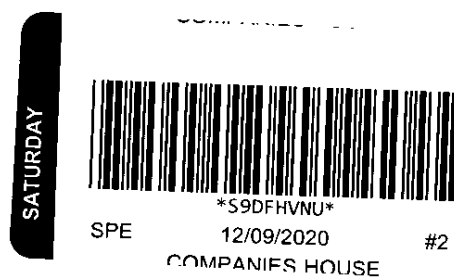


## **UKTV Media Limited**

Annual report and financial statements

Registered number 04266373

For the period ended 31 March 2020



UKTV Media Limited  
Directors' report and financial statements  
For the period ended 31 March 2020

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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 31 March 2020.

### Principal activity

The principal activity of the Company during the period continued to be to operate eight TV brands: Dave, Gold, W, Alibi, Drama, Yesterday, Eden, 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.

### 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. SOCi measures the Company's share of the commercial TV audience and one commercial impact is defined as one advert viewed by one person once.

On 4 June 2019, the joint venture parent companies at that time 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.

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

As part of this transaction, in 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 changed 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 was achieved by creating two shortened accounting periods, the prior period covering the period prior to the demerger from 1 January 2019 to 4 June 2019 and the current period, for which this report has been prepared, to cover the period post demerger from 5 June 2019 to 31 March 2020.

Detailed results of the Company for the period ended 31 March 2020 are set out on page 9. Measurement of the Company performance is against operating profit and share of commercial impacts ('SOCi').

### Key performance indicators

	10 months to 31 March 2020	5 months to 4 June 2019
	£'000	£'000
Operating profit	51,394	18,743
Share of commercial impacts	7.86%	9.57%

Following the change of accounting period described above, operating profit is reported for the ten-month period to 31 March 2020 and cannot be compared to the prior five-month period ended 4 June 2019. Total SOCi decreased from 9.57% to 7.86% due to the demerger, as referred to above. However, like-for-like SOCi for the remaining 'Entertainment' channels increased during the period from 7.52% to 7.86% due to strong viewing performance in particular on the free to air channels.

## Strategic report (*continued*)

### Significant events

During the period, in June 2019, UKTV Media Holdings Limited became a wholly owned subsidiary of BBC Studios Distribution Limited and Lifestyle Newco Limited, as referred to above, became a wholly owned subsidiary of Discovery Inc.

As part of this transaction, in 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.

### 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.
- 5) COVID-19. Coronavirus is expected to have a significant impact on the Company's trading performance in 2020/21, due to significant fall in the advertising markets. Coronavirus has significantly increased the inherent health and safety risk to staff, contributors and visitors. The pandemic also poses significant challenges and risks to the safety of our building, our finances and our technology, which are being monitored and managed on a real time basis. The Company has reacted swiftly, identifying and putting in mitigations to remain within financial parameters. Work is ongoing to minimise the overall financial impact through careful planning and reduction of discretionary spend to safeguard cash and profit where possible. The over-riding priority for the Company is to protect the health and wellbeing of its people and families, with extensive support available for those working from home and juggling childcare, and a focus on maintaining wellbeing in a stressful and uncertain climate.

### Future outlook

In 2020-21 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. The Company will continue to strategically align with the BBC Studios Group.

By order of the board

DocuSigned by:



6FDBEF52C39649E

**Anthony Corriette**

*Company Secretary*

01 September 2020

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

## Directors' report

### Going concern

Due to the significant impact of COVID-19 on advertising revenues and increased uncertainty, a range of advertising market scenarios have been included in the Company's forecasts and projections to assist the directors in understanding the consequences. After reviewing these 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's remaining revenue streams are not significantly affected by COVID-19. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The Company undertakes risk management operations in order to reduce the risk associated with the financial instruments held. The Company is exposed to currency risk, credit risk, and liquidity risk which are addressed through natural hedges, monitoring of cashflow forecasts, and assessing financial reliability of customers.

The results for the period ended 31 March 2020 and the financial position of the Company at that date are set out on pages 9 and 10 of the financial statements.

### Dividends

During the period, ordinary dividends of £nil (*4 June 2019: £nil*), being equivalent to £nil (*4 June 2019: £nil*) per ordinary share were proposed and paid.

