

UKTV Media Limited

Directors' report and financial statements

Registered number 04266373

31 December 2018



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Strategic report

Principal activity

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

Results and business review

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

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.

Detailed results of the Company for the year ended 31 December 2018 are set out on page 8. Measurement of the Company performance is against operating profit and SOCI.

Key performance indicators

	2018	2017
	£'000	£'000
Operating profit	68,800	75,701
Share of commercial impacts	9.46%	9.69%

Operating profit has decreased year-on-year due to a combination of decreased revenues, driven by challenging underlying economic conditions and increased investment in the operations of both the linear channels and digital on-demand services. SOCI declined from 9.69% to 9.46% due to a combination of increased competition, in particular on the free to air channels.

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

Significant events

During the year the Company renewed its carriage agreements with Virgin Media Limited and BT plc.

Strategic report *(continued)*

Principal risks and uncertainties

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

- 1) Competition. The Company operates in a highly competitive environment. The Company is committed to obtaining the best programming content available in order to retain its strong market share, despite a challenging advertising market.
- 2) Substitutes. Technological advances are changing the way people access and view content resulting in a shift in viewing habits away from traditional linear broadcast TV. The Company continues to invest in and expand its business beyond the linear broadcasting environment.
- 3) Reliance on key revenue streams. The Company's key revenue streams come from subscription and advertising revenues. Therefore, a shift in market parameters or supplier relations could have a significant impact (positive or negative) on the business. Senior management is aware of this and seeks to identify ways to diversify and lessen the exposure.
- 4) Brexit. Uncertainty due to Brexit could damage consumer confidence and adversely impact subscription and advertising revenues. Senior management is aware of this however the outcome at this time is uncertain.

Future outlook

In 2019 the Company plans to continue to invest in content and promoting its channels, whilst looking to further grow its business in both linear broadcasting and video on demand.

By order of the board



T Fussell
Director

10 Hammersmith Grove
London
W6 7AP
Registered number: 4266373
12 JUNE 2019

Directors' report

The directors present their annual report and the audited financial statements of UKTV Media Limited (the 'Company') for the year ended 31 December 2018.

Going concern

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

The results for the year ended 31 December 2018 and the financial position of the Company at that date are set out on pages 8 and 9 of the financial statements.

Dividends

During the year, ordinary dividends of £29,000,000 (2017: £60,000,000), being equivalent to £28,971 (2017: £59,940) per ordinary share were proposed and paid. Preference dividends of £50,000 (2017: £50,000) were payable by the Company to Southbank Media Limited, a subsidiary of Discovery, Inc.

Directors

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

M Arthur	(appointed 21 March 2018)
N Bahel	(appointed 19 June 2018, resigned 28 November 2018)
S Burrows	(resigned 19 September 2018)
B Campbell	(appointed 19 March 2018, resigned 11 June 2019)
S Davies	
T Fussell	(appointed 19 September 2018)
L Hickok	(resigned 19 March 2018)
O Lang	(resigned 21 March 2018)
S Nardi	(resigned 19 June 2018)
J-B Perrette	(appointed 19 March 2018, resigned 11 June 2019)
J Samples	(resigned 19 March 2018)

Political and charitable contributions

During the year, the Company made charitable donations of £32,392 (2017: £40,105) and did not make any political contributions (2017: £nil).

Directors' report (*continued*)

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



T Fussell
Director

10 Hammersmith Grove
London
W6 7AP
Registered number: 4266373
12 JUNE 2019

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UKTV MEDIA LIMITED

Opinion

We have audited the financial statements of UKTV Media Limited ("the company") for the year ended 31 December 2018 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

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

Going concern

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

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

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

Strategic report and directors' report

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

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

- we have not identified material misstatements in the strategic report and the directors' report;

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

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



12 June 2019

Profit and loss account

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	2	330,975	333,050
Cost of sales		(170,983)	(172,327)
Gross profit		159,992	160,723
Distribution costs		(65,871)	(64,115)
Administration expenses		(25,321)	(20,907)
Operating profit		68,800	75,701
Interest receivable and similar income	3	6	7
Interest payable and similar charges	4	(3,760)	(3,652)
Profit on ordinary activities before taxation	5	65,046	72,056
Tax on profit on ordinary activities	7	(12,474)	(14,001)
Profit for the financial year		52,572	58,055

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 11-22 form a part of these financial statements.

