

The logo for The Authority for Television On Demand (ATVOD) is displayed in white, bold, sans-serif capital letters within a solid black rectangular box.

ATVOD

THE AUTHORITY FOR TELEVISION ON DEMAND

Annual Report

2010/11

Published 30 September 2011

Contents

Chair's foreword	Page 3
Introduction	Page 4
Principal activities	Page 5
Directors	Page 7
Income statement	Page 8
Financial position	Page 9
Sources of Income	Page 10
Overheads	Page 11
Surplus	Page 16
Debtors	Page 16
Creditors	Page 17
Appendix 1: Financial Statements 31 March 2011	Page 18

Chair's foreword

This report covers the period during which ATVOD was transformed from an association administering a self-regulatory code of conduct for a small number of members, to a co-regulator working in partnership with industry to enforce statutory rules applying to over 150 video on demand services. This transformation took place in response to the UK's implementation of the EU Directive on Audio Visual Media Services ("the Directive") through amendments made to the Communications Act 2003.

Such a transformation was never going to be straightforward, especially given the requirements of the EU Directive, the range and nature of the tasks delegated to ATVOD under its Designation by Ofcom, and the diverse and nascent nature of the industry. These difficulties were compounded by a last minute delay in designation which caused significant practical and financial difficulties for the incoming Board and Executive to solve.

Although the circumstances of its 'birth' were far from ideal, I believe 'new ATVOD' is implementing the new regulatory arrangements with the diligence and professionalism the industry and the public have a right to expect. We have also begun to forge a more effective partnership with industry through the ATVOD Industry Forum, and to engage with those who represent the interests of consumers. In particular, in our first year we have:

- Built and consolidated a new Board
- Established new governance policies
- Developed and adopted new Articles of Association
- Established a new Executive team
- Established procedures for notifying services
- Developed guidance on the scope of the regulations and the application of the new rules for service providers
- Established complaints procedures
- Established an Industry Forum

Building respected and meaningful co-regulation takes time, especially in circumstances as difficult as implementation of the Directive and with respect to internet-related markets. ATVOD is a work in progress, but we are moving in the right direction and I am confident that, with industry support, we will demonstrate the benefits of co-regulation over the longer term.

Finally, I would like to take this opportunity to thank the ATVOD Board and staff, and all the providers of video on demand services, and other stakeholders, who have expressed and demonstrated their support for the new co-regulatory arrangements during our first year.

Ruth Evans

Chair

Introduction

This report covers the 15 month period 1 January 2010 to 31 March 2011. As such, it straddles the period just prior to ATVOD's designation as the co-regulator for editorial content on On Demand Programme Services, as well as the first year of ATVOD's designation. ATVOD extended its financial year to end on 31 March 2011 in order to bring it into line with the financial year for the purposes of regulatory fees as defined in section 368NA (12) of the Communications Act 2003 ("the Act"). Previously, ATVOD's financial year ran from 1 January to 31 December.

In this report, we provide an account of ATVOD's activities, income and expenditure. Given the difference in the length of the accounting periods, and the differences in the nature of ATVOD's activities pre- and post-designation, we do not regard comparisons with the previous financial year to be particularly useful or informative but these are included, at Appendix 1, in our statutory Financial Statements to 31 March 2011.

Pete Johnson

Chief Executive

Principal activities and business review

The principal activity of the company is to regulate the editorial content of UK video on demand services that fall within the statutory definition of On Demand Programme Services set out in the Act. The company is limited by guarantee and has no share capital.

On 18 March 2010, the Office of Communications (Ofcom) designated powers and duties to the company which changed its status from being a self-regulatory association to becoming an independent co-regulatory body for Video on Demand services to the public. In order to facilitate an effective co-regulatory partnership with industry, ATVOD also established an Industry Forum open to all providers of notified services.

On 17 January 2011, with the approval of the Secretary of State for Business, Innovation and Skills, the company changed its name from The Association For Television On-Demand to The Authority for Television On Demand better to reflect the nature of its new role and governance structures. The powers and duties designated to ATVOD include:

- preparing and publishing procedures for receiving notifications, receiving notifications from providers of ODPS, and requiring service providers to pay a fee;
- determining whether Service Providers have complied with their obligation to notify;
- taking such steps as appear to them best calculated to secure that the relevant requirements of the Act are complied with by Service Providers, including issuing, and enforcing compliance with, enforcement notifications in relation to breaches of the Act;
- preparing and publishing Rules and accompanying guidance for the purpose of securing that Service Providers comply with the relevant requirements of the Act;
- having in place and publishing appropriate and robust complaints handling processes, and determining, following a complaint or otherwise, whether a Service Provider is contravening or has contravened any of the relevant requirements of the Act
- encouraging Service Providers to ensure that their services are progressively made more accessible to people with disabilities affecting their sight or hearing or both; and
- ensuring that Service Providers promote, where practicable and by appropriate means, production of and access to European works.

