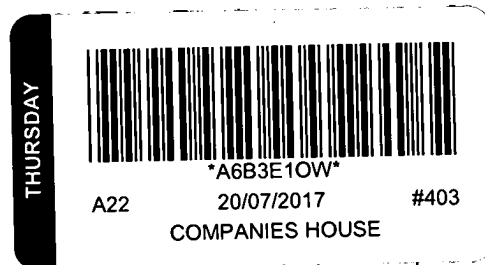


# **UKTV Media Holdings Limited**

**Directors' report and financial statements**

**Registered number 07596400**

**31 December 2016**



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## Strategic report

### Principal activity

The principal activity of the Group during the year 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. At 31 December 2016, the joint venture partners of the Company were BBC Worldwide Limited (a wholly-owned subsidiary of the BBC) and Southbank Media Limited (a wholly-owned subsidiary of Scripps Networks Interactive Inc., a company incorporated in the state of Ohio, United States of America), each holding 50% of the ordinary share capital.

### 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.

Detailed results of the Group for the year ended 31 December 2016 are set out on page 7. Performance for the Group is based on the results from UKTV Media Limited and is measured against operating profit, operating cash flow and SOCI.

### Key performance indicators

	2016	2015
	£'000	£'000
Operating profit	88,473	79,605
Operating cash flow	68,703	65,867
Share of commercial impacts	9.85%	9.32%

Operating profit has increased year-on-year largely due to increased advertising revenues. During the year there was significant growth in commercial viewing, with SOCI growing from 9.32% to 9.85%, driven by investment in programming content and channels. Operating cash flow has increased year-on-year mainly due to increased operating profits resulting from increased advertising revenues, less increased working capital investment.

### Significant events

During the year the Group launched lifestyle channel Home on free-to-air services. The channel had previously been exclusively available on pay TV only.

The Group also extended its advertising sales partnership with Channel 4 and its playout services agreement with Ericsson Broadcast Management Services.

## Strategic report *(continued)*

### Principle 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.

### Future outlook

In 2017 the Group plans to continue to invest in content and promoting its channels, whilst looking to further expand its business beyond the linear broadcasting environment.

By order of the board



**P Edmondson**  
*Company Secretary*

10 Hammersmith Grove  
London  
W6 7AP  
Registered number: 7596400  
28 March 2017

## Directors' report

The directors present their annual report and the audited consolidated financial statements of UKTV Media Holdings Limited (the 'Company') and subsidiary (the 'Group') for the year ended 31 December 2016.

### 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 year, ordinary dividends of £30,700,000 (2015: £48,500,000), being equivalent to £3,070 (2015: £4,850) per ordinary share were proposed and paid. Preference dividends of £50,000 (2015: £50,000) were payable by subsidiary company UKTV Media Limited to Southbank Media Limited, a subsidiary of Scripps Networks Interactive Inc.

### Directors

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

M Arthur	(resigned 30 December 2016)
S Burrows	(appointed 30 December 2016)
T Davie	(resigned 30 December 2016)
S Davies	(appointed 30 December 2016)
T Fussell	(appointed 8 September 2016, resigned 30 December 2016)
L Hickok	(appointed 4 November 2016)
O Lang	(appointed 30 December 2016)
P Luff	(appointed 5 February 2016, resigned 4 November 2016)
D Moody	(resigned 8 September 2016)
S Nardi	
J NeCastro	(resigned 5 February 2016)
J Samples	

### Political and charitable contributions

During the year, the Group made charitable donations of £54,800 (2015: £16,950) and did not make any political contributions (2015: £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.

