

**YouView TV Limited (formally Canvas Pro Tem Limited)**

**Directors' report and financial statements**

**Registered number 7308805**

**31 March 2011**

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## **Directors' report**

The directors present their report and financial statements of YouView TV Limited ('the Company') for the period ended 31 March 2011. The Company was incorporated on 8 July 2010 as Canvas Pro Tem Limited and renamed as YouView TV Limited on 16 September 2010.

The financial statements are for the period from 8 July 2010 to 31 March 2011, but operations commenced from the signing of the Shareholder Agreement on 10 September 2010.

### **Principal Activities and Business Review**

The principal activity of the Company during the period was research and development of a set top box, an open source platform that will combine live television channels, on-demand content and also bring web-based services and interactive extras to the living room.

By connecting their YouView developed set top box to an aerial and a broadband line, audiences will be able to view Freeview content, catch up content from a range of broadcasters, and other video on demand content from content providers offering On-Demand portals. The standard service, once launched, is expected to be subscription free, with the only charge being for the set top box and the broadband connection. However, some internet service providers could potentially offer subscription based models with subsidised set top boxes.

The directors believe that a steady progress to delivery has been made during the period and are confident that this momentum will continue through to the launch. The Company continues to achieve key milestones and is on track to launch its services in 2012.

The directors expect to continue with the current activities of the Company with continued support from shareholders.

### **Going Concern**

On their assessment of the Company's current level of activities and the continued funding support from its shareholders, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

These financial statements, have therefore, been prepared on a going concern basis.

### **Results and Dividends**

The statement of comprehensive income for the period is set out on page 6. The net profit after tax for the period was £372,000 which has been transferred to reserves.

In accordance with the provisions of Clause 18 of the Shareholders Agreement, dividends are agreed and paid on each class of income shares on an annual basis and do not require a resolution from the Board or the Company in a general meeting. Further, dividends have to be paid no later than one month, following finalisation of the annual financial statements of the Company, in which the relevant available profits arise.

Accordingly, dividends are expected to be distributed to shareholders following the finalisation of these financial statements.

### **Policy and practice on payment of creditors**

It is the Company's policy to develop and maintain key business relationships with its suppliers to obtain mutually accepted payment terms.

### **Political and charitable contributions**

The Company made no political or charitable donations during the period.

## Directors' report *(continued)*

### Directors

The directors who held office during the period and up to the date of this report are as follows

A Sugar	[appointment 18 03 2011]
C Fairbairn	[appointment 23 09 2010, resignation 07 03 2011]
C Constable	[appointment 06 06 2011]
G Pritchard	[appointment 10 09 2010]
K Meek	[appointment 23 09 2010, resignation 04 03 2011]
M Alexander-Wall	[appointment 10 09 2010]
M Giles	[appointment 15 04 2011, resignation 06 06 2011]
M Postgate	[appointment 23 09 2010]
M Watson	[appointment 23 09 2010]
N Thompson	[appointment 30 12 2010, resignation 15 04 2011]
P Dale	[appointment 07 03 2011]
R Hamlin	[appointment 23 09 2010, resignation 08 12 2010]
R Martin	[appointment 10 09 2010]

### Employees

The Company places emphasis on its employees' involvement in the business at all levels. Managers are remunerated according to results wherever possible and all employees are kept informed of issues affecting the Company through formal and informal meetings and through the Company's newsletter.

It is the Company's policy to assist the employment of disabled people, their training and career development, having regard to particular aptitudes and abilities. Every endeavour is made to find suitable alternative employment and to re-train any employee who becomes disabled while serving the Company.

The Company is committed to equality in every aspect of employment since it is believed to be the foundation for maximising the Company's potential. The Company also believes in the value of diversity, and that different ideas, beliefs and cultural traditions can only add value to the business and people.

