying amounts		
At 31 December 2019	-	-
At 1 January 2020	35	35
At 31 December 2020	**29**	**29**

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

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

12. Investment in subsidiaries

Details of the investments of the Company are as follows:

Name	Address	Country of incorporation	Description and proportion of shares held (%)
Direct holdings			
Sky Ireland Limited	Fifth floor, 1 Burlington Plaza, Burlington Road, Dublin 4	Republic of Ireland	1 ordinary share of €1 (100%)

Investments in subsidiaries shown above represent the cost of the shares of the wholly-owned subsidiary undertakings plus non-current loans advanced, less provisions made for any impairment in value.

During the year, the Company's Athena Court Property Unit Trust subsidiary was wound down. The Company received a final distribution of £9 million (2019: £2 million) from its investment in Athena Court Property Unit Trust. The Company's remaining investment in Athena Court Property Unit Trust was impaired resulting in a charge being recognised of £8 million (2019: £3 million) in the income statement.

13. Deferred tax

Recognised deferred tax assets

	Accelerated tax depreciation £m	Share-based payments temporary differences £m	Financial instruments temporary differences £m	Total £m
At 1 July 2018	3	1	1	5
Charge to equity	-	-	(3)	(3)
At 31 December 2019	**3**	**1**	**(2)**	**2**
Credit to equity	**-**	**-**	**4**	**4**
At 31 December 2020	**3**	**1**	**2**	**6**

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 £2 million.

14. Inventories

	2020 £m	2019 £m
Raw materials and consumables	**-**	1

15. Trade and other receivables

	2020 £m	2019 £m
Gross trade receivables	**6**	11
Less: provision for impairment of receivables	**(4)**	(5)
Net trade receivables	**2**	6
Amounts receivable from immediate parent company	**1,093**	1,147
Amounts receivable from other Group companies	**232**	115
Contract Assets	**1**	1
Prepayments	**27**	23
Accrued income	**8**	4
VAT	**25**	-
Other	**-**	(1)
Current trade and other receivables	**1,388**	1,295

15. Trade and other receivables (continued)

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

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

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

	2020	2019
	£m	£m
Up to 30 days past due date	**2**	2
	2	2

Provision for doubtful debts

	2020	2019
	£m	£m
Balance at beginning of year	**5**	4
Amounts utilised	**(2)**	-
Income statement charge	**1**	1
Balance at end of year	**4**	5

Trade receivables principally comprise amounts outstanding from customers. The Directors consider that the carrying amount of trade and other receivables approximates their fair values.

a) Amounts receivable from immediate parent company

Amounts due from immediate parent company Sky UK Limited totalling £1,093 million (2019: £1,147 million) represent trade receivables; they are non-interest bearing and are repayable on demand.

b) Amounts receivable from other Group companies

There are amounts due from other Group companies totalling £187 million (2019: £70 million) that are trade receivables; these balances are non-interest bearing and are repayable on demand. The remaining balance of £45 million (2019: £45 million) is intercompany loans (see below).

The Company is owed £45 million (2019: £45 million) of non-interest bearing loan receivable from Sky Operational Finance Limited which is repayable on demand.

The Company is exposed to credit risk on its trade and other receivables. However, the Company does not have any significant concentrations of credit risk with third parties, as the majority of its receivables are from other Group companies. No allowances have been recorded against amounts receivable from other Group companies as they have been assessed to be fully recoverable.

Notes to the financial statements (continued)

16. Trade and other payables

	2020	2019
	£m	£m
Trade payables	**25**	11
Amounts owed to other Group companies	**609**	667
Amounts owed to ultimate parent company	**2**	7
VAT	**33**	7
Social security and PAYE	**7**	7
Other payables	**2**	4
Accruals	**91**	76
Deferred income	**31**	24
Current trade and other payables	**800**	803
Non-current other payables	**3**	4
Total trade and other payables	**803**	807

The Directors consider that the carrying amount of trade and other payables approximates their fair values. Trade payables principally comprise amounts outstanding for ongoing costs. Amounts due to other Group companies represent trade payables; they are repayable on demand and are non-interest bearing.