ATVOD regulates only those video on demand services which fall within the statutory definition of an 'On Demand Programme Service' (ODPS) set out in the Communications Act

2003 (as amended). ATVOD regulates only the editorial content of ODPS, not advertising on those services.

To date ATVOD has received notifications in relation to 154 services being provided during the period 18 March 2010 (the date on which the requirement to notify became law) to 31 March 2011 ("Year One"). This is five more than was projected in the Statement on Year Two Fees published on 28 June 2011, as investigations that were ongoing at that time resulted in more notifications than had been expected. As a number of cases are at appeal and as some investigations are still ongoing, revisions to the number notified for Year One may be made over the coming months.

If an ODPS contains material which might seriously impair the physical, mental or moral development of children, the material must be made available in a manner which secures that children will not normally see or hear it. An ODPS must not contain any material likely to incite hatred based on race, sex, religion or nationality. An ODPS must also comply with requirements relating to sponsorship and product placement, as well as a number of administrative requirements.

ATVOD took over complaints handling from Ofcom on 22 September 2010 and in the period to 31 March 2011 received 30 complaints. ATVOD's complaints procedure normally allows the service provider an opportunity to address the concerns of the complainant in the first instance. Of these 30 complaints, nine were referred to ATVOD after the complainant was dissatisfied with the response of the service provider. Of these nine complaints, seven were ruled out of remit after an initial assessment. The remaining two complaints were the subject of full investigations, however no breach of the statutory requirements was found to have taken place in either case.

During the period, ATVOD developed and published its plan for encouraging Service Providers to ensure that their services are progressively made more accessible to people with disabilities affecting their sight or hearing or both, and began to survey providers to ascertain the current scale of provision of services such as subtitling, audio description and signing ("access services"). ATVOD also published a consultation on a proposal for best practice guidelines for access services made available on video on demand services.

During the period ATVOD also developed and published its plan for ensuring that Service Providers promote, where practicable and by appropriate means, production of and access to European works. In line with that plan ATVOD requested and collected information on the extent to which European works are made available on notified services.

Directors

Prior to designation, when ATVOD operated as an association, the ATVOD Board comprised an independent Chair, an independent Lay Member, and Industry Directors nominated by the Full Members of ATVOD.

In order to be suitable for designation, ATVOD was required to restructure to ensure that it is sufficiently independent of providers. In order to achieve this a new Board was recruited with an Independent Chair and a majority of independent members.

The directors who served the company during the period were:

Directors serving post-designation

Ruth E Evans (Independent, Chair)	(Appointed 23 February 2010)
Nigel N Walmsley (Independent, Deputy Chair)	(Appointed 18 March 2010)
Ian McBride (Independent)	(Appointed 18 March 2010)
Julia Hornle (Independent)	(Appointed 24 September 2010)
Sara C Nathan (Independent)	(Appointed 18 March 2010)
Simon T Milner (Non-Independent)	(Appointed 18 March 2010)
Simon Hunt (Non-Independent)	(Appointed 18 March 2010)
Daniel T Austin (Non-Independent)	(Appointed 18 March 2010)
Chris R Loweth (Non-Independent)	(Appointed 18 March 2010)

Directors who resigned on, before or shortly after the date of designation as part of the restructuring

Elizabeth J Filkin (Independent, Chair)	(Resigned 23 February 2010)
Timothy P Lefroy (Independent)	(Resigned 31 May 2010)
Andrew R Keyte (Industry Director)	(Resigned 18 March 2010)
Mark A Lambert (Industry Director)	(Resigned 18 March 2010)
Grahame A Fowler (Industry Director)	(Resigned 18 February 2010)
Christopher Wissun (Industry Director)	(Resigned 18 March 2010)

Income Statement

Period from 1 January 2010 to 31 March 2011

INCOME	434,809
Administrative expenses	458,557
Other operating income	(40,000)
OPERATING SURPLUS	16,252
Other interest receivable and similar income	-
Finance costs	-
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	16,252
Tax on surplus on ordinary activities	-
SURPLUS FOR THE FINANCIAL PERIOD	16,252