## **Directors' report** *(continued)*

### **Auditor**

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board



**P Edmondson**  
*Company Secretary*

10 Hammersmith Grove  
London  
W6 7AP  
Registered number: 7596400  
*28 March 2017*

## **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 applicable law and UK Accounting Standards (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 the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements of UKTV Media Holdings Limited (the 'Company') for the year ended 31 December 2016 as set out on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Group'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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

**Hugh Green (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor



Chartered Accountants  
15 Canada Square  
London, E14 5GL  
**29 March 2017**



## Consolidated profit and loss account

for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Turnover</b>	2	<b>344,830</b>	319,157
Cost of sales		(171,184)	(162,890)
<b>Gross profit</b>		<b>173,646</b>	156,267
Distribution costs		(63,727)	(56,103)
Administration expenses		(21,446)	(20,559)
<b>Operating profit</b>		<b>88,473</b>	79,605
Interest receivable and similar income	3	28	2
Interest payable and similar charges	4	(3,747)	(3,745)
<b>Profit on ordinary activities before taxation</b>	5	<b>84,754</b>	75,862
Tax on profit on ordinary activities	8	(16,448)	(14,963)
<b>Profit for the financial year</b>		<b>68,306</b>	60,899

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 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Intangible fixed assets	9	5,898	3,523
Tangible fixed assets	10	2,986	3,434
		<b>8,884</b>	<b>6,957</b>
<b>Current assets</b>			
Programming stock	13	132,399	122,942
Debtors: amounts falling due within one year	14	88,371	76,737
Cash at bank and in hand		21,555	8,764
<b>Current assets</b>		<b>242,325</b>	<b>208,443</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(140,014)</b>	<b>(141,943)</b>
<b>Net current assets</b>		<b>102,311</b>	<b>66,500</b>
<b>Total assets less current liabilities</b>		<b>111,195</b>	<b>73,457</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(54,100)</b>	<b>(53,968)</b>
<b>Net assets</b>		<b>57,095</b>	<b>19,489</b>
<b>Total shareholders' funds</b>			
Equity share capital	17	10	10
Profit and loss account		57,085	19,479
<b>Shareholders' funds</b>		<b>57,095</b>	<b>19,489</b>

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 *28 March* 2017 and was signed on its behalf by:



**S Burrows**  
Director

## Company balance sheet

at 31 December 2016

	Note	2016 £'000	£'000	2015 £'000	£'000
<b>Fixed assets</b>					
Investments	11		550,000		550,000
<b>Current assets</b>					
Debtors: amounts falling due within one year	14	10		10	
		<u>10</u>		<u>10</u>	
<b>Net current assets</b>			10		10
<b>Total assets less current liabilities</b>			<u>550,010</u>		<u>550,010</u>
<b>Net assets</b>			<u>550,010</u>		<u>550,010</u>
<b>Total shareholders' funds</b>					
Equity share capital	17	10		10	
Profit and loss account		550,000		550,000	
<b>Shareholders' funds</b>			<u>550,010</u>		<u>550,010</u>

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

This balance sheet was approved by the board of directors on 28 March 2017 and was signed on its behalf by:



**S Burrows**  
Director

## Consolidated statement of cash flows

for the year ended 31 December 2016

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
Profit for the financial year	68,306	60,899
Adjustments for:		
Amortisation of intangible assets	2,327	1,701
Depreciation of tangible assets	650	649
Interest payable	3,747	3,745
Interest receivable	(28)	(2)
Taxation charge	16,448	14,963
(Increase) in trade and other debtors	(11,381)	(9,679)
(Increase) in stocks	(9,457)	(18,086)
(Decrease)/ increase in trade and other creditors	(1,909)	11,677
<b>Cash from operations</b>	<b>68,703</b>	<b>65,867</b>
Income taxes paid	(17,221)	(13,222)
<b>Net cash generated from operating activities</b>	<b>51,482</b>	<b>52,645</b>
<b>Cash flows from investing activities</b>		
Purchases of tangible assets	(202)	(1,042)
Purchases of intangible assets	(4,702)	(2,507)
<b>Net cash from investing activities</b>	<b>(4,904)</b>	<b>(3,549)</b>
<b>Cash flows from financing activities</b>		
Interest received	28	2
Interest paid	(3,115)	(3,122)
Dividends paid	(30,700)	(48,500)
<b>Net cash used in financing activities</b>	<b>(33,787)</b>	<b>(51,620)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>12,791</b>	<b>(2,524)</b>
Cash and cash equivalents at the beginning of year	8,764	11,288
<b>Cash and cash equivalents at end of year</b>	<b>21,555</b>	<b>8,764</b>

