

Digital UK Limited

**Annual report and consolidated
financial statements**

Registered number 5422613

31 December 2019



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COMPANY INFORMATION

Directors	Magnus Brooke Kieran Clifton Martin Goswami Madeleine Robinson Khalid Hayat Jonathan Thompson Paul Thornton-Jones
Chair	Caroline Thomson
Secretary	Eric Mitchell
Company number	05422613
Registered office	Fieldfisher Riverbank House, Swan Lane London EC4R 3TT
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

Chairman's statement

It's been another successful year for Digital UK and Freeview as our plans to evolve the UK's biggest TV service in line with changing viewer needs and expectations continue apace.

In the last 12 months, we have seen our connected TV service, Freeview Play, go from strength to strength, now available in more devices than ever before thanks to new agreements with major US corporations, including Google and Amazon. Our new Freeview mobile application for iOS and Android has also made an incredibly strong start with over a million downloads over the course of 2019.

One of the most important projects of the last 12 months has been the national infrastructure programme to reallocate airwaves used by Freeview for future mobile services. Working alongside multiple organisations across the industry, our key priority has been to minimise disruption and ensure affected viewers are well supported through the process.

The final stages of the programme were delayed due to the global pandemic but have now been completed.

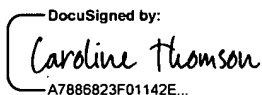
Despite the difficulties caused by the pandemic and the periods of national lockdown we have continued to focus on looking after our staff and maintaining a reliable and stable platform for the UK's TV viewers.

On the 26th February 2021 Arqiva ceased to be a member of Digital UK and I would personally like to thank them for their support over the years.

I would once again like to thank our members – the BBC, ITV and Channel 4 – for their continued support and commitment for Digital UK. Without them, none of our achievements this year would have been possible.

We delighted that the remaining members have been able to agree a new 3-year funding agreement and look forward to continuing our work together to deliver the best of free to view TV for all UK viewers in the year ahead.

At the time of writing the remaining members are in discussions with Channel 5 about becoming a member of Digital UK. In Addition, Digital UK Trading is in the process of acquiring Freesat (UK) Limited (subject to merger clearances) from the BBC and ITV.

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Caroline Thomson
Chair

27 April 2021

Strategic Report

Review of the business

The UK's broadcasting sector has continued to undergo profound change over the last twelve months with the advent of several new streaming services giving viewers more choice than ever before. The gradual decline in viewing to linear TV continues while subscriptions to SVOD services rise.

Against this backdrop, the strategic principles of Freeview's connected TV service, Freeview Play – a simple, reliable and trusted service that brings together easy access to the best free to view content live and on-demand, delivered through the horizontal market – remain true.

This year Digital UK has undertaken a strategic review of the Freeview proposition working with our Members to appraise what sort of service might be needed in the future to continue delivering for viewers, our partners and the sector more widely. At the heart of this thinking remains the objective of delivering a universal service offering viewers a broad range of high-quality content, free at the point of use.

The rise of online platforms and a proliferation of content have given audiences ever more freedom about how, when and where to watch. However, public service broadcasting remains a critical part of the UK's TV ecosystem delivering essential public policy goals that ensure fair and equitable access to quality content for all. We have already seen what a critical role public service broadcasting plays over the last month as a national crisis unfolds and the British public turn to sources of trusted, impartial news for the latest information and advice on the emerging pandemic.

As Ofcom's review of public service broadcasting progresses this year and the Government undertakes its own review of the sector, securing the long-term health of public service broadcasting will require policies which protect viewers, avoid diluting an already well-functioning system while also encouraging competition and innovation.

Freeview Play and the recently launched Freeview mobile app offer consumers a different experience to SVOD, they are complementary - Freeview brings together the best of British content from the UK's leading broadcasters for free and its success is very much built on partnerships and collaboration.

We remain committed to these partnerships to keep delivering for UK viewers and look forward to working with all our partners in the year ahead. We also remain committed to putting our people first and will be supporting them all over the coming months as the pandemic unfolds.