Statement of Financial Position

31 March 2011

CURRENT ASSETS	£	
Trade and other receivables	132,056	
Cash and cash equivalents	<u>130,132</u>	
TOTAL CURRENT ASSETS	262,188	
CURRENT LIABILITIES		
Trade and other payables	<u>(192,336)</u>	
NET CURRENT ASSETS		<u>69,852</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		69,852
NON CURRENT LIABILITIES		(53,600)
		<u>16,252</u>
EQUITY AND RESERVES		
Retained earnings		<u>16,252</u>
MEMBERS' FUNDS		<u>16,252</u>

Sources of income

During the period, ATVOD received income from four sources: regulatory fees charged to ODPS; interest charged on late payment; a non-repayable grant from the Department of Culture media and Sport (“DCMS”) and unspent membership fees from the previous year which were taken in as income and used to finance activities carried out prior to designation which were not in relation to preparing for designation.

	£
Regulatory fees from ODPS	429,945
DCMS grant	40,000
Unspent membership fees taken in as income	4,864
	<hr/>
	474,809
	<hr/> <hr/>

In accordance with section 368NA(6)(a) and section 368NA(6)(b)¹ of the Act, ATVOD hereby confirms that:

- (a) the aggregate amount received by them during that year in respect of fees required to be paid under subsection (2) is £316,995²; and
- (b) the aggregate amount outstanding and likely to be paid or recovered in respect of fees that were required to be so paid under subsection (2) is £112,950³

Fee income was higher than the pre-designation forecast of £375,000 due to the fact that the number of services notified to ATVOD as being provided during the period 18 March 2010 to 31 March 2011 exceeded the number estimated. During the period fees were charged on a flat rate basis of £2,900 per service. Discretionary concessionary rates of £150 were

¹ Section 3658NA(6) of the Act states: “As soon as reasonably practicable after the end of the financial year, the authority must publish a statement setting out, for that year—

(a) the aggregate amount received by them during that year in respect of fees required to be paid under subsection (2);

(b) the aggregate amount outstanding and likely to be paid or recovered in respect of fees that were required to be so paid under subsection (2); and

(c) the costs to them of carrying out the relevant functions during that year.

(c) the costs to them of carrying out the relevant functions during that year”.

² This figure replaces the figure of £316,950 previously published in the Year Two Fees Statement and which was based on unaudited management accounts

³ This figure replaces the figure of £106,900 previously published in the Year Two Fees Statement and which was based on unaudited management accounts

charged in three cases where the service provider was able to establish exceptional reasons for not paying the full fee.

The flat rate fee and discretionary concessionary arrangements were put in place following a public consultation and approval by Ofcom. Although a flat rate has many disadvantages, especially with regard to equity, the lack of available data about the services and service providers who would prove to be within the scope of the new regulations left ATVOD with little option in this period and a flat rate fee was supported by a majority of respondents to the consultation.

During the period, ATVOD developed and consulted on alternative fee structures for the year beginning 1 April 2011, taking into account knowledge gained about the characteristics of services and service providers during the first year of regulation. In line with the majority of respondents, fees for the year beginning 1 April 2011 follow a banded structure based on the turnover of the service provider. Although not ideal, this structure has a number of advantages over the previous flat rate and is considered to be the best option available at the present time. ATVOD will work with industry stakeholders to consider options for fee structures for future years with a view to establishing a consensus for a long term fee structure.

Overheads

Prior to designation, ATVOD estimated that the costs of performing the designated functions in the period would be £426,388. The estimate was prepared by the outgoing executive and Board and based, to a significant extent, on the historic costs of ATVOD operating as a self regulatory body. In 2009 the cost of performing ATVOD's duties as a body overseeing a voluntary code of conduct for 7 full members, 2 associate members and 1 affiliate member were over £265,125 (of which £79,760 were expenses incurred preparing for designation).

The process of undertaking the new functions during Year One quickly demonstrated that the original estimate of likely costs for that year was based on assumptions which were overly optimistic with regard to the resources which would be necessary for ATVOD to undertake effectively and efficiently the duties it had been designated to perform. The estimate of likely costs prepared before designation did not identify the full cost of a range of budgetary items including Company Secretary duties, National Insurance contributions, recruitment costs, website development, IT requirements and professional fees.

