UKTV Media Limited

Directors' report and financial statements

Registered number 04266373

4 June 2019

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Strategic report

The directors present their annual reports and audited financial statements of UKTV Media Limited (the 'Company') for the period ended 4 June 2019.

Principal activity

The principal activity of the Company during the period continued to be to operate eleven TV brands: Dave, Gold, W, Alibi, Drama, Yesterday, Really, Good Food, Eden, Home and UKTV Play, broadcasting across pay, free-to-air and digital platforms.

The Company is a 100% owned trading subsidiary of UKTV Media Holdings Limited.

Post balance sheet events

On 11 June 2019, UKTV Media Holdings Limited became a wholly owned subsidiary of BBC Studios Distribution Limited and Lifestyle Newco Limited, as referred to below, became a wholly owned subsidiary of Discovery Inc.

As part of this transaction, on 11 June 2019 the Company fully repaid all debt owing to Scripps Networks Interactive Inc., except the Lifestyle debt referred to below. This repayment was funded using a new loan issued to the Company by BBC Studios Distribution Limited.

Following the demerger, the Company will change its accounting period from a 31 December year end to a 31 March year end to align with its ultimate parent company the BBC. This transition will be achieved by creating two shortened accounting periods, the current period, for which this report has been prepared, covering the period prior to the demerger from 1 January 2019 to 4 June 2019 and the next to cover the period post demerger from 5 June 2019 to 31 March 2020.

Results and business review

The aim of the Company is to maximise shareholder value, measured as operating profit, as well as to increase audiences, measured as Share of Commercial Impacts (SOCI) which is inherently linked to financial targets.

On 4 June 2019, the joint venture parent companies BBC Studios Distribution Limited (a wholly-owned subsidiary of the BBC) and Discovery Inc and its subsidiaries executed a business transfer agreement pertaining to the demerger of the business and assets owned by the Company. Under this agreement, the Company retained the 'Entertainment' part of the Company's business, being the business and assets of Dave, Gold, alibi, W, Yesterday, Drama, Eden and UKTV Play and the 'Lifestyle' part of the Company's business, being the business and assets of Really, Good Food and Home (together with a proportion of the debt owing to Scripps Networks Interactive Inc., 'the Lifestyle debt') transferred to a new company Lifestyle Newco Limited.

Detailed results of the Company for the period ended 4 June 2019 are set out on page 8. Measurement of the Company performance is against operating profit and share of commercial impacts ('SOCI').

Key performance indicators

	5 months to 4 Jun 2019	12 months to 31 Dec 2018
	£'000	£'000
Operating profit	**18,743**	68,800
Share of commercial impacts	**9.57%**	9.46%

Following the change of accounting period described above, operating profit is reported for the five-month period to 4 June 2019 and cannot be compared to the prior twelve-month period ended 31 December 2018. SOCI increased from 9.46% to 9.57% due to strong viewing across the period, especially on the free to air channels.

The accounts for the parent company, UKTV Media Holdings Limited, show the consolidated results of the UKTV group and are available from Companies House.

Strategic report *(continued)*

Significant events

During the period, the joint venture parent companies BBC Studios Distribution Limited (a wholly-owned subsidiary of the BBC) and Discovery Inc and its subsidiaries executed a business transfer agreement pertaining to the demerger of the business and assets owned by the Company, as described above.

In addition, the Company renewed its carriage agreements with Sky and Virgin Media Limited and its advertising sales agreement with Channel 4.

Principal risks and uncertainties

The major risks for the Company in the short to medium term are:

1) Competition. The Company operates in a highly competitive environment. The Company is committed to obtaining the best programming content available in order to retain its strong market share, despite a challenging advertising market.

2) Substitutes. Technological advances are changing the way people access and view content resulting in a shift in viewing habits away from traditional linear broadcast TV. The Company continues to invest in and expand its business beyond the linear broadcasting environment.

3) Reliance on key revenue streams. The Company's key revenue streams come from subscription and advertising revenues. Therefore, a shift in market parameters or supplier relations could have a significant impact (positive or negative) on the business. Senior management is aware of this and seeks to identify ways to diversify and lessen the exposure.

4) Brexit. Uncertainty due to Brexit could damage consumer confidence and adversely impact subscription and advertising revenues. Senior management is aware of this; however, the outcome at this time is uncertain.

