

**Digital UK Limited**

**Annual report and consolidated  
financial statements**

**Registered number 5422613**

**31 December 2015**

## **Contents**

Chairman's Statement	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the annual report and the consolidated financial statements	6
Independent auditor's report to the members of Digital UK Limited	7
Consolidated Profit and Loss Account	9
Consolidated Balance Sheet	10
Company Balance Sheet	11
Consolidated Cash Flow Statement	12
Notes	13

## Chairman's statement

Television is changing. The last few years have seen a continuous shift across the broadcasting landscape, moving into an increasingly hybrid TV world. More of us are choosing to complement our regular viewing with on-demand and catch-up services, rewriting existing schedules to suit our own. This is why the successful launch of Freeview Play, which seamlessly combines linear TV and catch-up players, has been so important. It brings high-quality live TV – still accounting for 85% of viewing – to 19m households throughout Britain. But it has also made access to new services easier for thousands of viewers. With growing support from manufacturers and content providers, including Panasonic, Humax, LG and UKTV, our task now is to work with our partners to extend the benefits of a consistent on-demand offering to everyone.

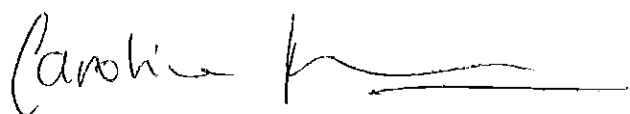
The last year has seen positive progress in other areas too. In November 2015, the decision at the World Radiocommunication Conference to protect airwaves used by Freeview and other terrestrial services across Europe for the foreseeable future has provided much needed stability and certainty for broadcasters, manufacturers and viewers, and a clear endorsement of the importance of DTT.

Of course, there is still change to come. Digital UK is now working with Ofcom on the clearance of Freeview channels from the 700MHz band, with the aim of completing this by the regulator's published target date of 2020. Planning has already begun to ensure the transition of this spectrum to mobile broadband is completed as smoothly as possible.

Alongside this Digital UK will continue to strengthen its overall management of the DTT platform. This March saw the promotion of local TV services across the UK to more prominent positions in the Freeview TV guide and we will continue to review our policies to ensure the best outcomes for channel providers.

This year has also seen the launch of a dedicated Freeview information channel, helping to ensure those with questions about reception or services have the details of our advice line to hand. Over the coming months we will be continue to work closely with colleagues at Freeview to explore further options for providing additional support to viewers on the platform.

All in all, 2015/16 has been a demanding year for the small team at Digital UK and they have more than risen to the challenge. I would like to thank Jonathan Thompson and his colleagues for their dedication and hard work and congratulate them on their success. None of it, however, would be possible without the support of our members – BBC, ITV, Channel 4 and Arqiva. We are blessed with a constructive and engaged Board and I thank them too.



**Caroline Thomson**  
*Chairman*

## **Strategic Report**

### **Review of the business**

In the UK, the past year has been dominated by major policy issues about the future of broadcasting, but on the global stage change has been driven by the relentless pace of technology innovation. Anyone who attended the Consumer Electronics Show in Las Vegas this January will have witnessed how technology is changing what we know as 'telly', from super-sized screens with crystal clear pictures to apps and mobile devices which put thousands of programmes in your pocket. It is hardly surprising that amid all the glitz and the glamour, the talk is of revolution in how, where and when we watch TV. As our chair Caroline Thomson notes, live broadcast TV remains the most popular way to watch but whether you are a believer in revolution or evolution, there can be no doubt we are entering a world of almost limitless choice and flexibility.

For Digital UK, our core focus for the last year has been developing the technology which paves the way for Freeview to play its part in opening these benefits to everyone, just as it enabled the nationwide switch to digital TV. With only around half of homes currently owning a smart TV, the launch of Freeview Play with our consumer electronics partners enables a new generation of simple televisions and set-top boxes offering seamless, subscription-free access to the most popular catch-up content. This will undoubtedly attract new audiences to on-demand viewing, and as more and more partners sign up to make Freeview Play products I believe we can play an important part in creating an increasingly connected TV nation.

