

Freesat (UK) Limited

Directors' report and financial statements

Registered number 6250097

Year ended 31 March 2009



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Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2009.

Principal activities

The principle activity of the Company during the year was to provide a universally available free to view satellite offering.

Business review

The Company launched a universally available free to view satellite offering on 6 May 2008. Since launch, the offering has grown rapidly and exceeded all expectations, with manufacturing partners selling 400,000 receivers. The portfolio of channels and services has grown from 80 at launch, to over 140 today, with more channels joining all the time. Customer satisfaction consistently tracks at 90% plus, and nine out of ten Freesat viewers have recommended the service to others.

The results of the Company show a pre-tax loss of £8.5 million based on turnover of £4.1 million.

Future Developments

Despite the continuing economic uncertainty, the outlook for the business in the forthcoming year remains strong. Sales continue to grow, attracting new customers to satellite TV, as well as those seeking to make use of their existing satellite dish.

Proposed dividend

The directors do not recommend the payment of a dividend.

Policy and practice on payment of creditors

It is the policy of the Company to pay creditors within 30 days of the invoice date. At the year end, there were 37 days (2008: 28 days) purchases in trade creditors.

Directors

The directors who held office during the period were as follows:

T Davie (resigned 1 September 2008)
RJ Waghorn (resigned 1 January 2009)
BC McOwen Wilson (resigned 1 September 2008)
WJ Medlicott
CJ Fairbairn (appointed 1 September 2008)
J Brandreth-Potter (appointed 1 September 2008)
BS Samra (appointed 1 January 2009)

None of the directors who held office at the end of the financial year had any disclosable interests in the shares of the Company.

According to the registrar of directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the financial year.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Simon Winder
Secretary

4th Floor
58-60 Berners Street
London
W1T 3NQ

16 December 2009

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Freesat (UK) Limited

We have audited the financial statements of Freesat (UK) Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Freesat (UK) Limited

(continued)

Opinion

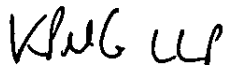
In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 concerning the reliance of the company on funding from its shareholders.

The company incurred a loss of £7,313,000 during the year ended 31 March 2009, and at that date, the company's current liabilities exceeded its total assets by £12,341,000. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.



KPMG LLP
Chartered Accountants
Registered Auditor

16 December 2009

Profit and Loss Account
for the year ended 31 March 2009

	<i>Note</i>	Year ended 31 March 2009 £000	Period from 16 May 2007 to 31 March 2008 £000
Turnover	<i>1,2</i>	4,060	330
Cost of sales		(3,116)	(3,455)
Gross profit/(loss)		944	(3,125)
Administrative expenses		(9,083)	(2,676)
Operating loss	<i>3</i>	(8,139)	(5,801)
Other interest receivable and similar income	<i>6</i>	161	33
Interest payable and similar charges	<i>7</i>	(527)	(139)
Loss on ordinary activities before taxation	<i>3</i>	(8,505)	(5,907)
Tax on loss on ordinary activities	<i>8</i>	1,192	879
Loss for the financial period	<i>15</i>	(7,313)	(5,028)

The operating loss for the period arises from the Company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

There is no material difference between the profit on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents.

Balance Sheet
at 31 March 2009

	<i>Note</i>	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Fixed assets					
Tangible assets	9		209		237
Current assets					
Stock	10	6		-	
Debtors (including £74,000 (2008: £74,000) due after more than one year)	11	3,377		1,377	
Cash at bank and in hand		1,560		2,628	
		<u>4,943</u>		<u>4,005</u>	
Creditors: amounts falling due within one year	12	<u>(17,492)</u>		<u>(9,261)</u>	
Net current liabilities			(12,549)		(5,256)
Total assets less current liabilities			(12,340)		(5,019)
Provisions for liabilities	13		(1)		(9)
Net liabilities			<u>(12,341)</u>		<u>(5,028)</u>
 Capital and reserves					
Called up share capital	14		-		-
Profit and loss account	15		(12,341)		(5,028)
Shareholders' funds			<u>(12,341)</u>		<u>(5,028)</u>

These financial statements were approved by the board of directors and authorised for issue on 16 December 2009 and were signed on its behalf by:



Carolyn Fairbairn
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £12,341,000 (2008: £5,028,000), which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by BBC Free to View (Satellite) Limited and ITV Broadcasting Limited, the Company's shareholders. BBC Free to View (Satellite) Limited and ITV Broadcasting Limited have indicated to the Company that for at least 12 months from the date of approval of these financial statements, they will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on related entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this material uncertainty may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	-	life of lease
Plant and machinery	-	over 3 years
Fixtures and fittings	-	over 4 years
Motor vehicles	-	over 4 years

Stock

Stocks of Freesat approved receivers are stated at the lower of cost and net realisable value. Cost includes all direct costs in bringing the stocks to their present location and condition. Net realisable value is based on estimated selling price less any further cost expected to be incurred on disposal.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

Taxation

The credit for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover which is stated net of value added tax, represents annual subscription fees and registration fees invoiced to broadcasters. For the prior period, turnover represents registration fees invoiced to those broadcasters who were interested in joining the Company's satellite offering.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand.

2 Analysis of turnover and loss on ordinary activities before taxation

	Year ended 31 March 2009 £000	Period from 16 May 2007 to 31 March 2008 £000
	Turnover £000	Turnover £000
By activity		
EPG fees	2,745	-
Resale of transponder capacity	1,254	-
Registration fees	61	330
	<hr/> 4,060	<hr/> 330
By geographical market		
UK	<hr/> 4,060	<hr/> 330

Notes (continued)

3 Notes to the profit and loss account

	Year ended 31 March 2009 £000	Period from 16 May 2007 to 31 March 2008 £000
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Loss on ordinary activities before taxation is stated after charging:

Depreciation and other amounts written off tangible fixed assets:

Owned	59	11
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Auditors' remuneration:

	Year ended 31 March 2009 £000	Period from 16 May 2007 to 31 March 2008 £000
Audit of these financial statements	20	15

4 Remuneration of directors

No emoluments were paid to the directors during the financial year (2008: £nil).

5 Staff numbers and costs

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

	Number of employees	
	Year ended 31 March 2009	Period from 16 May 2007 to 31 March 2008
Management and administration	8	4
Marketing	6	2
Technical	3	1
	17	7

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2009 £000	Period from 16 May 2007 to 31 March 2008 £000
Wages and salaries	1,144	258
Social security costs	110	29
Pension costs	51	13
Other benefits	13	-
	1,318	300

Notes (continued)

6 Other interest receivable and similar income

	Year ended 31 March 2009 £000	Period from 16 May 2007 to 31 March 2008 £000
Bank interest receivable	161	33
	<u>161</u>	<u>33</u>

7 Interest payable and similar charges

	Year ended 31 March 2009 £000	Period from 16 May 2007 to 31 March 2008 £000
Shareholders' loans	527	139
	<u>527</u>	<u>139</u>

8 Taxation

Analysis of credit in year

	Year ended 31 March 2009 £000	Period from 16 May 2007 to 31 March 2008 £000
<i>UK corporation tax</i>		
Current tax credit on loss for year	(1,184)	(888)
Total current tax credit	<u>(1,184)</u>	<u>(888)</u>
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences	(6)	9
Adjustment in respect of prior years	(2)	-
Total deferred tax	<u>(8)</u>	<u>9</u>
Tax credit on loss on ordinary activities	<u>(1,192)</u>	<u>(879)</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK (28%). The differences are explained below.

	Year ended 31 March 2009 £000	Period from 16 May 2007 to 31 March 2008 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(8,505)	(5,907)
Current tax at 28% (2008: 30%)	(2,381)	(1,772)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3	5
Depreciation in excess of capital allowances	10	(9)
Trading losses carried forward to future accounting periods	1,184	888
Total current tax credit (see above)	(1,184)	(888)

9 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Motor Vehicles £000	Total £000
Cost					
As at 1 April 2008	100	107	41	-	248
Additions	10	-	-	66	76
Disposals	-	(48)	-	-	(48)
As at 31 March 2009	110	59	41	66	276
Depreciation					
As at 1 April 2008	(4)	(3)	(4)	-	(11)
Charge for year	(15)	(22)	(10)	(12)	(59)
Disposals	-	3	-	-	3
As at 31 March 2009	(19)	(22)	(14)	(12)	(67)
Net book value					
As at 31 March 2009	91	37	27	54	209
As at 31 March 2008	96	104	37	-	237

Notes (continued)

9 Tangible fixed assets (continued)

The net book value of land and buildings comprises:

	2009 £000	2008 £000
Long leasehold	91	96

10 Stock

	2009 £000	2008 £000
Finished goods	6	-

11 Debtors

	2009 £000	2008 £000
Trade debtors	462	139
Rent deposit	74	74
Tax recoverable	2,072	888
VAT recoverable	192	161
Other debtors	12	74
Prepayments and accrued income	565	41
	<u>3,377</u>	<u>1,377</u>

Debtors include rent deposit bond of £74,000 (2008: £74,000) due after more than one year.