My thanks to our partnering organisations, to all the staff at Digital UK and Freeview, and of course to our Chair, Caroline Thomson.

Key achievements

Continuing growth for Freeview Play

Freeview Play's overall performance over the course of 2019 was very encouraging. With device sales surpassing 10 million, the service has now reached true scale in the market with manufacturers and retailers alike recognising its role in driving consumer choice in the provision of live and on-demand TV. Coupled with remarkably high levels of activation and usage from viewers, the service goes from strength to strength.

Having signed new agreements for Freeview Play with Roku, Google for Android TV and Amazon for Fire Edition TVs, we are expecting further significant growth over the course of 2020. It remains to be seen how the pandemic might affect consumer electronic sales if consumer confidence falls.

Strategic report *(continued)*

Freeview's new mobile app popular with viewers

Freeview's new mobile app, available initially on iOS in early 2019 then on Android in July achieved over a million downloads over the course of the year and in December had 370,000 active users. Feedback on the application has generally been very positive with many users welcoming both the re-designed TV guide and the ability to watch favourite shows or live sport on the go.

A new Freeview website engaging and informing consumers

The new Freeview website launched in October has proven to be a much-improved hub for consumer communications with overall user engagement (as time spent on page) and effectiveness (as number of pages visited to get to required information) yielding far higher results compared with the previous site. It has also provided an important platform for our thought leadership through a dedicated corporate area comprising announcements, opinion pieces, and statements.

Significant progress on 700MHz clearance

The large-scale programme to reallocate some of the airwaves used by Freeview has been progressing well these last twelve months with all 2019 clearance events completed successfully. However, following lengthy discussions with partners about the impact of Coronavirus on the programme, the decision was taken in late March by the Secretary of State to postpone the remaining two April events for the foreseeable future. We will be keeping in close contact with partners to re-plan the events at the earliest possible moment it becomes safe to do so.

Leading industry debate on the future of UK broadcasting

Behind the scenes, Digital UK has taken a leading role in both supporting the wider TV industry by way of joint headline sponsorship of last summer's Edinburgh TV Festival as well as providing a platform for industry debate on the future of the UK's broadcasting sector with a high-profile stakeholder event in the Autumn. The latter was undertaken to inform and influence policy making as well as drive awareness of and support for Freeview and Freeview Play.

Positive outcome on the use of radio spectrum at WRC-19

The ITU World Radio Conference (WRC) 2019 was held in November and the outcomes were positive and consistent with our aims. An agreement made at the last WRC in 2015 not to reopen discussions about the future use of DTT spectrum until WRC-23 was upheld despite an attempt by some countries to bring forward this topic to the November conference.

Looking ahead, WRC-23 will be a key moment for the future of DTT, with a decision to allocate spectrum for mobile use in the whole of the DTT range a real possibility. We will be looking to inform and influence policy thinking in this area over the coming year.

Freeview technology upgrades

Despite a number of challenges with the re-development of the Metadata Delivery Services (MDS) for Freeview Play, we have seen significant progress on the re-architecture in recent months which means we can now start planning for a migration in Q2 later this year.

Strategic report (continued)

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.

A budget for the year ending December 2020 has been agreed with the Board and a new funding agreement has been agreed with the Members covering the period from 2019 to 2023. The company has therefore received assurances from the Members that they will continue to provide support for the foreseeable future and at least a period of twelve months from the date the financial statements are signed.

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.

The company does not expect Brexit to have a material impact on the operations of the company.

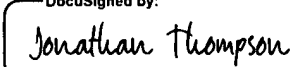
Summary of key performance indicators

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 such as the number of primary Digital Terrestrial Television (DTT) homes.

Financial performance

Digital UK and the Members agreed a budget of £6.81 million (£5.72 million in 2018) for Platform Management activity in the Year Ended 31 December 2019. The Activities were delivered for £6.37 million a saving of 6% (£5.22 million a saving of 9% in 2018).

