UKTV Media Holdings Limited

Directors' report and financial statements

Registered number 07596400

4 June 2019

Contents

Strategic report

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

Principal activity

The principal activity of the Group during the period was the operation of eleven TV brands: Dave, Gold, W, Alibi, Drama, Yesterday, Really, Good Food, Eden, Home and UKTV Play, which broadcast via pay, free-to-air and digital platforms.

UKTV Media Holdings Limited (the 'Company') is the holding company of UKTV Media Limited and Lifestyle Newco Limited. At 4 June 2019, the joint venture partners of the Company 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% of the ordinary share capital.

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 became a wholly owned subsidiary of Discovery Inc.

As part of this transaction, on 11 June 2019 UKTV Media Limited 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 UKTV Media Limited by BBC Studios Distribution Limited.

Following the demerger, the Group 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 Group is to maximise shareholder value, measured as operating profit and operating cash flow, 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 UKTV Media Limited. Under this agreement, UKTV Media Limited 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 Group for the period ended 4 June 2019 are set out on page 8. Performance for the Group is based on the results from UKTV Media Limited and is measured against operating profit, operating cash flow 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
Operating cash flow	**30,010**	75,501
Share of commercial impacts	**9.57%**	9.46%

Strategic report *(continued)*

Following the change of accounting period described above, operating profit and operating cash flow are 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.

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 UKTV Media Limited, as described above.

In addition, the Group 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 Group in the short to medium term are:

1) Competition. The Group operates in a highly competitive environment. The Group 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 Group continues to invest in and expand its business beyond the linear broadcasting environment.

3) Reliance on key revenue streams. The Group'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 Group 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: 7596400
25 February 2020

Directors' report

Going concern

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

Dividends

During the period, ordinary dividends of £nil *(2018: £29,000,000)*, being equivalent to £nil *(2018: £2,900)* per ordinary share were proposed and paid. Preference dividends of £nil *(2018: £50,000)* were payable by subsidiary company UKTV Media Limited to Southbank Media Limited, a subsidiary of Discovery, Inc.

Directors

The directors and officers who held office during the period and up to 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 Group 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 a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board

Anthony Corriette
Company Secretary

10 Hammersmith Grove
London
W6 7AP
Registered number: 7596400
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 Group and parent Company 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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company 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 Group and parent 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 Group or the Parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of UKTV Media Holdings Limited ("the company") for the period ended 4 June 2019 which comprise the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement, consolidated and company 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 group's and of the parent company's affairs as at 4 June 2019 and of the group's 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 group 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 carrying value of investments and 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 group or the company or to cease their operations, and as they have concluded that the group and 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 their 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 group's business model, including the impact of Brexit, and analysed how those risks might affect the group and 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 group or 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:

- 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 4, 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 group and parent 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 group or the parent 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**

Consolidated 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.

The Group has no recognised gains or losses for the current or prior financial years other than those included in the profit and loss account and therefore no separate statement of comprehensive income has been prepared.

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

Notes on pages 12 to 25 form an integral part of these financial statements.

Consolidated balance sheet

at 4 June 2019

	Note	4 June 2019 £'000	4 June 2019 £'000	2018 £'000	2018 £'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	**115,975**		132,085	
Debtors: amounts falling due within one year	13	**75,996**		76,017	
Cash at bank and in hand		**54,163**		33,011	
Current assets		**246,134**		241,113	
Creditors: amounts falling due within one year	14	**(166,225)**		(133,508)	
Net current assets			**79,909**		107,605
Total assets less current liabilities			**92,428**		126,620
Creditors: amounts falling due after more than one year	15		**-**		(47,898)
Net assets			**92,428**		78,722
Total shareholders' funds					
Equity share capital	16		**10**		10
Profit and loss account			**72,418**		78,712
Share capital redemption reserve	17		**20,000**		-
Shareholders' funds			**92,428**		78,722

The notes on pages 12 to 25 form an integral part of these financial statements.

This balance sheet was approved by the board of directors on 25 February 2020 and was signed on its behalf by:

T Fussell
Director

Company balance sheet

at 4 June 2019

	Note	4 June 2019 £'000	4 June 2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Investments	*10*		**277,337**		550,000
Current assets					
Debtors: amounts falling due within one year	*13*	**15**		15	
		15		15	
Net current assets			**15**		15
Total assets less current liabilities			**277,352**		550,015
Net assets			**277,352**		550,015
Total shareholders' funds					
Equity share capital	*16*		**10**		10
Profit and loss account			**277,342**		550,005
Shareholders' funds			**277,352**		550,015

The notes on pages 12 to 25 form part of these financial statements.

This balance sheet was approved by the board of directors on 25 February 2020 and was signed on its behalf by:

T Fussell
Director

Consolidated statement of cash flows

for the period ended 4 June 2019

	4 June 2019 £'000	2018 £'000
Cash flows from operating activities		
Profit for the financial period	13,706	52,572
Adjustments for:		
Amortisation of intangible assets	2,554	5,074
Depreciation of tangible assets	240	604
Disposal of intangible assets	5,143	-
Interest payable	1,586	3,760
Interest receivable	(4)	(6)
Taxation charge	3,455	12,474
(Increase) in trade and other debtors	(129)	(4,567)
Decrease in stocks	16,110	1,227
(Decrease)/increase in trade and other creditors	(12,651)	4,363
Cash from operations	**30,010**	**75,501**
Income taxes paid	(6,661)	(13,039)
Net cash generated from operating activities	**23,349**	**62,462**
Cash flows from investing activities		
Purchases of tangible assets	(113)	(362)
Purchases of intangible assets	(1,328)	(15,281)
Purchase of fixed asset investment	-	(200)
Net cash from investing activities	**(1,441)**	**(15,843)**
Cash flows from financing activities		
Interest received	4	6
Interest paid	(760)	(2,309)
Variable rate unsecured loan stock	-	(3,500)
Dividends paid	-	(29,000)
Net cash used in financing activities	**(756)**	**(34,803)**
Net increase in cash and cash equivalents	**21,152**	**11,816**
Cash and cash equivalents at the beginning of year	33,011	21,195
Cash and cash equivalents at end of period	**54,163**	**33,011**

Consolidated statement of changes in equity

for the period ended 4 June 2019

	Called-up Share Capital £'000	Share Capital Redemption Reserve £'000	Profit & Loss Account £'000	Total £'000
At 1 January 2018	**10**	-	**55,140**	**55,150**
Profit for the year	-	-	52,572	**52,572**
Dividends paid *(note 11)*	-	-	(29,000)	**(29,000)**
At 31 December 2018	**10**	-	**78,712**	**78,722**
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	**10**	**20,000**	**72,418**	**92,428**

Company statement of changes in equity

for the period ended 4 June 2019

	Called-up Share Capital £'000	Profit & Loss Account £'000	Total £'000
At 1 January 2018	**10**	**550,000**	**550,010**
Profit for the year	-	29,005	**29,005**
Dividends paid *(note 11)*	-	(29,000)	**(29,000)**
At 31 December 2018	**10**	**550,005**	**550,015**
Profit for the period	-	-	-
Dividends paid *(note 11)*	-	-	-
Impairment of fixed asset investments *(note 10)*	-	(272,663)	**(272,663)**
At 4 June 2019	**10**	**277,342**	**277,352**

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 Group's 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

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

Group accounts

Consolidated financial statements have been prepared for the Group which incorporate the financial statements of UKTV Media Limited. These consolidated accounts have been prepared in line with merger accounting principles of Financial Reporting Standard 102. The carrying value of the subsidiary company was initially included at fair value within the parent company financial statements.

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit or loss account.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 Group 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, adjusted for any lease incentives.

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 & Software – 33% per annum.

Investments

In the Company and Group financial statements, investments in subsidiary undertakings and other investments were initially stated at fair value. It is the intention to maintain these assets at historical cost and test for impairment each year, as appropriate.

Notes *(continued)*

1 Accounting policies *(continued)*

Common Control Transactions

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

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company, or Group as the case may be, to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company or Group; and
b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

2 Segmental reporting

The Group'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.

Turnover by geographical location:	**4 June 2019 £'000**	2018 £'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 £'000	2018 £'000
Interest on bank deposits	**4**	6
	4	6

Notes *(continued)*

4 Interest payable and similar charges

	4 June 2019 £'000	2018 £'000
Interest on redeemable unsecured loan stock *(note 18)*	932	2,247
Interest on variable rate unsecured loan stock *(note 18)*	653	1,448
Finance costs on shares classified as liabilities *(note 18)*	-	50
Other Interest	1	15
	1,586	3,760

5 Profit on ordinary activities before taxation

	4 June 2019 £'000	2018 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditor remuneration:		
Audit of the Company's financial statements	11	9
Audit of the Company's subsidiaries	97	82
Total audit fees	108	91
Tax services	10	17
Other non-audit services	1	2
Total non-audit fees	11	19
Amortisation of programming inventory	59,360	132,158
Operating lease rentals in respect of land and buildings	534	1,218
Operating lease rentals in respect of hire of plant and machinery	17,096	38,972
Amortisation of intangible fixed assets	2,554	5,074
Depreciation of tangible fixed assets	240	604
Disposal of intangible fixed assets	5,143	-

The Company audit fee of £11,000 was borne by the subsidiary undertaking.

Notes *(continued)*

6 Staff numbers and costs

All staff costs are incurred wholly by UKTV Media Limited and are disclosed in the financial statements for UKTV Media Limited, which are available from Companies House.

The average number of persons employed by the Group during the period (including directors and employees of BBC contracted to work for the Group) was as follows:

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

The aggregate payroll costs of these persons 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 20)*	**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 Group's future tax charge accordingly.

The deferred tax asset is measured at the rate of 17% 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 13)*	**188**	339

As at 4 June 2019, the Group 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

	Group other investments	Company investments in subsidiary undertakings
	£'000	£'000
Cost and net book value at beginning of the year	**200**	**550,000**
Movements in the period:		
Impairments	-	(272,663)
Cost and net book value at end of the period	**200**	**277,337**

Subsidiary undertakings

The following companies were subsidiaries at 4 June 2019:

	Business	Class of shares	Group Holding	Country of incorporation
UKTV Media Limited	Broadcasting Entertainment TV Channels	Ordinary	100%	England and Wales
Lifestyle Newco Limited	Broadcasting Lifestyle TV Channels	Ordinary	100%	England and Wales

The demerger and transfer of assets by UKTV Media Limited to Lifestyle Newco Limited has been accounted for as a common control transaction. As a result of this, the carrying value of UKTV Media Limited in UKTV Media Holdings Limited has been reduced to reflect this transfer. In addition, its carrying value has been reduced further to reflect the Directors' revised estimates of UKTV Media Limited's performance on a standalone basis. This accounting transaction has no cash impact.

In the opinion of the directors, the investments in, and amounts due from, the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

Other investments

In 2018, the Group launched its Innovation Fund to invest in burgeoning high-growth companies wishing to access the TV advertising market, where the Group 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	2018
	£'000	£'000
Equity shares		
Ordinary dividends proposed and paid	-	**29,000**

Notes *(continued)*

12 Programming stock

	Group 4 June 2019 £'000	2018 £'000	Company 4 June 2019 £'000	2018 £'000
Programming licence fees and production costs	**115,975**	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

	Group 4 June 2019 £'000	2018 £'000	Company 4 June 2019 £'000	2018 £'000
Trade debtors	**36,397**	40,053	**-**	-
Amounts owed by fellow joint venture undertakings	**-**	-	**15**	15
Prepayments	**14,885**	13,911	**-**	-
Accrued income	**24,321**	21,653	**-**	-
Net deferred tax asset *(note 7)*	**188**	339	**-**	-
Other debtors	**205**	61	**-**	-
	75,996	76,017	**15**	15