12 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	1,244	536
Other creditors	53	4
Accruals and deferred income	2,108	1,457
Shareholders' loans	14,087	7,264
	<u>17,492</u>	<u>9,261</u>

Shareholders' loans are repayable on demand, but both shareholders have indicated that they will not seek repayment for the foreseeable future and in any event for a period of no less than twelve months from the date of approval of these financial statements.

Notes (continued)

13 Provisions for liabilities

	2009 Deferred Taxation £000	2008 Deferred taxation £000
At beginning of year	9	-
(Credit)/charge to the profit and loss for the year	(8)	9
At end of year	1	9

The elements of deferred taxation are as follows:

	2009 £000	2008 £000
Accelerated capital allowances	1	9
Deferred tax liability	1	9

14 Called up share capital

	2009 £	2008 £
Authorised, allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

The Company has not issued any shares during the year.

15 Reserves

	Profit and loss Account 2009 £000
At beginning of year	(5,028)
Loss for year	(7,313)
At end of year	(12,341)

Notes (continued)

16 Commitments

(a) Capital commitments at the end of the financial period, for which no provision has been made, are as follows:

	2009 £000	2008 £000
Contracted	-	88

(b) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2009 £000	Land and buildings 2008 £000
Operating leases which expire:		
Within one year	88	88
In the second to fifth years inclusive	352	352
Over five years	44	132
Contracted	484	572

17 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £51,000 (2008: £13,000).

Contributions amounting to £9,000 (2008: £4,000) were payable to the scheme and are included in creditors.

18 Related party disclosures

The Company is a joint venture and is equally controlled by two shareholders, being BBC Free to View (Satellite) Limited (50%) and ITV Broadcasting Limited (50%).

The Company had the following related party transactions.

	Year ended 31 March 2009 £000	Period ended 31 March 2008 £000
Revenue		
EPG revenue – BBC	995	-
Registration fees – BBC	-	102
EPG revenue – ITV	380	-
Resale of transponder capacity – ITV	1,254	-
Registration fees – ITV	3	94
	2,632	196

Notes (continued)

18 Related party disclosures (continued)

The Company had the following balances with the shareholders at 31 March 2009:

	2009 £000	2008 £000
Creditors: amounts falling due within one year		
BBC Free to View (Satellite) Limited	7,039	3,484
ITV Broadcasting Limited	7,048	3,780
	<hr/> 14,087 <hr/>	<hr/> 7,264 <hr/>

19 Contingent liabilities

The Company is an Ofcom licenced provider of an Electronic Programme Guide (EPG). The EPG is the service known as Freesat, which provides satellite viewers free access to digital television, radio and interactive channels and services.

On 10 October 2008, a company which operates satellite channels listed on the Freesat EPG (under an EPG Agreement) ("the Claimant") issued proceedings in the High Court of Justice against the Company. The Claimant was dissatisfied with the position its channels had been allocated and alleged that the Company had not complied with the listings policy and/or the Ofcom EPG code.

Following a hearing in January 2009, the High Court delivered its judgment on 26 March 2009 in favour of Freesat and dismissed all of the claims pursued by the Claimant. Permission to appeal was requested by the Claimant, but was declined by the trial judge in an order dated 3 April 2009, which instructed the Claimant to pay all reasonable costs to Freesat (UK) Ltd. On 17 April 2009, the Claimant submitted a notice to the Court of Appeal requesting leave to appeal. The Court of Appeal subsequently granted permission for appeal and this is due to be heard in January 2010. The Company may have certain liabilities contingent on the outcome of these appeal proceedings. The Company is relying upon the robust High Court judgment and remains confident that there is no likely prospect of success for the Claimant. Therefore, no provision has been made in respect of this matter in these financial statements.