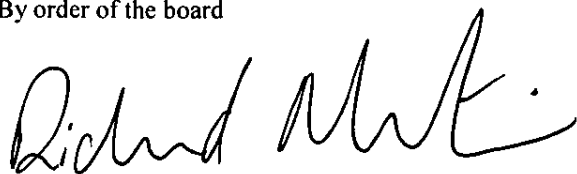
### Disclosure of information to auditors

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



Richard Martin  
Director

201 Wood Lane  
London  
W12 7TP  
14 June 2011

## **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 IFRSs as adopted by the EU and applicable law.

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 estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 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.

## **Independent Auditor's report to the members of YouView TV Ltd (formally Canvas Pro Tem Limited)**

We have audited the financial statements of YouView TV Ltd for the period ended 31 March 2011 set out on pages 6 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **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 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

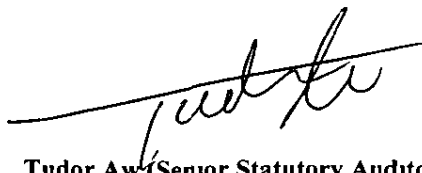
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period 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



**Tudor Aw (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
15 Canada Square  
London E14 5GL  
14 June 2011

**Statement of Comprehensive Income**  
*for the period from 8 July 2010 to 31 March 2011*

	Note	2011 £000
<b>Revenue</b>	2	<b>20,185</b>
Cost of sales	3	<b>(14,539)</b>
		<hr/>
<b>Gross profit</b>		<b>5,646</b>
Administrative expenses	3	<b>(5,202)</b>
		<hr/>
<b>Operating profit</b>		<b>444</b>
Financial income	6	<b>48</b>
		<hr/>
<b>Net financial income</b>		<b>48</b>
		<hr/>
<b>Profit before tax</b>		<b>492</b>
Taxation	7	<b>(120)</b>
		<hr/>
<b>Profit/ Total comprehensive income for the period</b>		<b>372</b>
		<hr/> <hr/>

The results stated above have been derived from continuing operations

The accompanying notes on pages 10 to 22 form an integral part of these financial statements

## Statement of Financial Position

At 31 March 2011

	Note	2011 £000
<b>Non-current assets</b>		
Property, plant and equipment	8	130
Intangible assets	9	43
		<hr/>
		173
		<hr/>
<b>Current assets</b>		
Trade and other receivables	10	1,680
Cash and cash equivalents	11	10,623
		<hr/>
		12,303
		<hr/>
<b>Total assets</b>		<hr/> <b>12,476</b> <hr/>
<b>Current liabilities</b>		
Trade and other payables	12	(11,890)
Employee benefits	13	(94)
Tax payable		(120)
		<hr/>
<b>Total liabilities</b>		<hr/> <b>(12,104)</b> <hr/>
<b>Net assets</b>		<hr/> <b>372</b> <hr/>
<b>Equity</b>		
Share capital	14	-
Retained earnings		372
		<hr/>
<b>Total equity</b>		<hr/> <b>372</b> <hr/>

The accompanying notes on pages 10 to 22 form an integral part of these financial statements

These financial statements were approved by the board of directors on 14 June 2011 and were signed on its behalf by



**Richard Martin**

Director

Company registered number 7308805



**Statement of Changes in Equity**  
*for the period from 8 July 2010 to 31 March 2011*

	<b>Share capital £000</b>	<b>Retained earnings £000</b>	<b>Total equity £000</b>
As at 8 July 2010	-	-	-
Total comprehensive income for the period	-	372	372
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2011</b>	-	<b>372</b>	<b>372</b>
	<hr/>	<hr/>	<hr/>

The accompanying notes on pages 10 to 22 form an integral part of these financial statements

## Cash Flow Statement

for the period from 8 July 2010 to 31 March 2011

	2011 £000
<b>Cash flows from operating activities</b>	
Profit for the period before tax and interest	444
<i>Adjustments for</i>	
Depreciation, amortisation and impairment	2,195
	<hr/>
	2,639
Increase in trade and other receivables	(1,644)
Increase in trade and other payables	11,890
Increase in employee benefits	94
	<hr/>
	10,340
<b>Net cash from operating activities</b>	<hr/> 12,979 <hr/>
<b>Cash flows from investing activities</b>	
Interest received	12
Acquisition of property, plant and equipment	(2,323)
Acquisition of other intangible assets	(45)
	<hr/>
<b>Net cash from investing activities</b>	<hr/> (2,356) <hr/>
<b>Cash flows from financing activities</b>	
Proceeds from the issue of share capital	-
	<hr/>
<b>Net cash from financing activities</b>	<hr/> - <hr/>
Net increase in cash and cash equivalents	10,623
Cash and cash equivalents at 8 July 2010	-
	<hr/>
<b>Cash and cash equivalents at 31 March 2011</b>	<hr/> 10,623 <hr/>

