

The logo for the Authority for Television on Demand (ATVOD) is displayed in white, bold, sans-serif capital letters against a solid black rectangular background.

ATVOD

THE AUTHORITY FOR TELEVISION ON DEMAND

Annual Report

2011/12

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Chair's foreword

This report covers ATVOD's second year as the co-regulator for the editorial content of on-demand programme services ("ODPS") and therefore covers a period in which ATVOD consolidated its position, built stronger relationships with stakeholders and grew in confidence as it exercised its regulatory powers. This was matched by increased maturity and stability in our finances and governance arrangements.

ATVOD is implementing the statutory regulatory scheme with the diligence and professionalism the industry and the public have a right to expect. As a co-regulator, we value working in partnership with the regulated industry to ensure that the protections afforded to users of ODPS are provided for in a manner which does not place undue burdens on a nascent video on demand industry. We do this by working with the ATVOD Industry Forum, which is open to all providers of ODPS as well as relevant trade bodies and with which we have set up a series of joint working parties to consider issues such as regulatory fees and scope guidance.

Engaging with representatives of the consumer interest is also very important to us, especially in relation to vulnerable groups. Last year, we established an Access Services Working Party to consider issues relating to subtitling, audio description and signing for video on demand programmes. We also organised a successful seminar on protecting children online at which the keynote speaker was the Minister for Children and Families. We continue to work with the UK Council for Child Internet Safety.

In performing our duties, and engaging with stakeholders, we are acutely aware of the fact that we are operating in a dynamic environment in which change is driven by technological development, new business models, new market entrants and new ways in which consumers of all ages access and engage with audiovisual content through tablets, smartphones and internet connected TVs. Looking to the future, it seems likely that the context within which ATVOD operates will be affected by changes in public expectations of regulatory protection and by changes in the nature of the services offering audiovisual content.

Changing public expectations of regulatory protection

Currently, most viewers of regulated VOD content access that content through a mainstream service operated by a provider who sees benefit in offering consumer protection in relation to inappropriate content which goes way beyond that required by the statutory scheme. Because of this, public expectations of regulatory protection are rarely confounded by what they encounter in mainstream services. It is likely that mainstream VOD providers will continue to see the benefit in acting responsibly and will continue to operate consumer protection policies that go beyond the basic statutory requirements. Many VOD providers, not all of whom are within the scope of the statutory regulations, are pledged to offer information about content on their services that may be harmful or offensive to the general public, and that may be unsuitable for children and young people. Some VOD services offer parents the opportunity to activate access controls which will guard against children accessing inappropriate material. They do so even though the content on their services falls far short of the 'might seriously impair' standard which would make effective controls a legal

obligation. ATVOD does not doubt that responsible mainstream providers will continue to look for ways to demonstrate their commitment in this area.

More difficult to predict are changing public expectations regarding regulatory protection when using VOD services. Most people accessing VOD services through their television set are, at the moment, benefitting from the voluntary controls and protections and non-extreme content choices of the mainstream service providers and platforms that dominate the provision of VOD to the TV set in the living room.

By contrast, those who access VOD services through their PC, especially VOD services which have no direct link to a TV broadcaster are, in the main, aware that the internet is largely unregulated and might even be surprised to learn that they now have some regulatory protection.

However, the whole thrust of developments is to bring TV and the internet together on the main family TV screen and to make navigation between linear TV, time shifting, catch up VOD and archive VOD from a variety of service providers as simple and seamless as possible, not least through the sale of Internet Enabled TVs and new set top box services . In addition to the usual array of digital TV channels, many such devices allow the viewer to access a range of online services such as Facebook, Twitter and You Tube, and also to regulated video on demand services .

Many also offer a web browser enabling the user to access everything the internet has to offer on the main family TV in the living room. Some of the content accessible through Connected TVs will therefore be regulated by Ofcom under the Broadcasting code, some will be regulated by ATVOD under the video on demand rules, but much will be completely unregulated.

As people sit back in the living room and move simply and seamlessly from one service to another on their family TV not only will they move between regulatory regimes, they will move in and out of regulatory protection altogether. As such functionality comes to more and more homes, and especially to homes which have not set foot in the 'pay TV' world, it is difficult to be confident that the regulatory protections currently in place will be wholly in tune with the needs of viewers – especially their desire to protect children from inappropriate content.

ATVOD will meet the challenge of defining the regulated space and will work with the regulated industry to ensure that we enforce the statutory rules. Whether that will be sufficient to satisfy public demand for regulatory protection is more difficult to predict. It may depend on the extent to which these new services put the full range of video on demand options in front of risk averse viewers. It may also depend on the extent to which industry succeeds in establishing voluntary best practice as the best way of managing and responding to the concerns of users and of the wider public.

Changing nature of services

VOD services operate in an environment in which change takes place at a rapid pace, and the services themselves are typically engaged in a process of continual evolution. This has been evident in the ways in which services under investigation by ATVOD have changed dramatically during the course of that process. Such changes can often serve to push a

previously regulated service outside ATVOD's remit or to bring a previously unregulated service within ATVOD's remit for the first time.

As the industry is still attempting to identify the best business models for monetising video on demand, and as players from different sectors compete for a share of a growing market for VOD content, the pace of change is unlikely to slow in the medium term. Linear TV is also likely to change in ways which will impact on the scope of the AVMS Regulation, as a key scope test is whether VOD programmes are 'television-like', and the Directive requires that the concept of 'television' is interpreted in a dynamic way to reflect the changing nature of broadcast television services.

The dynamism of both the television and video on demand sectors is likely to keep scope issues centre stage for ATVOD for some time to come. Part of ATVOD's role will be to ensure that, as far as possible, it provides clarity, to industry and viewers alike, over how potential changes to services are likely to impact on the regulatory obligations that apply.

I would also 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 co-regulatory arrangements during our second year.

In particular, I would like to thank Simon Hunt, Simon Milner, and Chris Loweth who served as non-independent Directors until March 2012 and who did so much to help establish ATVOD as an effective co-regulatory body in its first two years, and to welcome their successors, Gidon Freeman (of NBC Universal), Sophie Jones (of Channel 4) and Chris Ratcliff (of Portland Broadcasting).

As our second year as co-regulator for video on demand services ended, Ofcom embarked on the scheduled review of ATVOD's designation. I am delighted to be able to end this foreword by welcoming Ofcom's decision, published as this Annual Report was being finalised, to confirm the Designation for the remainder of its ten year term with amendments which will give us the greater independence and autonomy we sought in our submission to the review. I believe this development marks a significant point in ATVOD's development as an efficient and effective co-regulator working in partnership with industry to deliver to consumers, and especially to children, the protections provided for in UK law.

