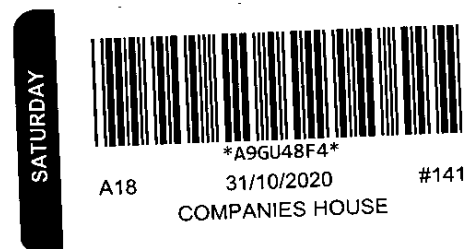


YouView TV Limited

**Strategic report, Directors' report and financial
statements**

Registered number 7308805

31 March 2020



201105 0046

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Strategic report

The directors present their strategic report on YouView TV Limited ('the Company') for the period ended 31 March 2020.

Fair Review of the Business

The Company's principal activity is the development of software, middleware, and cloud services to provide TV platform services.

These services comprise the provision of live television channels, on-demand content, and web-based services all whilst focusing on facilitating and enhancing video content discovery through the user interface. Since the product was launched in July 2012, the services available to the viewer have expanded to include more content, as well as powering the technology behind mobile apps which allow recording and viewing of the TV guide. A subscription-based model is available through Internet Service providers providing an upgrade path for those who wish to further enhance their viewing experience.

Platform distribution remains strong, with just under 3.0 million connected UK homes regularly using the service.

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

Key performance indicators

Revenue

The revenue for the period was £8,697,942 for 2020 (2019: £10,035,112)

Innovation

The company's investment in innovation was £16,244,638 in 2020 (2019: £16,184,281). This reflects our continued commitment to an ongoing programme of technology innovation improving customer experience.

Principal risks and uncertainties

The company regularly monitors the major risks to the business through its Risk Committee and reports those risks on a quarterly basis to the Board members.

Potential Risk

Mitigating Factor

Cyber Attack

There is a sustained cyber/viral attack causing prolonged system denial or major reputational damage, for example the ability to broadcast programmes from the EPG or VOD players.

YouView security teams continually evolve technical and procedural controls to harden YouView's security posture with industry best practice. These controls include perimeter protections; 24x7 security monitoring, alerting and operations; external specialist partners; cyber insurance; and risk management through a Security Steering Group.

GDPR Compliance

We have developed a GDPR compliance programme which will ensure YouView continues to remain compliant with privacy law and, in particular, GDPR.

System outages could impact on business operations

We continually review the systems which are hosted on premises and in the cloud to ensure the effect of any system outage is mitigated and we continue to mitigate the impact of any system outages through our business continuity plan and process.

Loss of revenues from customers leaving the YouView platform

Churn off the platform is historically very low, but the company is continually engaged with prospective partners to increase revenue coming into the business

31 March 2020

Uncertainty around Brexit

Potential impact on resources, operations and liability due to regulatory and legal changes and macroeconomic shifts could have financial implications.

We continue to monitor progress with Brexit negotiations and, where necessary, review any areas of the business to minimise any impact.

Uncertainty around COVID19

Potential impact on revenues, resources, and operations.

Our revenue base is largely insulated from the direct economic impact from COVID19 however we are engaging with customers to try and mitigate any potential revenue and cash flow risks. As a company we have successfully shifted to remote working during the lockdown period and have not seen an impact to our day-to-day operations.

Results

The statement of comprehensive income for the period is set out on page 9. The net loss after tax for the period was £15,544,377 for 2020, which has been transferred to reserves (2019: net loss of £15,622,456)

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 weekly newsletter.

It is the Company's policy to assist the employment of disabled people, their training and career development, having regard to 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.

By order of the board


Simon Duffy, Secretary of YouView TV Limited

Simon Duffy
Chairman

3rd Floor
10 Lower Thames Street
London
EC3R 6YT
23rd September 2020

Directors' report

The directors present their report and financial statements of YouView TV Limited ('the Company') for the period ended 31 March 2020.

Directors

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

S Duffy	Appointed	1 st January 2014
M Goswami	Appointed	27 th February 2019
K Clifton	Appointed	10 th November 2014
C Pfeiffer	Resigned	21 st February 2020
R Balestiero	Appointed	26 th August 2015
L Patten	Appointed	22 nd September 2015
P Amy	Resigned	24 th April 2020
W Ennett	Appointed	24 th April 2020
J Tatam	Appointed	1 st January 2017
S Rose	Resigned	31 st July 2020
M Robinson	Appointed	31 st July 2020

Company Secretary

Christina Pettit

The Directors of the company benefitted from third party professional indemnity insurance throughout the year and up to the date of this report.

Going Concern

On their assessment of the Company's current level of activities and the continued funding support from its shareholders, particularly the main funders of the Company, the directors have a reasonable expectation that the Company will be able to continue in operational existence for at least 12 months from the date these financial statements are signed. See note 1.2 for basis of preparation.