Digital UK and the Members agreed a budget of £6.12 million (£6.32 million in 2018) to develop the Freeview Play proposition in the Year Ended 31 December 2019. The Activities were delivered for £5.70 million a saving of 7% (£4.74 million a saving of 25% in 2018).

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Jonathan Thompson
Chief Executive

Fieldfisher
Riverbank House
Swan Lane
London
EC4R 3TT
27 April 2021

Directors' report

The directors present their report and the financial statements of the company for the year ended 31 December 2019.

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 Electronic Programme Guide (EPG) licence from Ofcom to allocate Logical Channel Numbers (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. In April 2017 The Department of Culture Media and Sport (DCMS) appointed Digital UK to deliver communication, online and contact centre support 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 is managed through this company.

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

Principal Risks and Uncertainties

To mitigate the company's exposure to risk the company actively manages cash, trade debtors and trade creditors arising directly from its operations.

Safeguarding the contributions received from the stakeholders and obtaining value for money in spending decisions is the main financial risk.

On 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further clarity is known regarding terms on which the UK will exit, the directors are not able to fully assess the impact on the group. However, as the group is not significantly exposed to international trade or exchange rate fluctuations, the financial risks are unlikely to be significant. Any impacts should be limited to inflation risk and to the cost of implementing any wider regulatory and legal consequences of exiting the EU.

As at 31 December 2019 China had alerted the World Health Organisation (WHO) of several cases of an unusual form of pneumonia in Wuhan. However, substantive information about what has now been identified as coronavirus (or COVID-19) only came to light in early 2020. Therefore, as the Group has a 31 December 2019 year-end, the emergence of coronavirus is a non-adjusting post balance sheet event.

Given the emergence and spread of the COVID-19 virus is not considered to provide more information about conditions that existed at the balance sheet date, the measurement of assets and liabilities in the accounts should not be adjusted for its potential impact.

The pandemic has had widespread social and economic consequences both across the UK and worldwide. Throughout 2020 and into 2021 the focus of the Group has been to safeguard the health and well-being of its staff, partners and

Directors' report *(continued)*

Principal Risks and Uncertainties *(continued)*

stakeholders. Quick implementation of measures to adapt to the impact of remote working and conducting operations virtually has meant that the Group has been able to deliver its services seamlessly throughout the Pandemic.

Going Concern

A budget for 2020 was agreed by the Board in November 2019. Following Arqiva's departure as a member in February 2021 the remaining members have now signed a new funding agreement that commits the funding of the venture through to 2023.

In addition, the company has significant cash reserves that it can call upon to reduce the impact of any funding shortages.

Based on the budget, the new funding agreement through to 2023, the cash reserves available to the Group and their assessment of the members ability to deliver on their commitment under the funding agreement, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further detail is provided in Note 1.

Results

The profit for the year is £nil. (2018: £Nil)

Political contributions

Neither the Company nor any of its subsidiaries made any disclosable political donations or incurred any disclosable political expenditure during the year.

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 2019	As at 31 December 2018
	%	%
British Broadcasting Corporation	25	25
ITV Network Limited	25	25
Channel Four Television Corporation	25	25
Arqiva Services Limited (resigned 26 February 2021)	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>
Chair	
Caroline Thomson	
Chief Executive	
Jonathan Thompson	
Non-Executive – Members' Representatives	
Kieran Clifton	British Broadcasting Corporation
Paul Thornton-Jones	British Broadcasting Corporation
Magnus Brooke	ITV Network Limited
Martin Goswami	ITV Network Limited
Sarah Rose (appointed 31 October 2019, resigned 31 July 2020)	Channel Four Television Corporation
Jonathan Allan (appointed 31 January 2020, resigned 17 March 2020)	Channel Four Television Corporation
Keith Underwood (resigned 31 January 2020)	Channel Four Television Corporation
Khalid Hayat (appointed 22 September 2020)	Channel Four Television Corporation
Madeline Robinson (appointed 17 March 2020)	Channel Four Television Corporation
Kim Chua (resigned 31 October 2019)	Channel Four Television Corporation
Stephen Holebrook (resigned 27 July 2020)	Arqiva Services Limited
Shujauddin Khan (appointed 27 July 2020, resigned 26 February 2021)	Arqiva Services Limited
Laurie Patten (resigned 26 February 2021)	Arqiva Services Limited

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

During the year Ernst & Young LLP were appointed auditor and have expressed their willingness to continue in office.