Ruth Evans

Chair

Chief Executive's report

Our second year saw ATVOD consolidate its operational functionality and secure a number of notable achievements, including:

- Acting to ensure that providers of 'adult' ODPS comply with the statutory obligation to secure that, when using an ODPS, under 18s could not normally access material which might seriously impair their development
- Working with other media regulators to develop ParentPort, a website launched by the Prime Minister which sets out simply and clearly what parents can do if they feel their children are being exposed to inappropriate media content, explains the various pieces of relevant legislation in simple terms, and provides a simple triage system to guide parents to the complaints process of the regulator who can deal with their particular issue.
- Publishing information on the provision of access services (subtitling, audio description, signing) following a survey of all providers of ODPS
- Collecting data from ODPS providers on the provision of European Works in video on demand services in order to enable UK Government to fulfil its reporting obligations under the Audiovisual Media Services Directive
- Introducing a banded fee structure with three concessionary rates, and a cap on total fees paid by a single provider, in response to legitimate concerns about the impact of the flat rate fee used in our first year
- Developing its relationship with the Industry Forum through the creation of working parties to consider issues in partnership

In addition to providing an account of ATVOD's activities, income and expenditure over the previous financial year, this Annual Report also provides an opportunity to consider some of the wider issues which have a bearing on the regulatory scheme we are charged with operating. In addition to changing public expectations and the changing nature of video on demand services – issues discussed in the Chair's foreword - there are two further issues affecting the context within which we operate which we set out below.

Concern over harmful content

A series of Government and Parliamentary reports over recent years (including those by Tanya Byron, Linda Papadopoulos, Reg Bailey and, most recently, by the Inquiry chaired by Claire Perry MP) have highlighted public concern about harmful content and, especially, about child access to pornographic content. ATVOD shares this concern and has acted to ensure that the services it regulates place 'hardcore' pornographic material behind effective access controls, in accordance with the statutory requirement that material which might seriously impair the mental, moral or physical development of under 18s is provided in a manner which secures that such persons will not normally see or hear it.

In performing this duty, ATVOD is acutely aware of the extent to which it is regulating a very small quantity of the hardcore material freely available to children online, especially through a number of so-called 'Tube' sites operating from the USA, and therefore outside ATVOD's jurisdiction, but accessible to anyone in the UK with an internet connection. Such sites copy

the 'You Tube' business model and attract large numbers of visitors through the provision of free hardcore video on demand, monetising that viewer traffic by selling advertising and click-through links to other services. As the business model depends upon maximising traffic to the sites rather than on direct selling of access to content, they do not offer any form of effective barrier to stop children gaining access to the material on offer.

We believe that concern about the ease with which children can access such content is unlikely to subside, and may increase as internet connected devices such as Internet Enabled TVs place such content a click or two away on the communal family TV screen. Our experience in relation to the regulation of 'hardcore' pornographic services is likely to be useful in the public policy debates that will continue to be thrown up by this issue, and any public policy responses are bound to impact on ATVOD's own regulatory sphere. The issue of consumer expectations of regulatory protection in relation to harmful VOD content online is one which will benefit from further research. To that end, ATVOD has developed a research plan the first stage of which will be going into effect shortly.

Communications review

The Communications Review may result in changes to the regulatory environment which have a direct impact on ATVOD's work. Whether or not any resulting Act makes direct changes to the nature, scope or extent of VOD regulation, it may have a significant impact on the regulatory context within which ATVOD operates.

At this stage, it seems possible that one outcome of the Review may be to address in some manner the stark asymmetry between the regulation of television broadcast services and the regulation of on demand programme services. If so, ATVOD looks forward to engaging with Ofcom and others on the implications of any such developments.

Given the Government statement on sexually explicit material in video on demand services, published in August 2011, and made in response to the Ofcom report on Sexually Explicit Material And Video On Demand Services, it is also possible that the review will result in proposals designed to remove any uncertainty in relation to the protection of children from sexually explicit material in video on demand services. ATVOD is already committed to working with DCMS on any such proposals.

Finally, I would like to offer my personal thanks to the staff and Board members – past and present – who have worked with such enthusiasm and diligence to ensure that the designated functions are carried out appropriately and effectively.

Pete Johnson

Chief Executive

Introduction

ATVOD regulates the editorial content of On Demand Programme Services (“ODPS”), and makes determinations in relation to the scope of the statutory regulations, in accordance with its Designation by Ofcom on 18 March 2010. The statutory regulations themselves are set out in section 368 of the Communications Act 2003 (“the Act”) and are incorporated into the ATVOD Rules¹. In this report, we provide an account of ATVOD’s activities, income and expenditure over the 12 month period 1 April 2011 to 31 March 2012.

As stakeholders would expect, the report includes comparisons with the previous accounting period, which included a number of pre-designation activities and covered a 15 month period from 1 January 2010 to 31 March 2011 (in order to bring the financial year into alignment with the regulatory year²). 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 consider that direct comparisons with the previous financial year should be treated with caution. We have provided a narrative explanation of significant differences where appropriate. Our statutory Financial Statements to 31 March 2012 are included in this report as Appendix 1.

At the close of the financial and regulatory year, Ofcom had embarked on the scheduled two-year review of the Designation. The outcome of that review was published as this report was being finalised and confirms the Designation for the remainder of its ten year term, with amendments designed to provide ATVOD with greater independence and autonomy over the next eight years. In particular, the changes to the Designation will allow ATVOD to publish guidance on the ATVOD Rules, on the scope of the regulations, on access services and on European works without the prior approval of Ofcom. The revisions also remove the need for ATVOD to consult Ofcom when formulating complaints handling processes or issuing Enforcement Notifications. ATVOD looks forward to working in partnership with stakeholders over the coming years to ensure that ODPS continue to be regulated efficiently and effectively so that users of those services can enjoy the protections provided for in law without inappropriate or unnecessary burdens being placed on service providers.

¹ See <http://www.atvod.co.uk/rules-and-guidance>

² Section 368NA of the Communications Act (“the Act”) requires the appropriate regulatory authority to perform certain duties in relation to each financial year and defines ‘financial year’ as ‘a period of 12 months ending with 31 March.’

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 (“ODPS”) set out in the Act. The company is limited by guarantee and has no share capital.

The powers and duties designated to ATVOD by the Office of Communications (OFCOM) 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.

Notifications, scope investigations and scope determinations

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.

At the beginning of the year 154 services were notified to ATVOD. During the course of the year, 19 notifications were withdrawn and 49 new notifications were received, including 5 in

relation to the previous year. At the end of the year the number of services notified to ATVOD was 184.