### Directors

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

Marcus Arthur	
Suzanne Burrows	(appointed 8 July 2019)
Bruce Campbell	(resigned 11 June 2019)
Stephen Davies	(resigned 2 July 2019)
Thomas Fussell	
Jean-Briac 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 Group made charitable donations of £131,195 (*4 June 2019: £nil*) in support of Dave's charity partner and to match employee fundraising activities and did not make any political contributions (*4 June 2019: £nil*).

### Employee participation

The Company participates in a range of approaches in ensuring employee participation and involvement. Employee feedback, thoughts and views are measured and tracked through a range of methods including employee surveys which are subsequently used to develop detailed action plans. The Company also has a range of staff leadership and personal development programmes.

### Disabled persons

Disabled persons are fully and fairly considered for vacancies arising and are given equal opportunities in relation to training, career development and promotion. Existing employees who become disabled are retained in employment wherever possible, after the provision of any necessary rehabilitation or training.

## Directors' report *(continued)*

### Section 172 statement

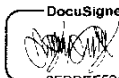
Section 172 of the Companies Act 2006 requires the Directors to act in the way they consider would most likely promote the success of the Company as a whole but having regard to a range of factors set out in section 172(1)(a)-(f) in the Companies Act 2006. In discharging their duties under section 172, the Directors have had a regard for these factors taking them into consideration when decisions are made. This includes:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

### 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

DocuSigned by:  
  
6FDBEF52C39649E

**Anthony Corriette**  
*Company Secretary*

01 September 2020

10 Hammersmith Grove  
London, W6 7AP  
Registered number: 4266373  
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 on financial statements**

I have audited the financial statements of UKTV Media Limited for the period ended 31 March 2020 which comprise the profit and loss account, balance sheet, statement of changes in equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of the profit for the period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of UKTV Media Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- UKTV Media Limited's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- UKTV Media Limited have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about UKTV Media Limited's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement, 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 management determines 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, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

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. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UKTV Media Limited's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- conclude on the appropriateness of UKTV Media Limited's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UKTV Media Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause UKTV Media Limited to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Other Information**

Directors are responsible for the other information. The other information comprises information included in the annual report, but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. [I have nothing to report in this regard.]

### **Opinion on other matters prescribed by the Companies Act 2006**

In my opinion:

- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the period for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

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

**Matters on which I report by exception**

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept by the company, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.



**Lewis Knights (Senior Statutory Auditor)**  
**2 September 2020**

For and on behalf of the  
**Comptroller and Auditor General (Statutory Auditor)**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## Profit and loss account

*for the 10 month period ended 31 March 2020 (2019: 5 month period to 4 June 2019)*

	<i>Note</i>	<b>31 March 2020</b> <b>£'000</b>	<b>4 June 2019</b> <b>£'000</b>
<b>Turnover</b>	<b>2</b>	<b>236,330</b>	138,950
Cost of sales		(124,121)	(76,814)
<b>Gross profit</b>		<b>112,209</b>	62,136
Distribution costs		(43,774)	(25,891)
Administration expenses		(16,109)	(17,502)
<b>Operating profit</b>		<b>52,326</b>	18,743
Interest receivable and similar income		181	4
Interest payable and similar charges		(706)	(1,586)
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>51,801</b>	17,161
Tax on profit on ordinary activities	<b>5</b>	(9,950)	(3,455)
<b>Profit for the financial period</b>		<b>41,851</b>	13,706

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 12 to 21 form a part of these financial statements.

UKTV Media Limited  
Directors' report and financial statements  
For the period ended 31 March 2020

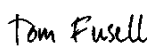
## Balance sheet

at 31 March 2020

	Note	31 March 2020		4 June 2019	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Intangible fixed assets	6		8,975		9,857
Tangible fixed assets	7		2,453		2,462
Investments	8		700		200
			<u>12,128</u>		<u>12,519</u>
<b>Current assets</b>					
Programming stock	9	98,359		103,153	
Debtors: amounts falling due within one year	10	62,369		74,516	
Cash at bank and in hand		27,518		39,353	
		<u>188,246</u>		<u>217,022</u>	
<b>Creditors: amounts falling due within one year</b>	11	(66,110)		(137,128)	
<b>Net current assets</b>			<u>122,136</u>		<u>79,894</u>
<b>Total assets less current liabilities</b>			<u>134,264</u>		<u>92,413</u>
<b>Net assets</b>			<u>134,264</u>		<u>92,413</u>
<b>Capital and reserves</b>					
Called up share capital	12		1		1
Profit and loss account	13	169,687		127,836	
Merger reserve	13	(55,424)		(55,424)	
Share capital redemption reserve	13	20,000		20,000	
<b>Shareholders' funds</b>			<u>134,264</u>		<u>92,413</u>

The notes on pages 12 to 21 form part of these financial statements.

