Now Digital Limited

Registered number 03546921

Annual Report and Financial Statements

For the year ended 30 June 2011

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Table of Contents

Directors' report and statement of Directors' responsibilities 1

Independent Auditors' Report to the Members of Now Digital Limited. 4

Profit and loss account 5

Balance sheet 6

Notes to the financial statements 7

1	Principal accounting policies	7
2	Turnover	8
3	Operating loss	8
4	Staff costs and Directors' emoluments	8
5	Interest payable and similar charges	8
6	Tax on loss on ordinary activities	9
7	Dividends	9
8	Investments	10
9	Debtors amounts falling due within one year	10
10	Creditors amounts falling due within one year	10
11	Provision for liabilities and charges	10
12	Share capital	11
13	Profit and loss reserve	11
14	Reconciliation of movements in shareholders' deficit	11
15	Related party disclosures	11
16	Immediate parent company and ultimate UK parent undertaking	11
17	Controlling parties	11

Directors' report and statement of Directors' responsibilities

The Directors of Now Digital Limited, registered company number 03546921, ('the Company') submit the following annual report and audited financial statements ('the financial statements') in respect of the year ended 30 June 2011 The comparative figures are for the 15 month period to 30 June 2010

Business review and principal activities

The Company operates within the Arqiva Broadcast Holdings Limited ('ABHL') (formerly Macquarie UK Broadcast Holdings Limited) group of companies ('the Group') The principal activity of the Company throughout the year was that of operating and managing eleven regional digital radio multiplexes in the United Kingdom ('UK')

The Company made a loss for the financial year of £4,331,000 (15 months ended 30 June 2010 £882,000) The Company has net liabilities of £5,207,000 (2010 £876,000)

During the year, the Directors have reviewed the ongoing commitment under the transmission services contracts with Arqiva Limited, a Group company An onerous contract provision has been made of £3,646,000 in relation to these contracts This reflects the current shortfall of revenue contracts to cover the contracted transmission services costs and the provision is expected to be utilised over the period to 2016

Principal risks and uncertainties facing the business

The key business uncertainty affecting the Company is the timing of analogue to digital switchover for radio within the UK Current expectations are that switchover will commence between 2015 and 2017 although this is dependent upon coverage and listener take up

Key performance indicators ('KPIs')

Given the straightforward nature of the Company's activities, the Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

The KPIs of the Group are managed as a whole and are discussed within the Directors' report of the ABHL financial statements, a copy of which can be obtained from the address in note 16 of these financial statements

Dividends, transfers to reserves and results

The Directors do not propose a dividend for the year ended 30 June 2011 (15 months ended 30 June 2010 £1,531,000)

The loss for the financial year of £4,331,000 (15 months ended 30 June 2010 £882,000) was transferred to reserves

Going concern

The Company is in a position of net liabilities and net current liabilities However it continues to adopt the going concern basis in preparing its financial statements based upon the support from its parent undertaking and the future cash flow forecasts of the Group, which lead the Directors of the Company to have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future

Future developments

It is the intention of the Company to continue operating and managing regional digital radio multiplexes The Company is actively marketing the spare capacity on the multiplexes to attract new customers, with the aim of returning the Company to profitability

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price, cash flow interest risk, credit risk and foreign currency The overall risk management programme seeks to minimise potential adverse effects as noted below

Price risk
The Company has minimal exposure to price risk as the principal expense is inter-company transmission fees which are fixed on an annual basis

Cash flow interest risk
The Company has a policy of maintaining the majority of inter-company balances at a fixed rate to ensure certainty of future interest cash flows

Credit risk
The Company is exposed to credit risk but this is managed through appropriate credit checking procedures prior to taking on new customers

Foreign currency risk
The Company is based in the United Kingdom, reports in sterling and has no transactions in other currencies hence has no exposure to foreign currency risk

Directors

The following persons held office as Directors of the Company during the year and up to the date of signing the financial statements

- Stephen Holebrook
- Paul Eaton (Appointed 1 October 2010)
- John Cresswell (Appointed 28 January 2011)
- Thomas Bennie (Resigned 28 January 2011)

Company Secretary

Michael Giles is the Company Secretary

Disclosure of information to the Independent Auditors

The Directors of the Company in office at the date of approval of this report confirm that

- so far as the Directors are aware there is no relevant audit information of which the Auditors are unaware, and
- each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant information and to establish that the Company's Auditors are aware of that information

Directors' indemnities

The Group maintains liability insurance for the Company Directors and officers Following shareholder approval, the Company has also provided an indemnity for its Directors and the Company Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

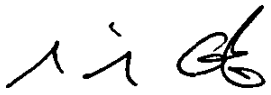
Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company 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 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,
— 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

By order of the Board



Michael Giles
Company Secretary
Crawley Court
Crawley
Winchester
Hampshire
SO21 2QA