Future outlook

In 2020 the Company plans to continue to invest in content and promoting its channels, whilst looking to further grow its business in both linear broadcasting and video on demand.

By order of the board

Anthony Corriette
Company Secretary

10 Hammersmith Grove
London
W6 7AP
Registered number: 4266373
25 February 2020

Directors' report

Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The results for the period ended 4 June 2019 and the financial position of the Company at that date are set out on pages 8 and 9 of the financial statements.

Dividends

During the period, ordinary dividends of £nil *(2018: £29,000,000)*, being equivalent to £nil *(2018: £28,971)* per ordinary share were proposed and paid. Preference dividends of £nil *(2018: £50,000)* were payable by the Company to Southbank Media Limited, a subsidiary of Discovery, Inc.

Directors

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

M Arthur	
S Burrows	(appointed 8 July 2019)
B Campbell	(resigned 11 June 2019)
S Davies	(resigned 2 July 2019)
T Fussell	
J-B Perrette	(resigned 11 June 2019)

On 1 August 2019 Anthony Corriette was appointed as Secretary of the Company to replace Patricia Edmondson who resigned as Secretary on the previous day.

Political and charitable contributions

During the period, the Company did not make charitable donations *(2018: £32,392)* and did not make any political contributions *(2018: £nil)*.

Disclosure of information to auditor

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

By order of the board

Anthony Corriette
Company Secretary

10 Hammersmith Grove
London
W6 7AP
Registered number: 4266373
25 February 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of UKTV Media Limited

Opinion

We have audited the financial statements of UKTV Media Limited ("the company") for the period ended 4 June 2019 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 4 June 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other matter: The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of trade debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

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

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

Strategic report and directors' report

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

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

Independent Auditor's Report to the Members of UKTV Media Limited *(continued)*

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

Hugh Green (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

25 **February 2020**

Profit and loss account

for the 5 month period ended 4 June 2019 (2018: 12 month period to 31 Dec 2018)

	Note	**4 June 2019** **£'000**	2018 £'000
Turnover	*2*	**138,950**	330,975
Cost of sales		**(76,814)**	(170,983)
Gross profit		**62,136**	159,992
Distribution costs		**(25,891)**	(65,871)
Administration expenses		**(17,502)**	(25,321)
Operating profit		**18,743**	68,800
Interest receivable and similar income	*3*	**4**	6
Interest payable and similar charges	*4*	**(1,586)**	(3,760)
Profit on ordinary activities before taxation	*5*	**17,161**	65,046
Tax on profit on ordinary activities	*7*	**(3,455)**	(12,474)
Profit for the financial period		**13,706**	52,572

All turnover and operating profit arose from continuing operations.

There is no difference between profit on a historical cost basis and that shown in the profit and loss account.

There were no recognised gains and losses other than that recognised in the profit and loss account. Accordingly no statement of comprehensive income has been prepared.

The notes on pages 10-21 form a part of these financial statements.

Balance sheet

at 4 June 2019

	Note	4 June 2019		2018	
		£'000	**£'000**	£'000	£'000
Fixed Assets					
Intangible fixed assets	*8*		**9,857**		16,226
Tangible fixed assets	*9*		**2,462**		2,589
Investments	*10*		**200**		200
			12,519		19,015
Current assets					
Programming stock	*12*	**103,153**		132,085	
Debtors: amounts falling due within one year	*13*	**74,516**		76,017	
Cash at bank and in hand		**39,353**		33,011	
		217,022		241,113	
Creditors: amounts falling due within one year	*14*	**(137,128)**		(133,523)	
Net current assets			**79,894**		107,590
Total assets less current liabilities			**92,413**		126,605
Creditors: amounts falling due after more than one year	*15*		**-**		(47,898)
Net assets			**92,413**		78,707
Capital and reserves					
Called up share capital	*16*		**1**		1
Profit and loss account	*17*		**127,836**		134,130
Merger reserve	*17*		**(55,424)**		(55,424)
Share capital redemption reserve	*17*		**20,000**		-
Shareholders' funds			**92,413**		78,707

The notes on pages 10-21 form part of these financial statements.