17. Provisions

	At 1 July 2018	Provided during the year	Utilised during the year	**At 31 December 2019**	**Provided during the year**	**Released during the year**	**Utilised during the year**	**At 31 December 2020**
	£m	£m	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Current liabilities								
Customer-related provision(i)	-	14	(9)	**5**	**-**	**-**	**(4)**	**1**
Restructuring provision(ii)	6	2	(7)	**1**	**9**	**-**	**(3)**	**7**
Property provision(iii)				**-**	**4**	**(1)**	**-**	**3**
Other provision(iv)	3	6	(1)	**8**	**2**	**-**	**-**	**10**
	9	22	(17)	**14**	**15**	**(1)**	**(7)**	**21**

(i) These provisions are for those costs incurred in the one-off upgrade of set-top boxes and the programme to replace selected Sky Broadband router devices

(ii) These provisions relate to costs incurred as part of corporate restructuring and efficiency programmes.

(iii) These provisions relate to amounts provided for property dilapidation expenses.

(iv) These provisions relate to amounts provided for regulatory compliance and 3rd party commitments.

17. Provisions (continued)

	At 1 July 2018	Provided during the year	**At 31 December 2019**	Provided during the year	**At 31 December 2020**
	£m	£m	**£m**	£m	**£m**
Non-Current liabilities					
Property provisions(i)	-	4	**4**	**2**	**6**
	-	4	**4**	**2**	**6**

(i) These provisions relate to amounts provided for property dilapidation expenses.

18. Lease Liabilities & Borrowings

	2020	2019
	£m	£m
Current lease liabilities	**5**	2
Non-current lease liabilities	**24**	-

Maturity of lease liabilities	**2020**	2019
	£m	£m
Within one year	**5**	3
Later than one year but not later than five years	**12**	-
Later than five years	**12**	-
Future finance charges on finance lease liabilities	**-**	(1)
Total lease liabilities	**29**	2

The future minimum lease payments for operating leases for the period ended 31 December 2019 is included in note 25.

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

Lease liabilities in the prior period related to financing arrangements in connection with the building in Dunfermline. During the year, repayments of £1,235,000 (2019: £2,469,000) were made against the lease. A proportion of these payments have been allocated against the capital amount outstanding. The lease bore interest at a rate of 8.5% and expired in September 2020.

Notes to the financial statements (continued)

19. Derivatives and other financial instruments

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

	2020				2019			
	Asset		**Liabilities**		Asset		Liabilities	
	Fair value	**Notional**	**Fair value**	**Notional**	Fair value	Notional	Fair value	Notional
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Cash flow hedges:								
Forward foreign exchange contracts	**1**	**127**	**(15)**	**353**	18	359	-	42
Total	**1**	**127**	**(15)**	**353**	18	359	-	42

The maturity of the derivative financial instruments is as follows:

	2020		2019	
	Asset	**Liability**	Asset	Liability
	£m	**£m**	£m	£m
In one year or less	**-**	**(11)**	18	-
Between one and two years	**1**	**(4)**	-	-
Between two and five years	**-**	**-**	-	-
Total	**1**	**(15)**	18	-

The Company's portfolio of foreign exchange rate derivatives is diversified by maturity. All derivatives are transacted with Sky UK Limited. Natural offsets between transactions within the portfolio and the designation of certain derivatives as hedges significantly reduce the risk of income statement volatility.

Hedge accounting classification and impact

The company's principal foreign currency exposures arise from the revenue which is denominated in Euro. The treasury policy allows for highly probable foreign currency transaction exposures to be hedged for up to 30 months ahead.