14 December 2011

Independent Auditors' Report to the Members of Now Digital Limited

We have audited the financial statements of Now Digital Limited for the year ended 30 June 2011 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements If we become aware of any material misstatements or inconsistencies we consider the implications for our report

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 30 June 2011 and of its loss 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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Helen Orton (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

15 December 2011

Profit and loss account

	Note	Year ended 30 June 2011 £'000	15 month period ended 30 June 2010 £'000
Continuing operations			
Turnover		3,712	4,336
Cost of sales		(7,858)	(5,090)
Gross loss		**(4,146)**	**(754)**
Administrative expenses		(206)	(194)
Operating loss	3	**(4,352)**	**(948)**
Income from shares in group undertakings		30	96
Loss on ordinary activities before taxation and interest		**(4,322)**	**(852)**
Interest payable and similar charges	5	(90)	(30)
Loss on ordinary activities before taxation		**(4,412)**	**(882)**
Tax on loss on ordinary activities	6	81	-
Loss for the financial year / period	13,14	**(4,331)**	**(882)**

The Company has no other recognised gains or losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the loss for the financial period as disclosed above and that calculated on a historical cost basis

Balance sheet

	Note	30 June 2011 £'000	30 June 2010 £'000
Fixed assets			
Fixed asset investments	8	5	5
Current assets			
Debtors amounts falling due within one year	9	358	445
		358	**445**
Creditors amounts falling due within one year	10	**(1,924)**	**(1,326)**
Net current liabilities		**(1,566)**	**(881)**
Provision for liabilities and charges	11	(3,646)	-
Net liabilities		**(5,207)**	**(876)**
Capital and reserves			
Called up share capital	12	-	-
Profit and loss reserve	13	(5,207)	(876)
Total shareholders' deficit	14	**(5,207)**	**(876)**

The accounting policies and notes on pages 7 to 11 form part of these financial statements

These financial statements were approved by the Board of Directors on 14 December 2011 and were signed on its behalf by

Paul Eaton
Director

Notes to the financial statements

1 Principal accounting policies

The following accounting policies have been applied consistently in relation to the Company's financial statements

(a) Basis of preparation

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006, applicable UK accounting standards (UK GAAP), and under the historical cost convention

(b) Going concern

The Company is in a position of net liabilities and net current liabilities However it continues to adopt the going concern basis in preparing its financial statements based upon the support from its parent undertaking and the future cash flow forecasts of the Group, which lead the Directors of the Company to have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future

These financial statements do not contain any adjustments that would arise if the financial statements were not drawn up on the going concern basis If required, such adjustments would change the balance sheet values of assets to their recoverable amounts, increase liabilities by making provisions for any closure costs and reclassify fixed assets and long term liabilities as current assets and current liabilities

(c) Exemption from consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Arqiva Financing No 1 Limited ('AF1') (formerly Macquarie UK Broadcast Ventures Limited), a company registered in England and Wales

(d) Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment in value, in accordance with FRS 11 'Impairment of fixed assets and goodwill'

(e) Turnover

The Company's accounting policy in respect of turnover is set out in note 2

(f) Taxation and deferred taxation

The charge for taxation is based on the result for the year / period and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes Deferred taxation is provided fully in respect of all timing differences using the liability method for timing differences where there is an obligation to pay more tax, or a right to pay less tax, in the future The provision is calculated using the rates expected to be applicable when the asset or liability crystallises, based on current tax rates and laws that have been enacted or substantively enacted at the balance sheet date A deferred tax asset is regarded as recoverable and therefore recognised only when it is more likely than not that there will be sufficient taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted Deferred tax is not recognised on revalued fixed assets until a binding agreement is in place to sell such assets and the resulting gain or loss has been recognised in the financial statements Deferred tax is measured on an undiscounted basis

(g) Cash flow statement

The Company has taken advantage of the exemption under FRS 1 'Cash flow Statements' (revised 1996) not to prepare a cash flow statement as it is a subsidiary which is at least 90% controlled by the ultimate UK parent undertaking, which prepares a consolidated cash flow statement

(h) Dividends on shares presented within shareholders funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

(i) Provisions

The provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation

2 Turnover

Turnover represents amounts invoiced in respect of all services and goods provided during the year / period, excluding value added tax The Company has only one material class of business in the United Kingdom All turnover relates to the Company's principal activity namely the operation of eleven regional digital radio multiplexes

Turnover is recognised as services are provided Cash received in advance from customers is taken to deferred income and recognised as turnover when the service is provided Turnover recognised in advance of invoices raised is taken to accrued income

3 Operating loss

The Company's audit fee of £9,000 (2010 £7,000) was borne by Arqiva Limited, a Group company

4 Staff costs and Directors' emoluments

The Company had no employees during the year (2010 none)

None of the Directors are employees (2010 none) of the Company and no Director (2010 none) received any remuneration from the Company during the period There are no recharges (2010 £nil) made to the Company in respect of the services provided by any of the Directors as their duties in respect of the Company are incidental to their duties to the Group as a whole