DocuSigned by:

Jonathan Thompson
Chief Executive

Fieldfisher
Riverbank House
Swan Lane
London
EC4R 3TT
27 April 2021

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of Digital UK Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated Profit and Loss account, consolidated Balance Sheet, consolidated cash flow statement, the company balance sheet and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2019 and of the group's result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

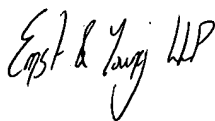
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



James Lovegrove (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 April 2021

Consolidated Profit and Loss Account

for year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	2		
Continuing operations (Platform Management)		5,321	4,501
Continuing operations (Freeview Play)		5,704	4,738
Continuing operations (700MHz Clearance)		575	600
Continuing operations (700MHz Viewer Support)		1,759	2,552
		<hr/>	<hr/>
		13,359	12,391
Cost of Sales		(6,882)	(5,947)
		<hr/>	<hr/>
Gross profit		6,477	6,444
Admin expenses		(7,525)	(7,167)
Other Income		1,037	719
Operating loss	3		
Continuing operations (Platform Management)		(11)	(4)
		<hr/>	<hr/>
		(11)	(4)
Interest receivable		13	5
		<hr/>	<hr/>
Profit on ordinary activities before taxation		2	1
Tax on profit on ordinary activities	7	(2)	(1)
		<hr/>	<hr/>
Result for the period		-	-
		<hr/>	<hr/>
Changes in equity			
Results for the period		-	-
Other comprehensive income		-	-
Reserves brought forward		-	-
		<hr/>	<hr/>
Reserves carried forward		-	-
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The Group has no recognised gains or losses as shown in the statement of changes in equity. The Group is not for profit and funded by Members based on expenditure, therefore the changes in equity will always be zero.

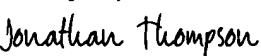
The notes on pages 17 to 30 form part of the financial statements.

Consolidated Balance sheet
at 31 December 2019

	<i>Note</i>	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Tangible fixed assets	9		434		585
Current assets					
Debtors	10	2,328		1,881	
Cash at bank and in hand	11	3,627		3,178	
		<hr/>		<hr/>	
Creditors: amounts falling due within one year	12	5,955 (6,155)		5,059 (5,410)	
		<hr/>		<hr/>	
Net current liabilities			(200)		(351)
			<hr/>		<hr/>
Total assets less current liabilities			234		234
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	13		(234)		(234)
			<hr/>		<hr/>
Net assets			-		-
			<hr/>		<hr/>
Capital and reserves					
Profit and loss account			-		-
			<hr/>		<hr/>
Shareholders' funds			-		-
			<hr/>		<hr/>

The notes on pages 17 to 30 form part of the financial statements.

These financial statements were approved by the board of directors on 27 April 2021 and were signed on its behalf by:

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Jonathan Thompson
Chief Executive

Company registered number: 5422613

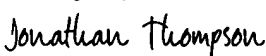
Company Balance sheet
at 31 December 2019

	<i>Note</i>	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Tangible fixed assets	9		434		585
Current assets					
Debtors	10	1,457		2,592	
Cash at bank and in hand	11	3,085		1,983	
		<u>4,542</u>		<u>4,575</u>	
Creditors: amounts falling due within one year	12	<u>(4,742)</u>		<u>(4,926)</u>	
Net current liabilities			(200)		(351)
Total assets less current liabilities			234		234
Creditors: amounts falling due after more than one year	13		(234)		(234)
Net assets			-		-
Capital and reserves					
Profit and loss account			-		-
Shareholders' funds			-		-

The company made a profit of Nil for the Year Ended 31 December 2019.

The notes on pages 17 to 30 form part of the financial statements.