In particular, assumptions about the human resources that would be required proved overly optimistic. These included the need to: resolve a range of issues around scope; identify ODPS who had not notified; engage with stakeholders; develop plans for encouraging the provision of access services and in relation to European works; and create the processes, procedures and reporting arrangements necessary for a designated body performing statutory duties. The shortage of resources was compounded to some degree by a number of unplanned work streams arising from: a cash flow problem caused by a delay in setting the Year One Fee (a delay which was beyond ATVOD's control); the decision to seek further information from small scale and community service providers on the issue of a possible

concessionary rate in Year One; and the report on Sexually Explicit Material and Video On Demand Services commissioned from Ofcom by DCMS and to which ATVOD contributed.

As a consequence, ATVOD soon concluded that the Executive established at designation, comprising, in total, a part time Chief Executive with support from a single full time administrative assistant was insufficient.

ATVOD is committed to a cost-effective approach to performing its duties and before committing to further expenditure conducted a thorough review of its costs. Potential savings of £29,540 were identified in relation to rent, office set up and running costs, printing and design, insurance, expenses and Board remuneration.

Although significant, these savings were not sufficient to offset the increased expenditure that ATVOD had determined was necessary to ensure that the designated functions were to be performed effectively and efficiently. The bulk of the additional planned expenditure related to support for the Board, moving the Chief Executive from part-time to full-time, and recruitment of staff to assist in dealing with issues relating to scope and other functions.

As ATVOD could not depend on fee income exceeding the forecast of £375,000, and to mitigate against the risk of fee income falling short of that figure, in September 2010 ATVOD sought additional resources to stand as a contingency in the event of a shortfall (“the Cash-flow Facility”). To that end, leading service providers were approached with the assistance of the Broadband Stakeholder Group. Nineteen service providers were approached and ten agreed to provide additional funding on an equal shares basis. The ten contributing companies (“the Contributing Companies”) were: Warner Bros. Entertainment U.K. Ltd; British Sky Broadcasting Ltd; British Telecommunications Plc; Channel 4 Television Corporation and 4Ventures Ltd; The Walt Disney Company Ltd; FilmFlex Movies Ltd; Channel 5 Broadcasting Ltd; ITV Consumer Ltd; Tiscali UK Ltd t/a Talk Talk TV; and Virgin Media Ltd.

This prudent arrangement was put in place at an important time, when aggregate fee income for the period was still very uncertain. In the event, expenditure did not exceed fee income and the Cash Flow Facility funds are due to be repaid in full by 31 March 2012.

In light of the above, the Executive was expanded during the course of the year to comprise:

- A full-time Chief Executive
- A part-time Office Manager / PA
- A part-time Company Secretary
- A part-time Policy and Investigations Manager
- A full-time Policy and Investigations Officer

Throughout the period, ATVOD continued to bear down on its costs to offset, as far as possible, the additional expenditure on executive staff. The actual overheads incurred by ATVOD in performing the designated duties were nevertheless £27,305 higher than estimated prior to designation and, in accordance with section 368NA(6)(c)⁴ of the Act,

⁴ Section 368NA(6) of the Act states: “As soon as reasonably practicable after the end of the financial year, the authority must publish a statement setting out, for that year—
(a) the aggregate amount received by them during that year in respect of fees required

ATVOD hereby confirms that the cost of performing the designated functions for the period 18 March 2010 to 31 March 2011 was **£453,693**⁵. In accordance with section 368NA(10)⁶ of the Act, the summary of costs for the period 18 March 2010 to 31 March 2011, includes ATVOD's costs of preparing to carry out the relevant functions incurred after 19 December 2009 but before 18 March 2010.

In addition, a sum of **£4,864** was incurred prior to designation in activities relating to the activities of 'old ATVOD' and unrelated to the performance of the designated functions or to preparing to undertake the designated functions. This expenditure was offset by unspent membership fees from the previous year which were taken in as income during the period.

Total expenditure was **£458,557** and was broken down as follows:

	£
Remuneration for staff & Independent Board Members	260,307
Fees to Board members of pre-designation ATVOD	16,692
Rent	11,208
Office running costs	12,485
Travel & other expenses (Executive & Board)	6,635
Professional fees	43,011
Insurance & bank charges	3,377
Independent Complaints Adjudicator	2,000
Strategic Planning	1,762
Recruitment fees	54,248
IT & website support and development	26,165
Ofcom's recouped costs ⁷	20,667

to be paid under subsection (2);

(b) the aggregate amount outstanding and likely to be paid or recovered in respect of fees that were required to be so paid under subsection (2); and

(c) the costs to them of carrying out the relevant functions during that year".

