Freesat (UK) Limited

Directors' report and financial statements

Registered number 6250097

Year ended 31 March 2010

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Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2010

Principal activities

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

Business review

The Company operates a universally available free to view satellite platform During the year under review, the offering has continued to grow and exceeded all expectations, with manufacturing partners selling over one million receivers since launch The portfolio of channels and services has grown to over 150 Customer satisfaction continues to track above 90% and nine out of ten Freesat viewers have recommended the service to others

The results of the Company show a pre-tax loss of £9 0 million based on turnover of £5 0 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 *(2009 £nil)*

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 43 days *(2009 37 days)* purchases in trade creditors

Directors

The directors who held office during the year and to the date of this report were as follows

WJ Medlicott
CJ Fairbairn
J Brandreth-Potter (resigned 6 May 2009)
BS Samra
S Baylay (appointed 6 May 2009 and resigned 16 November 2010)
HE Normoyle (appointed 16 November 2010)

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

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

By order of the Board

Simon Winder
Secretary

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

24 February 2011

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

The dırectors are responsıble for preparıng the Dırectors' Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law they have elected to prepare the financıal statements ın accordance wıth UK Accountıng Standards and applıcable law (UK Generally Accepted Accountıng Practıce)

The financıal statements are requıred by law to gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod

In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgments and estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, subȷect to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınapproprıate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng proper accountıng records that dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that ıts financıal statements comply wıth the Companıes Act 2006 They have general responsıbılıty for takıng such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other ırregularıtıes

KPMG LLP

15 Canada Square
London
E14 5GL
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 2010 set out on pages 6 to 16 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 (APB'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 APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss 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

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 £7,733,000 during the year ended 31 March 2010, and at that date, the company's liabilities exceeded its total assets by £20,074,000 As a result, it is reliant on continued support from its shareholders These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty that 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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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, 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

Mike Harper (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

24 February 2011

Profit and Loss Account
for the year ended 31 March 2010

	Note	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Turnover	*1,2*	**5,020**	4,060
Cost of sales (before exceptional item)		**(3,048)**	(3,116)
Onerous lease provision	*13*	**(2,844)**	-
Gross (loss)/profit		**(872)**	944
Administrative expenses		**(7,873)**	(9,083)
Operating loss	*3*	**(8,745)**	(8,139)
Other interest receivable and similar income	*6*	**2**	161
Interest payable and similar charges	*7*	**(246)**	(527)
Loss on ordinary activities before taxation	*3*	**(8,989)**	(8,505)
Tax on loss on ordinary activities	*8*	**1,256**	1,192
Loss for the financial year	*15*	**(7,733)**	(7,313)

The operating loss for the year 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 year stated above and their historical cost equivalents

Balance Sheet
at 31 March 2010

	Note	2010 £000	2010 £000	2009 £000	2009 £000
Fixed assets					
Tangible assets	9		302		209
Current assets					
Stock	10	1		6	
Debtors (including £74,000 *(2009 £74,000)* due after more than one year)	11	6,656		3,377	
Cash at bank and in hand		1,463		1,560	
		8,120		4,943	
Creditors amounts falling due within one year	12	(25,652)		(17,492)	
Net current liabilities			(17,532)		(12,549)
Total assets less current liabilities			(17,230)		(12,340)
Provisions for liabilities	13		(2,844)		(1)
Net liabilities			(20,074)		(12,341)
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account	15		(20,074)		(12,341)
Shareholders' deficit			(20,074)		(12,341)

These financial statements were approved by the board of directors and authorised for issue on 24 February 2011 and were signed on its behalf by

Balraj Samra
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 Company has net liabilities of £20,074,000 *(2009 £12,341,000)* and net current liabilities of £17,532,000 *(2009 £12,549,000)*, of which shareholders' loans represent £21,534,000 *(2009 £14,087,000)* (see note 12)

Notwithstanding these facts, the financial statements have been prepared on the going concern basis, 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, the availability of shareholder support represents a material uncertainty that 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, fittings, tools and equipment	-	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

Notes *(continued)*

1 Accounting policies *(continued)*

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

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 and the resale of transponder capacity

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand

2 Analysis of turnover

	Year ended 31 March 2010 £000 Turnover £000	Year ended 31 March 2009 £000 Turnover £000
By activity		
EPG fees	**3,630**	2,745
Resale of transponder capacity	**1,368**	1,254
Registration fees	**22**	61
	5,020	4,060
By geographical market		
UK	**5,020**	4,060

Notes *(continued)*

3 Notes to the profit and loss account

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Loss on ordinary activities before taxation is stated after charging		
Depreciation of tangible fixed assets		
Owned	**77**	59
Hire of other assets – operating leases	**88**	88

Auditors' remuneration

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Audit of these financial statements	**21**	20

4 Remuneration of directors

No emoluments were paid to the directors during the financial year *(2009 £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 2010	Year ended 31 March 2009
Management and administration	**9**	8
Marketing	**9**	6
Technical	**5**	3
	23	17

The aggregate payroll costs of these persons were as follows

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Wages and salaries	**1,497**	1,144
Social security costs	**144**	110
Pension costs	**68**	51
Other benefits	**17**	13
	1,726	1,318