These financial statements were approved by the board of directors on 27 April 2021 and were signed on its behalf by:

DocuSigned by:

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Jonathan Thompson
Chief Executive

Company registered number: 5422613

Consolidated Cash Flow Statement

for year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Loss for the year		-	-
Adjustments for:			
Depreciation, amortisation and impairment		151	1,261
Taxation expense		2	1
Finance income		(13)	(5)
 (Increase) / Decrease in trade and other debtors		(447)	297
Increase / (Decrease) in trade and other creditors		745	(870)
 Tax paid		(2)	-
 Net cash from operating activities		436	684
 Cash flows from investing activities			
Interest received		13	5
Acquisition of tangible fixed assets	9	-	-
 Net cash from investing activities		13	5
 Net increase in cash and cash equivalents		449	689
Cash and cash equivalents at 1 January 2019		3,178	2,489
 Cash and cash equivalents at 31 December 2019	11	3,627	3,178

The notes on pages 17 to 30 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 in 2015, the Group 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.

a) 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.

b) Going concern

A budget for 2020 was agreed by the Board in November 2019. The members have continued to contribute and support the Group through 2020 and following Arqiva’s departure as a member in February 2021, the remaining members have now signed a new funding agreement that commits to funding the Group through to 2023.

At the end of February 2021, the Group had £3.1m of cash reserves available that it is able to call upon to meet any obligations as they fall due.

For the purposes of approving the 2019 annual financial statements the Directors have undertaken a detailed going concern assessment. This involved assessing the current funding position, committed contributions for FY20 and future funding up to FY23. The directors then prepared a detailed stressed case forecast to assess the group’s resilience should expected funding be negatively impacted by external events. This stress case demonstrated that the Group had enough cash resources and approved and committed funding to enable it to continue to meet its liabilities as they fall due for at least 12 months from the date of signing the financial statements.

Based on the budget, the funding agreement, the reserves and their assessment of the members ability to deliver on their commitment under this agreement, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31st December 2019. 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)

d) 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
(in October 2019 the estimated useful life changed to November 2020 as result of exercising a break clause in the lease. Accordingly, depreciation has been adjusted to reflect this revision)
- Finance System 3 years
- CSI Build 5 years
- FVP Metadata Systems Development 3 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.

e) Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

g) 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.

Notes (continued)

1 Accounting policies (continued)

h) 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

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 3rd 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: Content Provider Fees recognised based on the availability of each service on the Freeview Play platform during the period.

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

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

700MHz delivering communication, online and contact centre support for the 700Mhz Clearance Programme Viewer Support for Department of Culture Media and Sport (DCMS)

Member: none

Non -Member funding: Direct 12-month grants with DCMS beginning in April of each year.

i) Other Income

Relates to income received from DTV Services Limited (Freeview) in relation to share services including accommodation.

j) 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.

	2019 £000	2019 £000	2018 £000	2018 £000
Platform Management				
Operations Income				
Members and Affiliates	4,789		3,818	
Multiplex Specific Income				
Members and Affiliates	406		556	
Non-Related Parties	126		127	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		5,321		4,501
Freeview Play				
Members and Affiliates	3,806		2,999	
Non-Related Parties	1,898		1,739	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		5,704		4,738
700MHz clearance				
Members and Affiliates	529		552	
Non-Related Parties	46		48	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		575		600
700MHz viewer support				
Non-Related Parties	1,759		2,552	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		1,759		2,552
		<u> </u>		<u> </u>
		13,359		12,391
		<u> </u>		<u> </u>
Contributions utilised in the Period				
Members and Affiliates (Note 16)		9,530		7,925
Non-Related Parties		3,829		4,466
		<u> </u>		<u> </u>
		13,359		12,391
		<u> </u>		<u> </u>

Notes (continued)