Balance sheet

at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed Assets			
Intangible fixed assets	8	16,226	6,019
Tangible fixed assets	9	2,589	2,831
Investments	10	200	-
		<u>19,015</u>	<u>8,850</u>
Current assets			
Programming stock	12	132,085	133,312
Debtors: amounts falling due within one year	13	76,017	71,468
Cash at bank and in hand		33,011	21,195
		<u>241,113</u>	<u>225,975</u>
Creditors: amounts falling due within one year	14	<u>(133,523)</u>	<u>(128,484)</u>
Net current assets		<u>107,590</u>	<u>97,491</u>
Total assets less current liabilities		<u>126,605</u>	<u>106,341</u>
Creditors: amounts falling due after more than one year	15	<u>(47,898)</u>	<u>(51,206)</u>
Net assets		<u>78,707</u>	<u>55,135</u>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account	18	134,130	110,558
Merger reserve	18	(55,424)	(55,424)
Shareholders' funds		<u>78,707</u>	<u>55,135</u>

The notes on pages 11-22 form part of these financial statements.

These financial statements were approved by the board of directors on signed on its behalf by:

12 JUNE 2019 and were



T Fussell
Director

Statement of changes in equity

for the year ended 31 December 2018

	Called-up Share Capital £'000	Merger Reserve £'000	Profit & Loss Account £'000	Total £'000
At 1 January 2017	1	(55,424)	112,503	57,080
Profit for the year	-	-	58,055	58,055
Dividends paid (note 11)	-	-	(60,000)	(60,000)
At 31 December 2017	1	(55,424)	110,558	55,135
Profit for the year	-	-	52,572	52,572
Dividends paid (note 11)	-	-	(29,000)	(29,000)
At 31 December 2018	1	(55,424)	134,130	78,707

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

Going concern

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

Cash flow statement

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

Related parties

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

Turnover

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

Foreign currencies

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

Derivative financial instruments

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

Taxation

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

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

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

Programming stock

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

Pensions

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

Operating leases

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

Intangible fixed assets

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

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

Tangible fixed assets

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

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

Investments

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

Notes (continued)

2 Segmental reporting

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

	2018 £'000	2017 £'000
UK	323,145	326,553
Republic of Ireland	7,830	6,497
	<u>330,975</u>	<u>333,050</u>

3 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest on bank deposits	6	2
Other interest receivable	-	5
	<u>6</u>	<u>7</u>

4 Interest payable and similar charges

	2018 £'000	2017 £'000
Interest on variable rate unsecured loan stock (note 20)	1,448	1,355
Interest on redeemable unsecured loan stock (note 20)	2,247	2,247
Finance costs on shares classified as liabilities (note 20)	50	50
Other interest payable	15	-
	<u>3,760</u>	<u>3,652</u>

5 Profit on ordinary activities before taxation

	2018 £'000	2017 £'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor remuneration:		
Audit of these financial statements	82	80
Tax services	17	9
Other non-audit fees	2	4
Amortisation of programming inventory	132,158	132,362
Operating lease rentals in respect of rent	1,218	1,209
Operating lease rentals in respect of plant and machinery	38,972	37,944
Amortisation of intangible fixed assets	5,074	2,773
Depreciation of fixed assets	604	685

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

Notes (continued)

6 Staff numbers and costs

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

	Number of employees	
	2018	2017
Administration	279	274

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

	2018 £'000	2017 £'000
Wages and salaries	20,588	19,247
Social security costs	1,799	1,746
Other pension costs (note 19)	989	933
	<u>23,376</u>	<u>21,926</u>

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:

	2018		2017	
	£'000	£'000	£'000	£'000
<i>UK Corporation tax</i>				
Current tax on income for the period	12,461		14,008	
Adjustments in respect of prior periods	(5)		(121)	
	<u>12,456</u>		<u>13,887</u>	
Total current tax charge		12,456		13,887
Deferred tax	18		114	
	<u>18</u>		<u>114</u>	
Total deferred tax		18		114
		<u>12,474</u>		<u>14,001</u>
Tax on profit on ordinary activities		12,474		14,001

Notes (continued)

7 Taxation (continued)

Factors affecting tax charge for the current period.