These financial statements were approved by the board of directors on 1 September 2020 and were signed on its behalf by:

DocuSigned by:  
  
 44B54F0705E949D  
**Thomas Fussell**  
 Director

## Statement of changes in equity

for the period ended 31 March 2020

	<b>Called-up Share Capital £'000</b>	<b>Merger Reserve £'000</b>	<b>Share Capital Redemption Reserve £'000</b>	<b>Profit &amp; Loss Account £'000</b>	<b>Total £'000</b>
<b>At 1 January 2019</b>	<b>1</b>	<b>(55,424)</b>	<b>-</b>	<b>134,130</b>	<b>78,707</b>
Profit for the period	-	-	-	13,706	13,706
Redemption of non-cumulative preference shares (note 13)	-	-	20,000	(20,000)	-
<b>At 4 June 2019</b>	<b>1</b>	<b>(55,424)</b>	<b>20,000</b>	<b>127,836</b>	<b>92,413</b>
Profit for the period	-	-	-	41,851	41,851
<b>At 31 March 2020</b>	<b>1</b>	<b>(55,424)</b>	<b>20,000</b>	<b>169,687</b>	<b>134,264</b>

**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***

UKTV Media Limited is a company incorporated in the United Kingdom under the Companies Act and its registered address is 10 Hammersmith Grove, London, W6 7AP.

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.

Following the demerger, the Company changed its accounting period from a 31 December year end to a 31 March year end to align with its ultimate parent company the BBC. Due to this change of accounting period, the financial statements (including the related notes) are presented for the ten-month period to 31 March 2020 and cannot be compared to the prior five-month period ended 4 June 2019.

***Going concern***

Due to the significant impact of COVID-19 on advertising revenues and increased uncertainty, a range of advertising market scenarios have been included in the Company's forecasts and projections to assist the directors in understanding the consequences. After reviewing these 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's remaining revenue streams are not significantly affected by COVID-19. 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. The smallest group accounts can be found at the BBC Commercial Holdings Limited level and its cash flows are included within the consolidated cash flow statement of that company. The consolidated financial statements of BBC Commercial Holdings Limited are available online from [www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport).

***Related parties***

The Company has taken advantage of the exemptions under paragraphs 1.12e and 33.1A of FRS102 not to disclose the total compensation of key management personnel and transactions with fellow wholly owned subsidiaries. Terms and conditions of transactions with related parties, and sales and purchases between related parties are made on an arm's length basis.

***Turnover***

Turnover represents net advertising revenue, subscription revenue and other commercial revenue. All turnover is measured at fair value of the consideration receivable per the contractual terms and stated net of value added tax. Net advertising revenue is recognised over the contractual year in line with revenues generated by the advertising sales partner, subscription fees on pay channels are recognised as earned per the contract, and other commercial revenue is recognised on delivery.

**Notes (continued)****1 Accounting policies (continued)*****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.

***Financial assets***

Financial assets comprise of cash at bank and debtors. These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Since these balances are expected to be realised within 12 months of the reporting date, they are measured at transaction price less any impairment.

***Financial liabilities***

Short term trade creditors are measured at the transaction price. Other financial liabilities, including loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

***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.

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 and licences costs – 13% to 33% per annum

**Notes (continued)****1 Accounting policies (continued)*****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 cost 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.