The accompanying notes on pages 10 to 22 form an integral part of these financial statements

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

YouView TV Ltd (the "Company") is a company incorporated and domiciled in the UK. The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs")

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

#### **1.1 Measurement convention**

The financial statements are prepared on the historical cost basis

#### **1.2 Going concern**

As stated in the Directors' report, the financial statements have been prepared on a going concern basis, based on the Directors' assessment of the Company's current level of activities and continued funding support from its shareholders

#### **1.3 Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method

##### *Cash and cash equivalents*

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

#### **1.4 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows

- Plant and equipment - 3 years
- Fixtures and fittings - 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.5 Intangible assets

##### *Research and development*

Expenditure on research activities is recognised in the income statement as an expense as incurred

Expenditure on development activities and other assets is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs.

Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

##### *Other intangible assets*

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

##### *Amortisation*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software - 3 years

#### 1.6 Impairment

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a *pro rata* basis.

The impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 Employee benefits

##### *Defined contribution plans*

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 income statement in the periods during which services are rendered by employees.

##### *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 1.9 Revenue

Revenue is stated net of VAT and other sales related taxes, and comprises amounts recharged to shareholders at a total costs plus mark-up basis in accordance with the terms of the shareholders agreement.

#### 1.10 Expenses

##### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### *Financing income and expenses*

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

#### 1.11 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## **Notes (continued)**

### **1.11 Taxation (continued)**

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### **1.12 Future accounting developments**

As at 31 March 2011, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the Company's financial statements as at 31 March 2011. None of these standards are expected to have a significant effect on the Company's financial statements.

## Notes (continued)

### 2. Revenue

	<b>31 March 2011 £000</b>
Rendering of services	<b>20,185</b>

### 3. Expenses and auditors' remuneration

*Included in profit are the following*

	<b>31 March 2011 £000</b>
Depreciation and amortisation (Note 8, Note 9)	<b>12</b>
Impairment charges (Note 9)	<b>2,183</b>
Research and development expensed as incurred	<b>12,356</b>

*Auditors' remuneration*

	<b>£000</b>
Audit of these financial statements	<b>13</b>
Other services relating to taxation	<b>2</b>

### 4. Staff numbers and costs

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

	<b>Number of employees</b>
	<b>31 March 2011</b>
Administration	<b>14</b>
Research and Development	<b>1</b>
	<b>15</b>

## Notes (continued)

### 4. Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	<b>31 March 2011 £000</b>
Wages and salaries	915
Social security costs	107
Contributions to defined contribution plans	78
	<hr/>
	<b>1,100</b> <hr/>

### 5. Directors' remuneration

	<b>31 March 2011 £000</b>
Directors' emoluments	97
Amounts paid to third parties in respect of directors' services	60
	<hr/>

The aggregate of emoluments of the highest paid director was £97,000

### 6. Finance income

#### Recognised in the income statement

	<b>31 March 2011 £000</b>
Interest income on cash and equivalents	48
	<hr/>

### 7. Taxation

#### Recognised in the income statement

	<b>31 March 2011 £000</b>
Current tax expense Current year	120
	<hr/>
Current tax expense	120
	<hr/>
Deferred tax expense	-
	<hr/>
Total tax expense	<b>120</b> <hr/>



## Notes (continued)

### 7. Taxation (continued)

#### *Factors affecting current tax charge for the period*

The current tax charge for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below

#### Reconciliation of effective tax rate

	<b>31 March 2011 £000</b>
Profit for the period before tax	492
	<hr/>
Tax using the UK corporation tax rate of 28%	138
Effect of marginal relief	(18)
	<hr/>
Total tax expense	<b>120</b>
	<hr/>