During 2011-12, ATVOD investigated services which may be ODPS, but which had not been the subject of a notification. After identification and initial assessment of a potential ODPS, the provider was informed of the amendments made to the Act by the AVMS Regulations 2009 and 2010 and was encouraged to consider whether they were providing an ODPS and, if so, to comply with section 368BA. If a notification was not received, ATVOD conducted a detailed assessment of the service. This detailed assessment resulted in either (a) a determination that the service is not an ODPS or (b) a preliminary determination that the service provider was in breach of the obligation to notify. In the latter case, the service provider was invited to make representations before ATVOD made a final determination. A notice of Determination that a breach of section 368BA has taken place makes clear that the provider can appeal against the Determination to Ofcom.

At the beginning of 2011-12, ATVOD had 317 open scope investigations. Having utilised a variety of active search methodologies for identifying potential ODPS in our first year of operations, during 2011-12 ATVOD adopted a more restricted approach and normally limited new investigations to instances in which a service was referred to ATVOD by a third party (usually a member of the public or a (rival) notified service provider), or to services which were providing adult content (because the content offered by these services is more likely to raise consumer protection issues).

Following this approach, during the Relevant Period ATVOD opened a further 197 investigations and closed 285 investigations after concluding that no ODPS was being provided or after receiving a notification. The investigations ranged in depth from brief initial assessments to more substantive inquiries involving a detailed analysis of the service and correspondence with the service provider.

In many cases, investigations led to notifications without the need for a formal Determination that a breach had occurred. However, Determinations that a service provider had failed to comply with section 368BA were made in 24 cases during 2011-12. Of these:

- 2 were overturned on appeal
- 6 were withdrawn by ATVOD in light of the outcome of the Sun Video appeal or in light of further information
- 4 were upheld on appeal
- 9 resulted in notifications (including the 4 upheld on appeal)
- 5 were the subject of outstanding appeals to Ofcom at the end of the relevant period
- 2 related to services which ceased operating shortly after the Determination was issued

Details of each Determination, and of any subsequent appeals or notifications or withdrawals, were published on the ATVOD website.³

³ See <http://www.atvod.co.uk/regulated-services/scope-determinations>

Complaints handling

Editorial matters falling within the statutory requirements, as reflected in the ATVOD Rules, comprise:

- material likely to incite hatred based on race, sex, religion or nationality;
- content which might seriously impair the physical, mental or moral development of under 18s;
- sponsorship; and
- product placement.

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.

To assist complainants, during 2011-12 ATVOD developed a simple “How to complain”⁴ guide which provides a brief, step-by-step explanation of how to submit a complaint and the procedure ATVOD follows when considering complaints about on-demand services and programmes.

In the period 1 April 2011 to 31 March 2012, ATVOD received 602 complaints. This compares with 30 complaints during the previous year. As ATVOD did not assume responsibility for complaint handling until 22 September 2010 a direct comparison of the headline figures should be treated with some caution. Nevertheless, the monthly average for 1 April 2011 to 31 March 2012 is 50 complaints per month compared with 5 per month for the previous period of 22 September 2010 to 31 March 2011.

In relation to complaint handling, ATVOD has agreed the following Key Performance Indicators (“KPIs”) with Ofcom:

- Straightforward cases: 80% closed within 30 working days
- Complex cases: 80% closed within 60 working days

ATVOD defines a complex case as one in which:

- there is a lack of clarity over the service to which the complaint refers which requires further information from the complainant
- there is a lack of clarity over whether the service is within the scope of the regulatory requirements which requires ATVOD to first investigate whether it is an ODPS
- the complainant has requested a review of ATVOD’s determination

⁴ http://www.atvod.co.uk/uploads/files/How_To_Complain.pdf

In 2011-12, ATVOD's performance against its KPI's was as follows:

For the period 1st April 2011 to 31st March 2012 there were 602 complaints, of which 505 were straightforward and 97 were complex.

- Straightforward cases: 99.8% closed within 30 working days
- Complex cases: 99% closed within 60 working days

A single straightforward case took over 30 working days to resolve. This was because the service provider had given ATVOD the wrong contact details for complaints and this was not brought to ATVOD's attention for a significant period of time.

A single complex case took over 60 working days to resolve. This was because the complaint referred to multiple adult websites, all of which had to be investigated in order to determine whether or not they should have been notified to ATVOD, one of which was subsequently notified to ATVOD and was investigated and found in breach of the ATVOD Rules (see paragraphs on 'Bootybox.tv', below).

ATVOD's complaints procedure normally allows the service provider an opportunity to address the concerns of the complainant in the first instance. Of the 602 complaints received by ATVOD in 2011-12, 206 were referred to ATVOD after a complainant was dissatisfied with the response of the service provider. Of these 206 complaints, 204 were ruled out of remit after an initial assessment, either because the service which was the subject of the complaint was not an ODPS or because the complaint did not raise an issue which is a potential breach of the statutory requirements.

Of the two complaints which were subject to a full investigation, one was upheld in full and one was not upheld.

The complaint that was upheld in full related to the service 'Bootybox.tv' which was in breach of Rule 11 which requires that if material which might seriously impair the moral, mental or physical development under 18s is made available, it must be done so in a manner which secures that such persons do not normally see or hear it.

The Bootybox.tv website offered users access to explicit hardcore porn videos which could be viewed on-demand. The content of the videos was equivalent to that which could only be sold in licensed sex shops if supplied on DVD (i.e., it was of 'R18' strength).

Responding to a complaint from a concerned father, who had discovered that his son had visited the site, ATVOD found that the website broke the statutory rules (specifically ATVOD Rule 11) in two ways. Firstly, it allowed any visitor to the website unrestricted access to a selection of hardcore pornographic video promos/trailers featuring real sex in explicit detail and featured a large still image of explicit sex on the homepage. Secondly, access to the full videos was open to any visitor who paid a fee. As the service accepted payment methods – such as debit cards and prepaid vouchers – which can be used by under 18s, ATVOD

determined⁵ that the service had also failed to put in place effective access controls in relation to the full videos.

ATVOD followed up its ruling with an Enforcement Notification, requiring the provider of Bootybox.tv to either remove the hardcore pornographic content from the service or put it all behind effective access controls which will ensure that only adults can see it. The service ceased operating prior to the passing of the 10 day deadline set in the Enforcement Notification.

Following the 'Bootybox.tv' Determination, ATVOD invited all providers of 'adult' VOD services to attend a seminar on Rule 11 in January 2012. The purpose of the event was to ensure that such service providers were clear about their responsibilities under the Communications Act 2003, and the focus was therefore on material which is of 'R18' strength (also known as 'hardcore' or 'explicit' pornographic content) and the measures which should be used to ensure that under 18s do not normally see or hear such material. ATVOD recommended that any provider who was providing R18 strength content, or who was considering providing such content, should attend.

Following the seminar, ATVOD launched investigations into all providers of notified online services which offered 'adult' content to ensure that they were compliant with Rule 11. Those investigations were ongoing at year end.