3 Operating loss

	2019 £000	2018 £000
Operating loss is stated after charging:		
Directors' emoluments	343	334
Depreciation of owned fixed assets	151	1,261
Other operating lease costs	357	370
	<u> </u>	<u> </u>
Auditors' remuneration:		
Audit of these financial statements	54	32
Taxation compliance services	10	19
	<u> </u>	<u> </u>
	<u>64</u>	<u>51</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	
	2019	2018
Directors	2	2
Administration	54	43
	<u> </u>	<u> </u>
	56	45
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	3,422	2,773
Social security costs	462	382
Redundancies	46	41
Other pension costs	385	310
	<u> </u>	<u> </u>
	<u>4,315</u>	<u>3,506</u>

Notes (continued)

5 Directors' remuneration

	2019 £000	2018 £000
Directors' remuneration	319	311
Company contributions to money purchase pension plans	24	23
	<u>343</u>	<u>334</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 of the highest paid director was £265,000 (2018: £257,000), and company pension contributions of £24,000 (2018: £23,000) were made to a money purchase scheme on their behalf.

6 Other interest receivable and similar income

	2019 £000	2018 £000
Bank interest	13	5
Total interest receivable and similar income	<u>13</u>	<u>5</u>

7 Tax on profit on ordinary activities

	2019 £000	2018 £000
Profit before tax	2	1
Operating loss	11	4
Profits chargeable to company corporation tax	<u>13</u>	<u>5</u>
UK corporation tax at 19.0% (2018: 19.0%) thereon	(2)	(1)
Taxation charged to the profit & loss account	<u>(2)</u>	<u>(1)</u>

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 2019 no corporation tax was payable. No deferred tax asset has been recognised as there is no certainty that a profit will ever be made.

8 Subsidiary Funding

During the year, Digital UK Limited has funded the operations of Digital UK Trading Limited by £3,191,000. This has been recorded as an expense in the P&L.

Notes (continued)

9 Tangible fixed assets

<i>Group</i>	IT and Office Equipment £000	Leasehold Improvements £000	CSI Build £000	FVP Metadata Systems Developments £000	Total £000
Cost					
Balance at 1 January 2019	975	287	457	2,741	4,460
Disposals	(944)	-	-	-	(944)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	31	287	457	2,741	3,516
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
Balance at 1 January 2019	961	97	76	2741	3,875
Depreciation charge for the year	10	50	91	-	151
Elimination on disposal	(944)	-	-	-	(944)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	27	147	167	2,741	3,082
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 1 January 2019	14	190	381	-	585
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	4	140	290	-	434
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

<i>Company</i>	IT and Office Equipment £000	Leasehold Improvements £000	CSI Build £000	FVP Metadata Systems Developments £000	Total £000
Cost					
Balance at 1 January 2019	975	287	457	-	1,719
Disposals	(944)	-	-	-	(944)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	31	287	457	-	775
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
Balance at 1 January 2019	961	97	76	-	1,134
Depreciation charge for the year	10	50	91	-	151
Elimination on disposal	(944)	-	-	-	(944)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	27	147	167	-	341
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 1 January 2019	14	190	381	-	585
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	4	140	290	-	434
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Debtors

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Trade debtors	389	84	4	1
Other debtors	260	251	637	1,744
Corporation tax	6	1	-	-
Other taxation and social security	199	168	94	53
Prepayments and accrued income	1,474	1,377	722	794
	<u>2,328</u>	<u>1,881</u>	<u>1,457</u>	<u>2,592</u>

11 Cash and cash equivalents

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Cash at bank and in hand	3,627	3,178	3,085	1,983
Cash and cash equivalents per cash flow statements	<u>3,627</u>	<u>3,178</u>	<u>3,085</u>	<u>1,983</u>

12 Creditors: amounts falling due within one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Trade creditors	1,154	549	456	263
Other creditors	133	163	133	163
Corporation tax	-	-	2	1
Taxation and social security	124	107	124	107
Deferred income (see note 17)	2,707	3,084	2,707	3,084
Deferred consideration	522	522	522	522
Accruals	1,515	985	798	786
	<u>6,155</u>	<u>5,410</u>	<u>4,742</u>	<u>4,926</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 2019 £000	2018 £000	Company 2019 £000	2018 £000
Other creditors	234	234	234	234
	<u>234</u>	<u>234</u>	<u>234</u>	<u>234</u>