#### *Factors affecting future tax charges*

On 23 March 2011 it was announced that the main rate of UK corporation tax will be reduced to 26% with effect from 1 April 2011

### 8 Property, plant and equipment

	<b>Plant and equipment £000</b>	<b>Fixtures &amp; fittings £000</b>	<b>Total £000</b>
<b>Cost</b>			
Additions	137	3	140
	<hr/>	<hr/>	<hr/>
At 31 March 2011	<b>137</b>	<b>3</b>	<b>140</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
Charge for the period	9	-	9
	<hr/>	<hr/>	<hr/>
At 31 March 2011	<b>9</b>	<b>-</b>	<b>9</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2011	<b>128</b>	<b>3</b>	<b>131</b>
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 9. Intangible assets

	Software £000	Other intangibles £000	Total £000
<b>Cost</b>			
Acquisitions – externally purchased	45	2,183	2,228
	<hr/>	<hr/>	<hr/>
At 31 March 2011	45	2,183	2,228
	<hr/>	<hr/>	<hr/>
<b>Amortisation and impairment</b>			
Amortisation for the period	3	-	3
Impairment	-	2,183	2,183
	<hr/>	<hr/>	<hr/>
At 31 March 2011	3	2,183	2,186
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2011	42	-	42
	<hr/>	<hr/>	<hr/>

Other intangibles represent rights to developed technology and designs relating to internet connected television devices purchased during the period. The technical and commercial feasibility of these intangibles could not be ascertained at the balance sheet date and therefore, their carrying value has been impaired to nil as at 31 March 2011, in accordance with the accounting policies of the Company.

### 10 Trade and other receivables

	2011 £000
<b>Current</b>	
Trade and other receivables	1,514
Interest receivable	36
Prepayments	130
	<hr/>
	1,680
	<hr/>

### 11. Cash and cash equivalents

	2011 £000
Cash and cash equivalents per balance sheet and cash flow statement	10,623
	<hr/>

## Notes (continued)

### 12. Trade and other payables

	<b>2011</b>
	<b>£000</b>
<b>Current</b>	
Trade and other payables	1,014
Accrued expenses	1,916
Amounts owed to related parties (Note 18)	8,960
	<hr/>
	<b>11,890</b>
	<hr/>

### 13. Employee benefits

#### Pension plans

The Company operates a defined contribution pension plan. The total expense relating to the plan in the period was £78,000. There was £9,500 outstanding at the year end.

### 14. Share Capital

During the period the company issued 4,278 £0.01 shares for a consideration of £42.78 settled in cash.

	<b>2011</b>
	<b>£</b>
<b>Allotted, called up and fully paid</b>	
4,200 voting shares of £0.01 each	<b>42.00</b>
70 income shares of £0.01 each	<b>0.70</b>
7 founder shares of £0.01 each	<b>0.07</b>
1 additional founder share of £0.01	<b>0.01</b>
	<hr/>
	<b>42.78</b>
	<hr/>

The holders of income, founder and additional founder shares are entitled to receive dividends as declared from time to time and are entitled to 1 vote per share held on a poll taken at a general meeting and 1 vote per shareholder present on the show of hands.

## Notes (continued)

### 15. Financial instruments

The Company's activities expose them to a variety of financial risks including market risk, credit risk and liquidity risk. The method used by the Company to manage these risks is outlined below.

#### 15 (a) Market risk

The Company's market risk is limited to the cash flow interest risk. Cash flow interest risk is the risk that the future cash flows of financial instruments will fluctuate because of the changes in market interest rates. As the Company holds cash and cash equivalents (2011: £10,623,000) on which it earns interest, it is exposed to cash flow interest rate risk.

The Company does not have an explicit policy to manage interest risks considering its significance to the overall income statement (2009: £48,000).

#### 15 (b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

As at 31 March 2011, the carrying amount of financial assets amounted to £12,303,000, which represents the maximum exposure to credit risk at the balance sheet date. There were no trade receivables as at 31 March 2011.