## Consolidated Statement of changes in equity

for the year ended 31 December 2016

	<b>Called-up Share Capital £'000</b>	<b>Profit &amp; Loss Account £'000</b>	<b>Total £'000</b>
<b>At 1 January 2015</b>	<b>10</b>	<b>7,080</b>	<b>7,090</b>
Profit for the year	-	60,899	60,899
Dividends paid (note 12)	-	(48,500)	(48,500)
<b>At 31 December 2015</b>	<b>10</b>	<b>19,479</b>	<b>19,489</b>
Profit for the year	-	68,306	68,306
Dividends paid (note 12)	-	(30,700)	(30,700)
<b>At 31 December 2016</b>	<b>10</b>	<b>57,085</b>	<b>57,095</b>

## Company Statement of changes in equity

for the year ended 31 December 2016

	<b>Called-up Share Capital £'000</b>	<b>Profit &amp; Loss Account £'000</b>	<b>Total £'000</b>
<b>At 1 January 2015</b>	<b>10</b>	<b>550,000</b>	<b>550,010</b>
Profit for the year	-	48,500	48,500
Dividends paid (note 12)	-	(48,500)	(48,500)
<b>At 31 December 2015</b>	<b>10</b>	<b>550,000</b>	<b>550,010</b>
Profit for the year	-	30,700	30,700
Dividends paid (note 12)	-	(30,700)	(30,700)
<b>At 31 December 2016</b>	<b>10</b>	<b>550,000</b>	<b>550,010</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 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 year 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

#### *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 financial statements, investments in subsidiary undertakings 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)

#### *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.

	2016 £'000	2015 £'000
<i>Turnover by geographical location:</i>		
UK	339,518	314,101
Republic of Ireland	5,312	5,056
	<hr/>	<hr/>
	344,830	319,157
	<hr/>	<hr/>

### 3 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest on bank deposits	28	2
	<hr/>	<hr/>
	28	2
	<hr/>	<hr/>



**Notes (continued)**

**4 Interest payable and similar charges**

	2016 £'000	2015 £'000
Interest on redeemable unsecured loan stock ( <i>note 19</i> )	2,253	2,247
Interest on variable rate unsecured loan stock ( <i>note 19</i> )	1,444	1,448
Finance costs on shares classified as liabilities ( <i>note 19</i> )	50	50
	<u>3,747</u>	<u>3,745</u>

**5 Profit on ordinary activities before taxation**

	2016 £'000	2015 £'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor remuneration:		
Audit of the Company's financial statements	9	9
Audit of the Company's subsidiaries	<u>77</u>	<u>79</u>
<b>Total audit fees</b>	<b>86</b>	<b>88</b>
Tax services	27	20
Other non-audit services	<u>5</u>	<u>23</u>
<b>Total non-audit fees</b>	<b>32</b>	<b>43</b>
Amortisation of programming inventory	124,170	115,292
Operating lease rentals in respect of land and buildings	1,204	1,204
Operating lease rentals in respect of hire of plant and machinery	35,778	31,511
Amortisation of intangible fixed assets	2,327	1,701
Depreciation of tangible fixed assets	<u>650</u>	<u>649</u>

The Company audit fee of £9,000 was borne by subsidiary undertakings.

## 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 year (including directors and employees of BBC contracted to work for the Group) was as follows:

	Number of employees	
	2016	2015
Administration	255	250
The aggregate payroll costs of these persons were as follows:		
	2016	2015
	£'000	£'000
Wages and salaries	18,681	17,296
Social security costs	1,435	1,305
Other pension costs (note 21)	873	930
	20,989	19,531

### 7 Remuneration of directors

The aggregate directors' remuneration was as follows:

	2016	2015
	£'000	£'000
Directors' remuneration	-	126
Company contribution to money purchase pension scheme	-	8
	-	134

During the year no directors were employed by the Group. In 2015 the remuneration of the highest paid director was £126,000 and Group pension contributions of £8,000 were made to a money purchase scheme.