⁵ This figure replaces the figure of £453,696 which was published in the Year Two Fees Statement and which was based on management accounts which had not yet been audited.

⁶ Section 368NA(10) of the Act states: "For the purposes of this section—

(a) the authority's costs of carrying out the relevant functions during a financial year include their costs of preparing to carry out the relevant functions incurred during that year; and

(b) the authority's costs of preparing to carry out the relevant functions incurred after 19 December 2009 but before the financial year in which those functions were first carried out by them are to be treated as if they were incurred during that year".

⁷ Ofcom's recouped costs are the costs that Ofcom incurs when carrying out those regulatory tasks relating to ODPS that it has not delegated to ATVOD.

Total	458,557
--------------	----------------

Particulars of employees

The aggregate payroll costs were:

	£
Wages and salaries	224,456
Social security costs	23,361
Other pension costs	12,490
	260,307

Included within payroll costs are the following amounts:

Chairman's salary	46,667
Deputy Chairman's salary	14,859
Other Independent Directors' salaries	25,961
Chief Executive's salary	102,744
Chief Executive's pension contributions	12,490
Other staff salaries	34,224
	236,945

The directors' aggregate remuneration (excluding national insurance) in respect of qualifying services were:

	£
Directors' aggregate remuneration	96,904

Office running costs

	£
Telephone & internet	4,102
Office supplies and support	5,174

Printing, postage & stationery	1,990
General expenses	1,219
	12,485

Professional fees

	£
Accountancy & bookkeeping fees	17,286
Audit fees	3,900
Payroll services	2,781
Company Secretariat fees	19,044
	43,011

Recruitment fees

	£
Board members	48,574
Staff	5,674
	54,248

IT & Website Support and Development

	£
IT Hardware	5,958
IT support and website development	20,207
	26,165

Surplus

The surplus for the period was £16,252.

This surplus is stated after charging:

	£
Auditor's fees	3,900

This surplus is greater than the figure of £10,224 shown in the Statement on Year Two Fees published on 28 June 2010. This increase in the surplus has resulted because services continued to be notified to ATVOD for the period 18 March 2010 to 31 March 2011 after 28 June 2011 and the number doing so exceeded that expected.

Debtors

	31 Mar 11
	£
Trade payables	32,115
Other debtors	1,585
Accrued income	95,700
Prepayments	2,656
	<hr/>
	132,056

Trade debtor balances represent the net amounts receivable from the providers of ODPS in respect of services notified and invoiced.

Accrued income relates to licence fees for thirty services not yet invoiced at the balance sheet date. Of this amount the sum of £58,000 was invoiced during the quarter ended 30 June 2011 and the balance invoiced during July and August 2011.

Creditors

Amounts falling due within one year

	31 Mar 11	
	£	£
Trade creditors		23,976
Loans from providers of ODPS	130,500	
Other creditors	12,627	
Accruals and deferred income	25,233	
Cumulative surplus (unspent monies)	–	
		<u>168,360</u>
		<u>192,336</u>

Other creditor balances relate to a provision for credit notes issued after the balance sheet in respect of services withdrawn and also in respect of the refund of unspent membership fees for the period to 18 December 2009 to former members.

Loans from providers of ODPS relate to industry funding received from 10 companies in equal amounts and are repayable in full on 31 March 2012.

Fees for the sum of £12,100 received in advance from seven companies is included in deferred income and is to be offset against fees for year ended 31 March 2012.

Amounts falling due after more than one year

	31 Mar 11
	£
Loan from DCMS	53,600

On 18 March 2010, the company received a grant from the Department for Culture Media and Sport (“DCMS”) for the sum of £120,000 of which the sum of £80,000 is repayable. The loan is interest free and repayable in monthly instalments of £4,400, initially commencing on 1 October 2010. With the agreement of DCMS, repayment of the outstanding sum is due to resume in October 2012.

Appendix 1

FINANCIAL STATEMENTS

31 MARCH 2011

COMPANY REGISTRATION NUMBER 05137314

**THE AUTHORITY FOR TELEVISION ON DEMAND
LIMITED
COMPANY LIMITED BY GUARANTEE
FINANCIAL STATEMENTS
31 MARCH 2011**

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditor's report to the members	4
Income statement	6
Statement of financial position	7
Statement of changes in equity	8
Cash flow statement	9
Notes to the financial statements	10

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Ruth E Evans (Chairperson)
Nigel N Walmsley (Deputy Chair)
Ian McBride
Julia Hornle
Sara C Nathan
Simon T Milner*
Simon Hunt*
Daniel T Austin*
Chris R Loweth*
(* - *Non-independent directors*)

Company secretary

Nicola Ebdon

Registered office

Thames Court
1 Victoria Street
Windsor
Berkshire
SL4 1YB

Auditor

Mercer & Hole
Chartered Accountants & Statutory Auditor
International Press Centre
76 Shoe Lane
London
EC4A 3JB

Accountant

Soteriou Banerji
Chartered Accountants & Statutory Auditor
253 Grays Inn Road
London
WC1X 8QT

Bankers

Barclays Bank Plc
St James's Street
London
SW1A 1HE

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

The directors have pleasure in presenting their report and the financial statements of the company for the period from 1 January 2010 to 31 March 2011.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is to regulate the editorial content of UK video on demand services that fall within the statutory definition of On Demand Programme Services. The company is limited by guarantee and has no share capital.

On 18 March 2010, the Office of Communications (OFCOM) designated powers to the company which changed its status from being a self regulatory association to becoming an independent co-regulatory body for Video on Demand services to the public

On 17 January 2011, the company changed its name from The Association For Television On-Demand.

DIRECTORS

The directors who served the company during the period were as follows:

Ruth E Evans (Chairperson)	<i>(Appointed 23 February 2010)</i>
Nigel N Walmsley (Deputy Chair)	<i>(Appointed 18 March 2010)</i>
Ian McBride	<i>(Appointed 18 March 2010)</i>
Julia Hornle	<i>(Appointed 24 September 2010)</i>
Sara C Nathan	<i>(Appointed 18 March 2010)</i>
Simon T Milner*^	<i>(Appointed 18 March 2010)</i>
Simon Hunt*^	<i>(Appointed 18 March 2010)</i>
Daniel T Austin*	<i>(Appointed 18 March 2010)</i>
Chris R Loweth*^	<i>(Appointed 18 March 2010)</i>
Elizabeth J Filkin	<i>(Resigned 23 February 2010)</i>
Timothy P Lefroy	<i>(Resigned 31 May 2010)</i>
Andrew R Keyte*	<i>(Resigned 18 March 2010)</i>
Mark A Lambert*	<i>(Resigned 18 March 2010)</i>
Grahame A Fowler*	<i>(Resigned 18 February 2010)</i>
Christopher Wissun*	<i>(Resigned 18 March 2010)</i>

(* - Non-Independent Directors)

(^ - Attended meetings of ATVOD prior to designation as directors, representing their companies who were full members of ATVOD)

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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (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 surplus or deficit of the company for that period. In preparing those financial statements, the directors are required to:

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs, as adopted by the EU, 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

Mercer & Hole were appointed as auditors after the year end. Under section 487(2) of the Companies Act 2006 Mercer & Hole are deemed to be re-appointed.

Approved by the directors on 21 September 2011, and signed on their behalf by:

NICOLA EBDON
Company Secretary

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

We have audited the financial statements of The Authority For Television On Demand Limited for the period from 1 January 2010 to 31 March 2011 which comprise the income statement, statement of financial position, statement of changes in equity, cashflow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 to 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 (APB's) Ethical Standards for Auditors.

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 directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent 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 31 March 2011 and of its result for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED *(continued)*

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

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.

ANDREW CROOK (Senior Statutory Auditor)

For and on behalf of

MERCER & HOLE

Chartered Accountants & Statutory Auditor

International Press Centre

76 Shoe Lane

London

EC4A 3JB

.....

The notes on pages 10 to 14 form part of these financial statements.

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

INCOME STATEMENT

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

	Note	Period from	
		1 Jan 10 to 31 Mar 11	Year to 31 Dec 09
		£	£
INCOME		434,809	225,125
Administrative expenses		(458,557)	(265,125)
Other income	2	40,000	40,000
OPERATING SURPLUS	3	16,252	–
Other interest receivable and similar income		-	–
Finance costs		-	-
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		16,252	–
Tax on surplus on ordinary activities		–	–
SURPLUS FOR THE PERIOD		16,252	–

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

These financial statements were approved by the directors and authorised for issue on 21 September 2011, and were signed on their behalf by:

NIGEL N WALMSLEY
Deputy Chair / Director

Company Registration Number: 05137314

The notes on pages 10 to 14 form part of these financial statements.