Access services

Following discussion with relevant stakeholders, a public consultation on draft best practice guidelines for access services on video on demand services was launched on 31 March 2011 and closed on 12 May 2011. An interim report was published on 30 November 2011. This recommended that a number of issues raised in the consultation should be resolved through the establishment of an ATVOD Access Services Working Party comprising service providers, access service providers and organisations representing people with disabilities relating to hearing and sight. The membership of the Access Services Working Party was established in December 2011 and the first meeting was held in February 2012.

Key recommendations for the working party to consider prior to ATVOD finalising its best practice guidelines were:

- Clarification of terminology in the guidelines.
- A statement that the guidelines will be subject to review.
- Amendments to ensure that the guidelines reflect the reality of VOD provision.
- Recommendations for appropriate signalling of access services to consumers.
- More realistic / flexible specifications for subtitles.

⁵ A copy of the Determination is published at:

http://www.atvod.co.uk/uploads/files/Bootybox_tv_Determination_091211.pdf

- A statement that ATVOD considers that service providers should be encouraged to make content available with imperfect access services in preference to making content available without any access services at all.

Following broad agreement on the way forward, ATVOD submitted revised guidance to Ofcom for approval in July 2012.

This working party also intends to consider the possibilities for international standardisation and ATVOD's future role and strategies in relation to encouraging the provision of access services.

In March 2011, ATVOD launched a survey of all providers of notified ODPS. The closing date for responses was 31 July 2011 and a report was published on 30 November 2011. The report set out both the current levels of provision of access services on services operated by respondents and respondents' future plans for increasing the provision of such services. Importantly, the report also identified those service providers who had been invited to respond, but who had failed to do so.

The report revealed that, with regard to the twelve leading service providers who responded (and who, between them, operated 15 ODPS):

- Four of the services included subtitles in some of the programmes made available. Of those not providing subtitles, seven services expressed an intention to do so in the future.
- Signing was less widely available than subtitling, with no respondents providing signing in their own ODPS as notified to ATVOD. Of those who said they did not provide signed programmes, four services expressed an intention to do so in future.
- Two services detailed use of audio description on some of the programmes available. Of those services which do not currently provide audio description, seven hoped to do so in the future.
- One platform enables all third party ODPS providers to include subtitles in their programmes. Two platforms are able to offer subtitles via the BBC iPlayer application where these are provided by the BBC, and one of these plans by the end of 2011 to be able to relay subtitles provided by any ODPS provider that supplies them with subtitle files to the required specification.
- Three platforms enable third party ODPS providers to provide signing and audio description.
- Another hopes to facilitate the relay of audio described content as soon as is practically possible.

ATVOD intends to conduct a further survey in summer 2012, with a view to publishing its second annual Access Services Report in November 2012.

European works

We also encourage ODPS providers to promote, where practicable and by appropriate means, production of and access to European works. Our current European Works Plan⁶ for encouraging service providers is published on our website along with guidance on the definition of a '[European work](#)'⁷.

In accordance with that plan, in 2011 we required service providers to provide information on the quantity of European works included in their services for the period 1 April 2010 to 31 March 2011. This information was required in order to enable the Department for Culture Media and Sport to comply with its reporting obligations to the European Commission under the AVMS Directive.

Stakeholder engagement

ParentPort

Following publication of the Department of Education commissioned report by Reg Bailey on the commercialisation and sexualisation of childhood ('Letting Children Be Children') in June 2011, ATVOD worked with the ASA, BBC Trust, BBFC, Ofcom, Press Complaints Commission and Video Standards Council to implement the report's recommendation that media regulators should establish a single website to act as an interface between themselves and parents. The result, ParentPort⁸, is a website which sets out simply and clearly what parents can do if they feel their children are being exposed to inappropriate media content, explains the various pieces of relevant legislation in simple terms, and provides a simple triage system to guide parents to the complaints process of the regulator who can deal with their particular issue. ParentPort also provides parents with a means of giving informal feedback to media regulators on matters of concern. ParentPort was launched by the Prime Minister on 11 October 2011.

Child protection seminar

ATVOD has also engaged with those who represent the interests of consumers and children. It organised a seminar in February 2012 for those representing the interests of consumers and children, with a key note speech from Tim Loughton, MP Parliamentary Under-Secretary of State for Children and Families and discussion panels including John Carr (Children's Charities' Coalition for Child Internet Safety), Katie O'Donovan (Mumsnet) and Jon Brown (NSPCC).

Disability advocacy groups

In the Relevant Period ATVOD has also engaged directly with disability advocacy groups, in particular through the work of the Access Services Working party set out above.

⁶ http://www.atvod.co.uk/uploads/files/European_Works_Plan_Mar_2011.pdf

⁷ http://www.atvod.co.uk/uploads/files/European_Works_Guidance_Mar_2011.pdf

⁸ See <http://www.parentport.org.uk/home>

Industry Forum

In February 2011, ATVOD invited providers of notified services to form an ‘Industry Forum’ for which ATVOD provides administrative and logistical support. One of the objectives of the Forum is to “*To discuss trends in complaints, breaches, sanctions and other ATVOD activity with a view to early identification of concerns and pre-emptive solutions*”. The Forum met four times in 2011-12 and includes representatives of relevant trade associations as well as representatives of notified services. At each Forum meeting, ATVOD reported on trends in complaints and answers questions on compliance issues. In partnership with the Forum, during 2011-12 ATVOD formed working parties to consider issues relating to fees, access services and scope guidance. The Forum also invites representatives from the ASA/CAP to attend in order to allow the early identification of issues arising in relation to the advertising requirements set out in section 368F of the Act (the ASA having been designated as the appropriate regulatory authority in relation to advertising in ODPS).

Monthly newsletter

Since July 2011, ATVOD has distributed a monthly newsletter to subscribers⁹. The newsletter gives details of complaints about potential breaches of the Rules and provides updates on other issues likely to encourage compliance, including proposed changes to the Guidance and events designed to encourage understanding of the Rules.

Communications Review

ATVOD submitted a formal response to Jeremy Hunt’s open letter of May 2011 which marked the formal start of the Communications review and in 2011 and 2012 has engaged in discussions with the Department for Media Culture and Sport on that Review, providing advice on video on demand regulation in general and on R18 content in particular, and giving background briefings to officials new to the particular policy areas in which ATVOD has expertise.

UK Council for Child Internet Safety (UKCCIS)

In 2011-12, ATVOD has played an active role in the work being done by the UK Council for Child Internet Safety through participation in two working parties on age verification mechanisms and parental controls for internet connected televisions.