14 Financial commitments

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

Group	Minimum lease payments 2019 £000	Minimum lease payments 2018 £000
Less than one year	272	370
Between one and five years	-	1,482
More than five years	-	531
	<u>272</u>	<u>2,383</u>

Company	Minimum lease payments 2019 £000	Minimum lease payments 2018 £000
Less than one year	272	370
Between one and five years	-	1,482
More than five years	-	531
	<u>272</u>	<u>2,383</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 £248,000 (2018: £283,000). At 31 December 2019, contributions of £5,000 were outstanding (2018: £36,000).

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:

	Contributions utilised; in the period to 31 December 2018 Net £000	Deferred income as at 31 December 2018 Net £000	Amounts due as at 31 December 2018 Gross £000	Contributions utilised; in the period to 31 December 2019 Net £000	Amounts deferred to future periods Net £000	Amounts due as at 31 December 2019 Gross £000
Stakeholders						
Members						
British Broadcasting Corporation	2,063	745	-	2,518	688	-
ITV PLC	1,834	665	-	2,226	676	-
Channel Four Television Corporation	1,747	514	-	2,161	650	-
Arqiva Services Limited	2,063	1,155	-	2,437	688	-
Affiliates						
DTV Services Limited (Common ownership)	21	-	-	-	-	-
Digital 3&4 Limited (Common ownership)	90	-	-	86	-	4
SDN Limited (Common ownership)	90	-	-	86	-	-
YouView (Common ownership)	11	3	-	10	3	-
Freesat (Common ownership)	6	2	-	6	2	-
	<u>7,925</u>	<u>3,084</u>	<u>-</u>	<u>9,530</u>	<u>2,707</u>	<u>4</u>
Other Income						
DTV Services Limited (Common ownership)	719	-	-	1,037	-	-
	<u>8,644</u>	<u>3,084</u>	<u>-</u>	<u>10,567</u>	<u>2,707</u>	<u>4</u>

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	
		2019 £000	2018 £000
Members			
British Broadcasting Corporation	Technical projects	97	365
Arqiva Services Limited	Technical projects	2,766	1,530
Other related parties			
Digital 3&4 Limited (Common ownership)	Technical projects	-	8
Freeview (Common ownership)	Shared services	683	1,048
Digital TV Group Limited (Common directors)	Infrastructure	13	20
Digital TV Group Testing (Common directors)	Infrastructure	264	234
Oxford Broadcast (Common board attendee)	Technical projects	2	-

Notes (continued)

16 Related party transactions (continued)

Company

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

	Contributions utilised; in the period to 31 December 2018 Net £000	Deferred income as at 31 December 2018 Net £000	Amounts due as at 31 December 2018 Gross £000	Contributions utilised; in the period to 31 December 2019 Net £000	Amounts deferred to future periods Net £000	Amounts due as at 31 December 2019 Gross £000
Group Companies						
Digital UK Trading Limited	738	-	(1,493)	3,191	-	(376)
Stakeholders						
Members						
British Broadcasting Corporation	1,313	745	-	1,506	688	-
ITV PLC	1,083	665	-	1,295	676	-
Channel Four Television Corporation	999	514	-	1,230	650	-
Arqiva Services Limited	1,313	1,155	-	1,505	688	-
Affiliates						
DTV Services Limited (Common ownership)	21	-	-	-	-	-
Digital 3&4 Limited (Common ownership)	90	-	-	86	-	4
SDN Limited (Common ownership)	90	-	-	86	-	-
YouView (Common ownership)	11	3	-	10	3	-
Freesat (Common ownership)	6	2	-	6	2	-
Other Income						
DTV Services Limited (Common ownership)	719	-	-	1,037	-	-
At end of the period	6,383	3,084	(1,493)	9,952	2,707	(372)