The current tax charge for the period is higher (2017: higher) than the standard rate of corporation tax in the UK. The differences are explained below.

	2018 £'000	2017 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	65,046	72,056
Current tax at 19% (2017: 19.25%)	12,359	13,871
<i>Effects of:</i>		
Expenses not deductible for tax purposes	124	125
Differences between capital allowances & depreciation	(22)	12
Adjustments to tax charge in respect of prior periods	(5)	(121)
Total current tax charge	12,456	13,887

Factors affecting future tax charges

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

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

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

Deferred tax

	2018 £'000	2017 £'000
Timing differences	339	357
Deferred tax asset	339	357
At beginning of the year (Utilised) during the year	357 (18)	471 (114)
At the end of the year (note 12)	339	357

As at 31 December 2018, the Company has £nil (2017: £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 2018	15,282
Additions	15,281
	<hr/>
At 31 December 2018	30,563
	<hr/>
Amortisation	
At 1 January 2018	9,263
Provided during the year	5,074
	<hr/>
At 31 December 2018	14,337
	<hr/>
Net book value at 31 December 2018	16,226
	<hr/>
Net book value at 31 December 2017	6,019
	<hr/>

9 Tangible fixed assets

	Furniture & Fittings £'000	IT Hardware £'000	Total £'000
Cost			
At 1 January 2018	4,361	1,748	6,109
Additions	112	250	362
	<hr/>	<hr/>	<hr/>
At 31 December 2018	4,473	1,998	6,471
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2018	1,971	1,307	3,278
Provided during the year	330	274	604
	<hr/>	<hr/>	<hr/>
At 31 December 2018	2,301	1,581	3,882
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2018	2,172	417	2,589
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2017	2,390	441	2,831
	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Fixed asset investments

	£'000
Cost and net book value at beginning of the year	-
<i>Movements in the year:</i>	
Additions	200
Cost and net book value at end of the year	200

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

11 Dividends

	2018 £'000	2017 £'000
<i>Equity Shares</i>		
Ordinary dividends proposed and paid	29,000	60,000

Dividends were paid during the year on 1st April, 29th June, 28th September and 21st December.

12 Programming stock

	2018 £'000	2017 £'000
Programming licence fees and production costs	132,085	133,312

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

13 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade debtors	40,053	40,323
Other debtors	61	43
Amounts owed by joint venture parent and its subsidiaries (<i>note 20</i>)	-	274
Prepayments	13,911	8,500
Accrued income	21,653	21,971
Net deferred tax asset (<i>note 7</i>)	339	357
	76,017	71,468

Notes (continued)

14 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	1,933	242
Amounts owed to joint venture parent (note 20)	-	491
Amounts owed to fellow joint venture undertakings	15	15
Taxation and social security	12,823	12,609
Accruals and deferred income	71,814	69,607
Other creditors	719	560
Redeemable unsecured loan stock (note 20)	21,460	21,460
Accrued interest on redeemable unsecured loan stock (note 20)	566	-
Shares classified as liabilities (note 17, 20)	20,000	20,000
Variable rate unsecured loan stock (note 20)	4,000	3,500
Accrued interest on variable rate unsecured loan stock (note 20)	193	-
	<u>133,523</u>	<u>128,484</u>

Redeemable unsecured loan stock is repayable on shareholder request in accordance with the terms of the Shareholders' Agreement. As at date of signing, this request had not taken place. Interest is payable at the higher of 10.5% per annum and the National Westminster bank base rate.

Shares classified as liabilities are redeemable on shareholder request in accordance with the terms of the Shareholders' Agreement. As at date of signing, this request had not taken place.