Engagement with other bodies

ATVOD also participated during 2011-12 in other fora which deal with issues related to video on demand regulation, including:

- British Board of Film Classification’s Consultative Council
- British Screen Advisory Council working party on the Communications Review
- Informal sub-group on Obscenity attended by CPS, IWF, BBFC, Metropolitan Police and Ministry of Justice

During 2011-12 ATVOD has also developed a case handling agreement with the Advertising Standards Authority, the body responsible for advertising on the ODPS regulated by ATVOD,

⁹ If you would like to subscribe to our monthly newsletter, please email atvod@atvod.co.uk

and a Memorandum of Understanding with the Internet Watch Foundation in relation to areas of common concern.

Governance report

ATVOD is led by an independent Chair and has a Board comprising five independent and four non-independent Members. Board decisions are not quorate unless independent Board Members are in a majority. Non-independent Members are employed by a provider of a regulated service. Members are also Directors of the company.

The Directors who served the company during the period were:

- Ruth Evans (Chair) - Appointed 23 February 2010
 - Nigel N Walmsley (Deputy Chair) - Appointed 18 March 2010
 - Daniel T Austin* - Appointed 18 March 2010
 - Gidon Freeman* – Appointed 27 March 2012
 - Julia Hornle - Appointed 24 September 2010
 - Simon Hunt* - Appointed 18 March 2010, resigned 27 March 2012
 - Sophie Jones* – Appointed 27 March 2012
 - Chris R Loweth* - Appointed 18 March 2010, resigned 27 March 2012
 - Ian McBride - Appointed 18 March 2010
 - Simon T Milner* - Appointed 18 March 2010, resigned 27 March 2012
 - Sara C Nathan - Appointed 18 March 2010
 - Chris Ratcliff* – Appointed 27 March 2012
- (* indicates non-independent Director)

During 2011-12 we advertised for three non-independent Members/Directors of ATVOD (persons engaged in the video on demand industry and employed by a notified service provider) to succeed three non-independent Members/Directors standing down early in 2012. The positions were advertised on the Public Appointments Commission Website and to all notified service providers, and the recruitment involved Independent Assessor oversight.

Each year there are normally eight Board meetings, one strategy day and numerous other committee and Board/Executive meetings. Minutes of Board meetings are published on our website once approved. All Board Members and Executive staff complete an annual appraisal and objective setting exercise to ensure that our goals and objectives are reflected throughout the company. The Board annually undertakes an evaluation exercise to identify areas for improvement in its performance.

The Board has delegated some of its duties to Committees:

- Scope Committee: to discuss and agree borderline and disputed scope decisions;

- Complaints Committee: to consider complaints where an initial assessment has determined that the complaint does raise potential issues under the statutory requirements; and
- Audit and Finance Committee: to consider in detail the financial affairs of ATVOD .

The Audit and Finance Committee met three times during 2011-12, the Scope and Complaints Committees met as required.

Our Executive comprises a full-time Chief Executive Officer, a part-time Company Secretary, a part-time Policy and Investigations Manager, a full-time Policy and Investigations Officer and a part-time Personal Assistant/Office Manager.

We face a number of uncertainties which could impact our continued effectiveness as a co-regulator. We have developed a risk management plan and controls to protect and enhance our effectiveness. We regularly identify, analyse, respond to and control our risks, as documented on our risk register and will continue to monitor the uncertainties we face and develop responses as required.

During the year, ATVOD's accountants reviewed the conduct of the Executive in relation to the internal financial procedures and controls previously established and concluded that there were no issues of concern to be considered by the Board. Following a review of the procedures by the Audit and Finance Committee, Directors considered and approved a revised set of internal financial procedures and controls.

We have a Code of Conduct with which Board Members must comply. Members are required to disclose details of any public and charitable appointments, directorships, related employments, and relevant financial interests. All shareholdings of a material size in any regulated company (including those of partners and dependent children) are disclosed. These interests are recorded in the Register of Interests , which is published on our website.

Comprehensive Income Statement

Year ended 31 March 2012

	2012 (12 months) £	2011 (15 months) £
INCOME	513,161	434,809
Administrative expenses	465,054	458,557
Other operating income	-	(40,000)
OPERATING SURPLUS	48,107	16,252
Other interest receivable and similar income	397	-
Finance costs	-	-
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	48,504	16,252
Tax on surplus on ordinary activities	-	-
SURPLUS FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME	48,504	16,252

Statement of Financial Position

31 March 2012

	2012 (12 months)	2011 (15 months)
	£	£
CURRENT ASSETS		
Trade and other receivables	38,598	132,056
Cash and cash equivalents	<u>238,344</u>	<u>130,132</u>
TOTAL CURRENT ASSETS	276,942	262,188
CURRENT LIABILITIES		
Trade and other payables	<u>(187,586)</u>	<u>(192,336)</u>
NET CURRENT ASSETS	<u>89,356</u>	<u>69,852</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	89,356	69,852
NON CURRENT LIABILITIES		
	(24,600)	(53,600)
	<u>64,756</u>	<u>16,252</u>
EQUITY AND RESERVES		
Retained earnings	<u>64,756</u>	<u>16,252</u>
MEMBERS' FUNDS	<u>64,756</u>	<u>16,252</u>

Sources of income

During the period, ATVOD received income from two sources: regulatory fees charged to ODPS (including interest charged on late payment) and interest received on cash placed on short term deposits.

	2012 (12 months)	2011 (15 months)
	£	£
Regulatory fees from ODPS	513,161	429,945
DCMS grant	-	40,000
Unspent membership fees taken in as income	-	4,864
Bank interest received	397	-
	<hr/>	<hr/>
	513,558	474,809
	<hr/> <hr/>	<hr/> <hr/>

In accordance with section 368NA(6)(a) and section 368NA(6)(b)¹⁰ 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 £468,313; 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 £32,250

Fee income was higher than that forecast of £415,000 due to the fact that the number of services notified to ATVOD as being provided during the year ended 31 March 2012 exceeded the number estimated.

Following a public consultation conducted prior to the beginning of the year, fees for 2011-12 were charged on a three rate banded structure based on the turnover of the service provider, with standard rates ranging from £800 to £10,350 for the first service provided by an individual service provider, and from £400 to £800 for second and subsequent services from the same provider. A cap of £25,000 was introduced on the aggregate fee paid by any

¹⁰ 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".

group. In response to concerns expressed by services providers such as charities and companies with turnover below £100,000, a range of concessionary fees was also introduced with rates of £100, £150 and £200 for non-commercial, micro-scale and small-scale providers respectively.

In July 2011 ATVOD approached the Industry Forum and proposed the establishment of a working party to consider fee arrangements (“the Fees Working Party”) with membership drawn from a range of service providers. After industry representation had been agreed by the Industry Forum, the Fees Working Party met in September, October, November and December 2011. Membership was expanded after the first meeting to include greater representation from smaller service providers and from providers whose VOD service was tangential to their primary (non-media) business.

It was agreed that the aim of the working party was to identify a fee structure with longevity and around which an industry-wide consensus could be built. Such a fee structure would need to take account of any impact it might have on the development of the industry. Fees Working Party members discussed the implications of current scope investigation activity on the work of the group and agreed to proceed on the basis that it was unlikely that the number of notified services in the medium term would exceed the current number by an order of magnitude which would significantly affect the appropriateness or acceptability of a given fee structure.

The Fees Working Party reviewed a wide range of possible fee bases, including those considered by ATVOD and Ofcom in previous years, and identified those considered suitable for further investigation. Bases used in previous years (i.e., a flat rate per service, and a tariff based on the revenue of the provider) would remain options given their consistency with the statutory criteria, but the Fees Working party would attempt to identify a base which would enjoy still broader support.

The Fees Working Party considered that an audience based metric based on ‘number of times viewing of a programme begins’ was the most promising alternative metric, with ‘number of times a programme is downloaded’ likely to be useful as a proxy measure in circumstances where number of times viewing begins could not be ascertained (though it was considered that subscription services should normally be able to access such information). However, there was still a significant amount of further work to be done before a possible tariff or methodology for verification could be fully identified. Consideration would also have to be given to the issue of ‘shorter-form’ versus ‘longer-form’ content as there may be concern that a metric based on number of times viewing of a programme begins may disadvantage services which offer programmes of shorter duration.

Given that the aim of the working party was to identify a fee structure with longevity and around which an industry-wide consensus could be built and that consultation on 2012-13 Fees would need to begin in January 2012 in order for a new tariff to be set before or soon after the beginning of the next regulatory year, the working party recommended that ATVOD should not attempt to introduce an audience based fee structure for the Year 2012-13.

In considering the fee structure for 2012-13, ATVOD took note of the careful work done by the Fees Working Party, and consulted on a recommendation that the banded fee structure

based on the turnover of the service provider (with concessionary rates for non-commercial, micro-scale and small scale providers) should be retained for 2012-13. In the 2012-13 Fees Statement published on 29 March 2012, ATVOD confirmed that the recommendation had been adopted and that fees would be reduced by 3.58% in each tariff band.

Having considered the work of the Fees Working Party to date, in May 2012 the Industry Forum recommended that the working party should adopt a 'watching brief'. The Fees Working party will in future meet bi-annually in order to assess relevant industry developments and identify when a consensus had been reached. In taking such a view Forum Members acknowledged that they were, in effect, proposing to keep the current fee structure for at least one more year. ATVOD plans to consult on proposals for 2013-14 fees in early 2013.

Overheads

In the 2011-12 Fees Statement published on 28 June 2011, ATVOD estimated that the costs of performing the designated functions during 2011-12 would be **£462,620**. In fact, total expenditure was **£465,054**.

The main reason for the actual overheads exceeding those estimated in June 2011 was an increase in Ofcom's recouped costs, which increased from £20,667 in 2010-11 to £30,493 in 2011-12. These are the costs that Ofcom incurs when carrying out those regulatory tasks relating to ODPS that it has not delegated to ATVOD (e.g. approving guidance or fees). They also include charges for performing the invoicing function outsourced to Ofcom for 2011-12. Ofcom's estimate for performing these functions, as recorded in the 2011-12 Fees Statement, was £20,000. ATVOD confirms that it has now made other arrangements for invoicing for 2012-13, with an expected saving of £3,650 likely to result.

ATVOD's overheads for 2011-12 are £6,497 higher than for 2010-11, and the period covered is 12 months rather than 15 months. The main areas of increase in expenditure, in addition to the increase in Ofcom's recouped costs detailed above, are discussed below.

An increase in total remuneration for staff and Independent Board members, from £260,307 to £303,161, results primarily from the increase in the size of ATVOD's Executive which took place in 2010-11, with new posts, two of which are part-time, being created in October 2010, January 2011 and February 2011. As these posts were all created over half way through the previous period, but existed throughout 2011-12, they had a greater impact on the overheads for 2011-12. In addition, one independent Board position was vacant (and therefore unremunerated) for several months in 2010, reducing that comparison figure. With the exception of one staff member, no increase in salary or remuneration was awarded to the Executive or to Board members during 2011-12.

The recruitment of additional staff in the latter half of the previous period required a slightly larger office within the same managed office building with resulting increase in costs. As this move occurred during the previous period, and existed throughout 2011-12, it had a greater impact on the overheads for 2011-12, resulting in a rise of £1,324 in rental costs over the previous year. Alternative office accommodation, at lower cost, has been secured for 2012-13.

During much of 2010-11, ATVOD had been able to rely on independent Members to provide free meeting space for meetings, including Board and committee meetings, in London. However, during 2011-12, changes in circumstances (including office relocations by relevant service providers) meant that ATVOD could no longer rely on such arrangements and had to rent such meeting space from commercial providers as required. In addition, following the formation of the Industry Forum in February 2011, ATVOD has rented meeting space to accommodate Forum meetings. The effect of these developments has been to increase expenditure on meeting space by £10,165 over the previous year.

An increase in professional fees, from £43,011 in 2010-11 to £62,278 in 2011-12, results primarily from expenditure on legal advice in relation to scope and enforcement issues. ATVOD first adopted a budget for legal fees in 2011-12 following the consultation on fees for

that year which had highlighted the difficulties of operating a statutory regulatory scheme without independent legal advice, as ATVOD had done in 2010-11.

Prior to the beginning of 2011-12, ATVOD identified the possibility of the Chief Executive becoming incapacitated for an extended period to be a significant risk to the ability of the company effectively to perform its functions and provision was made in the budget for 2011-12. Early in 2011-12, ATVOD secured Keyman Protection Insurance to fund a replacement CEO during any period of extended incapacity. Matching arrangements were made with regard to protecting the income of the CEO during any such period. Consequently, overheads relating to Insurance and banking charges in 2011-12 are £2,581 higher than for 2010-11.

Bad debts which were written off in 2010-11 were netted off against fee income and were not reported separately. For 2011-12 ATVOD has instead identified bad debt provision and debt write offs as a separate overhead. The provision of £21,825 set out below includes £12,598 of debt which has been written off. The balance was still being pursued at the end of the financial year.

Throughout the period, ATVOD continued to bear down on its costs to offset, as far as possible, the necessary additional expenditure in the areas highlighted above. In particular, it reduced office running costs by £6,287, travel and other expenses by £2,750 and IT and website support and development costs by £17,985. In addition, ATVOD made alternative arrangements for the discharge of the functions relating to Independent Complaints Adjudications, saving £2,000 in 2011-12 compared with 2010-11, and conducted both staff and Board recruitment without using the services of a professional recruitment company, reducing recruitment fees from £54,248 in 2010-11 to £0 in 2011-12.

In accordance with section 368NA(6)(c)¹¹ of the Act, ATVOD hereby confirms that the cost of performing the designated functions for the year ended 31 March 2012 was **£465,054**.