These financial statements were approved by the board of directors on 25 February 2020 and were signed on its behalf by:

T Fussell
Director

Statement of changes in equity

for the period ended 4 June 2019

	Called-up Share Capital £'000	Merger Reserve £'000	Share Capital Redemption Reserve £'000	Profit & Loss Account £'000	Total £'000
At 1 January 2018	**1**	**(55,424)**	-	**110,558**	**55,135**
Profit for the year	-	-	-	52,572	**52,572**
Dividends paid *(note 11)*	-	-	-	(29,000)	**(29,000)**
At 31 December 2018	**1**	**(55,424)**	-	**134,130**	**78,707**
Profit for the period	-	-	-	13,706	**13,706**
Dividends paid *(note 11)*	-	-	-	-	-
Redemption of non-cumulative preference shares *(note 16)*	-	-	20,000	(20,000)	-
At 4 June 2019	**1**	**(55,424)**	**20,000**	**127,836**	**92,413**

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Cash flow statement

The Company is exempt under FRS 102 from the requirement to present a statement of cash flows as it is a wholly-owned subsidiary of UKTV Media Holdings Limited and its cash flows are included within the consolidated cash flow statement of that company.

Related parties

As the Company is a wholly-owned subsidiary of UKTV Media Holdings Limited, the Company has adopted the exemption allowed under FRS 102 and has not disclosed transactions or balances with entities which form part of this group. The consolidated financial statements of UKTV Media Holdings Limited, within which this Company is included, can be obtained from Companies House.

Turnover

Turnover represents net advertising revenue, subscription revenue and other commercial revenue. All turnover is stated net of valued added tax and is recognised on delivery.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Derivative financial instruments

Derivative financial instruments, such as foreign exchange forward contracts, are recognised at fair value with any gains or losses included in the profit and loss account.

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Notes *(continued)*

1 Accounting policies *(continued)*

***Taxation** (continued)*

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Programming stock

Programming stock is stated at the lower of cost, being purchase price, and the value in use. Programming stock is the amount payable under licence agreements on agreed purchases and is transferred to cost of sales on a straight-line basis over the number of transmission days or the number of transmission weeks, as appropriate.

Pensions

The Company does not operate a pension scheme but pays defined contributions into individual pension schemes. The amount charged against profits represents the contributions payable to those schemes in respect of the accounting period.

Operating leases

Rentals payable relating to assets under operating lease are taken to the profit and loss account evenly over the period of the lease.

Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are tested for impairment when there is an indication that the asset may be impaired. Amortisation is provided to write off the cost less the estimated residual value of intangible assets by equal instalments over their estimated useful economic lives as follows:

- Software development costs – 33% per annum
- Software licences – 20% per annum
- Licences – 13% per annum

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Tangible assets are assessed for impairment at each reporting date. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

- Furniture & Fittings – Integral features 7% per annum, in line with original lease term. Furniture and moveable fittings 33% per annum.
- IT Hardware – 33% per annum

Investments

Investments are stated at fair value and tested for impairment each year, as appropriate.

Common Control Transactions

Common control transactions that arise between Group entities under the control of the same parent are accounted for at book value.

Notes *(continued)*

2 Segmental reporting

The Company's operations are all considered to fall into a single class of business, namely the operation of TV channels which broadcast via pay, free-to-air and digital platforms. The revenue is derived from the geographical areas below.

	4 June 2019	2018
	£'000	£'000
UK	**135,965**	323,145
Republic of Ireland	**2,985**	7,830
	138,950	330,975

3 Interest receivable and similar income

	4 June 2019	2018
	£'000	£'000
Interest on bank deposits	**4**	6
	4	6

4 Interest payable and similar charges

	4 June 2019	2018
	£'000	£'000
Interest on variable rate unsecured loan stock *(note 19)*	**653**	1,448
Interest on redeemable unsecured loan stock *(note 19)*	**932**	2,247
Finance costs on shares classified as liabilities *(note 19)*	**-**	50
Other interest payable	**1**	15
	1,586	3,760

5 Profit on ordinary activities before taxation

	4 June 2019	2018
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Auditor remuneration:		
Audit of these financial statements	**97**	82
Tax services	**10**	17
Other non-audit fees	**1**	2
Amortisation of programming inventory	**59,360**	132,158
Operating lease rentals in respect of rent	**534**	1,218
Operating lease rentals in respect of plant and machinery	**17,096**	38,972
Amortisation of intangible fixed assets	**2,554**	5,074
Depreciation of fixed assets	**240**	604
Disposal of intangible fixed assets	**5,143**	-

In the current and prior year, the auditor's remuneration relating to UKTV Media Holdings Limited, the Group's holding company, was incurred by the Company.