**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.

	31 March 2020 £'000	4 June 2019 £'000
UK	230,449	135,965
Republic of Ireland	5,881	2,985
	<u>236,330</u>	<u>138,950</u>

**3 Profit on ordinary activities before taxation**

	31 March 2020 £'000	4 June 2019 £'000
<b><i>Profit on ordinary activities before taxation is stated after charging:</i></b>		
Auditor remuneration:		
Audit of these financial statements	-	97
Tax services	-	10
Other non-audit fees	-	1
Amortisation of programming inventory	99,382	59,360
Operating lease rentals in respect of rent	1,162	534
Operating lease rentals in respect of plant and machinery	22,807	17,096
Amortisation of intangible fixed assets	3,833	2,554
Depreciation of fixed assets	487	240
Disposal of intangible fixed assets	-	5,143
	<u></u>	<u></u>

In the current year, the Company audit fee of £113,000 was borne by the parent company BBC Studios Distribution Limited. In the prior year, the auditor's remuneration relating to UKTV Media Holdings Limited, the Group's holding company, was incurred by the Company.



## Notes (continued)

### 4 Staff numbers and costs

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

	<b>Number of employees</b>	
	<b>31 March 2020</b>	<b>4 June 2019</b>
Administration	265	280

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

	<b>31 March 2020</b>	<b>4 June 2019</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	13,586	9,450
Social security costs	1,543	815
Other pension costs (note 14)	914	466
	<b>16,043</b>	<b>10,731</b>

The aggregate payroll costs include the costs of staff who work on software development which are capitalised and reported within intangible fixed assets. During the current or prior period, no directors were employed by or received any remuneration from the Company. These costs were borne by the parent company BBC Studios Distribution Limited.

**Notes (continued)****5 Taxation***Analysis of charge in period:*

	<b>31 March 2020</b>		<b>4 June 2019</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>UK Corporation tax</i>				
Current tax on income for the period	<b>10,024</b>		3,304	
Adjustments in respect of prior periods	<b>(32)</b>		-	
<b>Total current tax charge</b>		<b>9,992</b>		3,304
Deferred tax	<b>(42)</b>		151	
<b>Total deferred tax</b>		<b>(42)</b>		151
<b>Tax on profit on ordinary activities</b>		<b>9,950</b>		3,455

*Factors affecting tax charge for the current period.*

The current tax charge for the period is higher (4 June 2019: higher) than the standard rate of corporation tax in the UK. The differences are explained below.

	<b>31 March 2020</b>	<b>4 June 2019</b>
	<b>£'000</b>	<b>£'000</b>
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<b>51,801</b>	17,161
Current tax at 19% (4 June 2019: 19%)	<b>9,842</b>	3,260
<i>Effects of:</i>		
Expenses not deductible for tax purposes	<b>153</b>	49
Differences between capital allowances & depreciation	<b>29</b>	(5)
Adjustments to tax charge in respect of prior periods	<b>(32)</b>	-
<b>Total current tax charge</b>	<b>9,992</b>	3,304

*Factors affecting future tax charges*

The UK corporation tax rate is 19% and is expected to remain at this level for the immediate future. The March 2020 Budget announced that this rate would continue to apply with effect from 1 April 2020 and this change was substantively enacted on 17 March 2020. Deferred tax assets and liabilities have been calculated at 19% in line with the rate at which the company anticipates these temporary differences to unwind.

<b>Deferred tax</b>	<b>31 March 2020</b>	<b>4 June 2019</b>
	<b>£'000</b>	<b>£'000</b>
Timing differences	<b>230</b>	188
Deferred tax asset	<b>230</b>	188
At beginning of the year	<b>188</b>	339
Recognised/(Utilised) during the period	<b>42</b>	(151)
At the end of the period (note 10)	<b>230</b>	188

As at 31 March 2020, the Company has £nil (4 June 2019: £nil) unrecognised tax losses available to relieve against future profits.

**Notes (continued)****6 Intangible fixed assets**

	<b>Software development &amp; licence costs £'000</b>
<b>Cost</b>	
At 4 June 2019	25,891
Additions	2,951
	<hr/>
At 31 March 2020	28,842
	<hr/>
<b>Amortisation</b>	
At 4 June 2019	16,034
Provided during the period	3,833
	<hr/>
At 31 March 2020	19,867
	<hr/>
<b>Net book value at 31 March 2020</b>	<b>8,975</b>
	<hr/> <hr/>
Net book value at 4 June 2019	9,857
	<hr/> <hr/>

Amortisation has been charged to administration expenses in the profit and loss account.