Total expenditure of **£465,054** (2011 - £458,557) was broken down as follows:

	2012 (12 months)	2011 (15 months)
	£	£
Ofcom's recouped costs	30,493	20,667
Remuneration for staff & Independent Board Members	303,161	260,307
Fees to Board members of pre-designation ATVOD	-	16,692
Rent	12,532	11,208

¹¹ 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".

Meeting space for meetings	10,165	-
Office running costs	6,198	12,485
Travel & other expenses (Executive & Board)	3,885	6,635
Professional fees	62,278	43,011
Insurance & bank charges	5,958	3,377
Independent Complaints Adjudicator	-	2,000
Strategic planning	379	1,762
Recruitment fees	-	54,248
IT & website support and development	8,180	26,165
Bad debt provision and write off	21,825	-
Total	<u>465,054</u>	<u>458,557</u>

Particulars of employees

The aggregate payroll costs were:

	2012 (12 months)	2011 (15 months)
	£	£
Wages and salaries	263,764	224,456
Social security costs	26,397	23,361
Other pension costs	13,000	12,490
	<u>303,161</u>	<u>260,307</u>

Included within payroll costs are the following amounts:

Chairman's salary	40,000	46,667
Deputy Chairman's salary	15,000	14,859
Other Independent Directors' salaries	30,000	25,961
Chief Executive's salary	100,000	102,744
Chief Executive's pension contributions	13,000	12,490
Other staff salaries	78,764	34,224
	<u>276,764</u>	<u>236,945</u>

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

Directors' aggregate remuneration	<u>85,000</u>	<u>96,904</u>
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Office running costs

	2012 (12 months)	2011 (15 months)
	£	£
Telephone & internet	1,750	4,102
Office supplies and support	2,607	5,174
Printing & postage	574	1,990
General expenses	1,267	1,219
	<u>6,198</u>	<u>12,485</u>

Professional fees

	2012 (12 months)	2011 (15 months)
	£	£
Legal fees	34,133	-
Accountancy & bookkeeping fees	20,289	17,286
Audit fees	3,022	3,900
Payroll services	3,304	2,781
Consultancy fees	1,530	-
Company Secretariat fees	-	19,044
	<u>62,278</u>	<u>43,011</u>

The reduction in 'Company Secretariat fees', from £19,044 in the previous period to £0 in 2011-12 results from the duties being transferred from a third party provider to employed staff following Designation.

Recruitment fees

	2012 (12 months)	2011 (15 months)
	£	£
Board members	-	48,574
Staff	-	5,674
	=	<u>54,248</u>

IT & Website Support and Development

	2012 (12 months)	2011 (15 months)
	£	£
IT Hardware	1,192	5,958
IT support and website development	6,988	20,207
	<u>8,180</u>	<u>26,165</u>

Surplus

The surplus for the period was £48,504 (2011 - £16,252).

This surplus is stated after charging:

	2012 (12 months)	2011 (15 months)
	£	£
Auditor's fees	3,022	3,900

This surplus is greater than the figure of £32,623 shown in the Statement on Year Three Fees published on 29 March 2012. This increase in the surplus has resulted because services continued to be notified to ATVOD for the year ended 31 March 2012 after 29 March 2012 and the number doing so exceeded that expected.

Debtors

	2012	2011
	£	£
Trade payables (net)	21,275	32,115
Other debtors	4,115	1,585
Accrued income	12,300	95,700
Prepayments	908	2,656
	<u>38,598</u>	<u>132,056</u>

Trade debtor balances represent the net amounts receivable from the providers of ODPS in respect of services notified and invoiced. This figure was higher in the previous year because a greater number of services were notified and invoiced close to year end.

Accrued income relates to licence fees for four services not yet invoiced at the balance sheet date. The total sum of £12,300 was invoiced during the two months ended 31 May 2012. This figure was much higher in the previous year because a significant number of services had been identified as requiring notification at 2010-11 year end, but had not yet submitted notifications or been invoiced.

Creditors

Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	21,573	23,976
Loans from providers of ODPS	87,000	130,500
Loan from DCMS	24,600	-
Other creditors	-	12,627
Accruals and deferred income	54,413	25,233
	<u>187,586</u>	<u>192,336</u>

Loans from providers of ODPS relate to industry funding received from 10 companies in equal amounts. The unpaid balance outstanding at 31 March 2012 has been either repaid or settled by the issue of credit notes after the year end.

The balance of £49,200 outstanding in respect of the loan for the sum of £80,000 received from DCMS in the prior period, is repayable in twelve monthly instalments of £4,100 commencing on 1 October 2012. The loan is interest free.

In the prior period, 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.

Included within deferred income for the last period, is the sum of £12,100 received in advance from seven companies which has been offset against fees for year ended 31 March 2012.

Amounts falling due after more than one year

	2012	2011
	£	£
Loan from DCMS	<u>24,600</u>	<u>53,600</u>

Appendix 1

FINANCIAL STATEMENTS

31 MARCH 2012

COMPANY REGISTRATION NUMBER 05137314

**THE AUTHORITY FOR TELEVISION ON DEMAND
LIMITED**

COMPANY LIMITED BY GUARANTEE

FINANCIAL STATEMENTS

31 MARCH 2012

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

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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
Daniel T Austin*
Gidon Freeman*
Sophie Jones*
Chris Ratcliff*
(* - *Non-independent directors*)

Company secretary

Nicola Ebdon

Registered office

27 Sheet Street
Windsor
Berkshire
SL4 1BN

Auditor

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

Accountant

Grant Thornton UK LLP
1020 Eskdale Road
Wokingham
Berkshire
RG41 5TS

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)*

YEAR ENDED 31 MARCH 2012

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is an independent co-regulatory body for Video on Demand services to the public and its principal activity is to regulate the editorial content of UK video on demand services that fall within the statutory definition of On Demand Programme Services ("ODPS"). The company is limited by guarantee and has no share capital.

The company is incorporated and domiciled in England and Wales.