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the Company at the end of the year (including directors and employees of BBC contracted to work for the Company) was as follows:

	Number of employees	
	4 June 2019	2018
Administration	**280**	279

The aggregate payroll costs of these persons charged to the Company during the year were as follows:

	4 June 2019	2018
	£'000	£'000
Wages and salaries	**9,450**	20,588
Social security costs	**815**	1,799
Other pension costs *(note 18)*	**466**	989
	10,731	23,376

The aggregate payroll costs include the costs of staff who work on software development which are capitalised and reported within intangible fixed assets.

7 Taxation

Analysis of charge in period:

	4 June 2019		2018	
	£'000	**£'000**	£'000	£'000
UK Corporation tax				
Current tax on income for the period	**3,304**		12,461	
Adjustments in respect of prior periods	**-**		(5)	
Total current tax charge		**3,304**		12,456
Deferred tax	**151**		18	
Total deferred tax		**151**		18
Tax on profit on ordinary activities		**3,455**		12,474

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting tax charge for the current period.

The current tax charge for the period is higher *(2018: higher)* than the standard rate of corporation tax in the UK. The differences are explained below.

	4 June 2019	2018
	£'000	£'000
Current tax reconciliation		
Profit on ordinary activities before tax	**17,161**	65,046
Current tax at 19% *(2018: 19%)*	**3,260**	12,359
Effects of:		
Expenses not deductible for tax purposes	**49**	124
Differences between capital allowances & depreciation	**(5)**	(22)
Adjustments to tax charge in respect of prior periods	**-**	(5)
Total current tax charge	**3,304**	12,456

Factors affecting future tax charges

In 2016, the UK Government substantively enacted legislation to reduce the main rate of UK Statutory Corporation Tax to 17% effective from 1 April 2020.

This will reduce the Company's future tax charge accordingly.

The deferred tax asset is measured at the rate of 19% reflecting the expected timing of its realisation.

Deferred tax

	4 June 2019	2018
	£'000	£'000
Timing differences	**188**	339
Deferred tax asset	**188**	339
At beginning of the year	**339**	357
(Utilised) during the period	**(151)**	(18)
At the end of the period *(note 12)*	**188**	339

As at 4 June 2019, the Company has £nil *(2018: £nil)* unrecognised tax losses available to relieve against future profits.

Notes *(continued)*

8 Intangible fixed assets

	Software development & licence costs £'000
Cost	
At 1 January 2019	30,563
Additions	1,328
Disposals	(6,000)
At 4 June 2019	25,891
Amortisation	
At 1 January 2019	14,337
Provided during the period	2,554
Disposed during the period	(857)
At 4 June 2019	16,034
Net book value at 4 June 2019	**9,857**
Net book value at 31 December 2018	16,226

9 Tangible fixed assets

	Furniture & Fittings £'000	IT Hardware £'000	Total £'000
Cost			
At 1 January 2019	4,473	1,998	**6,471**
Additions	-	113	**113**
At 4 June 2019	4,473	2,111	**6,584**
Depreciation			
At 1 January 2019	2,301	1,581	**3,882**
Provided during the period	142	98	**240**
At 4 June 2019	2,443	1,679	**4,122**
Net book value at 4 June 2019	**2,030**	**432**	**2,462**
Net book value at 31 December 2018	2,172	417	2,589

Notes *(continued)*

10 Fixed asset investments

	£'000
Cost and net book value at beginning of the year	**200**
Movements in the period:	
Additions	-
Cost and net book value at end of the period	**200**

In 2018, the Company launched its Innovation Fund to invest in burgeoning high-growth companies wishing to access the TV advertising market, where the Company exchanges advertising airtime in return for equity shareholdings. These investments are stated at fair value and tested for impairment each year as appropriate.

11 Dividends

	4 June 2019 **£'000**	2018 £'000
Equity Shares		
Ordinary dividends proposed and paid	-	29,000

12 Programming stock

	4 June 2019 **£'000**	2018 £'000
Programming licence fees and production costs	**103,153**	132,085

There is no material difference between the replacement cost of stocks and their carrying value.