**7 Tangible fixed assets**

	<b>Furniture &amp; Fittings £'000</b>	<b>IT Hardware £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 4 June 2019	4,473	2,111	6,584
Additions	290	188	478
	<hr/>	<hr/>	<hr/>
At 31 March 2020	4,763	2,299	7,062
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 4 June 2019	2,443	1,679	4,122
Provided during the period	266	221	487
	<hr/>	<hr/>	<hr/>
At 31 March 2020	2,709	1,900	4,609
	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 March 2020</b>	<b>2,054</b>	<b>399</b>	<b>2,453</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value at 4 June 2019	2,030	432	2,462
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Depreciation has been charged to administration expenses in the profit and loss account.

## Notes (continued)

### 8 Fixed asset investments

	£'000
Cost and net book value at beginning of the period	200
<i>Movements in the period:</i>	
Additions	700
Impairments	(200)
Cost and net book value at end of the period	700

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 cost and tested for impairment each year as appropriate.

### 9 Programming stock

	31 March 2020 £'000	4 June 2019 £'000
Programming licence fees and production costs	98,359	103,153

Impairment losses recognised in relation to programming stock during the period were £4,143,000 (4 June 2019: £5,383,000).

### 10 Debtors

	31 March 2020 £'000	4 June 2019 £'000
Amounts falling due within one year		
Trade debtors	21,296	36,397
Amounts owed by fellow subsidiary undertakings	391	-
Other debtors	217	179
Prepayments	12,835	13,406
Accrued income	25,219	24,321
Taxation and social security	2,181	-
Net deferred tax asset (note 5)	230	213
	62,369	74,516

**Notes (continued)****11 Creditors: amounts falling due within one year**

	31 March 2020	4 June 2019
	£'000	£'000
Trade creditors	4,992	1,345
Amounts owed to fellow subsidiary undertakings	15	540
Amounts owed to intermediate parent undertaking	24,340	-
Taxation and social security	1,644	5,604
Accruals and deferred income	32,899	60,187
Other creditors	2,220	740
Redeemable unsecured loan stock	-	21,460
Accrued interest on redeemable unsecured loan stock	-	932
Variable rate unsecured loan stock	-	35,001
Capitalised interest on variable rate unsecured loan stock	-	10,990
Accrued interest on variable rate unsecured loan stock	-	329
	<b>66,110</b>	<b>137,128</b>

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

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

In 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.

During the current period ended 31 March 2020 the Company fully repaid all debt owing to BBC Studios Distribution Limited.

**12 Called up share capital**

	31 March 2020	4 June 2019
	£	£
<i>Authorised, allotted and fully paid</i>		
1,001 ordinary shares of £1 each	1,001	1,001

## Notes (continued)

### 13 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 – On 3 June 2019, as part of the demerger of the business and assets owned by the Company, 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 at that time. As per UK company law requirements the Company created a capital redemption reserve equal to the nominal amount of preference share capital redeemed.

### 14 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 £914,045 (*4 June 2019: £547,265*). There were outstanding contributions as at 31 March 2020 of £80,039 (*4 June 2019: £84,297*).

### Notes (continued)

## 15 Commitments

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

	Land & Buildings	Plant & Machinery	Total
	31 4 June	31 4 June	31 4 June
	March 2019	March 2019	March 2019
	2020	2020	2020
	£'000	£'000	£'000
Within one year	1,962	27,443	29,405
Between two and five years	7,850	44,983	56,252
Over five years	8,178	-	8,178
		31 March	4 June 2019
		2020	£'000
		£'000	
Net remaining liabilities on future commitments with regard to the purchase of programming licences and other non-cancellable contracts		31,577	64,513

**16 Ultimate parent company**

The Company is a wholly owned subsidiary of UKTV Media Holdings Limited.

On 4 June 2019, the joint venture parent companies at that time 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.

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

The Company's immediate parent is UKTV Media Holdings Limited and the Company's ultimate parent undertaking and controlling party is the BBC which is incorporated in the United Kingdom by Royal Charter. The largest group in which the results of the Company are consolidated is that headed by the BBC. The smallest group in which they are consolidated is that headed by BBC Commercial Holdings Limited incorporated in the United Kingdom. The consolidated accounts of the BBC may be obtained online at [www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport).