arqiva

Now Digital Limited

Registered number 03546921

Annual Report and Financial Statements

For the year ended 30 June 2016

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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 financial statements ('the financial statements') in respect of the year ended 30 June 2016 The Company's registered office is Crawley Court, Winchester, Hampshire, SO21 2QA

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006

The Company is entitled to take the small companies exemption (as defined by the Companies Act 2006) and therefore has elected to take the exemption from preparing a strategic report in accordance with section 414B of the Companies Act 2006

Business review and strategy

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

In prior year periods the Company had recognised an onerous contract provision in respect of transmission contracts with onerous contract terms In the year ended 30 June 2016 £335,000 was utilised (2015 £864,000, 2014 £1,098,000)

The Company had a loss for the financial year of £2,504,000 (2015 £1,395,000, 2014 £1,375,000) The Company had net liabilities of £10,668,000 (2015 £8,164,000, 2014 £6,769,000)

The key business uncertainty affecting the Company is the timing of analogue to digital switchover for radio within the United Kingdom ('UK') At present there is no definitive timetable set however the new Minister of State for Digital and Culture, Matt Hancock, has reconfirmed that a review of switchover policy will take place when digital radio accounts for more than 50% of total listening On current growth trends, this is expected to be triggered in the second half of 2017, however it is not expected that a switch over would be timetabled in the short or medium term

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 annual report and consolidated financial statements of AGL, a copy of which is available from the address in note 20 of these financial statements or the Group's website at www arqiva com

Future developments

It is the intention of the Company to continue operating and managing regional digital radio multiplexes The Company is actively marketing the multiplexes to attract new customers with the expectation of increasing coverage to match the coverage of analogue commercial radio in future years

Going concern

Despite having net current liabilities, the Company adopts the going concern basis in preparing its financial statements based upon the support from its parent undertakings and the future profit, cash flows and available resources of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in purchase price, liquidity risk and interest rate risk The Group's overall risk management programme seeks to minimise potential adverse effects as noted below

Purchase price risk
The Company's principal expense is transmission fees which are fixed on an annual basis with annual break clauses in contracts, therefore there is minimal exposure to price risk

Interest rate risk
The Company has a policy of maintaining intercompany and other balances on an interest free or fixed rate basis to ensure certainty of future cash flows

Liquidity risk
The majority of funding is arranged through intercompany loans, supported by intercompany agreements

Dividends and transfers to reserves

The Directors do not propose to pay a dividend for the year (2015 £nil, 2014 £nil) be paid for the year The loss for the year of £2,504,000 (2015 £1,395,000, 2014 £1,375,000) was transferred to reserves

Directors

The following held office as directors of the Company during the period and up to the date of this report

- Paul Eaton (resigned 14 October 2016)
- Stephen Holebrook
- Simon Beresford-Wylie (appointed 1 August 2015)
- John Cresswell (resigned 1 August 2015)
- Glyn Jones (appointed 14 October 2016)
- Paul Stratton (appointed 3 January 2017)
- Bryan Coombes (alternate) (appointed 14 October 2016)

Company Secretary

Michael Giles is the Company Secretary

Directors' indemnities

The Company has 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 The indemnity was in force during the full financial year and up to the date of approval of the financial statements

Events after the reporting period

There have been no events since the balance sheet date which would have a material impact on the Company and require disclosure within the financial statements

By order of the Board

Paul Stratton
Director
Crawley Court
Winchester
Hampshire
SO21 2QA

10January 2017

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are 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

Income Statement

	Note	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000	Year ended 30 June 2014 £'000
Revenue		3,251	3,546	2,250
Cost of sales		(5,585)	(4,831)	(3,016)
Gross loss		**(2,334)**	**(1,285)**	**(766)**
Operating expenses		(367)	(386)	(390)
Other income		56	-	-
Operating loss	5	**(2,645)**	**(1,671)**	**(1,156)**
Finance income	8	186	336	-
Finance costs	9	(45)	(60)	(219)
Loss before tax		**(2,504)**	**(1,395)**	**(1,375)**
Tax	10	-	-	-
Loss for the financial year		**(2,504)**	**(1,395)**	**(1,375)**

All results are from continuing operations

The Company has no other comprehensive income other than the loss for the year stated above and therefore no separate statement of comprehensive income has been presented

Statement of Financial Position

	Note	30 June 2016 £'000	30 June 2015 £'000	30 June 2014 £'000
Non-current assets				
Intangible assets	11	736	823	910
Investments	12	5	5	5
Total non-current assets		**741**	**828**	**915**
Current assets				
Receivables	13	204	236	112
Total current assets		**204**	**236**	**112**
Total assets		**945**	**1,064**	**1,027**
Current liabilities				
Payables	14	(8,153)	(5,478)	(3,242)
Provisions	15	(39)	(290)	(804)
		(8,192)	**(5,768)**	**(4,046)**
Net current liabilities		**(7,988)**	**(5,532)**	**(3,934)**
Non-current liabilities				
Borrowings	16	(3,421)	(3,421)	(3,421)
Provisions	15	-	(39)	(329)
		(3,421)	**(3,460)**	**(3,750)**
Total liabilities		**(11,613)**	**(9,228)**	**(7,796)**
Net liabilities		**(10,668)**	**(8,164)**	**(6,769)**
Equity				
Share capital	17	-	-	-
Retained earnings		(10,668)	(8,164)	(6,769)
Total shareholders' deficit		**(10,668)**	**(8,164)**	**(6,769)**

The accounting policies and notes on pages 7 to 13 form part of these financial statements

For the year ending 30 June 2016 the company was entitled to exemption from audit under section 479A of the Companies Act 2006

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006

The Directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts

For the year ended 30 June 2016, the financial statements have been prepared in accordance with the provisions applicable by the small companies' regime (as defined by the Companies Act 2006)

These financial statements were approved by the Board of Directors on 10 January 2017 and were signed on its behalf by

Paul Stratton - Director

Statement of Changes in Equity

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 July 2013	-	**(5,394)**	**(5,394)**
Loss for the year	-	(1,375)	(1,375)
Balance at 30 June 2014	-	**(6,769)**	**(6,769)**
Loss for the year	-	(1,395)	(1,395)
Balance at 30 June 2015	-	**(8,164)**	**(8,164)**
Loss for the year	-	(2,504)	(2,504)
Balance at 30 June 2016	-	**(10,668)**	**(10,668)**

Notes to the Financial Statements

1 General Information

Now Digital Limited ('the Company') is a private company incorporated in England, United Kingdom ('UK') under the Companies Act under registration number 03546921 The address of the registered office is Crawley Court, Winchester, Hampshire, SO21 2QA

The nature of the Company's operations and its principal activities are set out in the Directors Report on page 1

2 Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') The Company has also early adopted the amendments to FRS 101 which were issued in July 2015 The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 The Group's financial statements (Arqiva Group Limited and its subsidiaries) are available online at www arqiva com

This is the first year that the Company has presented its results under FRS101 The last financial statements prepared under previous UK GAAP were for the year ended 30 June 2015 The date of transition to FRS 101 was 1 July 2013

The requirements have been applied in accordance with the requirements of the Companies Act 2006

The financial statements are prepared on a going concern basis and under the historical cost convention

The following disclosure exemptions, as permitted by paragraph 8 of FRS 101, have been taken in these Company financial statements and notes

EU-adopted IFRS	Relevant disclosure exemptions
IFRS 7 Financial Instruments Disclosures	All disclosure requirements
IAS 7 Statement of Cash Flows	All disclosure requirements
IAS 24 Related Party Disclosures	The requirements of paragraph 17, the requirement to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary party to the transaction is wholly owned by such a member and key management personnel
IAS 1 Presentation of financial statements	The requirements of paragraph 38, comparative information in respect of paragraph 79(a)(iv) of IAS 1
IAS 1 Presentation of financial statements	The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B to D, 40A to D, 111 and 134 to136
IAS 8 Accounting policies, changes in accounting estimates and errors	The requirements of paragraphs 30 and 31

3 Principal accounting policies

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

(a) Exemption from consolidation

The Company is a wholly owned subsidiary of ABHL Digital Radio Limited and of its ultimate parent, AGL It is included in the consolidated financial statements of AGL which are publicly available Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements

These financial statements are separate financial statements

(b) Going concern

Despite having net current liabilities, the Company adopts the going concern basis in preparing its financial statements based upon the support from its parent undertakings and the future profit, cash flows and available resources of the Group which lead the Directors of the Company to be confident that the Company will have adequate resources to continue in operational existence for the foreseeable future

(c) Changes in accounting policy and disclosures

First time adoption of FRS 101
These financial statements, for the year ended 30 June 2016, are the first the Company has prepared in accordance with FRS 101 Accordingly the Company has prepared financial statements which comply with FRS 101 applicable for periods ending on or after 30 June 2016, together with the comparative period data as at and for the years ended 30 June 2015 and 30 June 2014 The Company's date of transition is 1 July 2013

New and revised standards
The following new and revised Standards and Interpretations have been adopted in the current year Their adoption has not had any significant impact on the amounts reported in the financial statements

Amendment to *IFRS 7 Disclosures*
The company has applied the exemption from the disclosure requirements of IFRS 7 in accordance with FRS 101