The Company designates its forward foreign exchange contracts as cash flow hedges of forecast foreign currency sales and purchases. Gains or losses are released from the hedging reserve and recycled to the income statement in the same period as the hedged item is recognised. If forecast transactions are no longer expected to occur, any amounts included in the hedging reserve related to that forecast transaction would be recognised directly in the income statement. During the current year gains of £5 million were removed from the hedging reserve and credited against revenue in the income statement (2019: losses of £1 million).

Notes to the financial statements (continued)

19. Derivatives and other financial instruments (continued)

Hedge effectiveness testing is performed quarterly using the dollar-offset approach. The actual movement in the hedging items is compared with the movement in the valuation of the hypothetically perfect hedge of the underlying risk at inception, and any ineffectiveness is recognised directly in the income statement. There was no ineffectiveness recognised in the income statement during the current year (2019: £nil).

A hedge relationship is deemed to be effective if the ratio of changes in valuation of the underlying hedged item and the hedging instrument is within the range of 80% to 125%. Any relationship which has a ratio outside this range is deemed to be ineffective, at which point hedge accounting is suspended. During the year ended 31 December 2020 there were no instances in which the hedge relationship was not highly effective, all falling within the permitted 80% to 125% effectiveness ratio (2019: no instances).

(a) Carrying value and fair value

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

	Financial Assets at Amortised Cost £m	Financial Liabilities at Amortised Cost £m	Financial Assets at Fair Value through PL £m	Financial Liabilities at Fair Value through PL £m	Total carrying value £m	Total fair values £m
At 31 December 2020						
Derivative financial instruments	-	-	1	(15)	(14)	(14)
Trade and other payables	-	(729)	-	-	(729)	(729)
Trade and other receivables	1,335	-	-	-	1,335	1,335
Cash and cash equivalents	19	-	-	-	19	19
At 31 December 2019						
Derivative financial instruments	-	-	18	-	18	18
Trade and other payables	-	(846)	-	-	(846)	(846)
Obligations under finance leases	-	(2)	-	-	(2)	(2)
Trade and other receivables	1,386	-	-	-	1,386	1,386
Cash and cash equivalents	8	-	-	-	8	8

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

• The fair value of financial assets and financial liabilities with standard terms and conditions and which are traded on active liquid markets is determined with reference to quoted market prices;

• The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

• Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts; and

Notes to the financial statements (continued)

19. Derivatives and other financial instruments (continued)

• The fair value of obligations under finance leases and other borrowings is estimated by discounting the future cash flows to net present value. The fair value of short-term deposits and cash and cash equivalents is equivalent to carrying value due to the short-term nature of these instruments.

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

(b) Fair value hierarchy

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

	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m
At 31 December 2020				
Financial assets				
Forward foreign exchange contracts	1	-	1	-
Total	**1**	**-**	1	**-**
Financial liabilities				
Forward foreign exchange contracts	(15)	-	(15)	-
Total	**(15)**	**-**	**(15)**	**-**
At 31 December 2019				
Financial assets				
Forward foreign exchange contracts	18	-	18	-
Total	**18**	**-**	**18**	**-**

Level 1

Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities, including shares in listed entities.

Level 2

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

Level 3

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

19. Derivatives and other financial instruments (continued)

Offsetting of financial assets and Liabilities

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

				Related amounts not set off in the balance sheet	
As at 31 December 2020	**Gross amounts of recognised financial assets/(liabilities)**	**Gross amounts of financial assets / (liabilities) offset in the balance sheet**	**Net amounts presented in Balance Sheet**	**Right of set off with derivative counterparties**	**Net amount**
	£m	£m	£m	£m	£m
Derivative financial assets	1	-	1	-	1
Derivative financial liabilities	(15)	-	(15)	-	(15)
Total	(14)	-	(14)	-	(14)
As at 31 December 2019					
Derivative financial assets	18	-	18	-	18
Total	18	-	18	-	18

