

# **UKTV Media Limited**

**Annual report and financial statements**

**Registered number 04266373**

**For the year ended 31 March 2021**



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## Strategic report

The directors present their annual reports and audited financial statements of UKTV Media Limited (the 'Company') for the year ended 31 March 2021.

### Principal activity

The principal activity of the Company during the year 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.

UKTV Media Holdings Limited is a wholly owned subsidiary of BBC Studios Distribution Limited (a wholly-owned subsidiary of the BBC).

### 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 Company completed a demerger from its joint venture parent companies BBC Studios Distribution Limited and Discovery Inc and became a wholly owned subsidiary of BBC Studios Distribution.

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 a shortened accounting period covering the period post the demerger from 5 June 2019 to 31 March 2020, a period of ten months.

Detailed results of the Company for the year ended 31 March 2021 are set out on page 10. Measurement of the Company performance is against operating profit and share of commercial impacts ('SOCI').

### Key performance indicators

	31 March 2021	10 months to 31 March 2020
	£'000	£'000
Operating profit	38,845	52,326
Share of commercial impacts	8.23%	7.86%

Following the change of accounting period described above, operating profit is reported for the twelve-month period to 31 March 2021 and cannot be directly compared to the prior ten-month period ended 31 March 2020. Operating profit decreased due mainly to reduced advertising revenues from the significant impact COVID-19 had on advertising markets. Total SOCI increased from 7.86% to 8.23%, due to strong viewing performance throughout the year and during the periods of national lockdown following the COVID-19 pandemic. SOCI is also measured across the calendar year and for 2020 the Company achieved a SOCI of 8.07%, its best year on record for the current channel portfolio.

### Significant events

The COVID-19 pandemic has had a significant impact on trading performance during the year due to the impact on advertising markets and revenues. The Company reacted swiftly, identifying and putting in mitigations to minimise the overall financial impact through careful planning and reduction of discretionary spend where possible.

During the year, the Company, together with parent company BBC Studios Distribution Limited, jointly entered into an agreement with SES for the provision of Payout services.

## 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.
- 5) COVID-19. Coronavirus is expected to continue to have an impact on the Company's trading performance in 2021/22, due to the ongoing risk to the advertising markets. Coronavirus has significantly increased the inherent health and safety risk to staff, contributors and visitors. 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 2021-22 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  
17 June 2021

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

## 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 year ended 31 March 2021 and the financial position of the Company at that date are set out on pages 10 and 11 of the financial statements.

### Dividends

During the year, ordinary dividends of £35,000,000 (*31 March 2020: £nil*), being equivalent to £34,965 (*31 March 2020: £nil*) per ordinary share were proposed and paid.

### Directors

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

Marcus Arthur	
Suzanne Burrows	(resigned 12 October 2020)
Thomas Fussell	
Grant Welland	(appointed 11 January 2021)

### Political and charitable contributions

During the year, the Company made charitable donations of £10,502 (*31 March 2020: £131,195*) in support of Dave's charity partner and to match employee fundraising activities and did not make any political contributions (*31 March 2020: £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**

The Directors are aware of their duty under Section 172 of the Act to act in a way which they consider, in good faith, would be most likely to promote the success of the Company, in doing so, to have regard (amongst other matters) to the factors detailed in section 172(1) of the Act. As a result of the governance structure embedded within the Company and the wider Group, the matters that it is responsible for considering under the Act have been considered to an appropriate extent by the Group in relation to this Company. The BBC Studios Executive Committee is responsible for providing leadership to the Company. This is achieved whilst promoting and protecting the BBC brand and reputation worldwide, according to the commercial criteria as set out in the Charter and Agreement.

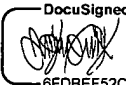
The Directors have a responsibility towards people and the planet. Consideration was given to steps to improve diversity and inclusion across the Company's content and teams, as well as to the plans for keeping production teams safe while making the programmes audiences love. Consideration was given towards the best practice for keeping artists, contributors and audiences safe throughout COVID-19. Consideration was given to the impact on the environment when making programmes - including Albert certification.

To the extent necessary for an understanding of the development, performance and position of the entity, a further explanation of how the Company and the wider Group has considered the matters set out in the Act is set out in the BBC Commercial Holdings Limited Annual Report and Accounts, which does not form part of this report.

### **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  
17 June 2021

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

## 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 year. 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 year ended 31 March 2021 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 2021 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), and applicable law. 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 2019. I am independent of UKTV Media Limited in accordance with the ethical requirements that are relevant to my audit of 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**

In auditing the financial statements, I have concluded that UKTV Media Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on UKTV Media Limited's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **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. The directors are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.