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.]

15 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Variable rate unsecured loan stock (note 20)	37,232	41,232
Capitalised interest on variable rate unsecured loan stock (note 20)	10,666	9,974
	<u>47,898</u>	<u>51,206</u>

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.

16 Contingent Liabilities

There are ongoing discussions with a supplier relating to a disputed increase in fees for goods and services received during the year. Management are unable to estimate either the likelihood of settling this claim for an amount higher than has already been provided for in the accounts or what that amount may be and are therefore disclosing it as a contingent liability. This item is not expected to have a material impact on the group's results or position.

Notes (continued)

17 Called up share capital

	2018 £	2017 £
<i>Authorised, allotted and fully paid</i>		
1,001 ordinary shares of £1 each	1,001	1,001
	2018 £'000	2017 £'000
Shares classified as liabilities		
20,000,000 non-cumulative redeemable 0.25% preference shares of £1 each	20,000	20,000
	<hr/> 20,000	<hr/> 20,000
	<hr/>	<hr/>

To the extent that there are profits available for distribution, the holders of the non-cumulative redeemable 0.25% preference shares shall be entitled to a fixed non-cumulative cash dividend at the rate of 0.25 pence per share per annum.

The non-cumulative preference shares are redeemable on shareholder request or on 1 January 2030 in accordance with the terms of the Shareholders' Agreement between the Company and the shareholders. No premium will be payable on redemption of these shares.

18 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.

19 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 £988,870 (2017: £932,782). There were outstanding contributions as at 31 December 2018 of £75,723 (2017: £63,886).

Notes (continued)

20 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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
BBC and BBC Studios Distribution Limited	608	598	(68,562)	(63,530)
Discovery, Inc. and its subsidiaries	-	-	(4,206)	(4,156)

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

	Receivables outstanding		Creditors outstanding	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
BBC and BBC Studios Distribution Limited	-	202	-	(491)
Discovery, Inc. and its subsidiaries	-	72	(94,117)	(96,166)

Transactions with key management personnel

Total compensation of key management personnel in the year amounted to £3,338,000 (2017: £3,783,000).

Notes (continued)

21 Commitments

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

	Land & Buildings		Other		Total	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	1,608	1,508	40,296	39,128	41,904	40,636
Between two and five years	6,432	6,032	91,687	95,123	98,119	101,155
Over five years	8,710	9,676	17,749	17,713	26,459	27,389

	2018	2017
	£'000	£'000
Commitments with regard to the purchase of programming licences and other non-cancellable contracts	61,908	51,084
Net remaining liabilities on future commitments with regard to the purchase of programming licences and other non-cancellable contracts	50,595	45,987

As at 31 December 2018, the Group had forward commitments to purchase €2,688,000 in 2019 for £2,361,630.

22 Ultimate parent company

The Company is a wholly-owned subsidiary of UKTV Media Holdings Limited. At 31 December 2018, 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

BBC Trust
180 Great Portland Street
London
W1W 5QZ

On 06 March 2018, Scripps Networks Interactive Inc., was acquired by Discovery, Inc. and thus the 50% ownership of UKTV Media Holdings Limited previously attributable to Scripps Networks Interactive, Inc., was transferred to Discovery, Inc. On 11 June 2019, BBC Studios Distribution acquired 100% ownership of UKTV Media Holdings Limited.

Notes (continued)

23 Events after the end of the reporting period

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

On 4 June 2019, the ultimate joint venture parent companies BBC Studios Distribution Limited 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 will retain 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 will become a wholly owned subsidiary of BBC Studios Distribution Limited. 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') will transfer to a new company Lifestyle Newco Limited and will be a wholly owned subsidiary of Discovery Inc.

As part of this transaction, on 11 June 2019 the Company fully repaid all debt owing to Scripps Networks Interactive Inc., including the new £20M loan issued on 3 June 2019, except the Lifestyle debt referred to above. This repayment was funded using a new loan issued to the Company by BBC Studios Distribution Limited.