### 8 Taxation

Analysis of charge in period:

	2016		2015	
	£'000	£'000	£'000	£'000
UK Corporation tax				
Current tax on income for the period	16,701		13,431	
Adjustments in respect of prior periods	-		195	
<b>Total current tax charge</b>		16,701		13,626
Deferred tax	(253)		1,337	
<b>Total deferred tax</b>		(253)		1,337
<b>Tax on profit on ordinary activities</b>		16,448		14,963

## Notes (continued)

### 8 Taxation

#### *Factors affecting tax charge for the current period.*

The current tax charge for the period is lower (2015: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	2016 £'000	2015 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	84,754	75,862
Current tax at 20% (2015: 20.25%)	16,951	15,362
<i>Effects of:</i>		
Utilisation of tax losses	-	(1,290)
Expenses not deductible for tax purposes	130	142
Differences between capital allowances & depreciation	220	128
Group relief received	(600)	(911)
Adjustments to tax charge in respect of prior periods	-	195
Total current tax charge	16,701	13,626

#### *Factors affecting future tax charges*

In 2015, the UK Government substantively enacted legislation to reduce the main rate of UK Statutory Corporation Tax to 19% effective from 1 April 2017. In 2016, the UK Government enacted a further reduction to 17% effective 1 April 2020.

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

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

## Notes (continued)

### 8 Taxation (continued)

Deferred tax	2016 £'000	2015 £'000
Timing differences	471	218
Deferred tax asset	471	218
At beginning of the year	218	1,555
Utilised during the year	-	(1,290)
Arising during the year	253	(47)
At the end of the year (note 14)	471	218

As at 31 December 2016, the Group has £nil (2015: £nil) unrecognised tax losses available to relieve against future profits.

### 9 Intangible fixed assets

	Software development costs £'000
<b>Cost</b>	
At 1 January 2016	7,686
Additions	4,702
At 31 December 2016	12,388
<b>Amortisation</b>	
At 1 January 2016	4,163
Provided during the year	2,327
At 31 December 2016	6,490
<b>Net book value at 31 December 2016</b>	<b>5,898</b>
Net book value at 31 December 2015	3,523

**Notes (continued)**

**10 Tangible fixed assets**

	<b>Furniture &amp; Fittings £'000</b>	<b>IT Hardware £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2016	4,032	1,345	5,377
Additions	160	42	202
	<hr/>	<hr/>	<hr/>
At 31 December 2016	4,192	1,387	5,579
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January 2016	1,344	599	1,943
Provided during the year	305	345	650
	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,649	944	2,593
	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 December 2016</b>	<b>2,543</b>	<b>443</b>	<b>2,986</b>
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2015	2,688	746	3,434
	<hr/>	<hr/>	<hr/>

**11 Fixed asset investments**

	<b>Company investments in subsidiary undertakings £'000</b>
<b>Cost and net book value at beginning of the year</b>	<b>550,000</b>
	<hr/>
<b>Movements in the year</b>	
Net movement in the year	-
	<hr/>
<b>Cost and net book value at end of the year</b>	<b>550,000</b>
	<hr/>

## Notes (continued)

### 11 Fixed asset investments (continued)

#### Subsidiary undertakings

The following companies were subsidiaries at 31 December 2016:

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

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.

### 12 Dividends

	2016 £'000	2015 £'000
<b>Equity shares</b>		
Ordinary dividends proposed and paid	30,700	48,500

Dividends were paid during the year on 30<sup>th</sup> March, 30<sup>th</sup> June and 30<sup>th</sup> September.