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

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

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic and Directors' Report for the financial year 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.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of UKTV Media Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic report or the Directors' report.

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

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

### **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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- assessing UKTV Media Limited'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 the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

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

My 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 a report that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation including fraud.

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

My procedures included the following:

- Inquiring of management, the BBC's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the UKTV Media Limited's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the UKTV Media Limited's controls relating to the Companies Act 2006.
- discussing among the engagement team and involving relevant specialists, including tax specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, valuation of programming stock, posting of unusual journals and bias in accounting estimates. These areas were identified as significant risks of material misstatement in my audit and audit procedures were undertaken accordingly; and
- obtaining an understanding of UKTV Media Limited's framework of authority as well as other legal and regulatory frameworks that UKTV Media Limited operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of UKTV Media Limited. The key laws and regulations I considered in this context included Companies Act 2006 and applicable taxation, health & safety, employment and Ofcom regulation and legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, those charged with governance and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- assessing the design and implementation of controls around programming stock and revenue recognition, substantive testing of key revenue contracts, assessing the appropriateness of the programming stock amortisation profile and accounting estimates, including accrued income and impairments.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

UKTV Media Limited  
Directors' report and financial statements  
For the year ended 31 March 2021

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

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

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.

DocuSigned by:  
  
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**Alexander Macnab (Senior Statutory Auditor)**  
18 June 2021

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 year ended 31 March 2021 (31 March 2020: 10 month period from 5 June 2019)

	Note	31 March 2021 £'000	31 March 2020 £'000
<b>Turnover</b>	2	<b>242,746</b>	236,330
Cost of sales		(136,499)	(124,121)
<b>Gross profit</b>		<b>106,247</b>	112,209
Distribution costs		(45,193)	(43,774)
Administration expenses		(22,209)	(16,109)
<b>Operating profit</b>		<b>38,845</b>	52,326
Interest receivable and similar income		353	181
Interest payable and similar charges		-	(706)
<b>Profit on ordinary activities before taxation</b>	3	<b>39,198</b>	51,801
Tax on profit on ordinary activities	5	(7,687)	(9,950)
<b>Profit for the financial year</b>		<b>31,511</b>	41,851

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 13 to 23 form a part of these financial statements.

## Balance sheet

at 31 March 2021

	Note	31 March 2021		31 March 2020	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Intangible fixed assets	6		15,996		8,975
Tangible fixed assets	7		2,439		2,453
Investments	8, 9		3,700		700
			<u>22,135</u>		<u>12,128</u>
<b>Current assets</b>					
Programming stock	11	74,201		98,359	
Debtors: amounts falling due within one year	12	63,642		62,369	
Cash at bank and in hand		25,760		27,518	
		<u>163,603</u>		<u>188,246</u>	
<b>Creditors: amounts falling due within one year</b>	13	(53,504)		(66,110)	
<b>Net current assets</b>			<u>110,099</u>		<u>122,136</u>
<b>Total assets less current liabilities</b>			<u>132,234</u>		<u>134,264</u>
<b>Non-current liabilities:</b>					
Provisions	14	(1,459)		-	
<b>Net assets</b>			<u>130,775</u>		<u>134,264</u>
<b>Capital and reserves</b>					
Called up share capital	15		1		1
Profit and loss account	16		166,198		169,687
Merger reserve	16		(55,424)		(55,424)
Share capital redemption reserve	16		20,000		20,000
<b>Shareholders' funds</b>			<u>130,775</u>		<u>134,264</u>

The notes on pages 13 to 23 form part of these financial statements.

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

DocuSigned by:  
  
 B257037913324AD...  
**Thomas Fussell**  
 Director  
 17 June 2021

## Statement of changes in equity

*for the year ended 31 March 2021*

	<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 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>
Profit for the year	-	-	-	31,511	31,511
Dividends paid ( <i>note 10</i> )	-	-	-	(35,000)	(35,000)
<b>At 31 March 2021</b>	<b>1</b>	<b>(55,424)</b>	<b>20,000</b>	<b>166,198</b>	<b>130,775</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. This transition was achieved by creating a shortened accounting period covering the period post the demerger from 5 June 2019 to 31 March 2020, a period of ten months. Due to this change of accounting period, the financial statements (including the related notes) are presented for the twelve-month period to 31 March 2021 and cannot be directly compared to the prior ten-month period ended 31 March 2020.

#### *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.

#### *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.



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

***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.

***Investment in subsidiaries***

Investments in the Company's subsidiary undertakings are held at cost less impairment.