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

Dividends

In accordance with the provisions of Clause 17 of the Shareholders Agreement, if at any point the board considers it reasonably likely that platform income for the financial year will exceed the annual gross cost for the financial year resulting in there being available profits at the end of the financial year, the board shall prepare a draft dividend policy for the company as regards its available profits and shall circulate it to shareholders for their approval.

There will be no dividend distribution following the finalisation of these financial statements.

Political contributions

The Company made no political donations during the period.

Disclosure of information to auditor

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

Research and Development

The Company has benefitted from the Government's Research and Development ('R&D') incentive scheme for the past six years. YouView makes their R&D claim under the R&D SME scheme and received a tax credit of £3,181,229 for FY18/19's claim.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations and arises principally from the Company's receivables from customers. This is a relatively low risk for YouView because the majority (55% per FY19/20) of our trade receivables are with shareholders who are contractually obligated to fund per the shareholder agreement.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. YouView acknowledges the potential of liquidity risk. However, this risk is mitigated by the shareholder agreement and its associated funding commitment from our shareholders.

Financial Management Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. YouView acknowledges the potential of foreign exchange risk in relation to our payments to US\$ suppliers and have therefore taken out a forward exchange contract with Barclays to insure against any future exchange rate volatility.

Auditor

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

By order of the board


Simon Duffy, Secretary

Simon Duffy
Chairman

3rd Floor
10 Lower Thames Street
London
EC3R 6YT
23rd September 2020

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 LIMITED**Opinion**

We have audited the financial statements of YouView TV Limited ("the company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- *in our opinion those reports have been prepared in accordance with the Companies Act 2006.*

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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

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- 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Jeremy Hall (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
23rd September 2020

Statement of Comprehensive Income
for the period from 01 April 2019 to 31 March 2020

	Note	2020 £000	2019 £000
Revenue	2	8,698	10,035
Cost of sales		(23,306)	(23,943)
Gross (loss)/profit		(14,608)	(13,908)
Administrative expenses	3	(4,286)	(5,095)
Operating loss		(18,894)	(19,003)
Financial Income/(Expense)	6	(29)	1
Loss before tax		(18,923)	(19,002)
Tax credit	7	3,379	3,380
Total comprehensive (loss)/income for the period		(15,544)	(15,622)

The results stated above have been derived from continuing operations.

The accompanying notes on pages 13 to 24 form an integral part of these financial statements.

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Statement of Financial Position*At 31 March 2020*

	Note	2020 £000	2019 £000
Non-current assets			
Property, plant, and equipment	8	454	250
Intangible assets	9	-	121
Right of use asset	10	1,293	-
		<u>1,747</u>	<u>371</u>
Current assets			
Trade and other receivables	13	3,100	2,745
Corporation Tax Receivable	7	3,042	2,844
Derivative asset	18	137	-
Cash and cash equivalents		1,549	2,576
		<u>7,828</u>	<u>8,165</u>
Total assets		<u>9,575</u>	<u>8,536</u>
Current Liabilities			
Trade and other payables	14	(3,769)	(3,374)
Employee benefits	15	(1,840)	(2,903)
Short term lease liability	11	(709)	-
		<u>(6,318)</u>	<u>(6,277)</u>
Non-current liabilities			
Long term loan	16	(78,222)	(62,217)
Lease liability	11	(537)	-
		<u>(78,759)</u>	<u>(62,217)</u>
Total non-current liabilities		<u>(85,077)</u>	<u>(68,494)</u>
Total Liabilities		<u>(91,645)</u>	<u>(76,669)</u>
Net (liabilities)/assets		<u>(82,070)</u>	<u>(68,133)</u>
Equity			
Share capital	12	-	-
Retained (loss)/earnings		(75,502)	(59,958)
Total equity		<u>(75,502)</u>	<u>(59,958)</u>

The accompanying notes on pages 13 to 24 form an integral part of these financial statements.

These financial statements were approved by the board of directors on the 23rd September 2020 and were signed on its behalf by Simon Duffy

Simon Duffy

Chairman

Company registered number: 7308805

Statement of Changes in Equity
for the period from 1 April 2019 to 31 March 2020

	Share Capital	Retained Earnings
	£000	£000
As at 1 April 2018	-	(44,336)
Loss for the year	-	(15,622)
 As at 31st March 2019	 -	 <hr/> (59,958)
Loss for the year		<hr/> (15,544)
 As at 31st March 2020	 -	 <hr/> (75,502) <hr/>

The accompanying notes on pages 13 to 24 form an integral part of these financial statements.