14 Creditors: amounts falling due within one year

	Group 4 June 2019 £'000	2018 £'000	Company 4 June 2019 £'000	2018 £'000
Trade creditors	**1,345**	1,933	**-**	-
Amounts owed to joint venture parent and its subsidiaries *(note 18)*	**-**	-	**-**	-
Other creditors including taxation and social security	**5,604**	12,823	**-**	-
Shares classified as liabilities *(note 16, 18)*	**-**	20,000	**-**	-
Accruals and deferred income	**63,594**	71,814	**-**	-
Redeemable unsecured loan stock *(note 18)*	**21,460**	21,460	**-**	-
Other creditors	**739**	719	**-**	-
New Scripps loan *(note 18)*	**20,000**	-	**-**	-
Variable rate unsecured loan stock *(note 18)*	**41,232**	4,000	**-**	-
Capitalised interest on variable rate unsecured loan stock *(note 18)*	**10,990**	-	**-**	-
Accrued interest on variable loan stock *(note 18)*	**329**	193	**-**	-
Accrued interest on redeemable unsecured loan stock *(note 18)*	**932**	566	**-**	-
	166,225	133,508	**-**	-

Notes *(continued)*

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

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 "New Scripps loan" to the Group, increasing the overall debt by such amount and the Group used this amount to fully redeem the £20M non-cumulative preference shares classified as liabilities. The "New Scripps loan" is repayable within one year and does not have a renewal option.

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 UKTV Media Limited.

On 11 June 2019, the Group 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 Group by BBC Studios Distribution Limited.

15 Creditors: amounts falling due after more than one year

	Group		Company	
	4 June 2019	2018	**4 June 2019**	2018
	£'000	£'000	**£'000**	£'000
Variable rate unsecured loan stock *(note 18)*	-	37,232	-	-
Capitalised interest on variable rate unsecured loan stock *(note 18)*	-	10,666	-	-
	-	47,898	-	-

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

Notes *(continued)*

16 Called up share capital

	Group		Company	
	4 June 2019	2018	**4 June 2019**	2018
	£'000	£'000	**£'000**	£'000
10,000 ordinary shares of £1 each (divided into 5,000 'A' shares and 5,000 'B' shares)	**10**	10	**10**	10
20,000,000 non-cumulative redeemable 0.25% preference shares of £1 each	**-**	20,000	**-**	-
	10	20,010	**10**	10
Shares classified as liabilities	**-**	(20,000)	**-**	-
	10	10	**10**	10

Rights attaching to each class of share are summarised below:

Save as summarised below, the holders of the 'A' ordinary shares and the 'B' ordinary shares rank pari passu in all respects.

Only the holders of the 'A' ordinary shares and the 'B' ordinary shares are entitled to voting rights at meetings of the members. The holders of a majority of 'A' ordinary shares also have the right to appoint and remove 'A' shareholder directors and the holders of a majority of 'B' ordinary shares have the right to appoint and remove 'B' shareholder directors.

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

17 Reserves

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

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 by UKTV Media Limited on 3 June 2019.

Notes *(continued)*

18 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**	-	**(94,943)**	(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)*

19 Commitments

The Group'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	**39,067**	40,296	**41,030**	41,904
Between two and five years	**7,852**	6,432	**77,846**	91,687	**85,698**	98,119
Over five years	**9,798**	8,710	**15,131**	17,749	**24,929**	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	**69,677**	50,595

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

20 Pension scheme

The Group 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 and amounted to £547,265 *(2018*: £988,870*)*. There were outstanding contributions as at 4 June 2019 of £84,297 *(2018: £75,723)*.

21 Ultimate joint venture parents

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)*

22 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 UKTV Media Limited. Under this agreement, UKTV Media Limited 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.

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

As part of this transaction, on 11 June 2019 UKTV Media Limited 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 UKTV Media Limited by BBC Studios Distribution Limited.

Following the demerger, the Group 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.