5 Interest payable and similar charges

	Year ended 30 June 2011 £'000	15 month period ended 30 June 2010 £'000
Interest payable on inter-company balances	90	30

6 Tax on loss on ordinary activities

	Year ended 30 June 2011 £'000	15 month period ended 30 June 2010 £'000
(a) Analysis of tax credit for the year / period		
Current tax		
UK corporation tax credit for the year / period	(81)	-
Total current tax	(81)	-
(b) The tax assessed for the year is higher (2010 higher) than the standard rate of corporation tax in the UK The differences are explained below		
Loss on ordinary activities before taxation	(4,412)	(882)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 27 5% (2010 28%)	(1,213)	(247)
Group relief surrendered for nil consideration	1,132	247
Total current tax	**(81)**	-

The UK corporation tax rate was reduced from 28% to 26% effective from 1 April 2011 Therefore for the purpose of this tax reconciliation an average tax rate of 27 5% has been used

Subsequent to the balance sheet date a UK corporation tax rate of 25% has been substantively enacted There has also been a stated intention to reduce the UK corporation tax rate to 23% by April 2014 by a number of changes in the UK corporation tax rate, these changes have not been substantively enacted

There is an unrecognised deferred tax asset of £47,000 (2010 £51,000) in respect of tax losses which are not anticipated to be utilised in the foreseeable future Such losses could only be utilised if the Company was to generate taxable profits in future years

7 Dividends

	Year ended 30 June 2011 £'000	15 month period ended 30 June 2010 £'000
Interim dividend of £nil per share (2010 £1,531,000 per share)	-	**1,531**

8 Investments

	Investments in subsidiaries £'000
Cost	
At 1 July 2010 and 30 June 2011	**5**

The Company's investments in which it holds 20% or more of the share capital are shown below

	Country of incorporation or registration	Nature of business	Class of share	Percentage of shares held by the Company
Now Digital (East Midlands) Limited	England and Wales	Digital radio operator	Ordinary	52 5%
South West Digital Radio Limited	England and Wales	Digital radio operator	Ordinary	66 7%

The Directors believe that the carrying value of the investments is supported by their underlying net assets

9 Debtors: amounts falling due within one year

	30 June 2011 £'000	30 June 2010 £'000
Sundry Debtors	-	96
Accrued Income	-	8
Prepayments	358	341
	358	**445**

The Directors consider that the fair value of debtors falling due within one year closely approximates to book value

10 Creditors: amounts falling due within one year

	30 June 2011 £'000	30 June 2010 £'000
Amounts owed to Group undertakings	1,290	705
Sundry Creditors	311	312
Deferred Income	323	309
	1,924	**1,326**

Amounts owed to Group undertakings are unsecured and repayable on demand Interest has been charged at 9 75%

11 Provision for liabilities and charges

	30 June 2011 £'000	30 June 2010 £'000
Onerous contracts – charge through profit and loss	3,646	-

The onerous contract provision relates to supplier contracts where the costs are expected to exceed the benefits, the provision is expected to be utilised over the next two to five years

12 Share capital

	30 June 2011	30 June 2010
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
1 ordinary shares of £1 each	1	1

13 Profit and loss reserve

	£'000
At 1 July 2010	(876)
Loss for the financial year	(4,331)
At 30 June 2011	**(5,207)**

14 Reconciliation of movements in shareholders' deficit

	30 June 2011	30 June 2010
	£'000	£'000
Loss for the financial year / period	(4,331)	(882)
Dividends paid	-	(1,531)
Net reduction to shareholders' funds	(4,331)	(2,413)
Opening shareholders' (deficit) / funds	(876)	1,537
Closing shareholders' deficit	**(5,207)**	**(876)**

15 Related party disclosures

The Company has taken advantage of the exemptions available under FRS 8 'Related party disclosures' for disclosure of transactions with entities that are part of the Group of companies as related parties in these financial statements

There were no other related party transactions during the year

16 Immediate parent company and ultimate UK parent undertaking

The Company's immediate parent undertaking is MUKBL Digital Radio Limited, a company incorporated in England and Wales The parent company of the smallest group to consolidate these financial statements is Arqiva Financing No 1 Limited ('AF1') (formerly Macquarie UK Broadcast Ventures Limited)

The ultimate UK parent undertaking is ABHL ABHL is the parent company of the largest group to consolidate these financial statements

Copies of the financial statements for MUKBL Digital Radio Limited and the consolidated financial statements for AF1 and ABHL can be obtained from the Company Secretary of each company, at Crawley Court, Crawley, Winchester, Hampshire, SO21 2QA

17 Controlling parties

ABHL is owned by a consortium of eight shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Funds, other Macquarie funds and minorities There is no ultimate controlling party of ABHL, as defined by FRS 8