Cash Flow Statement

for the period from 1 April 2019 to 31 March 2020

	2020	2019
	£000	£000
Cash flows from operating activities		
Loss for the period before tax and interest	(18,894)	(19,003)
<i>Adjustments for:</i>		
Depreciation, amortisation, and impairment	1,018	238
Foreign currency effect on cash and cash equivalents	(188)	
	(18,064)	(18,765)
Decrease/(Increase) in trade and other receivables	(355)	284
(Decrease)/ Increase in trade and other payables	395	(861)
(Decrease)/Increase in employee benefits	(1,063)	(396)
Taxation (paid)/receipt	3,181	3,446
Interest received/(paid)	(29)	1
	2,129	2,474
Net cash outflow from operating activities	(15,935)	(16,291)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(399)	(255)
Acquisition of other intangible assets	-	(15)
Net cash outflow from investing activities	(399)	(270)
Cash flows from financing activities		
Long term borrowing	16,005	17,172
Lease Payments	(698)	-
Net cash inflow from financing activities	15,307	17,172
Net Increase/(decrease) in cash and cash equivalents	(1,027)	611
Cash and cash equivalents at the beginning of the year of the financial year	2,576	1,965
Cash and cash equivalents at year end	1,549	2,576

The accompanying notes on pages 13 to 24 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

YouView TV Limited (the "Company") is a private limited 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. All accounts are presented in pound sterling.

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 based on the Directors' assessment of the Company's current level of activities and continued funding support from its shareholders.

Notwithstanding net liabilities of £75,502k as at 31 March 2020, a loss for the year then ended of £15,544k and operating cash outflows for the year of £15,935k, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through existing long-term loan funding and an additional deficit funding facility from its shareholders to meet its liabilities as they fall due for that period.

As with any company placing reliance on its shareholders for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, the company has received letters of support from its two key shareholder funders and therefore they have no reason to believe that they will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 not interest bearing and are stated at their original invoiced value reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade payables on normal terms are not interest bearing and are stated at original investment amount.

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 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.

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.

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. It comprises platform fees charged to shareholders and other third parties, device fees and amounts recharged to shareholders at a net cost basis (i.e. total costs less long term borrowing less revenues recognised). Revenue for time-based platform fees is recognised over the invoiced contract period. In addition to platform fees, we also recognise (as revenue) any deficit funding that is not covered by the Tier 2 Loan Agreement, this revenue is referred to as Service Fee Revenue. In 2019/20 all deficit funding was accounted as loan funding, consistent with 2018/19.

1.10 Taxation

Tax on the profit or loss for the period comprises current and deferred tax, as well as tax credits for qualifying research and development (R&D) expenditure, in line with HMRC guidelines. 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

1.11 Derivative Financial Instruments

The Company enters into a foreign exchange forward contract to manage its exposure to currency movements. Further details of derivative financial instruments are disclosed in note 18. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss.

1.12 Leases

The company adopted the new accounting standard IFRS 16 from the beginning of the financial year replacing IAS 17 'Leases'. The comparative information presented for the year ended 31 March 2019 has not been restated and therefore continues to be shown under IAS 17.

The main impact of IFRS 16 for the Company is the recognition of all future lease liabilities related to its existing office space lease on the balance sheet. A corresponding right-of-use asset has also been recognised on the balance sheet representing the economic benefit of the Company's right to use the underlying leased asset.

Right-of-use assets

Right-of-use assets are initially measured at cost, which is the amount equal to the corresponding lease liabilities adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

Lease liabilities

The Company assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Under IFRS 16, the Company recognises right-of-use assets and liabilities at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. For the office lease the Company has used the incremental borrowing rate as the discount rate.

Lease liabilities are subsequently measured at amortised cost and are increased by the interest charge and decreased by the lease payments made. Lease liabilities are remeasured if there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee.

IAS 17 – Operating leases

For all periods prior to 31 March 2019, the Company classified its office rental lease as an operating lease under IAS 17. The lease was recognised as an expense in the income statement across the term.

Transition

The opening balance sheet position as at 31 March 2019 has been restated on transition to IFRS16. On transition to IFRS 16, the lease liability was measured at the present value of the remaining lease payments, discounted using a weighted average incremental borrowing rate of 1.5%. The present value of £1.9m was then adjusted for prepayments (£0.24m) and the rent-free credit (-£0.19m) to establish a net right-to-use asset of £2.0m. Comparative periods have not been restated.

1.13 Future accounting developments

There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

2. Revenue

	2020 £000	2019 £000
Services fee for funding by shareholders	2,570	2,556
Platform Fees/Device Fees	6,128	7,479
Total Revenue	<u>8,698</u>	<u>10,035</u>

3. Expenses and auditor's remuneration

Included in profit are the following:

	2020 £000	2019 £000
Depreciation and amortisation (Note 8, 9 & 10)	1,014	238
Research and development expensed as incurred	16,245	16,184
	<u>17,259</u>	<u>16,422</u>

As set out in note 1.5 YouView TV Limited's accounting policy is to capitalise development costs only where the associated product is technically, and commercially feasible and future economic benefits are probable.

The Company is still developing the product and while sales continue as expected, there is not yet sufficient evidence to show that future economic benefits arising from the product will be sufficient to recover the potential capitalised costs within a reasonable time period. We have therefore expensed development costs for this financial year but will continue to assess the position in future periods.

	2020	2019
<i>Auditor's remuneration:</i>		
	£000	£000
Audit of these financial statements	30	25
Other services relating to taxation	69	45
	<hr/> 99 <hr/>	<hr/> 70 <hr/>

Other services relate to tax services in respect of assistance of preparation of Research & Development submissions

Notes (continued)

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:

	Number of employees	Number of employees
	2020	2019
Administration	36	39
Research and Development	141	148
	<hr/> 177 <hr/>	<hr/> 187 <hr/>

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	13,728	14,275
Social security costs	1,825	1,800
Contributions to defined contribution plans	805	805
	<hr/> 16,358 <hr/>	<hr/> 16,880 <hr/>

5. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	206	225

The aggregate of emoluments of the highest paid director was £206,250.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £0 and company pension contributions of £0 were made to a money purchase scheme on his behalf. Remuneration for all other members of the Board of Directors are paid for by their individual employers/shareholders.

6. Finance income and expense

Recognised in the income statement

	2020 £000	2019 £000
Interest income on cash and cash equivalents	-	1
Interest on lease liability	(29)	-

7. Taxation

Recognised in the income statement

	2020 £000	2019 £000
Current tax credit (R&D)		
Current year	3,042	2,844
Prior year tax credit adjustment	337	536
Current tax expense	3,379	3,380
Deferred tax expense	-	-
Total tax credit	3,379	3,380

Factors affecting current tax charge for the period

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

Reconciliation of effective tax rate

	2020	2019
	£000	£000
Profit/(loss) for the period before tax	(18,923)	(19,002)
Trading losses	-	-
	<u>(18,923)</u>	<u>(19,002)</u>
Tax using the UK corporation tax rate of 19% (2018:19%)	(3,673)	(3,610)
Tax losses not carried forward	3,673	3,610
Total tax credit adjustment	3,379	3,380
Total tax credit	<u>3,379</u>	<u>3,380</u>

The corporation tax rate of 19% is the same as prior year. Legislation will be introduced in Finance Bill 2020 to amend the main rate of Corporation Tax for all non-ring fence profits to 19% for financial year 2020 which supersedes the Finance Act 2016, which was substantively enacted on 15 September 2016, provided for a reduction in the main rate of corporation tax to 17% from 1 April 2020 (this supersedes the reduction to 18% which was provided for in the Finance Act 2015).

8. Property, plant and equipment

	Plant and equipment £000	Fixtures & fittings £000	Total £000
Cost			
At 01 April 2019	1,221	14	1,235
Additions	399	-	399
At 31 March 2020	<u>1,620</u>	<u>14</u>	<u>1,634</u>
Depreciation			
At 01 April 2019	971	14	985
Charge for the period	195	-	195
At 31 March 2020	<u>1,166</u>	<u>14</u>	<u>1,180</u>
Net book value			
At 31 March 2019	250	-	250
At 31 March 2020	<u>454</u>	<u>-</u>	<u>454</u>

9. Intangible assets

	Software £000	Total £000
Cost		
At 01 April 2019	360	360
Additions	-	-
At 31 March 2020	360	360
Amortisation and impairment		
At 01 April 2019	239	239
Amortisation	121	121
	<hr/>	<hr/>
At 31 March 2020	360	360
	<hr/>	<hr/>
Net book value		
At 31 March 2019	121	121
At 31 March 2020	-	-
	<hr/>	<hr/>

10. Right-of-use Assets

As a lessee, the Company leases office space on a long-term lease that terminates in February 2022.

Right-of-use assets	2019
	£000
Recognition of right-of-use asset on initial application of IFRS16 at 31 March 2019	1,991
Depreciation charge for the year	(698)
	<hr/>
Balance at 31st March 2020	1,293

Notes (continued)

11. Lease Liabilities

	2020 £000	2019 £000
The following has been included in the financial statements in respect of lease liabilities:		
Interest expense on lease liabilities	(29)	-
Total cash outflow for leases comprising rent and interest	(727)	-
Lease liabilities are expected to fall due as follows:		
Less than 1 year	709	-
Greater than 2 years	537	-
	<u>1,246</u>	<u>-</u>

Prior to 31 March 2019, the Company recognised leases in line with IAS 17. The Company recognised its office rental lease as an operating lease. From the 31 March 2019, the Company no longer recognises operating leases in line with IAS 17 and instead recognises right-of-use assets and lease liabilities in line with IFRS 16 (see note 10). Therefore, the non-cancellable operating leases as at 31 March 2020 are deemed to be £nil

Non-cancellable operating lease rentals

	2020 £000	2019 £000
Less than 1 year	-	644
Greater than 2 years	-	1,156
	<u>-</u>	<u>1,800</u>

12. Share Capital

During the period 31 March 2011, the company issued 4,278 £0.01 shares for a consideration of £42.78 settled in cash.

	2020
Allotted, called up and fully paid	£
4,200 voting shares of £0.01 each	42.00
70 income shares of £0.01 each	0.70
7 founder shares of £0.01 each	0.07
1 additional founder share of £0.01	0.01
	<u>42.78</u>

13. Trade and other receivables

	2020	2019
	£000	£000
Current		
Tax and other receivables	156	123
Prepayments	1,232	1,462
Debtors	779	697
Amounts owed by related parties (Note 19)	933	463
	3,100	2,745

14. Trade and other payables

	2020	2019
	£000	£000
Current		
Trade Payables	1,179	1,002
Other Payable	22	29
Tax Payable	616	649
Payable to employees	438	153
Accrued expenses	983	1,192
Amounts owed to related parties (Note 19)	531	349
	3,769	3,374

15. Employee benefits

Pension plans

The Company operates a defined contribution pension plan. The total expense relating to the plan in the period was £804,990 (2019: £805,063). There was £65,121 (2019: £66,590) outstanding at the year end.

Related parties

There were no related parties transactions within the employee benefit expenses. There was £0 outstanding at the year end.

16. Long term loan

	2019	2019
	£000	£000
Loan	78,222	62,217

The long-term borrowing was received from British Telecommunications PLC and TalkTalk Telecom Group PLC with respect to the IPR valuation of YouView TV Limited. The loan shall not incur any interest but shall be subject to revaluation of the IPR every 2 years to satisfy the carrying amount. The current repayment clause is June 2024.

17. Capital commitments and contingent liabilities

The Company did not have any contractual capital commitments and contingent liabilities at 31 March 2020.

18. Risk

18.1 Credit Risk

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

This is a relatively low risk for YouView because the majority (55% per FY19/20) of our trade receivables are with our shareholders.

18.2 Liquidity Risk

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

YouView acknowledges the potential of a liquidity risk. However, this risk is mitigated by the continuing funding commitment from the shareholders.

18.3 Financial Risk Management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

YouView acknowledges the potential of foreign exchange risk in relation to our payments to USD suppliers and have therefore taken out a forward exchange contract with Barclays to insure against any future exchange rate volatility'. This forward contract buys USD monthly (between \$214,005 and \$392,811) at an average rate of 1.316 with the last value date on the 15th March 2021. The forward contract is revalued monthly with any gains or losses taken through the profit and loss account. Currently the derivative sits as an asset on the balances sheet. As at 31st March 2020 we held \$231,735 in our USD account. For financial year FY20/21 we have hedged \$3,235,050 at a GBP equivalent of £2,458,882.93 with Barclays

19. Related parties

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

Transactions with shareholders in the period

	2020	2019
	£000	£000
Services to	5,782	4,763
Expenses incurred from	-	-

Balances outstanding with shareholders at 31 March 2020

	2020	2019
	£000	£000
Trade and other receivables	933	463
Trade payables	450	-
Accrued expenses	81	81
Non - trade payables	-	268
Employee benefits	-	-

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

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

20. Ultimate parent company

At 31 March 2020, the joint venture partners of YouView TV Limited were British Broadcasting Corporation, ITV Broadcasting Limited, British Telecommunications PLC, Channel Four Television Corporation, TalkTalk Telecom Group PLC, Arqiva Limited and Channel 5 Broadcasting 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
2 Waterhouse Square
138 – 142 Holborn
London, EC1N 2AE

British Broadcasting Corporation
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 Broadcasting Limited
Riverbank House
2 Swan Lane
London, EC4R 3TT