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

STATEMENT OF FINANCIAL POSITION

31 MARCH 2011

		31 Mar 11		31 Dec 09
		£	£	£
CURRENT ASSETS				
Trade and other receivables	6	132,056		40,000
Cash and cash equivalents		130,132		5,684
TOTAL CURRENT ASSETS		262,188		45,684
CURRENT LIABILITIES				
Trade and other payables		(192,336)		(45,684)
NET CURRENT ASSETS			69,852	–
TOTAL ASSETS LESS CURRENT LIABILITIES			69,852	–
NON CURRENT LIABILITIES				
	8		(53,600)	–
			16,252	–
EQUITY AND RESERVES				
Retained earnings	10		16,252	–
MEMBERS' FUNDS			16,252	–

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

These financial statements were approved by the directors and authorised for issue on 21 September 2011, and were signed on their behalf by:

NIGEL N WALMSLEY
Deputy Chair / Director

Company Registration Number: 05137314

The notes on pages 10 to 14 form part of these financial statements.

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

STATEMENT OF CHANGES IN EQUITY

PERIOD FROM 1 JANUARY TO 31 MARCH 2011

	Retained Earnings £
Balance at 1 January 2009	-
Changes in equity for 2009: Surplus for the period	-
Balance at 31 December 2009	-
Changes in equity for 2010/2011: Surplus for the period	16,252
Balance at 31 March 2011	16,252

The notes on pages 10 to 14 form part of these financial statements.

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

CASH FLOW STATEMENT

PERIOD FROM 1 JANUARY TO 31 MARCH 2011

	Period from 1 Jan 10 to 31 Mar 11	Year to 31 Dec 09
<u>Cashflows from operating activities</u>		
Surplus before taxation	16,252	-
Adjustments for:		
Increase in trade and other receivables	(92,056)	(40,000)
Increase in trade and other payables	146,652	45,684
Cash generated from operations	<u>70,848</u>	<u>5,684</u>
Income tax paid	-	-
Net cash inflow from operations	<u><u>70,848</u></u>	<u><u>5,684</u></u>
<u>Cashflows from investing activities</u>	-	-
Net cash inflow from investing activities	<u><u>-</u></u>	<u><u>-</u></u>
<u>Cashflows from financing activities</u>		
Proceeds from other long-term payables	80,000	-
Repayments of other long-term payables	(26,400)	-
Net cash received from financing activities	<u><u>53,600</u></u>	<u><u>-</u></u>
Net increase in cash and cash equivalents	124,448	5,684
Cash and cash equivalents at the beginning of the period	5,684	-
Cash and cash equivalents at the end of the period	<u><u>130,132</u></u>	<u><u>5,684</u></u>

The notes on pages 10 to 14 form part of these financial statements.

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Reporting Standards as adopted by the EU including standards and interpretations issued by the International Accounting Standards Board.

The financial statements have been prepared using the historical cost convention and are presented in Sterling, which is the functional currency of the company.

Transition to IFRS

These are the Company's first financial statements prepared in accordance with IFRSs. The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 31 March 2011, the comparative information presented in these financial statements for the year ended 31 December 2009 and in the preparation of an opening balance sheet at 1 January 2009. The company's first time adoption did not have an impact on the equity, earnings, income or cash flows.

The period covered by these financial statements is 15 months from the 1st January 2010 to 31st March 2011, whereas the comparative was for the year from 1st January 2009 to 31st December 2009. The reason for the change is to bring the Company's financial year into line with the financial year for the purposes of regulatory fees as defined in Section 368NA (12) of the Communications Act 2003. The fact that the comparatives in the financial statements are for a shorter period means they are not entirely comparable.

Going concern

Based on normal business planning and control procedures, the Board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis for preparing the financial statements.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value. This definition is also used for the cash flow statement.

Income recognition

In accordance with IAS18 Revenue Recognition, income comprises the fair value of the consideration received or receivable in the ordinary course of the company's activities. Income is shown net of value-added tax, returns, rebates and discounts.

Income is recognised when the amount of income can be reliably measured and it is probable that future economic benefits will flow to the entity.

Income from regulatory fees represents amounts invoiced to the providers of On Demand Programme Services ("ODPS") and is accounted for on an accruals basis so as to include estimates of amounts not yet invoiced but that can be reliably measured. The licence fees are based on an estimate of cash costs and any surplus or deficit of income over cash costs is rebated to the licensee by way of an adjustment against future licence fees.

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the period of the lease.

Pension costs

The company operates a specific defined pension scheme between themselves and one employee. This arrangement does not operate for the benefit of any other employees. Under this pension scheme, it pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Other income

Other income are accounted for on an accruals basis and is matched with the expenditure towards which it contributes.

Comparatives

The comparative information disclosed in respect of the year ended 31 December 2009 relates to ATVOD as a self regulatory body.

Trade receivables

Trade receivables are amounts due from the providers of ODPS for regulatory fees and late payment charges. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Segmental analysis

A segment is a distinguishable component of the organisation that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), and is subject to risks and rewards that are different from those of other segments. No analysis of company's turnover from operations by geographical segment or business segment has been presented, as all company's activities are carried out in the UK and within the regulatory sector.

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

2. OTHER INCOME

	Period from 1 Jan 10 to 31 Mar 11 £	Year to 31 Dec 09 £
Grant received	40,000	–
Other income	–	40,000
	<u>40,000</u>	<u>40,000</u>

On 18 March 2010, the company received a grant from the Department for Culture, Media and Sport ("DCMS") for the sum of £120,000 of which the sum of £40,000 is non returnable and is to be used towards the pre-designation costs incurred by the company. Other income last year, related to the amounts recharged to OFCOM in respect of pre-designation costs incurred in that period.

3. OPERATING SURPLUS

Operating surplus is stated after charging:

	Period from 1 Jan 10 to 31 Mar 11 £	Year to 31 Dec 09 £
Auditors' fees		
- Previous Auditors – Audit services	–	3,577
- Previous Auditors – Other services	6,975	–
- Current Auditors – Audit Services	3,900	–
	<u>3,900</u>	<u>–</u>

4. PARTICULARS OF EMPLOYEES

The aggregate payroll costs of the above were:

	Period from 1 Jan 10 to 31 Mar 11 £	Year to 31 Dec 09 £
Wages and salaries	224,456	–
Social security costs	23,361	–
Other pension costs	12,490	–
	<u>260,307</u>	<u>–</u>

The average number of persons employed by the company during the financial period amounted to 7 (2009: Nil), this figure includes 5 non-executive directors.

As at 31 March 2011, the company had 4 employees (2009: Nil) excluding non-executive members of the board. Of these employees, 2 were full time staff, 1 worked on a 0.6 contract (i.e. 3 days per week) and 1 worked on a 0.4 contract (i.e. 2 days per week).

Also included within payroll costs are the following sums relating to P Johnson (CEO):

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

Salary	£102,743
Pension Contributions	£12,490
National Insurance Contributions	£12,420

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	Period from 1 Jan 10 to 31 Mar 11 £	Year to 31 Dec 09 £
Aggregate remuneration	<u>96,904</u>	<u>42,292</u>

6. TRADE AND OTHER RECEIVABLES

	31 Mar 11 £	31 Dec 09 £
Trade receivables	32,115	40,000
Other receivables	1,585	–
Prepayments and accrued income	98,356	–
	<u>132,056</u>	<u>40,000</u>

7. TRADE AND OTHER PAYABLES - CURRENT

	31 Mar 11 £	31 Dec 09 £
Trade payables	23,976	10,317
Other payables:		
Loans from providers of ODPS	130,500	–
Other payables	12,627	–
Accruals and deferred income	25,233	35,367
	<u>168,360</u>	<u>35,367</u>
	<u>192,336</u>	<u>45,684</u>

Loans from providers of ODPS relate to industry funding received from 9 companies in equal amounts and are repayable in full on 31 March 2012.

8. NON CURRENT PAYABLES

	31 Mar 11 £	31 Dec 09 £
Other payables	<u>53,600</u>	<u>–</u>

As mentioned in note 2, on 18 March 2010, the company received a grant from the DCMS for the sum of £120,000 of which the sum of £80,000 is repayable. The loan is interest free and is repayable in monthly instalments of £4,400 commencing on 1 October 2010. With effect from 1 May 2011, the DCMS have agreed to a repayment holiday of eighteen months.

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2011

9. RELATED PARTY TRANSACTIONS

In the opinion of the directors, there is no controlling party.

The company does not consider that its regulatory role creates the relationship of a related party between itself and the Providers of On Demand Programme services as defined by International Accounting Standard 24, "Related Party Disclosures".

Members of the Board submit an annual declaration confirming that they have no interests prejudicial to their function as a Member of ATVOD. There were no transactions between ATVOD and its Members other than remuneration and reimbursement of company expenses.

10. COMPANY LIMITED BY GUARANTEE

The Authority for Television On Demand Ltd is a private company limited by guarantee and having no share capital.

11. FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENTS

The number of companies contributing to the industry funding loan from providers of ODPS increased from 9 to 10 after the balance sheet date.