DIRECTORS

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

Ruth E Evans (Chairperson)	
Nigel N Walmsley (Deputy Chair)	
Ian McBride	
Julia Hornle	
Sara C Nathan	
Simon T Milner*	(Resigned 27/03/2012)
Simon Hunt*	(Resigned 27/03/2012)
Daniel T Austin*	
Chris R Loweth*	(Resigned 27/03/2012)
Gidon Freeman*	(Appointed 27/03/2012)
Sophie Jones*	(Appointed 27/03/2012)
Chris Ratcliff*	(Appointed 27/03/2012)

(* - Non-Independent Directors)

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:

- 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 AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2012

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 17 August 2012, 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

YEAR ENDED 31 MARCH 2012

We have audited the financial statements of The Authority For Television On Demand Limited for the year ended 31 March 2012 set out on pages 6 to 14. 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 2012 and of its profit for the year 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)*

YEAR ENDED 31 MARCH 2012

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

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THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2012

		Period from	
		Year to	1 Jan 10 to
		31 Mar 12	31 Mar 11
	Note	£	£
INCOME		513,161	434,809
Administrative expenses		(465,054)	(458,557)
Other income	2	-	40,000
OPERATING SURPLUS	3	48,107	16,252
Other interest receivable and similar income		397	-
Finance costs		-	-
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		48,504	16,252
Tax on surplus on ordinary activities		-	-
SURPLUS FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME		48,504	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 17 August 2012, 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 2012

		31 Mar 12		31 Mar 11
		£	£	£
CURRENT ASSETS				
Trade and other receivables	7	38,598		132,056
Cash and cash equivalents		238,344		130,132
TOTAL CURRENT ASSETS		276,942		262,188
CURRENT LIABILITIES				
Trade and other payables	8	(187,586)		(192,336)
NET CURRENT ASSETS			89,356	69,852
TOTAL ASSETS LESS CURRENT LIABILITIES			89,356	69,852
NON CURRENT LIABILITIES	9		(24,600)	(53,600)
			64,756	16,252
EQUITY AND RESERVES	11			
Retained earnings			64,756	16,252
MEMBERS' FUNDS			64,756	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 17 August 2012, 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

YEAR ENDED 31 MARCH 2012

	Retained Earnings £
Balance at 1 January 2010	-
Changes in equity for 2010/2011	
Surplus for the period and total comprehensive income	16,252
Balance at 31 March 2011	<hr/> 16,252
Changes in equity for 2011/2012:	
Surplus for the period and total comprehensive income	48,504
Balance at 31 March 2012	<hr/> <hr/> 64,756

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 CASH FLOWS

YEAR ENDED 31 MARCH 2012

	Year ended 31 March 2012	Period from 1 Jan 10 to 31 Mar 11
	£	£
<u>Cashflows from operating activities</u>		
Surplus before taxation	48,107	16,252
Adjustments for:		
Decrease/(Increase) in trade and other receivables	93,458	(92,056)
(Decrease)/Increase in trade and other payables	(29,350)	146,652
Cash generated from operations	112,215	70,848
Income tax paid	-	-
Net cash inflow from operations	112,215	70,848
<u>Cashflows from investing activities</u>	397	-
Net cash inflow from investing activities	397	-
<u>Cashflows from financing activities</u>		
Proceeds from other long-term payables	-	80,000
Repayments of other long-term payables	(4,400)	(26,400)
Net cash (paid)/received from financing activities	(4,400)	53,600
Net increase in cash and cash equivalents	108,212	124,448
Cash and cash equivalents at the beginning of the period	130,132	5,684
Cash and cash equivalents at the end of the period	238,344	130,132

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

YEAR ENDED 31 MARCH 2012

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.

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.

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.

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

Other income

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

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.

2. OTHER INCOME

	Year to 31 Mar 12	Year to 31 Mar 11
	£	£
Grant received	–	40,000
	–	40,000

Other income last year, related to a grant received from the Department for Culture, Media and Sport

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

3. OPERATING SURPLUS

Operating surplus is stated after charging:

	Year to 31 Mar 12	Year to 31 Mar 11
	£	£
Auditors' fees		
- Previous Auditors – Other services	-	6,975
- Current Auditors – Audit Services	3,022	3,900
	<u> </u>	<u> </u>

4. PARTICULARS OF EMPLOYEES

The aggregate payroll costs of the above were:

	Year to 31 Mar 12	Year to 31 Mar 11
	£	£
Wages and salaries	263,764	224,456
Social security costs	26,397	23,361
Other pension costs	13,000	12,490
	<u>303,161</u>	<u>260,307</u>

The average number of persons employed by the company during the financial period amounted to 10 (2011: 7), this figure includes 5 non-executive directors.

As at 31 March 2012, the company had 5 employees (2011: 4) excluding non-executive members of the board. Of these employees, 2 were full time staff, 1 worked on a 0.6 contract (i.e. 22.5 hours per week), 1 worked on a 0.533 contract (i.e. 20 hours per week) and 1 worked on a 0.4 contract (i.e. 15 hours per week).

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

Salary	£100,000 (2011: £102,743)
Pension Contributions	£13,000 (2011: £12,490)
National Insurance Contributions	£12,824 (2011: £12,420)

5. DIRECTORS' REMUNERATION

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

	Year to 31 Mar 12	Year to 31 Mar 11
	£	£
Aggregate remuneration	85,000	96,904
	<u> </u>	<u> </u>

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

6. FINANCIAL INSTRUMENTS

Financial instruments are classified as follows:

Assets as per balance sheet

	31 Mar 12	31 Mar 11
	£	£
Loans and receivables:		
Trade and other receivables excluding prepayments	25,390	33,700
	<u>25,390</u>	<u>33,700</u>

Liabilities as per balance sheet

	31 Mar 12	31 Mar 11
	£	£
Other financial liabilities at amortised cost:		
Trade and other payables	133,173	154,476
	<u>133,173</u>	<u>154,476</u>

7. TRADE AND OTHER RECEIVABLES

	31 Mar 12	31 Mar 11
	£	£
Trade receivables – net	21,275	32,115
Other receivables	4,115	1,585
Prepayments and accrued income	13,208	98,356
	<u>38,598</u>	<u>132,056</u>

The fair value of trade and other receivables are not considered to be materially different from the carrying value.

As of 31 March 2012, trade receivables of £13,313 (2011: £8,322) were past due but not impaired.

8. TRADE AND OTHER PAYABLES - CURRENT

	31 Mar 12	31 Mar 11
	£	£
Trade payables	21,573	23,976
Other payables:		
Loans from providers of ODPS	87,000	130,500
Other payables	24,600	12,627
Accruals and deferred income	54,413	25,233
	<u>166,013</u>	<u>168,360</u>
	<u>187,586</u>	<u>192,336</u>

THE AUTHORITY FOR TELEVISION ON DEMAND LIMITED

COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

8. TRADE AND OTHER PAYABLES – CURRENT (continued)

Loans from providers of ODPS relate to industry funding received from 10 companies in equal amounts. The balance outstanding at 31 March 2012 has been either repaid or settled by the issue of credit notes after the year end.

The fair value of trade and other payables is not considered materially different from the carrying value

9. NON CURRENT PAYABLES

	31 Mar 12	31 Mar 11
	£	£
Other payables	<u>24,600</u>	<u>53,600</u>

In the prior period, 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 the balance outstanding at 31 March 2012 for the sum of £49,200 is repayable in twelve monthly instalments of £4,100 commencing on 1 October 2012.

10. 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.

11. COMPANY LIMITED BY GUARANTEE

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