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

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

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

	31 December 2019	**IFRS16 recognition 1 January 2020**	**Net (proceeds) / repayments**	**Net Financing Costs**	**31 December 2020**
	£m	**£m**	**£m**	**£m**	**£m**
Finance lease liability					
IFRS16 implementation	-	(35)	7	(1)	(29)

Notes to the financial statements (continued)

20. Financial risk management objectives and policies

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

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

Market Risk

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

	0 - 6 Months	6 - 12 Months	Beyond 12 Months
Cash flow hedges			
Foreign Currency risk			
Forward Currency Contracts (GBP:EUR)			
Notional Amount (£m)	131	115	235
Average exchange rate	1.17	1.16	1.12

The following table represents the corresponding carrying values and nominal amounts of derivatives in a continued hedge relationship as at 31 December 2020:

					Other Comprehensive Income				
	Nominal Amount of the hedging Instrument	Carrying amount of the hedging Instrument		Line item in the statement of financial position where the hedging instrument is located	Opening Balance 1 January 2020	(Gain) / Loss deferred to OCI	Gain / (Loss) recycled to revenue	Closing Balance 31 December 2020	Hedge ineffective-ness recognised in financing (income) / costs
		Assets	Liabilities						
	£m	£m	£m		£m	£m	£m	£m	£m
Cash Flow Hedges									
Foreign Currency risk									
Forward Exchange Contracts	480	1	(15)	Derivative Financial Assets & Derivative Financial Liabilities	(18)	27	5	14	-

20. Financial risk management objectives and policies (continued)

The following table represents the changes in value of hedging instruments and hedged

	Hedging Instrument	Change in value of hedging instrument for calculating hedge ineffectiveness	Change in value of hedged item for calculating hedge ineffectivement
		£m	£m
Cash flow hedges			
Foreign Exchange Risk			
EUR Receivables	Forward Contracts	27	(27)

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 the Group's policies approved by the Comcast Audit Committee and Board of Directors.

Credit risk

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 15.

Liquidity risk

The Company's financial liabilities are shown in notes 16, 17, 18 and 19.

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	Between one and two years	Between two and five years	More than five years
	£m	£m	£m	£m
At 31 December 2020				
Non-derivative financial liabilities				
Trade and other payables	**800**	**3**	**-**	**-**
Gross settled derivatives				
Asset Outflow	**-**	**73**	**54**	**-**
Asset Inflow	**-**	**(75)**	**(55)**	**-**
Liability Outflow	**245**	**107**	**-**	**-**
Liability Inflow	**(235)**	**(104)**	**-**	**-**

Foreign exchange risk

At 31 December 2020, the Company had outstanding commitments to sell, in aggregate, €536 million (2019: €474 million) at an average rate of €1.14 (2019 €1.12).

Notes to the financial statements (continued)

20. Financial risk management objectives and policies (continued)

Foreign exchange sensitivity

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

- A 25% strengthening in pounds sterling against the Euro would have the effect of reducing profit by £2 million (2019: beneficial impact on profit of £2 million). The same move would have a beneficial impact on other equity of £96 million (2019: beneficial impact on other equity of £80 million).

- A 25% weakening in pounds sterling against the Euro would have the effect of increasing profit by £3 million (2019: adverse impact on profit of £4 million). The same move would have an adverse impact on other equity of £160 million (2019: adverse impact on other equity of £134 million).

The sensitivity analyses provided are hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Company's actual exposure to market rates is constantly changing as the Company's portfolio of foreign currency and equity contracts changes. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company. The changes in valuations are estimates of the impact of changes in market variables and are not a prediction of future events or anticipated gains or losses.

21. Share capital

	31 December 2020 £	31 December 2019 £
Allotted, called-up and fully paid		
5 (2019: 5) ordinary shares of £1 (2019: £1) each	**5**	5

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

	31 December 2020 £m	31 December 2019 £m
Share premium	**150**	150

21. Share capital (continued)

Share option and contingent share award schemes

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

The share awards outstanding can be summarised as follows:

Scheme	**31 December 2020 Number of ordinary shares**	31 December 2019 Number of ordinary shares
Sharesave Scheme options (i)	**987,624**	725,970
Comcast Corporation RSU Awards (ii)	**201,292**	253,604
	1,188,916	979,574

(i) Sharesave Scheme options

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

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

(ii) Comcast Corporation RSU Awards

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

Share option and contingent share award schemes

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

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

Notes to the financial statements (continued)

21. Share capital (continued)

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

	Sharesave Scheme		Senior Management Schemes		Total	
	Number of shares under option	Weighted average exercise price	Number of shares under option	Weighted average exercise price	Number of shares under option	Weighted average exercise price
	Number	£	Number	£	Number	£
Outstanding at 1 July 2018	**3,109,720**	**7.33**	**585,868**	**0.00**	**3,695,588**	**6.17**
Granted during the year	**725,970**	**27.26**	**792,253**	**0.00**	**1,518,223**	**13.03**
Cancelled during the year	**(3,109,720)**	**7.33**	**(1,105,293)**	**0.00**	**(4,215,013)**	**5.41**
Expired during the year	**-**	**-**	**(19,224)**	**0.00**	**(19,224)**	**-**
Outstanding at 31 December 2019	**725,970**	**27.26**	**253,604**	**0.00**	**979,574**	**20.20**
Granted during the year	**291,552**	**27.39**	**75,540**	**0.00**	**367,092**	**21.75**
Vested during the year	**-**	**-**	**(127,852)**	**0.00**	**(127,852)**	**0.00**
Expired during the year	**(29,898)**	**27.26**	**-**	**-**	**(29,898)**	**27.26**
Outstanding at 31 December 2020	**987,624**	**27.30**	**201,292**	**0.00**	**1,188,916**	**22.68**

The weighted average market price of Comcast's shares at the date RSU awards vested during the year was £33.75 (2019: nil).

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

	Sharesave Scheme		Senior management schemes		Total	
	2020	2020	2020	2020	2020	2020
		Weighted average remaining contractual life		Weighted average remaining contractual life		Weighted average remaining contractual life
Range of Exercise Prices	Number	Years	Number	Years	Number	Years
£0.00 - £1.00	-	-	201,292	0.91	201,292	0.91
£27.00-£28.00	987,624	2.63	-	-	987,624	2.63
	987,624	**2.63**	**201,292**	**0.91**	**1,188,916**	**2.34**

Notes to the financial statements (continued)

21. Share capital (continued)

	Sharesave Scheme		Senior management schemes		Total	
	2019	**2019**	**2019**	**2019**	**2019**	**2019**
		Weighted average remaining contractual life		**Weighted average remaining contractual life**		**Weighted average remaining contractual life**
Range of Exercise Prices	**Number**	**Years**	**Number**	**Years**	**Number**	**Years**
£0.00 - £1.00	-	-	253,604	1.1	253,604	1.1
£27.00-£28.00	725,970	3.4	-	-	725,970	3.4
	725,970	**3.4**	**253,604**	**1.1**	**979,574**	**2.8**

Information for awards granted during the year

The weighted average fair value of equity-settled share options granted during the year, as estimated at the date of grant, was £13.29 (2019: £18.19). This was calculated using the Black-Scholes share option pricing model.

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

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

(i) Sharesave scheme

The weighted average fair value of equity-settled share awards granted during the year under the Sharesave Scheme, as estimated at the date of grant, was £8.13 (2019: £8.47). This was calculated using the Black-Scholes share option pricing model.