Freeview Play was just one of a number of positive developments which helped make last year our most successful and significant since completing switchover in 2012. While diverse in nature, these developments share a spirit of partnership which underpins the success of Digital Terrestrial Television (DTT). As a platform with no overall controlling interest and no gatekeeper mediating access to programmes, it's a unique and vital contributor to the long-term strength of UK television. That the digital terrestrial service is being adopted as the TV platform for new product launches from Now TV, Vodafone and EE highlights its ongoing importance to choice and competition for viewers.

Given this, we were delighted that international links between supporters of terrestrial broadcasting helped secure a decision to safeguard spectrum for television well into the 2020s at November's World Radiocommunication Conference (WRC-15). While there was a concerted effort from a minority of nations to release even more spectrum for mobile, a broad alliance of DTT supporting countries made a powerful case for the continuing importance of terrestrial broadcasting. I would like to thank the many broadcasters, governments and regulators from around the world who helped secure this crucial decision.

Partnerships will also play a central role in realising another decision taken at WRC-15. Clearance of DTT from the 700MHz band of spectrum will pave the way for 5G mobile services from 2020. Digital UK has been asked to co-ordinate delivery of the technical aspects of this publicly-funded programme and, at the request of Ofcom, have worked with broadcasters to produce an accelerated timetable which will see the spectrum available more than a year earlier than originally planned. Work has already started to prepare the first transmission sites and we are currently awaiting decisions on government policy around viewer support. While not on the scale of digital switchover, successful delivery of this programme will involve a number of parties coming together to ensure the process runs smoothly and viewers receive appropriate levels of information and assistance.

Managing the DTT platform at a day-to-day level, whether it's developing the channel listing or launching new services, is a story of collaboration. Nowhere is this more true than in the area of viewer support. Freeview is a subscription-free service but our viewers still have an expectation of support in ensuring a reliable service. The Freeview Advice Line helps thousands of viewers every year, and we work closely with other sources of viewer support offered by manufacturers and other TV services based on DTT. Recent research among Freeview viewers shows that the majority have a positive experiences when needing some extra help or advice. It was also interesting that some who are averse to subscription TV positively welcome the freedom to choose how to access advice should they need it.

## **Strategic report** *(continued)*

Nonetheless, we recognise that there is more we can and should do to ensure Freeview viewers can easily access help, whether it's solving a niggling reception issue or finding out how to upgrade to Freeview Play. To keep things simple for viewers we are bringing all our consumer-facing support services over the phone and online under the Freeview banner and making it easier to get in touch with us. These and other initiatives are a sign of our commitment in this area and are already having a noticeable effect. We will continue to work with Freeview and our other partners to focus on this area as a priority in the years ahead.

### **Financial performance indicators**

Digital UK Limited is a not for profit company and agrees a budget with its Members at the beginning of each year.

The budget for the year ending 31 December 2016 along with a two-year business plan to 31 December 2018 has been agreed by the Digital UK Board and covers Platform Management and Freeview Play activities. Funding for the budget has been confirmed by the members. This funding will enable Digital UK to continue to deliver the key tasks of the business during the year.

The directors therefore consider that the Company has access to sufficient funding to meet its needs based on the guarantee provided by the company's stakeholders as set out in note 1 to the financial statements. Accordingly, the directors have prepared the financial statements on a going concern basis.

### **Financial risk management objectives and policies**

The company actively manages cash, trade debtors and trade creditors that arise directly from its operations to minimise the company's exposure to risk.

The main financial risks are safeguarding the contributions received from the stakeholders and obtaining value for money in spending decisions.

### **Summary of key performance indicators**

The directors have monitored the progress of the overall company strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators.

### **Financial performance indicators**

Digital UK and the Members agreed a budget of £5.51 million for Platform Management activity in the Year Ended 31 December 2015. The Activities were delivered for £4.96 million a saving of 10%.

Digital UK and the Members agreed a budget of £3.29 million to develop the Freeview Play proposition in the Year Ended 31 December 2015. The Activities were delivered for £2.7 million a saving of 18%.

## Directors' report

The directors present their report and the financial statements of the company for the year ended 31 December 2015.

### Principal activity

Digital UK is owned and funded by the digital terrestrial national television multiplex licensees, the BBC, ITV, Channel 4 and Arqiva in equal shares.

Digital UK has five principal activities:

- Managing the EPG licence from Ofcom to allocate LCN numbers for the Freeview platform.
- Operating the technical co-ordination of the Platform and providing advice for DTT viewers.
- Overseeing the Strategic development for the Platform.
- Digital UK has lead overall project management and technical specification of Freeview Play, which helps viewers experience the benefits of converged TV and internet services.
- Digital UK works closely with Freeview who will lead on marketing Freeview Play to consumers. This is in line with the mandate for both companies agreed by their shareholders. The brand 'Freeview Play' is owned by DTV Services Limited.
- In March 2015 the National Multiplex Operators appointed Digital UK to provide the Programme Management and Broadcast Coordination activities for the 700MHz Clearance Programme.

A subsidiary company Digital UK Trading limited was incorporated on 19 November 2015 and all activity relating to Freeview Play was transferred to this company.

Digital UK Trading Limited is a company limited by shares. The shares are 100% owned by Digital UK Limited.

### Results

The profit for the year is £nil. (2014: £Nil)

### Company stakeholder members

The company is limited by guarantee. The stakeholder members ("the members") of the company, along with their individual representative voting rights and the changes in the period are as follows:

	As at 31 December 2015	As at 31 December 2014
	%	%
British Broadcasting Corporation	25	25
ITV Network Limited	25	25
Channel Four Television Corporation	25	25
Arqiva Services Limited	25	25
	<hr/>	<hr/>
Total	100	100
	<hr/>	<hr/>

## Directors' report (continued)

### Directors

The directors who held office during the period and at the date of approval of the financial statements are as stated below:

<u>Name</u>	<u>Representative Body</u>
<b>Chairman</b> Caroline Thomson	
<b>Chief Executive</b> Jonathan Thompson	
<b>Non-Executive – Members' Representatives</b>	
James Jackson (resigned 26 <sup>th</sup> February 2015)	British Broadcasting Corporation
Kieran Clifton (appointed 26 <sup>th</sup> February 2015)	British Broadcasting Corporation
Mark Bunting (appointed 26 <sup>th</sup> February 2015 resigned 25 <sup>th</sup> January 2016)	British Broadcasting Corporation
Garazi Goia (appointed 25 January 2016)	British Broadcasting Corporation
Magnus Brooke	ITV Network Limited
Katherine Wen (resigned 27 <sup>th</sup> February 2015)	ITV Network Limited
Paul Kanareck (appointed 27 <sup>th</sup> February 2015)	ITV Network Limited
Keith Underwood	Channel Four Television Corporation
Kim Chua	Channel Four Television Corporation
Stephen Holebrook	Arqiva Services Limited
Laurie Patten (appointed 20 <sup>th</sup> August 2015)	Arqiva Services Limited
Charles Constable (resigned 28 <sup>th</sup> April 2015)	Arqiva Services Limited

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.



**Jonathan Thompson**  
Chief Executive

2<sup>nd</sup> Floor  
27 Mortimer Street  
London

WIT 3JF  
26 July 2016

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIGITAL UK LIMITED**

We have audited the financial statements of Digital UK Limited for the year ended 31 December 2015 set out on pages 9 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act**

In our opinion 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**Independent auditor's report to the members of Digital UK Limited** *(continued)*