13 Debtors

Amounts falling due within one year	**4 June 2019** **£'000**	2018 £'000
Trade debtors	**36,397**	40,053
Other debtors	**179**	61
Prepayments	**13,406**	13,911
Accrued income	**24,321**	21,653
Net deferred tax asset *(note 7)*	**213**	339
	74,516	76,017

Notes *(continued)*

14 Creditors: amounts falling due within one year

	4 June 2019 £'000	2018 £'000
Trade creditors	**1,345**	1,933
Amounts owed to fellow joint venture undertakings	**540**	15
Taxation and social security	**5,604**	12,823
Accruals and deferred income	**60,187**	71,814
Other creditors	**740**	719
Redeemable unsecured loan stock *(note 19)*	**21,460**	21,460
Accrued interest on redeemable unsecured loan stock *(note 19)*	**932**	566
Shares classified as liabilities *(note 16, 19)*	**-**	20,000
Variable rate unsecured loan stock *(note 16)*	**35,001**	4,000
Capitalised interest on variable rate unsecured loan stock *(note 19)*	**10,990**	-
Accrued interest on variable rate unsecured loan stock *(note 19)*	**329**	193
	137,128	133,523

Redeemable unsecured loan stock is repayable on shareholder request in accordance with the terms of the Shareholders' Agreement. Interest is payable at the higher of 10.5% per annum and the National Westminster bank base rate.

The variable rate unsecured loan stock is repayable out of "available cash" in accordance with the terms of the Shareholders' Agreement between the Company and the shareholders. Interest is payable at 2% above the six-month London Interbank Offered Rate for sterling deposits, as published in the Financial Times.

On 3 June 2019, Scripps Networks Interactive Inc., a wholly owned subsidiary of Discovery Inc., issued an additional £20M loan to the Company, increasing the overall debt by such amount and the Company used this amount to fully redeem the £20M non-cumulative preference shares classified as liabilities.

On 4 June 2019, the new £20M loan and a portion of the variable rate unsecured load stock were transferred to Lifestyle Newco Limited, a wholly owned subsidiary of UKTV Media Holdings Limited, as part of the demerger of the business and assets of the Company.

On 11 June 2019, the Company fully repaid all debt owing to Scripps Networks Interactive Inc., being the redeemable unsecured loan stock and the variable rate unsecured loan stock and capitalised interest. This repayment was funded using a new loan issued to the Company by BBC Studios Distribution Limited.

15 Creditors: amounts falling due after more than one year

	4 June 2019 £'000	2018 £'000
Variable rate unsecured loan stock *(note 19)*	**-**	37,232
Capitalised interest on variable rate unsecured loan stock *(note 19)*	**-**	10,666
	-	47,898

On 11 June 2019, the Company fully repaid the variable rate unsecured loan stock and capitalised interest. This repayment was funded using a new loan issued to the Company by BBC Studios Distribution Limited.

Notes *(continued)*

16 Called up share capital

	4 June 2019	2018
	£	£
Authorised, allotted and fully paid		
1,001 ordinary shares of £1 each	**1,001**	1,001

	4 June 2019	2018
	£'000	£'000
Shares classified as liabilities		
20,000,000 non-cumulative redeemable 0.25% preference shares of £1 each	-	20,000
	-	20,000

On 3 June 2019, Scripps Networks Interactive Inc., a wholly owned subsidiary of Discovery Inc., issued an additional £20M loan to the Company, increasing the overall debt by such amount and the Company used this amount to fully redeem the £20M non-cumulative preference shares classified as liabilities.

17 Reserves

Called up share capital – represents the nominal value of shares that have been issued.

Merger reserve - On 30 November 2014, the Company acquired the trade and net assets of fellow joint venture undertakings UK Channel Management Limited and UK Gold Holdings Limited and its subsidiaries at book value. The trade and net assets of UK Gold Services Limited, a wholly-owned subsidiary of UK Gold Holdings Limited, were transferred at a value equal to UK Gold Holdings Limited's cost of investment in UK Gold Services Limited which was higher than the book value of the net assets of UK Gold Services Limited. The difference was charged to the merger reserve.

Profit and loss account – includes all current and prior period retained profits and losses.