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

	31 December 2020	31 December 2019
Share price	**£33.79**	£33.92
Exercise price	**£27.39**	£27.26
Expected volatility	**25.9%**	22.8%
Expected life	**3.4 years**	3.6 years
Expected dividend	**2.1%**	1.9%
Risk-free interest rate	**0.2%**	1.6%

21. Share capital (continued)

(ii) Senior Management Schemes

The weighted average fair value of equity-settled share awards granted during the year under the Senior Management Schemes, as estimated at the date of grant, was £33.19 (2019: £19.40). Awards granted as nil-priced options were treated as the award of a free share. For all other awards, fair value was calculated using the Black-Scholes share option pricing model.

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

	31 December 2020	31 December 2019
Share price	**£33.20**	£19.94
Exercise price	**£0.00**	£0.00
Expected volatility	**0.0%**	0.0%
Expected life	**3.0 years**	2.7 years
Expected dividend	**0.0%**	1.0%
Risk-free interest rate	**0.8%**	0.9%

22. Shareholder's equity

	2020 £m	2019 £m
Share capital	**-**	-
Share premium	**150**	150
Hedging reserve	**(13)**	15
Retained earnings	**648**	574
	785	739

Hedging reserve

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

Notes to the financial statements (continued)

23. Notes to the Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2020 £m	2019 £m
Profit before tax	**87**	97
Depreciation and impairment of property, plant and equipment	**6**	8
Amortisation and impairment of intangible assets	**39**	46
Amortisation and impairment of Right-of-Use assets	**6**	-
Loss on disposal of property, plant and equipment	**1**	4
Share-based payment expense	**-**	10
Investment income	**(9)**	(2)
Impairment of investment	**8**	3
	138	166
Increase in trade and other receivables	**(84)**	(690)
(Increase)/decrease in inventories	**1**	-
Increase/(decrease) in trade and other payables	**(18)**	562
Increase in provisions	**9**	8
Increase in derivatives financial instruments	**-**	1
Cash generated from operations	**46**	47

24. Contracted commitments, contingencies and guarantees

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

	Less than one year £m	Between one and five years £m	After five years £m	Total at 31 December 2020 £m	Total at 31 December 2019 £m
Third party payments	23	4	-	27	14
Smartcards	19	72	-	91	88
Other	1	2	-	3	2
	43	**78**	**-**	**121**	104

Commitments in relation to the provision of smartcards. Smartcards under development are included within intangible assets. The amounts included above are the expected ongoing smartcard costs based on forecast customer levels.

b) Contingencies and guarantees

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

Notes to the financial statements (continued)

25. Operating lease commitments

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

	2019
	£m
Within one year	5
Between one and five years	12
After five years	14
	31

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

From 1 January 2020, the Company has recognised right-of-use assets and lease liabilities in respect of these commitments. Refer to notes 11 & 18.

26. Transactions with related parties

a) Key management

The Company has a related party relationship with the Directors of the Company as key management. At 31 December 2020, there were three (2019: three) key managers, all of whom were Directors of the Company. The key management received £nil remuneration in respect of their services to the Company (2019: £nil).

b) Transactions with the parent company and other Group companies

The Company conducts business transactions with the parent company and other Group companies:

	2020	2019
	£m	£m
Supply of services by the Company to the parent	**519**	709
Supply of services by the Company to other Group companies	**8**	16

For details of amounts owed by and owed to the parent company and other Group companies, see notes 15 and 16.

Principal services supplied to the parent company and other Group companies:
- Subscriber management services
- Conditional access services

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 the parent company and other Group companies as required. Under this policy, Sky UK Limited has settled liabilities of £456 million (2019: £1,513 million) on behalf of the Company during the year.

c) Derivative contracts with Sky UK Limited

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

Notes to the financial statements (continued)

26. Transactions with related parties (continued)

c) Derivative contracts with Sky UK Limited (continued)

The face value of the forward contracts that had not matured as at 31 December 2020 was £480 million (2019: £402 million).

During the year, £301 million (2019: £11 million) was received from Sky UK Limited upon maturity of forward exchange contracts and €332 million (2019: €112 million) was paid to Sky UK Limited upon maturity of forward exchange contracts.

27. Ultimate parent undertaking

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

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

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