***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.

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
UK	<b>234,712</b>	230,449
Republic of Ireland	<b>8,034</b>	5,881
	<b>242,746</b>	<b>236,330</b>

## Notes (continued)

### 3 Profit on ordinary activities before taxation

	31 March 2021 £'000	31 March 2020 £'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor remuneration:		
Audit of these financial statements	-	-
Other non-audit fees	-	-
Amortisation of programming inventory	105,902	99,382
Operating lease rentals in respect of rent	1,408	1,162
Operating lease rentals in respect of plant and machinery	27,658	22,807
Amortisation of intangible fixed assets	4,541	3,833
Depreciation of fixed assets	575	487
	<u>          </u>	<u>          </u>

The Company audit fee of £99,280 (31 March 2020: £113,000) was borne by the ultimate parent company BBC Studios Distribution Limited. No non-audit services were provided in the current period.

### 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:

	Number of employees 31 March 2021	31 March 2020
Administration	274	265
	<u>          </u>	<u>          </u>

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

	31 March 2021 £'000	31 March 2020 £'000
Wages and salaries	17,145	13,586
Social security costs	1,714	1,543
Other pension costs (note 17)	1,174	914
	<u>20,033</u>	<u>16,043</u>

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 2021</b>		<b>31 March 2020</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>7,861</b>		10,024	
Adjustments in respect of prior periods	<b>(182)</b>		(32)	
	<hr/>		<hr/>	
<b>Total current tax charge</b>		<b>7,679</b>		<b>9,992</b>
Deferred tax	<b>8</b>		(42)	
	<hr/>		<hr/>	
<b>Total deferred tax</b>		<b>8</b>		<b>(42)</b>
		<hr/>		<hr/>
<b>Tax on profit on ordinary activities</b>		<b>7,687</b>		<b>9,950</b>
		<hr/>		<hr/>

*Factors affecting tax charge for the current period.*

The current tax charge for the period is higher (31 March 2020: higher) than the standard rate of corporation tax in the UK. The differences are explained below.

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<b>39,198</b>	51,801
Current tax at 19% (31 March 2020: 19%)	<b>7,448</b>	9,842
<i>Effects of:</i>		
Expenses not deductible for tax purposes	<b>387</b>	153
Differences between capital allowances & depreciation	<b>26</b>	29
Adjustments to tax charge in respect of prior periods	<b>(182)</b>	(32)
	<hr/>	<hr/>
<b>Total current tax charge</b>	<b>7,679</b>	<b>9,992</b>
	<hr/>	<hr/>

*Factors affecting future tax charges*

The UK corporation tax rate is 19% and is expected to remain at this level until 1 April 2023, when it will increase to 25%. The March 2021 Budget announced that the 19% rate would continue to apply with effect from 1 April 2021 as at the time of this report it is yet to be substantively enacted. 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 2021</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
Timing differences	<b>222</b>	230
	<hr/>	<hr/>
Deferred tax asset	<b>222</b>	230
	<hr/>	<hr/>
At beginning of the year	<b>230</b>	188
Recognised/(Utilised) during the period	<b>(8)</b>	42
	<hr/>	<hr/>
<b>At the end of the period (note 12)</b>	<b>222</b>	<b>230</b>
	<hr/>	<hr/>

As at 31 March 2021, the Company has £nil (31 March 2020: £nil) unrecognised tax losses available to relieve against future profits.

## Notes (continued)

### 6 Intangible fixed assets

	Software development & licence costs £'000
<b>Cost</b>	
At 31 March 2020	28,842
Additions	11,562
	<hr/>
At 31 March 2021	40,404
	<hr/>
<b>Amortisation</b>	
At 31 March 2020	19,867
Provided during the period	4,541
	<hr/>
At 31 March 2021	24,408
	<hr/>
<b>Net book value at 31 March 2021</b>	<b>15,996</b>
	<hr/>
Net book value at 31 March 2020	8,975
	<hr/>

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

### 7 Tangible fixed assets

	Furniture & Fittings £'000	IT Hardware £'000	Total £'000
<b>Cost</b>			
At 31 March 2020	4,763	2,299	7,062
Additions	345	216	561
	<hr/>	<hr/>	<hr/>
At 31 March 2021	5,108	2,515	7,623
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 31 March 2020	2,709	1,900	4,609
Provided during the period	353	222	575
	<hr/>	<hr/>	<hr/>
At 31 March 2021	3,062	2,122	5,184
	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 March 2021</b>	<b>2,046</b>	<b>393</b>	<b>2,439</b>
	<hr/>	<hr/>	<hr/>
Net book value at 31 March 2020	2,054	399	2,453
	<hr/>	<hr/>	<hr/>