The directors consider the exposure to credit risk for trade and receivables to be minimal since all of the Company's sales are generated from shareholders and a funding is usually taken in advance reducing the total credit exposure.

#### 15 (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

While the Company does not have an explicit policy on managing its liquidity risk, the directors confirm that the shareholders have provided funding in the past as per the requirements of the Company and will continue to do so in the future to assist the Company in managing its liquidity risk.

The maturity analyses for financial liabilities showing the remaining undiscounted cash flows, including future interest payments, but excluding unamortised transaction costs were:

	Carrying amount £'000	Contractual cash flows £'000	1 year or less £'000
<b>Non-derivative financial liabilities</b>			
Trade and other payables	11,890	11,890	11,890

#### 15 (d) Sensitivity analysis

##### Interest rate risk

The Company does not incur interest expense and generated an insignificant amount of interest income during the period. Accordingly, any realistic change in basis points ('bp') as at the balance sheet date would not have had a significant impact on the total equity as at 31 March 2011.

## Notes (continued)

### 15. Financial instruments (continued)

#### 15 (e) Fair values

##### Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

##### Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

##### Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows

	Carrying amount 31 March 2011 £'000	Fair value 31 March 2011 £'000
<b>Loans and receivables</b>		
Cash and cash equivalents	10,623	10,623
Trade and other receivables	1,680	1,680
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	11,890	11,890

#### 15 (f) Capital management

The Company does not have an explicit policy to manage the capital. However management constantly monitor the financial position of the Company

### 16. Operating leases

Non-cancellable operating lease rentals are payable as follows

	2011 £000
Less than one year	335
Between 2 and 5 years	84
	<hr/>
	419
	<hr/>

During the financial period, £157,000 was recognised as an expense in the income statement in respect of operating lease charges

## Notes (continued)

### 17. Capital commitments and contingent liabilities

The Company did not have any contractual capital commitments and contingent liabilities at 31 March 2011

### 18. Related parties

There were transactions in the period between the Company and its shareholders, British Broadcasting Company, ITV Broadcasting Limited, British Telecommunications PLC, Channel Four Television Corporation, TalkTalk Telecom Group PLC, Arqiva Limited and Channel 5 Limited. The transactions in the period were cash and in-kind related to revenue, expenses, research and development and administration.

	Services to	Expenses
	31 March 2011	31 March 2011
	£000	£000
Shareholders	20,185	10,209
	<u>20,185</u>	<u>10,209</u>

	Trade payables	Accrued expenses	Non trade payables
	31 March 2011	31 March 2011	31 March 2011
	£000	£000	£000
Shareholders	2,522	3,646	2,792
	<u>2,522</u>	<u>3,646</u>	<u>2,792</u>

Revenue for services provided to shareholders during the period principally relates to service fees for funding by shareholders. Expenses incurred from shareholders relate primarily to occupancy, costs for external resources and research and development.

Amounts owed to related parties comprises monies owed at the period end for the provision of services and the excess of payments on account against the service fees owed.

## Notes (continued)

### 19. Ultimate parent company

At 31 March 2011, the joint venture partners of YouView TV Limited were British Broadcasting Company, ITV Broadcasting Limited, British Telecommunications PLC, Channel Four Television Corporation, TalkTalk Telecom Group PLC, Arqiva Limited and Channel 5 Limited, each holding 14.3% respectively

The accounts of the above these companies are available to the public and may be obtained from the following addresses

ITV Broadcasting Limited  
Television Centre, Upper Ground,  
London SE1 9LT

British Broadcasting Company  
Broadcasting House, Portland Place,  
London W1A 1AA

British Telecommunications PLC  
81 Newgate Street,  
London EC1A 7AJ

Channel Four Television Corporation  
124 Horseferry Road,  
London SW1P 2TX

TalkTalk Telecom Group PLC  
11 Evesham Street,  
London W11 4AR

Arqiva Limited  
Crawley Court, Winchester,  
Hampshire SO21 2QA

Channel 5 Limited  
The Northern & Shell Building  
No 10 Lower Thames Street  
London  
EC3R 6EN