Notes *(continued)*

6 Other interest receivable and similar income

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Bank interest receivable	2	161

7 Interest payable and similar charges

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Shareholders' loans	246	527

8 Taxation

Analysis of credit in year

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
UK corporation tax		
Current tax credit on loss for year	(1,253)	(1,184)
Total current tax credit	(1,253)	(1,184)
Deferred tax (see note 13)		
Origination/reversal of timing differences	(3)	(6)
Adjustment in respect of prior years	-	(2)
Total deferred tax	(3)	(8)
Tax credit on loss on ordinary activities	(1,256)	(1,192)

Notes *(continued)*

8 Taxation *(continued)*

Factors affecting the tax credit for the current year

The current tax credit for the year is lower *(2009 lower)* than the standard rate of corporation tax in the UK (28%) *(2009 28%)* The differences are explained below

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Current tax reconciliation		
Loss on ordinary activities before tax	**(8,989)**	(8,505)
Current tax at 28% *(2009 28%)*	**(2,517)**	(2,381)
Effects of		
Expenses not deductible for tax purposes	**8**	3
Depreciation in excess of capital allowances	**3**	10
Trading losses carried forward to future accounting periods	**1,253**	1,184
Total current tax credit (see above)	**(1,253)**	(1,184)

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 2009	110	59	41	66	**276**
Additions	-	170	-	-	**170**
As at 31 March 2010	**110**	**229**	**41**	**66**	**446**
Depreciation					
As at 1 April 2009	(19)	(22)	(14)	(12)	**(67)**
Charge for year	(15)	(35)	(10)	(17)	**(77)**
As at 31 March 2010	**(34)**	**(57)**	**(24)**	**(29)**	**(144)**
Net book value					
As at 31 March 2010	**76**	**172**	**17**	**37**	**302**
As at 31 March 2009	91	37	27	54	209

Notes *(continued)*

9 Tangible fixed assets *(continued)*

The net book value of land and buildings comprises

	2010 £000	2009 £000
Long leasehold	**76**	91

10 Stock

	2010 £000	2009 £000
Finished goods	**1**	6

11 Debtors

	2010 £000	2009 £000
Trade debtors	**775**	462
Rent deposit	**74**	74
Tax recoverable	**3,325**	2,072
VAT recoverable	**406**	192
Deferred tax asset	**2**	-
Other debtors	**13**	12
Prepayments and accrued income	**2,061**	565
	6,656	3,377

Debtors include £506,000 *(2009 £157,000)* receivable from related parties due within one year and a rent deposit bond of £74,000 *(2009 £74,000)* due after more than one year

12 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	**1,301**	1,244
Other creditors	**66**	53
Accruals and deferred income	**2,751**	2,108
Shareholders' loans	**21,534**	14,087
	25,652	17,492

Trade creditors include £65,000 *(2009 £nil)* payable to related parties due within one year

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

	Deferred Taxation £000	Onerous lease provision £000	2010 Total £000
At beginning of year	1	-	1
(Credit)/charge to the profit and loss for the year	(1)	2,844	2,843
At end of year	-	2,844	2,844

The elements of deferred taxation are as follows

	2010 £000	2009 £000
Accelerated capital allowances	-	1
Deferred tax liability	-	1

A deferred tax asset of £2,000 has been recognised during the year (see note 11)

The onerous lease provision relates to a five year contract for transponder capacity which terminates in March 2012 The company is not receiving any economic benefit for a proportion of the contract and has therefore created a provision for the relevant amount

14 Called up share capital

Authorised
Authorised share capital was abolished under UK Companies Act 2006 with effect from 1 October 2009 Consequential amendments have been made to the Company's Articles of Association

	2010 £	2009 £
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 2010 £000
At beginning of year	(12,341)
Loss for year	(7,733)
At end of year	(20,074)

Notes *(continued)*

16 Commitments

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

	2010 £000	2009 £000
Contracted	-	-

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

	Land and Buildings 2010 £000	Land and buildings 2009 £000
Operating leases which expire		
Within one year	88	88
In the second to fifth years inclusive	352	352
Over five years	11	44
	451	484

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 £68,000 *(2009 £51,000)*

Contributions amounting to £11,000 *(2009 £9,000)* 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 2010 £000	Year ended 31 March 2009 £000
Revenue		
EPG revenue – BBC	995	995
EPG revenue – ITV	376	380
Resale of transponder capacity – ITV	1,368	1,254
Registration fees – ITV	4	3
Other – ITV	20	-
	2,763	2,632

Notes *(continued)*

18 Related party disclosures *(continued)*

The Company had the following balances with the shareholders at 31 March 2010

	2010 £000	2009 £000
Debtors		
ITV Broadcasting Limited	**506**	-
Creditors amounts falling due within one year		
Trade creditors - ITV Broadcasting Limited	**65**	-
BBC Free to View (Satellite) Limited	**10,159**	7,039
ITV Broadcasting Limited	**11,375**	7,048
	21,599	14,087

19 Contingent liabilities

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 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 On 17 April 2009, the Claimant submitted a notice to the Court of Appeal requesting leave to appeal which was subsequently granted

The company defended the claim in the Court of Appeal on 13 January 2010 The claim was subsequently dismissed by the Court of Appeal on 2 February 2010 and no further liability exists