Share capital redemption reserve – represents the nominal amount of preference share capital redeemed on 3 June 2019.

18 Pension scheme

The Company pays defined contributions into individual pension schemes. The amount charged against profits represents the contributions payable for these schemes in respect of the accounting period and amounted to £547,265 *(2018: £988,870)*. There were outstanding contributions as at 4 June 2019 of £84,297 *(2018: £75,723)*.

Notes *(continued)*

19 Related party transactions

Income from the BBC and BBC Studios Distribution Limited relates to programme sales and other commercial revenue.
Expenses from BBC Studios Distribution Limited relate to BBC archive programming. channel management costs and licence fees.
Expenses from Discovery, Inc. and its subsidiaries relate to archive programming and interest payable.

	Income		Expenses	
	4 June 2019 **£'000**	2018 £'000	**4 June 2019** **£'000**	2018 £'000
BBC and BBC Studios Distribution Limited	**195**	608	**(20,498)**	(68,562)
Discovery, Inc. and its subsidiaries	**-**	-	**(1,694)**	(4,206)

Balances outstanding at the year-end in respect of related parties are as follows:

	Receivables outstanding		Creditors outstanding	
	4 June 2019 **£'000**	2018 £'000	**4 June 2019** **£'000**	2018 £'000
BBC and BBC Studios Distribution Limited	**66**	-	**-**	-
Discovery, Inc. and its subsidiaries	**20**	-	**(68,712)**	(94,117)

Transactions with key management personnel

Total compensation of key management personnel in the period amounted to £2,669,000 *(2018: £3,338,000).*

Notes *(continued)*

21 Commitments

The Company's future minimum operating lease payments are as follows:

	Land & Buildings		Other		Total	
	4 June 2019	2018	**4 June 2019**	2018	**4 June 2019**	2018
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Within one year	**1,963**	1,608	**27,703**	40,296	**29,666**	41,904
Between two and five years	**7,852**	6,432	**44,983**	91,687	**52,835**	98,119
Over five years	**9,798**	8,710	**-**	17,749	**9,798**	26,459

	4 June 2019	2018
	£'000	£'000
Net remaining liabilities on future commitments with regard to the purchase of programming licences and other non-cancellable contracts	**64,513**	50,595

As at 4 June 2019, the Group had forward commitments to purchase €1,344,000 in 2019 for £1,185,276.

22 Ultimate parent company

The Company is a wholly-owned subsidiary of UKTV Media Holdings Limited. At 4 June 2019, the joint venture partners of UKTV Media Holdings Limited were BBC Studios Distribution Limited (a wholly-owned subsidiary of the BBC) and Southbank Media Limited (a wholly-owned subsidiary of Discovery, Inc., a company incorporated in the United States of America), each holding 50% respectively.

The accounts of both of these companies are available to the public and may be obtained from the following addresses:

Discovery, Inc.
One Discovery Place
Silver Spring
MD 20910
USA

British Broadcasting Corporation
Broadcasting House
Portland Place
London
W1A 1AA

Notes *(continued)*

23 Events after the end of the reporting period

On 4 June 2019, the joint venture parent companies BBC Studios Distribution Limited (a wholly-owned subsidiary of the BBC) and Discovery Inc and its subsidiaries executed a business transfer agreement pertaining to the demerger of the business and assets owned by the Company. Under this agreement, the Company retained the 'Entertainment' part of the Company's business, being the business and assets of Dave, Gold, alibi, W, Yesterday, Drama, Eden and UKTV Play and the 'Lifestyle' part of the Company's business, being the business and assets of Really, Good Food and Home (together with a proportion of the debt owing to Scripps Networks Interactive Inc., 'the Lifestyle debt') transferred to a new company Lifestyle Newco Limited.

As part of this transaction, on 11 June 2019 the Company fully repaid all debt owing to Scripps Networks Interactive Inc., except the Lifestyle debt referred to above. This repayment was funded using a new loan issued to the Company by BBC Studios Distribution Limited.

Following the demerger, the Company will change its accounting period from a 31 December year end to a 31 March year end to align with its ultimate parent company the BBC. This transition will be achieved by creating two shortened accounting periods, the current period, for which this report has been prepared, covering the period prior to the demerger from 1 January 2019 to 4 June 2019 and the next to cover the period post demerger from 5 June 2019 to 31 March 2020.