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



12 August 2016

**Karen Wightman (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

**Consolidated Profit and Loss Account**  
*for year ended 31 December 2015*

	Note	2015 £000	2014 £000
<b>Turnover</b>	2		
Continuing operations (Platform Management)		4,960	4,614
Continuing operations (Freeview Play)		2,663	3,150
Continuing operations (700MHz Clearance)		294	20
		<hr/>	<hr/>
		7,917	7,784
<b>Cost of Sales</b>		(2,476)	(4,117)
		<hr/>	<hr/>
<b>Gross profit</b>		5,441	3,667
Admin expenses		(5,446)	(3,676)
<b>Operating loss</b>	3 & 7		
Continuing operations (Platform Management)		(5)	(9)
		<hr/>	<hr/>
		(5)	(9)
Interest receivable	6	6	11
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		1	2
Tax on profit on ordinary activities		(1)	(2)
		<hr/>	<hr/>
<b>Result for the period</b>		-	-
		<hr/>	<hr/>
<b>Changes in equity</b>			
Results for the period		-	-
Other comprehensive income		-	-
Reserves brought forward		-	-
		<hr/>	<hr/>
<b>Reserves carried forward</b>		-	-
		<hr/>	<hr/>

The company has no recognised gains or losses as shown in the statement of changes in equity. The Company is not for profit and funded by Members based on expenditure, therefore the changes in equity will always be zero.

The notes on pages 13 to 25 form part of the financial statements.

**Consolidated Balance sheet**  
*at 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>2015</b> <b>£000</b>	2014 £000	2014 £000
<b>Fixed assets</b>					
Tangible fixed assets	8		1,060		-
<b>Current assets</b>					
Debtors	10	1,447		557	
Cash at bank and in hand	11	1,842		4,059	
		<hr/>		<hr/>	
<b>Creditors: amounts falling due within one year</b>	12	<b>3,289</b> <b>(4,115)</b>		<b>4,616</b> <b>(4,616)</b>	
		<hr/>		<hr/>	
<b>Net current (liabilities) / assets</b>			<b>(826)</b>		-
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>234</b>		-
			<hr/>		<hr/>
<b>Creditors: amounts falling due after more than one year</b>	13		<b>(234)</b>		-
			<hr/>		<hr/>
<b>Net assets</b>			<b>-</b>		-
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Profit and loss account			-		-
			<hr/>		<hr/>
<b>Shareholders' funds</b>			<b>-</b>		-
			<hr/>		<hr/>

The notes on pages 13 to 25 form part of the financial statements.

These financial statements were approved by the board of directors on 26<sup>th</sup> July 2016 and were signed on its behalf by:



**Jonathan Thompson**  
*Chief Executive*

Company registered number: 5422613

**Company Balance sheet**  
*at 31 December 2015*

	<i>Note</i>	<b>2015</b> <b>£000</b>	<b>2015</b> <b>£000</b>	2014 £000	2014 £000
<b>Fixed assets</b>					
Tangible fixed assets	8		312		-
<b>Current assets</b>					
Loan to subsidiary	9	932		-	
Debtors	10	1,295		557	
Cash at bank and in hand	11	1,384		4,059	
		<u>3,611</u>		<u>4,616</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,689)</u>		<u>(4,616)</u>	
<b>Net current (liabilities) / assets</b>			<b>(78)</b>		-
<b>Total assets less current liabilities</b>			<b>234</b>		-
<b>Creditors: amounts falling due after more than one year</b>	13		<b>(234)</b>		-
<b>Net assets</b>					-
<b>Capital and reserves</b>					
Profit and loss account			-		-
<b>Shareholders' funds</b>					-

The notes on pages 13 to 25 form part of the financial statements.

These financial statements were approved by the board of directors on 26<sup>th</sup> July 2016 and were signed on its behalf by:



**Jonathan Thompson**  
*Chief Executive*

Company registered number: 5422613

**Consolidated Cash Flow Statement**  
*for year ended 31 December 2015*

	Note	2015 £000	2014 £000
<b>Cash flows from operating activities</b>			
Loss for the year		-	-
Adjustments for:			
Depreciation, amortisation and impairment		89	12
Taxation expense		1	2
Finance income		(6)	(11)
 Increase in trade and other debtors		(890)	829
Decrease in trade and other creditors		(266)	(2,288)
 Tax paid		(2)	(14)
 <b>Net cash from operating activities</b>		<b>(1,074)</b>	<b>(1,470)</b>
 <b>Cash flows from investing activities</b>			
Interest received		6	11
Acquisition of tangible fixed assets	8	(1,149)	-
 <b>Net cash from investing activities</b>		<b>(1,143)</b>	<b>11</b>
 Net increase/(decrease) in cash and cash equivalents		(2,217)	(1,459)
Cash and cash equivalents at 1 January 2015		4,059	5,518
 <b>Cash and cash equivalents at 31 December 2015</b>	<b>11</b>	<b>1,842</b>	<b>4,059</b>

The notes on pages 13 to 25 form part of the financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Digital UK Limited (the "Company") is a company limited by guarantee and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group has made no measurement and recognition adjustments.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group and Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis, modified to include certain items at fair value, and in accordance with FRS 102 issued by the Financial Reporting Council.

#### 1.2 Going concern

Funding to support Platform Management and Freeview Play activities for the year ending 31 December 2016 along with a two-year business plan to 31 December 2018 has been agreed by the Digital UK Board and has been confirmed by the members. This funding will enable Digital UK to continue to deliver the key tasks of the business during this time.

The directors therefore have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31<sup>st</sup> December 2015. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- IT and office equipment 3 years
- Leasehold improvements 10 years
- FVP Metadata Systems Development 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### 1.5 Employee benefits

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### 1.6 Turnover

Revenue is recognised when services are performed or when fixed expenditure is incurred.

The Five main categories of income are:

**Platform Management - Operations Income: Covering platform viewer support, communications, staff and overheads.**

**Members:** contributions from the members in equal proportions

**Non-member funding:** Digital UK recovers incremental costs which include costs of the Contact Centre supporting new channels launching

**Platform Management – Multiplex Specific income: Covering management of the Electronic Programming Guide and Logical Channel Numbers.**

**Members:** contributions from the members proportionate to the number of multiplexes operated by each member.

**Non-member funding:** Digital UK charges non-member multiplexes on the platform a multiplex services charge to cover the incremental cost of their integration into the central service information system, and an annual contribution towards the costs of operating the central service information system. This charge is banded according to the UK coverage of the multiplex. Digital UK also recovers costs of 3<sup>rd</sup> parties using the Post Code Database.

**Freeview Play development and project management: Covering development of the technical specifications, management of the Metadata contract and future developments.**

**Members:** contributions from the members in equal proportions

**Non-member funding:** Digital UK charges manufacturers for access to the Freeview Play consolidated metadata stream, On Demand players and test support. Digital UK charges content providers to be on the Freeview Play platform



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Turnover (continued)

**700MHz preparation for spectrum clearance project: covering programme delivery of 700 MHz on behalf of the National MuxCo's.**

**Members:** contributions from the National Multiplex Operators proportionate to the number and coverage of the multiplexes run by each company.

**Non-member funding:** Comux proportionate to the number and coverage of the multiplexes run by the company

#### 1.7 Expenses

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

## Notes (continued)

### 2 Turnover

The total turnover of the company for the period has been derived from its principal activities, all of which are generated in the United Kingdom.

	2015 £000	2015 £000	2014 £000	2014 £000
<b>Platform Management</b>				
Operations Income				
Members and Affiliates	4,163		3,706	
Non-Related Parties	-		22	
Multiplex Specific Income				
Members and Affiliates	591		701	
Non-Related Parties	206		185	
	<u>          </u>	4,960	<u>          </u>	4,614
<b>Freeview Play</b>				
Members and Affiliates	2,417		3,150	
Non-Related Parties	246		-	
	<u>          </u>	2,663	<u>          </u>	3,150
<b>700MHz clearance</b>				
Members and Affiliates	271		20	
Non-Related Parties	23		-	
	<u>          </u>	294	<u>          </u>	20
		<u>          </u>		<u>          </u>
		7,917		7,784
		<u>          </u>		<u>          </u>
<b>Contributions utilised in the Period</b>				
Members and Affiliates (Note 16)		7,442		7,577
Non-Related Parties		475		207
		<u>          </u>		<u>          </u>
		7,917		7,784
		<u>          </u>		<u>          </u>

## Notes (continued)

### 3 Operating loss

	2015 £000	2014 £000
Operating loss is stated after charging:		
Directors' emoluments	292	265
Depreciation of owned fixed assets	89	12
Other operating lease costs	347	204
	<u>          </u>	<u>          </u>

#### Auditors' remuneration:

Audit of these financial statements	15	14
Taxation compliance services	12	7
	<u>          </u>	<u>          </u>
	27	21
	<u>          </u>	<u>          </u>

### 4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2015	2014
Directors	2	2
Administration	26	22
	<u>          </u>	<u>          </u>
	28	24
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	2,017	1,500
Social security costs	286	208
Redundancies	76	-
Other pension costs	306	151
	<u>          </u>	<u>          </u>
	2,685	1,859
	<u>          </u>	<u>          </u>

## Notes (continued)

### 5 Directors' remuneration

	2015 £000	2014 £000
Directors' remuneration	271	246
Company contributions to money purchase pension plans	21	19
	<u>292</u>	<u>265</u>

The Chairman and Chief Executive are the only directors to receive remuneration in the period. Directors' remuneration also reflects key management personnel remuneration.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £219,000 (2014: £195,000), and company pension contributions of £21,000 (2014: £19,000) were made to a money purchase scheme on their behalf.

### 6 Other interest receivable and similar income

	2015 £000	2014 £000
Bank interest	6	11
	<u>6</u>	<u>11</u>

### 7 Tax on profit on ordinary activities

	2015 £000	2014 £000
Profit before tax	1	2
Operating loss	5	9
	<u>6</u>	<u>11</u>
Profits chargeable to company corporation tax	6	11
	<u>6</u>	<u>11</u>
UK corporation tax at 20.0% (2014: 21.5%) thereon	(1)	(2)
Adjustments in respect of prior years	-	-
	<u>(1)</u>	<u>(2)</u>
Taxation charged to the profit & loss account	(1)	(2)

Digital UK Limited has 'mutual trade status' for corporation tax and therefore is charged corporation tax on its interest receivable in the period.

Digital UK Trading Limited is subject to corporation tax in the UK. For the Year Ending 31 December 2015 no corporation tax was payable. No deferred tax asset has been recognised as there is no certainty that a profit will be made.

## Notes (continued)

### 8 Tangible fixed assets

<i>Group</i>	IT and Office Equipment £000	Leasehold Improvements £000	FVP Metadata Systems Developments £000	Total £000
<b>Cost</b>				
Balance at 1 January 2015	904	-	-	904
Additions	40	287	822	1,149
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	944	287	822	2,053
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
Balance at 1 January 2015	904	-	-	904
Depreciation charge for the year	6	9	74	89
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	910	9	74	993
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 1 January 2015	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	34	278	748	1,060
	<hr/>	<hr/>	<hr/>	<hr/>

<i>Company</i>	IT and Office Equipment £000	Leasehold Improvements £000	FVP Metadata Systems Developments £000	Total £000
<b>Cost</b>				
Balance at 1 January 2015	904	-	-	904
Additions	40	287	-	327
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	944	287	-	1,231
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
Balance at 1 January 2015	904	-	-	904
Depreciation charge for the year	6	9	-	15
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	910	9	-	919
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 1 January 2015	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	34	278	-	312
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 9 Loan to subsidiary

During the year Digital UK Limited made loans to Digital UK Trading Limited of £932,000.

### 10 Debtors

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Trade debtors	-	213	-	213
Other debtors	252	18	417	18
Other taxation and social security	171	62	108	62
Prepayments and accrued income	1,024	264	770	264
	<u>1,447</u>	<u>557</u>	<u>1,295</u>	<u>557</u>

### 11 Cash and cash equivalents/ bank overdrafts

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Cash at bank and in hand	1,842	4,059	1,384	4,059
Cash and cash equivalents per cash flow statements	<u>1,842</u>	<u>4,059</u>	<u>1,384</u>	<u>4,059</u>

### 12 Creditors: amounts falling due within one year

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Trade creditors	43	702	43	702
Other creditors	131	139	131	139
Corporation tax	1	2	1	2
Taxation and social security	103	64	55	64
Deferred income	2,078	1,302	2,262	1,302
Deferred consideration	522	522	522	522
Accruals	1,237	1,885	675	1,885
	<u>4,115</u>	<u>4,616</u>	<u>3,689</u>	<u>4,616</u>

Deferred consideration of £522,000 represents the purchase of the assets and liabilities of DTT Multiplex Operators limited on 1 January 2013. There is no fixed date for settlement of this liability.

## Notes (continued)

### 13 Creditors: amounts falling after more than one year

	Group 2015 £000	2014 £000	Company 2015 £000	2014 £000
Other creditors	234	-	234	-
	<u>234</u>	<u>-</u>	<u>234</u>	<u>-</u>

### 14 Financial commitments

Total future minimum lease payments under non-cancellable operating leases as follows:

Group	Minimum lease payments 2015 £000	Minimum lease payments 2014 £000
Less than one year	370	153
Between one and five years	1,482	-
More than five years	1,643	-
	<u>3,495</u>	<u>153</u>
Company	Minimum lease payments 2015 £000	Minimum lease payments 2014 £000
Less than one year	370	153
Between one and five years	1,482	-
More than five years	1,643	-
	<u>3,495</u>	<u>153</u>

### 15 Employee benefits

The Group operates a defined contribution pension scheme for all qualifying employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £215,000 (2014: £170,000). At 31 December 2015, contributions of £4,000 were outstanding (2014: £12,000).

## Notes (continued)

### 16 Related party transactions

#### Group

During the period the Group received contributions from its stakeholder members and companies connected with the directors or membership as follows:

	Deferred income as at 31 December 2014 Net £000	Amounts due as at 31 December 2014 Gross £000	Contributions utilised; in the period to 31 December 2015 Net £000	Amounts deferred to future periods Net £000	Amounts due as at 31 December 2015 Gross £000
<b>Stakeholders</b>					
<b>Members</b>					
British Broadcasting Corporation	246	-	1,746	548	-
ITV PLC	341	91	1,677	486	-
Channel Four Television Corporation	275	-	1,535	368	-
Arqiva Services Limited	398	91	1,751	676	-
<b>Affiliates</b>					
Freeview Limited (Common ownership)	-	22	715	-	-
Digital 3&4 Limited (Common ownership)	-	-	-	-	-
S4C (Common funding)	-	-	1	-	-
YouView (Common ownership)	-	-	11	-	-
Freesat (Common ownership)	-	-	6	-	-
SDN Limited (Common ownership)	42	-	-	-	-
At end of the period	1,302	204	7,442	2,078	-

During the period the Group purchased services on normal commercial terms from its stakeholder members and companies connected with the directors as follows:

	Services provided	Value of services provided during the	
		2015 £000	2014 £000
<b>Members</b>			
British Broadcasting Corporation	Seconded Staff	103	98
Arqiva Services Limited	Technical projects	990	1,583
<b>Other related parties</b>			
Digital 3&4 Limited (Common ownership)	Technical projects	18	9
Freesat (Common ownership)	Technical projects	-	1
Freeview (Common ownership)	Research	31	30
Digital TV Group Limited (Common directors)	Infrastructure	11	44
Digital TV Group Testing (Common directors)	Infrastructure	325	100



## Notes (continued)

### 17 Related party transactions

#### Company

During the period the company received contributions from its stakeholder members and companies connected with the directors or membership as follows:

	Deferred income as at 31 December 2014 Net £000	Amounts due as at 31 December 2014 Gross £000	Contributions utilised; in the period to 31 December 2015 Net £000	Amounts deferred to future periods Net £000	Amounts due as at 31 December 2015 Gross £000
<b>Stakeholders</b>					
<b>Members</b>					
British Broadcasting Corporation	246	-	1,142	594	-
ITV PLC	341	91	1,074	532	-
Channel Four Television Corporation	275	-	931	414	-
Arqiva Services Limited	398	91	1,149	722	-
<b>Affiliates</b>					
Freeview Limited (Common ownership)	-	22	712	-	-
Digital 3&4 Limited (Common ownership)	-	-	-	-	-
S4C (Common funding)	-	-	-	-	-
YouView (Common ownership)	-	-	11	-	-
Freesat (Common ownership)	-	-	6	-	-
SDN Limited (Common ownership)	42	-	-	-	-
At end of the period	1,302	204	5,025	2,262	-

During the period the company purchased services on normal commercial terms from its stakeholder members and companies connected with the directors as follows:

	Services provided	Value of services provided during the 2015 £000	2014 £000
<b>Members</b>			
British Broadcasting Corporation	Caption costs & Seconded Staff	-	98
Arqiva Services Limited	Technical projects	12	1,583
<b>Other related parties</b>			
Digital 3&4 Limited (Common ownership)	Technical projects	18	9
Freesat (Common ownership)	Technical projects	-	1
Freeview (Common ownership)	Research	31	30
Digital TV Group Limited (Common directors)	Infrastructure	11	44
Digital TV Group Testing (Common directors)	Infrastructure	120	100

## Notes (continued)

### 18 Deferred Income

#### Group

	Digital Switchover £000	Freeview Play £000	700MHz Clearance £000	Platform Management £000	Total £000
Deferred Income at 1 January 2015	384	(349)	(2)	1,269	1,302
<b>Income receivable in the period:</b>					
Members and Affiliates	(384)	2,582	273	5,747	8,218
Non-related Parties	-	246	23	206	475
Bank Interest	-	-	-	6	6
<b>Contributions utilised in the period:</b>					
Members and Affiliates	-	(2,417)	(271)	(4,754)	(7,442)
Non-related Parties	-	(246)	(23)	(206)	(475)
Bank Interest	-	-	-	(6)	(6)
<b>At 31 December 2015</b>	<b>-</b>	<b>(184)</b>	<b>-</b>	<b>2,262</b>	<b>2,078</b>

#### Category of Deferred Income

Switchover Operations	-
Platform Management – Multiplex Specific	852
Platform Management - Operations	1,410
Freeview Play	(184)
700 MHz Clearance	-
<b>At 31 December 2015</b>	<b>2,078</b>

## Notes (continued)

### 19 Deferred Income

#### Company

	Digital Switchover £000	Freeview Play £000	700MHz Clearance £000	Platform Management £000	Total £000
Deferred Income at 1 January 2015	384	(349)	(2)	1,269	1,302
<b>Income receivable in the period:</b>					
Members and Affiliates	(384)		273	5,747	5,636
Non-related Parties	-		23	206	229
Bank Interest	-		-	6	6
Transfer to Subsidiary		349			349
<b>Contributions utilised in the period:</b>					
Members and Affiliates	-		(271)	(4,754)	(5,025)
Non-related Parties	-		(23)	(206)	(229)
Bank Interest	-		-	(6)	(6)
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,262</b>	<b>2,262</b>

#### Category of Income

Switchover Operations	-
Platform Management – Multiplex Specific	852
Platform Management - Operations	1,410
700 MHz Clearance	-
Freeview Play	-
<b>At 31 December 2015</b>	<b>2,262</b>

### 20 Company limited by guarantee

Every stakeholder member undertakes to contribute to the assets of the company in the event of it being wound up while they are a member or within one year after they cease to be a member for payment of debts and liabilities of the company contracted before they cease to be a member and of the costs, charges and expenses of winding up and for the rights of contributories among themselves such amount as may be required not exceeding one pound.