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

**Notes (continued)****8 Fixed asset investments: Subsidiary Undertaking**

	<b>Company investments in subsidiary undertakings</b>
	<b>£'000</b>
<b>Cost</b>	
At 31 March 2020	-
Movements during the period	7,950
	<hr/>
At 31 March 2021	7,950
	<hr/>
<b>Impairment losses</b>	
At 31 March 2020	-
Provided during the period	(7,950)
	<hr/>
At 31 March 2021	(7,950)
	<hr/>
<b>Net book value at 31 March 2021</b>	<hr/> <hr/> -
<b>Net book value at 31 March 2020</b>	<hr/> <hr/> -

**Subsidiary undertakings**

The following companies were subsidiaries at 31 March 2021:

	<b>Business</b>	<b>Class of shares</b>	<b>Group Holding</b>	<b>Country of incorporation</b>
Craft Channel Host Limited	TV Channel Broadcaster	Ordinary	100%	England and Wales

The investment in the Company's subsidiary undertakings is held at cost less impairment as at the balance sheet date. The Company acquired Craft Channel Host Limited (the subsidiary) for £7,950k. The assets of the subsidiary were transferred to the Company during the period resulting in an impairment of Craft Channel Host Limited and the recognition of an intangible capital addition, seen in note 6 of these accounts. The registered office of Craft Channel Host Limited is the same as that of the Company.

## Notes (continued)

### 9 Fixed asset investments: Innovation Fund

	Company investments in innovation fund
	£'000
<b>Cost</b>	
At 31 March 2020	700
Movements during the period	3,000
	<hr/>
At 31 March 2021	3,700
	<hr/>
<b>Impairment losses</b>	
At 31 March 2020	-
Provided during the period	-
	<hr/>
At 31 March 2021	-
	<hr/>
<b>Net book value at 31 March 2021</b>	<b>3,700</b>
	<hr/>
Net book value at 31 March 2020	700
	<hr/>

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.

### 10 Dividends

	31 March 2021 £'000	31 March 2020 £'000
<b>Equity Shares</b>		
Ordinary dividends proposed and paid	35,000	-
	<hr/>	<hr/>

Dividends were paid during the year on 30 March 2021.

## Notes (continued)

### 11 Programming stock

	31 March 2021 £'000	31 March 2020 £'000
Programming licence fees and production costs	74,201	98,359

Impairment losses recognised in relation to programming stock during the period were £1,159,000 (31 March 2020: £4,143,000).

### 12 Debtors

	31 March 2021 £'000	31 March 2020 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	27,565	21,296
Amounts owed by fellow subsidiary undertakings	9	391
Other debtors	518	217
Prepayments	23,957	12,835
Accrued income	11,371	25,219
Taxation and social security	-	2,181
Net deferred tax asset (note 5)	222	230
	<b>63,642</b>	<b>62,369</b>

### 13 Creditors: amounts falling due within one year

	31 March 2021 £'000	31 March 2020 £'000
Trade creditors	521	4,992
Amounts owed to fellow subsidiary undertakings	15	15
Amounts owed to intermediate parent undertaking	22,331	24,340
Taxation and social security	3,238	1,644
Accruals and deferred income	25,711	32,899
Other creditors	1,688	2,220
	<b>53,504</b>	<b>66,110</b>

**Notes (continued)****14 Non-current liabilities**

	<b>Dilapidation Provision £'000</b>
<b>At 31 March 2020</b>	-
Provided for in year	1,459
Utilised in year	-
<b>At 31 March 2021</b>	<b>1,459</b>

As part of the Company's property leasing arrangements there is an obligation to repair damages which are incurred during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises.

**15 Called up share capital**

	<b>31 March 2021 £</b>	<b>31 March 2020 £</b>
<i>Authorised, allotted and fully paid</i>		
1,001 ordinary shares of £1 each	<b>1,001</b>	1,001

**16 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.

**17 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 £1,174,138 (31 March 2020: £914,045). There were outstanding contributions as at 31 March 2021 of £89,858 (31 March 2020: £80,039).



## Notes (continued)

### 18 Commitments

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

	<b>Land &amp; Buildings</b>		<b>Plant &amp; Machinery</b>		<b>Total</b>	
	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>
	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>	<b>March</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within one year	1,962	1,962	24,957	27,443	26,919	29,405
Between two and five years	7,850	7,850	60,835	48,402	68,685	56,252
Over five years	6,215	8,178	-	-	6,215	8,178

	<b>31 March</b>	<b>31 March 2020</b>
	<b>2021</b>	<b>£'000</b>
	<b>£'000</b>	
Net remaining liabilities on future commitments with regard to the purchase of programming licences and other non-cancellable contracts	48,008	31,577

### 19 Ultimate parent company

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

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).