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	
		2019 £000	2018 £000
Members			
British Broadcasting Corporation	Technical projects	97	365
Arqiva Services Limited	Technical projects	22	16
Other related parties			
Digital 3&4 Limited (Common ownership)	Technical projects	-	8
Freeview (Common ownership)	Shared services	683	1,048
Digital TV Group Limited (Common directors)	Infrastructure	-	20
Digital TV Group Testing (Common directors)	Infrastructure	10	25
Oxford Broadcast (Common board attendee)	Technical projects	2	-

Notes (continued)

17 Deferred Income

Group	Freeview Play	700MHz Clearance	700MHz Viewer Support	Platform Management	2019 Total	2018 Total
	£000	£000	£000	£000	£000	£000
Deferred Income at 1 January	-	-	-	3,084	3,084	4,294
Income receivable in the period:						
Members and Affiliates	615	529	-	9,048	10,192	7,434
Non-related Parties	1,898	46	1,759	126	3,829	4,466
Bank Interest	-	-	-	13	13	5
Contributions utilised in the period:						
Loan to subsidiary not recoverable	3,191	-	-	(3,191)	-	-
Members and Affiliates	(3,806)	(529)	-	(6,232)	(10,567)	(8,644)
Non-related Parties	(1,898)	(46)	(1,759)	(126)	(3,829)	(4,466)
Bank Interest	-	-	-	(13)	(13)	(5)
Corporation Tax	-	-	-	(2)	(2)	-
At 31 December	-	-	-	2,707	2,707	3,084

Category of Deferred Income

Platform Management – Multiplex Specific	150	1,333
Platform Management - Operations	2,557	1,751
At 31 December	2,707	3,084

Notes (continued)

17 Deferred Income (continued)

Company	700MHz Clearance £000	700MHz Viewer Support £000	Platform Management £000	2019 Total £000	2018 Total £000
Deferred Income at 1 January	-	-	3,084	3,084	3,156
Income receivable in the period:					
Members and Affiliates	529	-	9,048	9,577	6,310
Non-related Parties	46	1,759	126	1,931	2,727
Bank Interest	-	-	13	13	5
Contributions utilised in the period:					
Loan to subsidiary not recoverable	-	-	(3,191)	(3,191)	(737)
Members and Affiliates	(529)	-	(6,232)	(6,761)	(5,645)
Non-related Parties	(46)	(1,759)	(126)	(1,931)	(2,727)
Bank Interest	-	-	(13)	(13)	(5)
Corporation Tax	-	-	(2)	(2)	-
At 31 December	-	-	2,707	2,707	3,084
Category of Income					
Platform Management – Multiplex Specific				150	1,333
Platform Management - Operations				2,557	1,751
At 31 December				2,707	3,084

18 Ultimate parent company and parent company of larger group

The largest group in which the results of the Company and its group are consolidated is that headed by Digital UK Limited, whose registered office is FieldFisher, Riverbank House, 2 Swan Lane, London EC4R 3TT. The company is the parent of Digital UK Trading Limited, whose registered office is FieldFisher, Riverbank House, 2 Swan Lane, London EC4R 3TT. The financial statements of this subsidiary may be obtained from Companies House.

Digital UK Limited holds all 100 £1 ordinary shares in Digital UK Trading Limited.

19 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.

Notes *(continued)*

20 Post Balance Sheet Events

On 26th February 2020 Arqiva Services Limited notified the other Members in the Company that it ceased to qualify for Membership and therefore was resigning as a Member of Digital UK Limited. Arqiva Services Limited's ceased to be a member of Digital UK Limited on 26th February 2021 and all their funding commitments ended on that date.

Digital UK Trading, a wholly owned subsidiary of Digital UK Limited is in the process of Acquiring Freesat (UK) Limited from the BBC and ITV subject to merger clearances.

On 9th April 2021 the BBC, ITV and Channel 4 signed a new Memorandum of Understanding confirming their funding of the Digital UK Group until 31 December 2023.

The BBC, ITV and Channel 4 are currently in discussion with Channel 5 about becoming a member of Digital UK Limited.