(d) Revenue

Revenue represents the gross inflow of economic benefit in respect of the operation of a national digital radio multiplex Revenue is stated net of value added tax Revenue is measured at fair value of the consideration received or receivable

Revenue from the rendering of services is recognised in line with the service provision over the contractual period Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue and the associated costs can be measured reliably

Cash received or invoices raised in advance is taken to deferred income and recognised as revenue when the services are provided Where consideration received in advance is discounted, reflecting a significant financing component, it is reflected within revenue and interest payable and similar charges on a gross basis Revenue recognised in advance of cash being received or an invoice being raised is recognised as accrued income

(e) Taxation

The charge for taxation is based on the result for the year 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

(f) Intangible assets

Intangible fixed assets are stated at original purchase cost, being fair value for intangible fixed assets acquired, less accumulated amortisation and any provision for impairment The useful economic lives of intangible fixed assets are reviewed on an annual basis and revised if required, and consideration is made of whether there has been any indicator of impairment

(g) Investments in subsidiaries and joint ventures

Investments in subsidiaries and joint ventures are shown at cost less provision for impairment

(h) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably

When the probability that the company will be required to settle an obligation is remote or a reliable estimate cannot be made of the amount of the obligation the company discloses a contingent liability in the notes to the financial statements

(i) Interest

Interest income and expense are brought to account on an accruals basis and comprise amounts receivable and payable on intercompany balances

4 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed on an on-going basis Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods

Critical judgements in applying the Company's accounting policies and key sources of estimation uncertainty
The following are the critical judgements and those involving estimations that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements

Provisions
As disclosed in note 15, the Company's provisions principally relate to obligations arising from contractual obligations

Estimates have been made in respect of the probable future obligations of the Company These estimates are reviewed annually to reflect current economic conditions and strategic plans

5 Revenue

All revenue relates to the rendering of services, with all sales generated in the UK

6 Operating loss

The Company has been recharged for various staff costs and administration costs by Arqiva Limited, a Group company, totalling £245,000 (2015 225,000, 2014 199,000)

Additionally the Company has recognised amortisation of intangible assets of £87,000 (2015 £87,000, 2014 nil)

7 Employees and directors

Employees
The Company has no employees during the year (2015 none, 2014 none)

Directors
There are no recharges (2015 £nil, 2014 £nil) made to the Company in respect of any remuneration for any Directors, as their duties in respect of the Company are incidental to their normal duties on behalf of their employer companies

The Directors are either representatives of the ultimate UK parent undertaking or other Group companies and their individual remuneration reflects the services they provide to the Company, other Group companies and a number of other entities outside of the Group It is not possible to make an accurate apportionment of each Director's emoluments in respect of their services to the Company Accordingly, no emoluments in respect of these Directors services have been disclosed

8 Finance income

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000	Year ended 30 June 2014 £'000
Dividends received from group undertakings	186	336	-
Total finance income	**186**	**336**	**-**

The above amounts represent dividends declared but not paid (2015 declared and paid) in respect of the Company's investments

9 Finance costs

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000	Year ended 30 June 2014 £'000
Other interest payable	45	60	219
Total finance costs	**45**	**60**	**219**

Other interest payable relates to the unwinding of the discount of provisions, see note 15

10 Tax

There has been no current or deferred tax charge in the year

Corporation tax is calculated at 20 0% (2015 20 75%, 2014 22 5%) of the estimated taxable losses for the year Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000	Year ended 30 June 2014 £'000
Loss before tax	**(2,504)**	**(1,395)**	**(1,375)**
Tax at the UK Corporation tax rate of 20 0% (2015 20 75%, 2014 22 5%)	(501)	(289)	(309)
Group relief surrendered for nil consideration	501	289	309
Total tax charge for the year	**-**	**-**	**-**

In Finance Act 2013, the main rate of UK corporation tax was reduced from 23% to 21% with effect from 1 April 2014 and to 20% from 1 April 2015 For the purpose of this current tax charge analysis a rate of 20 0% (2015 20 75%, 2014 22 50%) has been used

On 16 March 2016 it was announced that the main rate of UK corporation tax would be further reduced to 19 0% from 1 April 2017 and 17 0% from 1 April 2020 As these changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements

11 Intangible assets

	Access rights £'000
Cost	
At 1 July 2015 and 30 June 2016	**910**
Accumulated amortisation	
At 1 July 2015	87
Charge for the year	87
At 30 June 2016	174
Carrying value	
At 30 June 2016	**736**
At 30 June 2015	823

The above amount relates to certain access rights in relation to a digital radio multiplex operated by the Company

12 Investments

	Investments in subsidiaries £'000
Cost	
At 30 June 2014, 30 June 2015 and 30 June 2016	5

The Directors consider the carrying value of the Company's investments in its subsidiaries on an annual basis, or more frequently should indicators arise, and believe that the carrying values of the investments are supported by the underlying trade and net assets

The Company's investments (held directly), are shown below

Company	Country of incorporation	Principal activities	Year end	Percentage of ordinary shares held
Now Digital (East Midlands) Limited	United Kingdom	Digital radio operator	30-Jun	52 50%
Now Digital (Oxford) Limited	United Kingdom	Dormant	30-Jun	100%
South West Digital Radio Limited	United Kingdom	Digital radio operator	30-Jun	66 67%

The registered office of each of the subsidiary companies listed was Crawley Court, Winchester, Hampshire, SO21 2QA

13 Receivables

	30 June 2016 £'000	30 June 2015 £'000	30 June 2014 £'000
Amounts receivable from other group entities	198	197	87
Prepayments	6	39	25
Total receivables	**204**	**236**	**112**

Amounts receivable from other group entities are unsecured, interest free and are repayable on demand

14 Payables

	30 June 2016 £'000	30 June 2015 £'000	30 June 2014 £'000
Amounts payable to other group entities	3,345	4,342	2,180
Deferred revenue	4,808	1,136	1,062
Total payables	**8,153**	**5,478**	**3,242**

Amounts owed to other group entities are unsecured, interest free and are repayable on demand

15 Provisions

	Onerous contract £'000
At 1 July 2014	1,133
Utilised	(864)
Changes relating to movements in discounted amount	60
At 30 June 2015	**329**
Utilised	(335)
Changes relating to movements in discounted amount	45
At 30 June 2016	**39**

Provisions are analysed between current and non-current based on expected utilisation as follows

	30 June 2016 £'000	30 June 2015 £'000	30 June 2014 £'000
Analysed as			
Current	39	290	804
Non-current	-	39	329
Total borrowings	**-**	**329**	**1,133**

The onerous contract provision relates to supplier contracts where the costs are expected to exceed the benefits, the remaining provision is expected to be utilised during the next financial year

16 Borrowings

	30 June 2016 £'000	30 June 2015 £'000	30 June 2014 £'000
Amounts payable to other group entities	3,421	3,421	3,421
Total borrowings	**3,421**	**3,421**	**3,421**

The balance payable to other group entities as at 30 June 2016, 30 June 2015 and 30 June 2014 represents loans from ABHL Digital Limited, ABHL Digital Radio Limited, and Now Digital (Oxford) Limited The loans are unsecured and interest free

17 Share capital

	30 June 2016 £'000	30 June 2015 £'000	30 June 2014 £'000
Allotted, called up and fully paid			
1 (2015 1, 2014 1) ordinary share of £1 each	-	-	-

18 Financial commitments and contingent liabilities

Financing commitments
Under the terms of the Group's external debt facilities, the Group has provided security over substantially all of its tangible, intangible and other assets by way of a Whole Business Securitisation ('WBS') structure

19 Related party transactions

The Company has applied the provisions within FRS 101 to be exempt from the disclosure of transactions entered into, and balances outstanding, with a Group entity (which is wholly owned by another Group entity) and key management personnel

20 Controlling parties

The Company's immediate parent undertaking is ABHL Digital Radio Limited, a company incorporated in England and Wales Copies of the ABHL Digital Radio Limited financial statements can be obtained from the Company Secretary at Crawley Court, Winchester, Hampshire, SO21 2QA

The ultimate UK parent undertaking is AGL, which is the parent undertaking of the largest group to consolidate these financial statements The parent company of the smallest group to consolidate these financial statements is Arqiva Group Parent Limited ('AGPL')

Copies of the AGL and AGPL consolidated financial statements can be obtained from the Company Secretary of each Company at Crawley Court, Winchester, Hampshire, SO21 2QA

AGL is owned by a consortium of shareholders including Canada Pension Plan Investment Board, Macquarie European Infrastructure Fund II, other Macquarie managed funds and minorities There is no ultimate controlling party of the Company

21 First time adoption of FRS 101

Where there are payables relating to structured loan balances (2016 £3,421,000, 2015 £3,421,000, 2014 £3,421,000), they are not anticipated to be payable within 12 months and therefore have been presented within non-current liabilities

Where there are provisions that are not anticipated to be utilised within 12 months (2016 £nil, 2015 £39,000, 2014 £329,000), these have been presented within non-current liabilities, with the remainder (2016 £39,000, 2015 £290,000, 2014 £804,000) presented within current liabilities

There are no other recognition and measurement differences relating to the presentation of financial performance and position under FRS 101 therefore no reconciliation of equity at 1 July 2013 ('transition date') and 30 June 2014 and 30 June 2015 or total comprehensive income for the years ended 30 June 2014 and 30 June 2015 is presented