### 13 Programming stock

	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Programming licence fees and production costs	132,399	122,942	-	-

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

### 14 Debtors: amounts falling due within one year

	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Trade debtors	42,535	38,213	-	-
Amounts owed by joint venture parent and its subsidiaries (note 19)	512	1,289	-	-
Amounts owed by fellow joint venture undertakings	-	-	10	10
Prepayments	17,940	17,494	-	-
Accrued income	26,873	19,492	-	-
Net deferred tax asset (note 8)	471	218	-	-
Other debtors	40	31	-	-
	88,371	76,737	10	10

## Notes (continued)

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

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade creditors	2,857	1,803	-	-
Amounts owed to joint venture parent and its subsidiaries (note 19)	1,816	2,278	-	-
Other creditors including taxation and social security	11,260	11,001	-	-
Shares classified as liabilities (note 17, 19)	20,000	20,000	-	-
Accruals and deferred income	81,596	85,603	-	-
Redeemable unsecured loan stock (note 19)	21,460	21,460	-	-
Other creditors	525	518	-	-
Variable rate unsecured loan stock (note 19)	500	-	-	-
	<u>140,014</u>	<u>141,943</u>	<u>-</u>	<u>-</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.

### 16 Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Variable rate unsecured loan stock (note 19)	44,732	45,232	-	-
Capitalised interest on variable rate unsecured loan stock (note 19)	9,368	8,736	-	-
	<u>54,100</u>	<u>53,968</u>	<u>-</u>	<u>-</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.

**Notes (continued)**

**17 Called up share capital**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
10,000 ordinary shares of £1 each (divided into 5,000 'A' shares and 5,000 'B' shares)	<b>10</b>	10	<b>10</b>	10
20,000,000 non-cumulative redeemable 0.25% preference shares of £1 each	<b>20,000</b>	20,000	-	-
	<b>20,010</b>	20,010	<b>10</b>	10
Shares classified as liabilities	<b>(20,000)</b>	(20,000)	-	-
	<b>10</b>	10	<b>10</b>	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.

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.



## Notes (continued)

### 18 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.

### 19 Related party transactions

Income from the BBC and BBC Worldwide Limited relates to program sales and other commercial revenue. Expenses from BBC Worldwide Limited relate to BBC archive programming and channel management costs. Expenses from Scripps Networks Interactive Inc. and its subsidiaries relate to archive programming, interest payable and consortium tax relief payable.

	Income		Expenses	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
BBC and BBC Worldwide Limited	1,355	2,179	(56,424)	(51,994)
Scripps Networks Interactive Inc. and its subsidiaries	-	-	(6,901)	(8,301)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

	Receivables outstanding		Creditors outstanding	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
BBC and BBC Worldwide Limited	512	1,289	(1,675)	-
Scripps Networks Interactive Inc. and its subsidiaries	-	-	(96,201)	(97,706)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### *Transactions with key management personnel*

Total compensation of key management personnel in the year amounted to £3,471,000 (2015: £3,521,000).

## Notes (continued)

### 20 Commitments

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

	<b>Land &amp; Buildings</b>		<b>Other</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within one year	<b>1,484</b>	1,474	<b>38,533</b>	32,133	<b>40,017</b>	33,607
Between two and five years	<b>5,935</b>	5,895	<b>124,287</b>	99,789	<b>130,222</b>	105,684
Over five years	<b>11,004</b>	12,408	<b>25,744</b>	23,647	<b>36,748</b>	36,055
	<u><b>18,423</b></u>	<u>29,777</u>	<u><b>188,564</b></u>	<u>155,569</u>	<u><b>204,997</b></u>	<u>175,346</u>

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Commitments with regard to the purchase of programming licences and other non-cancellable contracts	<b>135,005</b>	194,368
	<u><b>135,005</b></u>	<u>194,368</u>

As at 31 December 2016, the Group had forward commitments to purchase €3,159,600 in 2017 for £2,725,330.

## Notes (continued)

### 21 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 £873,380 (2015: £929,836). There were outstanding contributions as at 31 December 2016 of £66,183 (2015: £69,350).

### 22 Ultimate joint venture parents

At 31 December 2016, the joint venture partners of UKTV Media Holdings Limited were BBC Worldwide Limited (a wholly-owned subsidiary of the BBC) and Southbank Media Limited (a wholly-owned subsidiary of Scripps Networks Interactive Inc., a company incorporated in the state of Ohio, 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:

Scripps Networks Interactive Inc.  
9721 Sherrill Boulevard  
Knoxville  
Tennessee  
37932  
United States

BBC Trust  
180 Great Portland Street  
London  
W1W 5QZ