BBC Commercial Holdings Limited

Registered number 04463534

Annual Reports and Consolidated Financial Statements

For the year ended 31 March 2020

Officers and advisors

Directors

Tony Hall (resigned 31 August 2020)
Tim Davie
Thomas Fussell
Mai Fyfield (appointed 18 July 2019) Glyn
Isherwood
Sarah Jones
Dharmash Mistry
Stephen Morrison
Balraj Samra
Elan Closs Stephens

Company secretary

Anthony Corriette (resigned 13 August 2019)
Peter Ranyard (appointed 3 September 2019)

Registered office

BC2 A5, Broadcast Centre
Media Village
201 Wood Lane
London
W12 7TP

Auditor

National Audit Office
157 - 197 Buckingham Palace Road
London
SW1W 9SP

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Strategic report

The Directors present their annual report for BBC Commercial Holdings Limited (the 'Company'), together with the consolidated financial statements and auditor's report, for the year ended 31 March 2020. The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'). The Company financial statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework for all periods presented and these can be seen on pages 98 to 105.

Principal activities of the Group

The Company is a wholly-owned subsidiary of the BBC, overseeing the BBC's commercial activities. These activities complement the BBC's public service remit, delivering quality creative content for audiences and increasing the value of BBC intellectual property (IP), as well as providing critical support for the wider creative industry, both in the UK and around the world. They do this while protecting the BBC brand and reputation worldwide. The BBC Commercial Holdings Board, is tasked with setting strategy in line with overall BBC Group goals, agreeing business plans and ensuring compliance in regulatory and legal matters.

Commercial Holdings Group comprises three principal businesses. BBC Studios is the production and distribution business. It was created following the April 2018 merger of what was then known as BBC Studios (the commercial production arm of the BBC for factual, factual entertainment, events, entertainment, music and scripted and digital programmes), and BBC Worldwide (which oversaw the global distribution and exploitation of BBC IP through content sales, channels, international production and ancillaries). The merged business now creates, invests, develops, produces, commercialises and distributes content which sits at the heart of the BBC schedule, as well as across multiple platforms around the world, delivering better value back to the licence fee payer through support for programme funding and cash dividends.

BBC Global News is the BBC's commercial news subsidiary and operates the BBC's English-language television and online services outside the UK; BBC World News and bbc.com. BBC Global News' mission is to bring the BBC's trusted and impartial journalism to a growing global audience while operating as a sustainably profitable business.

BBC Studioworks provides television studios and post production services to all the major UK broadcasters and production companies. Its London-based facilities are home to some of the nation's most watched and loved entertainment shows.

Business review

At the close of the financial year, the coronavirus pandemic began to cause significant social and economic issues around the world, with a sudden impact on the global media industry in which the Group operates. The over-riding priority for the Group is to protect the health and wellbeing of its people, and this has guided the Group's response. Although the Group ended 2019/20 in a position of financial stability, looking forward this crisis will significantly affect the Group's ability to deliver revenue in 2020/21, requiring preservation of cash and a tight rein on costs.

The Group monitors its business using a number of key performance indicators including revenue and EBITDA. For 2019/20 the Group recorded revenue of £1,570 million (2019: £1,358 million) and delivered an EBITDA of £189 million (2019: £173 million). The results and performance of the principal businesses of the group have been summarised below:

	2020			2019		
	Revenue £m	EBITDA £m	EBITDA Margin %	Revenue £m	EBITDA £m	EBITDA Margin %
BBC Studios group	1,388	181	13.0%	1,189	159	13.4%
BBC Global News group	115	2	1.7%	114	8	7.0%
BBC Studioworks	40	8	20.0%	37	6	16.2%

EBITDA is derived from reported operating profit, adding back production tax credits (following market practice for production companies), depreciation and amortisation (with the exception of amortisation relating to distribution rights or programming). The depreciation and amortisation that is added back includes any impairments or write-downs of assets.

BBC Studios group

BBC Studios had its highest-ever level of content investment and its best year for content sales. Along with the acquisition of UKTV, this meant that BBC Studios delivered record revenue and EBITDA.

In its second year as a merged business, delivering the very best of British creativity to audiences in the UK and around the world, these results show success in transforming BBC Studios' culture and operations, achieving a strong position alongside other global players. BBC Studios Production was the most commissioned creator of new content in the UK in 2019.

Revenue of £1,388 million (2019: £1,189 million) was up 17%. EBITDA increased to £181 million (2019: £159 million). For the sixth year running, returns to the BBC which included dividends and investment in programming were above £200 million, at £276 million (2019: £243 million). Investments in programming increased 19% on the previous year, partly as a result of increased contributions to BBC commissions enjoyed by UK audiences. In the year, those transmitted, included *Seven Worlds, One Planet,* from BBC Studios' award-winning Natural History Unit, and indie-made *His Dark Materials* .

A number of significant content deals were agreed, which either deepened existing partnerships or marked the beginning of new, high growth potential relationships.

Business review continued

BBC Studios group continued

With culture a major area of focus, BBC Studios brought in new creative talent, continued to realise the organisational benefits of the merger, and focused on the commercial and audience rewards of reflecting all audiences during the year, as well as working actively to improve the diversity of its workforce.

Efforts within the business to reduce environmental impact were increased, with BBC Studios ending the year with 100% Albert Sustainable Certification across its UK productions from the new financial year, and carbon neutrality for all UK operations, backdated to April 2018, through a combination of reduction and offsetting. The business committed to a long-term reduction in travel that will reflect the drop achieved by global lockdown measures.

Alongside shorter-term measures to mitigate the effects of the coronavirus pandemic, BBC Studios' strategy is a long-term plan to grow revenue and EBITDA. Guided by its purpose to be Bold, British, Creative, BBC Studios' ambition is to bring to life brilliant, inspiring stories with a unique British flavour. By putting people at the heart of the business, and backed up by ongoing transformation and investments, it will focus on three key areas.

First, generating sustainable creative hits through early investment in new intellectual property and growing exploitation of successful formats and programmes. Second, through strengthening services – building on the success of BritBox internationally and UKTV – and evolving global channel brands like BBC Earth and CBeebies. Third, targeting new, and growing existing, major customer partnerships, which take a long-term and strategic approach to financing and developing high quality content for audiences around the world.

Content

New titles reaching audiences in the year alongside successful favourites *Top Gear, DIY SOS, Doctor Who* and *Silent Witness* included S*even Worlds, One Planet, Thatcher: A Very British Revolution, Sacred Wonders, A Fresh Guide To Florence with Fab 5 Freddy, Ladhood* and *For Love Or Money* for the BBC, *Prince Charles: Inside the Duchy of Cornwall* for ITV, *Good Omens* for Amazon and the BBC and *The Edge of Science* for YouTube.

Overall, the business won 77 new commissions (49 for the BBC and 28 from third parties including Apple and Netflix). At year end, the number of third party commissions secured by the production business in its three years as a market-facing commercial studio totalled 53, with more than 700 from the BBC, resulting in a strong future pipeline. Notable new wins for the business were futuristic Terry Prachett adaptation *The Watch* for BBC AMERICA (a BBC Studios and AMC Networks joint venture) and the Jon Favreau collaboration *Prehistoric Planet* for Apple.

Recognition for BBC Studios' creative success in UK production continues, with 73 awards and 202 nominations in the financial year. The production team was boosted by new senior creative leads into the key genres of drama, comedy and factual.

BBC Studios' production arm is complemented by a quality portfolio of independent production companies, including Sid Gentle, maker of global hit *Killing Eve* , and Lookout Point, producer of *Gentleman Jack* and an adaptation of Vikram Seth's epic novel *A Suitable Boy* for BBC One. These partly or wholly owned businesses now make up a significant proportion of content investment and sales, boosting the range of programming that BBC Studios can offer to customers as well as the business' ability to invest in areas from customer insight to trade marketing.

Business review continued

BBC Studios group continued

Brands

The year saw strong performances for BBC Studios' core brands. The tangible chemistry between *Top Gear's* new presenters broadened and grew the show's audience. Viewer numbers increased across both series 27 and 28 heralding a move to BBC One for the forthcoming series 29. The brand continues to deliver huge audience engagement on digital with more than 500 million video views globally on YouTube across the financial year. Jodie Whittaker's series 12 of *Doctor Who* continued to bring younger audiences to BBC One, ranking amongst the top shows for the 16-34 age group. The brand also attracted more than 125 million YouTube views in the year.

The latest landmark Planet title – *Seven Worlds, One Planet* – was the UK's most watched factual title in 2019. It has also been a hit internationally, with over 180 million views on the Tencent platform in China to date. Meanwhile, the BBC Earth brand increased in popularity, reaching one billion views on its website shortly after year end. Children's brand *Bluey* goes from strength to strength. Now the number one children's show in Australia – awards include a Logie Award, an AACTA Award and an International Emmy after year end – a deal with Disney announced in June 2019 saw the title premiere on Disney Junior in the US followed by Disney+ in early 2020, alongside the launch of branded events and merchandising.

Markets

In the UK, full ownership of UKTV brought immediate benefits, as the team achieved a very sound year in audiences and revenues. Both businesses now work together much more closely, realising the strategic advantages of full ownership, increasing UKTV's investment in original productions and simplifying the way that BBC Studios controls its rights in the UK.

The business combined its international operations across content sales, branded services and ancillaries outside the UK to form a new Global Distribution division, enabling greater strategic focus on long-term partnerships of scale.

At the beginning of the financial year, a significant deal was agreed with Discovery, making it the exclusive partner for BBC landmark natural history programmes through subscription video-on-demand (SVOD). Warner Media's new streaming service HBO Max signed up to become the streaming home of Doctor Who, and licensed 700 episodes of content including Top Gear; a co-development and co-production deal was agreed with Germany's ZDF for scripted and landmark factual content, and a pioneering deal was signed with Russia's biggest technology company Yandex for over 100 hours of scripted programming.

BritBox UK, majority owned by ITV with a content supply agreement from BBC Studios, launched in the UK in November. At year end, ownership of BritBox in North America became equally split between BBC Studios and ITV, whilst performance has been particularly strong, achieving one million subscribers in March 2020 to become the fastest-growing niche SVOD service in the US. In the same month, plans were announced to launch BritBox in Australia.

BBC Studios' financial results for the year demonstrate the strength of the business and the success of its strategy, as well as the smooth implementation of the merger and UKTV acquisition.

Business review continued

BBC Studios group continued

Following a change in Ofcom's regulation of the BBC and the completion of the BBC's Commercial Review, the BBC has changed the lines of business used for Ofcom reporting. BBC Studios now has two lines of business: Branded Services and Production and distribution, as detailed below. This change more accurately reflects the operating structure of BBC Studios and the wider market. The financial performance of each line of business is detailed below:

	2020 £m	2019 £m
Production and Distribution	1,059	1,047
Branded Services	385	161
Group adjustments	(56)	(19)
Total revenue	1,388	1,189
Cost of sales	(998)	(880)
Other operating costs	(312)	(260)
Share of profit of associates and joint ventures	28	36
Production tax credits	24	31
Removal of depreciation, amortisation and impairment	51	43
EBITDA	181	159
EBITDA Margin %	13.0%	13.4%

Production and Distribution includes programmes commissioned by, and sold to, broadcasters and platform owners globally and BBC Studios' share of the results of its joint venture and associate production companies, format sales, and consumer products. In 2019/20 an EBITDA of £75 million was delivered (2019: £81 million).

The UK Production business is continuing to perform well, and activity has increased in commissions for future year delivery.

During the year the business focused on the creative refresh of its key brands and as a result *Top Gear* , the BBC's *Planet* series and *EastEnders* have gone from strength to strength, and the pipeline for new business is strong for both third parties and the BBC.

BBC Studios' independent production portfolio continues to grow in scale, developing and producing both returning and original series across scripted and unscripted genres, for both UK PSB channels as well as US and SVOD services. BBC Studios also sold its 25% stake in indie producer Two Cities Television to STV Productions.

Revenues in total content sales reached record levels this year, growing 21% year on year. This reflects strong performance in securing and delivering global content partnership deals. This part of the business has benefited from record levels of content investment. The consumer products business managed to hold its results year on year despite significant market pressure, reflecting strong management and cost control.

Business review continued

BBC Studios group continued

Branded Services includes the BBC-branded channels and digital consumer services outside the UK, UKTV, BBC Studios' share of the results of the joint venture and associate operations in BritBox and BBC AMERICA, and of digital branded services including BBC Player in Asia.

The Branded Services performance in the year was strong with growth in both sales and EBITDA which has increased to £111 million (2019: £71 million). This reflects the consolidation and strong performance of UKTV and continued growth of BritBox in North America.

On 5 June 2019 BBC Studios took control of the UKTV brand and the majority of its linear channels from a previous joint venture with Discovery, for a purchase consideration of £100 million. An additional £73m will be paid, representing the assumption of debt previously financed by Discovery and the impact of recognising the consideration at its present value. The results therefore reflect two months of UKTV as a 50:50 10-channel joint venture, followed by 10 months of full ownership of UKTV and its now-seven channels.

BBC Global News group

BBC World News' weekly global audience increased to 112 million in 2019/20, up 12% year-on-year and up 48% from 2014. Growth was particularly strong in the US where weekly reach increased to 32 million, up 50% year-on-year. The channel's profile in the US was boosted by a new partnership with WETA, one of the biggest PBS member stations, for the distribution of BBC World News programmes on public television stations across America.

2019/20 saw revenues hold steady across both the Advertising Sales and Distribution businesses, with total revenues of £115 million (2019: £114 million). Growth was slowed and profitability hit by challenging conditions in Asia-Pacific, including the coronavirus pandemic. EBITDA of £2 million (2019: £8 million) was achieved, the fifth sucessive year of profitability. Revenues from new business activity increased significantly. The new Programme Partnerships division, which collaborates with leading international associations to produce content focusing on particular issues or industries that are shaping society, has expanded rapidly since its launch in late 2018/19, contributing several million pounds in annual revenues, with further growth planned for the coming years.

The financial performance of the company is detailed below:

	2020 £m	2019 £m
Total revenue	115	114
Cost of sales	(97)	(98)
Other operating costs	(17)	(9)
Removal of depreciation and amortisation	1	1
EBITDA	2	8
EBITDA Margin %	1.7%	7.0%

Business review continued

BBC Global News group continued

bbc.com saw a major expansion in its audience reach, with average monthly browsers up from 93 million in 2018/19 to 121 million in 2019/20, up 29% year-on-year. Video views on the bbc.com website and apps also increased, from 31 million to 40 million, up 27% year-on-year. A new monthly audience record was set on bbc. com in March 2020, with 179 million visitors (up 27 million on previous record reach) and 1.5 billion page views, driven by the BBC's Coronavirus coverage. bbc.com re-launched its BBC Capital feature site as BBC WorkLife and unveiled new propositions with Future Planet focused on sustainability.

Off-platform global partnerships play an increasingly important role in the commercial and distribution strategy. 2019/20 saw an increase in off-platform consumption, with bbc.com content now reaching over 26 million users per month on platforms such as Apple News, MSN and Facebook Instant Articles. BBC News is the most followed news source on Facebook with over 50 million followers. BBC Global News renewed an agreement with Facebook to provide a weekly show, *Cut Through The Noise* , on their Watch platform following its success in 2019/20, and signed an agreement with Quibi, the new, shortform mobile video platform, to provide an exclusive international news show called *Around the World* from April 2020. The BBC News YouTube channel saw continued growth in 2019/20, passing six million subscribers, making BBC News one of the biggest news sources on YouTube.

BBC Global News was recognised for the excellence of its journalism with a number of awards in 2019/20, including the George Polk Award In Journalism for *Inside China's Hidden Camps* which aired on BBC World News, and a Travel Media award for best broadcast programme of the year for *The Travel Show's* programme on the Toyko Paralympics. On bbc.com, BBC Future won a Webby for Best Writing (Editorial) and BBC Reel won silver Telly Awards for three of its video productions including the *Searching For Starlite* series about the invention of a potentially world-changing material. BBC Culture, BBC Reel and BBC Future all won Lovie awards which honour the best of the European internet.

Strategic report continued

Business review continued

BBC Studioworks Limited

2019/20 has been a standout year, with total income up 8% year-on-year at £40 million (2019: £37 million) and EBITDA of £8 million (2019: £6 million). The increase in sales was driven by solid utilisation across the portfolio by returning clients as well as a wealth of new business. Delays to new capacity opening in the market also helped to deliver a robust performance. While increased pension liabilities have impacted overall profitability, these additional costs have been absorbed meaning BBC Studioworks will be returning a cash dividend to the BBC of £0.4 million (2019: £0.8 million).

The financial performance of the company is detailed below:

	2020 £m	2019 £m
Total revenue	40	37
Cost of sales	(33)	(30)
Other operating costs	(3)	(3)
Removal of depreciation and amortisation	4	2
EBITDA	8	6
EBITDA Margin %	20.0%	16.2%

During the year, the business extended its lease agreement with Elstree Studios until 2024. In turn, investment has also been made in new technology reinforcing BBC Studioworks' commitment to providing a consistent and creative proposition underpinned by premium kit.

New clients won in the last 12 months include:

- *Later… with Jools Holland* and *Take Off with Bradley & Holly* for BBC One
- *Crazy Delicious, The Fantastical Factory of Curious Craft, Harry Hill's ClubNite* and *The Lateish Show with Mo Gilligan* for Channel 4
- *Saturday Night Takeaway, Kate and Koji* and *Ball & Boe: A Very Merry Christmas* for ITV

The move of *Saturday Night Takeaway* to Television Centre means BBC Studioworks is now broadcasting live from our West London facility seven days a week, with ITV Daytime shows, *Good Morning Britain, Lorraine, This Morning* and *Loose Women* transmitting on weekdays and Channel 4's *Sunday Brunch.*

Strategic report continued

Business review continued

BBC Studioworks Limited continued

In the same timeframe, returning shows included:

- Live broadcasts – *Strictly Come Dancing* and *Children in Need* for BBC One, *Peston* for ITV and *The Last Leg* for Channel 4
- Chat shows – *The Graham Norton Show* for BBC One, *The Apprentice: You're Fired* for BBC Two, *The Jonathan Ross Show* for ITV and T*he Great British Bake Off: An Extra Slice* for Channel 4
- Game Shows – *Pointless* for BBC One, *The Chase* for ITV, *Don't Hate the Playaz* for ITV2 and *A League of Their Own* for Sky One
- Comedy – *Have I Got News For You* and *Mock the Week* for BBC One, C*elebrity Juice f* or ITV2 and *The Russell Howard Hour* for Sky One
- Continuing drama – *EastEnders* for BBC One

The post production team also experienced a strong year with clients including *Strictly Come Dancing, Strictly Come Dancing: It Takes Two, The Last Leg, Holby City* and *Saturday Night Takeaway.*

Other commercial entities

'Other commercial entities' include BBC Childrens Productions Limited, a special purpose vehicle (SPV) which exists to optimise production budgets by qualifying for high-end TV programme tax relief. The tax relief is recorded in the tax line in the income statement (which is not captured within operating profit/loss), resulting in an operating loss for the SPV. BBC Childrens Productions Limited is the BBC's primary supplier of children's content, delivering over 150 hours of high quality programming in 2019/20. Its titles include series like *Go Jetters* and *Bitz and Bob* as well as long running series like *4 O'Clock Club* and *Marrying Mum & Dad* . The majority of the BBC's children's programmes are now produced by the Company, with the first productions being made in 2016/17.

The Company recorded an EBITDA of £206k (2019: £266k loss) for the year ended 31 March 2020. Increased deliveries in 2019/20 including programmes such as *Get Even* a co-production with Boat Rocker on behalf of Netflix, *Worst Witch* , *The Demon Headmaster* and *Love Monster* have resulted in higher tax credits being received for the year of £9m (2019: £8m).

Future outlook

BBC Studios enters 2020/21 in a position of financial health and stability, looking forward the coronavirus pandemic will significantly affect its ability to deliver revenue, requiring preservation of cash and a tight rein on costs.

BBC Studios' content has made an immediate and positive contribution to the BBC's response to the coronavirus pandemic, bringing the whole of the UK together to educate, inform and entertain during tough and unprecedented times, with titles including *The One Show, Health Check UK, Horizon: Coronavirus Special, Big Night In* and *VE Day 75th anniversary.* The business has also supported customers with enhanced licensing terms and non-exclusive access to public service content packages.

Looking forward, the first priority for the business is to protect the health of its people and their families. In operational terms, the coronavirus pandemic will have a clear impact on a number of key areas of business, with extensive support available for those working from home and juggling childcare, and a focus on maintaining wellbeing in a stressful and uncertain climate. The pandemic has had a significant effect on the BBC's community of freelance production talent – the lifeblood of the creative industry both on an off screen - and BBC Studios has worked to support these individuals with a number of initiatives. The business also made a donation to support the Film & TV Charity's emergency relief fund for industry freelancers.

In operational terms, the coronavirus pandemic will have a clear impact on a number of key areas of business. Although the business is seeing continuing demand for premium content, underpinned by audience choices and the continuing proliferation of services, elsewhere the knock-on effect on the global economy of social distancing measures is, at the time of writing, profound. Filming pauses will delay delivery of content to commissioners and customers, as well as increasing the costs of production overall. Advertising revenues are under significant pressure globally, following dips in consumer confidence and business investment.

BBC Studios is working to minimise the overall financial impact through careful planning and reduction of discretionary spend to safeguard cash and profit where possible. The effects are likely to be significant, however, and the duration of the crisis will be key to the extent of this. Against this backdrop, BBC Studios will continue to bring the best ideas to audiences around the world, transforming the business to lead the market in its customer approach and focusing on measures to underpin the long-term security of its returns to the BBC Group.

The coronavirus pandemic has had a dramatic impact on the markets in which BBC Global News operates, shrinking advertising budgets and putting additional pressure on pay-TV operators already facing challenges from over-the-top (OTT) competitors. At the same time, demand for BBC Global News' output has never been higher as readers and viewers seektrustworthy, independent coverage of worldchanging events. BBC Global News will build on this audience growth in 2020/21, establishing a closer relationship with its online audiences through an expandedroll-out of user registration. Although there is uncertainty about how rapidly the online advertising and TV distribution markets will recover, it is expected that the coronavirus pandemic will continue to have an impact on BBC Global News's financial performance into 2020/21. BBC Global News plans to continue to respond to these impacts through the pursuit of a range of new and existing revenue opportunities, continued development of its editorial propositions and a sustained focus on cost management.

Future outlook continued

The market in which BBC Studioworks operates remains challenging. The shortage of studio space in the UK has seen an influx of new developments being built across the country. As productions trial new locations and Public Service Broadcasters deliver their nations and regions quotas, the pressure to retain business, attract new clients and continue to deliver a first-class service is real. A lack of industry investment in the future workforce has also created an acute and accelerating skills shortage.

Looking ahead, the impact of coronavirus and the cancellation of productions will negatively impact financial performance, the level of which is unknown. BBC Studioworks will continue to rigorously manage the pipeline of work, retain clients, win new business and make shrewd investment decisions to mitigate any loss whilst maintaining security of supply for the light entertainment TV market.

UK Streamlined Energy and Carbon Reporting

The following entities fall under scope of the UK Streamlined Energy and Carbon Reporting (SECR) framework:

- BBC Studios Production Limited;
- BBC Studios Distribution Limited;
- UK TV Media Limited;
- BBC Grafton House Productions Limited;
- BBC Global News Limited;
- BBC Studioworks Limited.

In accordance with SECR requirements, this provides a summary of greenhouse gas (GHG) emissions and energy data for in scope entities:

	GHG emissions (scope 1 and 2) tCO_2e	tCO_2e/£m Revenue	Total energy consumption (KWh)
BBC Studios Limited*	7,949	6	31,494,246
BBC Global News Limited	437	4	1,791,164
BBC Studioworks Limited	1,621	40	6,872,965

* Represents in-scope BBC Studios group entities only (BBC Studios Production Limited, BBC Studios Distribution Limited, UKTV Media Limited, BBC Grafton House Productions Limited. This includes emissions data for the full year for UKTV Media Limited, which was acquired on 5 June 2019).

This assessment has been conducted in accordance with the GHG Protocol Corporate Accounting and Reporting Standard using the UK Government Conversion Factors for Company Reporting. Emissions reported here comply with the SECR guidelines published by BEIS (2019) and includes consumption and GHG emissions for UK electricity and gas use, as well as road transportation for business travel purposes (fuel cards, hire cars, personal cars, and fleet vehicles).

As many of the BBC's buildings are shared with other group entities, electricity and gas consumption was apportioned based on floor area occupied by the entities in scope for SECR.

Efforts to reduce environmental impact were increased across all areas, building on the foundations of green energy, waste & plastic reduction. Commitments to a long-term reduction in travel have also been made, taking into account the drop achieved by the global lockdown measures.

BBC Studios ended the year with 100% Albert certification across its UK productions. BBC Studios has committed to carbon neutrality for all UK operations, productions and global air travel, as well as total emissions relating to all global activities.

UK Streamlined Energy and Carbon Reporting continued

Buildings occupied by BBC Global News continue to be reviewed for suitable energy efficiency projects. Energy efficient items have been incorporated - for example rainwater harvesting, motion sensor lights overnight as well as changing lights to LEDs. Collaboration with editorial colleagues is ongoing to identify opportunities to be more energy efficient in the way content is commissioned and delivered.

BBC Studioworks and BBC Studios' headquarters are on track to obtaining zero waste to landfill accreditation during the year.

Risk and uncertainties

The BBC Commercial Holdings Group considers its key risks and uncertainties to be as follows:

Risk	Strategic impacts	Mitigation
Brand, reputation and standards		
Risk audiences lose confidence in the integrity of the business or its content and editorial values. Failure to successfully represent the values of the BBC to global audiences, or demonstrate improved workforce diversity, representation and pay equality.	Harm to our reputation as a credible global business and to the strength of the BBC brand. This may lead to lost revenue and business opportunities.	Trust and transparency are at the heart of BBC values. The BBC Group Code of Conduct applies to all and sets out the commitments everyone is expected to follow. This includes respecting each other, doing the right thing and living up to the highest standards. The Group has committed to greater inclusion across all of its content and an executive sponsored Diversity and Inclusion Programme is in place with a clear strategy, action plans and defined outcomes. The importance of this is reflected in new key appointments made to drive the programme of work focusing on both on and off screen talent.
Protecting assets		
Risk that information security controls could be compromised with systems disrupted and loss of critical / sensitive information. Risk of unauthorised release of premium/high value content and sales and margin erosion from piracy. Risk of fraud, theft or manipulation of financial information.	Reputational impact and loss of confidence in the Group's role as a global distributor. Reduced editorial or commercial value from disclosed assets and piracy. Financial loss. Potential fines from regulatory bodies.	Frameworks are in place to ensure robust controls to minimise the risk of loss. This includes risk assessment, policies, response plans, communications, training and ongoing monitoring. Working with third parties to ensure they meet group requirements.

Strategic report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Economic climate and trading		
Coronavirus is expected to have a significant impact on the Group's trading performance in 2020/21, due to reduced production activity, lost sales and an unprecedented fall in UK and global advertising markets. Uncertainty in UK and international economic conditions may further affect performance .	Adverse impact on cash flows and reported financial results.	The Group has reacted swiftly, identifying and putting in mitigations to remain within financial parameters. Work is ongoing to minimise the overall financial impact through careful planning and reduction of discretionary spend to safeguard cash and profit where possible. The effects are likely to be significant, however, and the duration of the crisis will be key to the extent of this.
Business continuity, safety and security		
Coronavirus has significantly increased the inherent health and safety risk to our staff, talent and contributors both in the UK and internationally. Unprecedented pressure has been placed on global operations, supply chains and technology. There is also increased risk of a key supplier failure.	Potential for injury, death and loss of infrastructure and services with disruption to business operations. Reputational risk if we fail to protect our staff and all others in our care. Loss of service if supply chain is not resilient.	The overriding priority is to protect the health and wellbeing of individuals, with extensive support available for those facing challenges working on productions, in the field or from home for extended periods with a focus on maintaining wellbeing in a stressful and uncertain climate. There are policies, processes, plans and governance structures in place to manage the safety of our activities and the continuity of our business. The Group's technology and operations infrastructure has been resilient despite a significant and rapid increase in remote working. Actions have been taken to maintain broadcast and editing continuity.

Strategic report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Distribution competitors and customers		
Risk that the Group does not reshape its business and sales strategy to align to increased market competition, a changing customer base and remain a global distributor of choice for Independent production companies. Risk of further disruption to content flow and the sales pipeline due to the pandemic. Continued impact to the advertising and global distribution markets if recovery from the pandemic is prolonged.	Reduced visibility for BBC content internationally. Lower commercial returns for indies and the UK licence fee payer.	Continuing to develop stronger services and major customer partnerships with a focus on IP and distribution opportunities. Continuing to look to bring the best ideas to audiences around the world, transforming the business to lead the market in its customer approach. The group has offered support for customers with enhanced licensing terms and non-exclusive access to public service content packages. BBC Global News has made advertising inventory available free of charge to international and governmental organisations around the world to communicate public health messages to viewers.
Competitive production market		
Increasingly competitive market, with large scale consolidated players competing for talent on and off screen Risk of decline in the commissioning market as a result of the corona virus pandemic. Risk production restarts will be challenging, fragmented and costly and subject to further spikes of infection.	Failure to attract talent and deliver high quality content. Failure to win commissions and deliver productions leading to a reduction in revenue.	A number of significant content deals have been agreed, which either deepen existing partnerships or mark the beginning of new, high growth potential relationships. This reflects a long-term and strategic approach to financing and developing high quality content for audiences around the world. Focus on generating sustainable creative hits through early investment in new intellectual property and growing exploitation of successful formats and programmes.

Strategic report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Regulatory and compliance		
Potential for non-compliance with UK and international laws, especially regulatory changes and legislation with extra-territorial reach.	Civil or criminal challenge. Financial penalties. Reputational damage.	Robust framework including mandatory training programmes, policies, regular reporting and specialist committees. Group wide Code of Conduct. Oversight by senior management and the Compliance and Risk Committee. Embedded regional expertise and local compliance champions. Fair Trading framework for compliance with Ofcom trading and separation rules. NAO Value for Money reviews providing transparency.

Section 172 statement

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

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

The measures taken by the Directors with regard to these factors are set out within the Strategic Report.

By order of the Board,

Peter Ranyard

Peter Ranyard
Company Secretary
1 September 2020

Registered Address
BC2 A5, Broadcast Centre
Media Village
201 Wood Lane
London
W12 7TP

Directors' report

Directors

The Directors, who served during the year and up to the date of this report unless otherwise stated, were as follows:

Tony Hall (resigned 31 August 2020)	Dharmash Mistry
Tim Davie	Stephen Morrison
Thomas Fussell	Balraj Samra
Mai Fyfield (appointed 18 July 2019)	Elan Closs Stephens (Chair)
Glyn Isherwood	Sarah Jones

Financial instruments

The Group's financial risk management operations are carried out by the BBC Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the BBC Board. Information about the use of financial instruments by the Company and its subsidiaries is given in note 28 to the financial statements.

Directors' interests and indemnities

No Director had any interest in the share capital of the Group throughout the financial year. No rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year. Directors' and Officers' liability insurance cover was in place throughout the financial year.

Employee participation

The Group 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 the pan-BBC survey; which are subsequently used to develop detailed action plans. The Group also has a range of staff leadership and personal development programmes and is committed to fostering constructive relations with our recognised trade unions.

Diversity

Recruiting and developing a diverse workforce that is representative of contemporary British society is central to the modern BBC and to BBC Commercial Holdings Limited as a subsidiary of the BBC. Creating a diverse workforce is part of the BBC's Diversity Strategy.

This has been developed into a workable framework and mechanisms for systematic action planning and reporting across four key areas:

- corporate strategy and business planning – ensuring equality and diversity are part of all strategic decision-making and business planning;
- audiences – understanding and responding to our diverse audiences, through research, audience engagement and outreach initiatives;
- output – creatively reflecting the diversity of our audiences across all our platforms, and in the development of new services and technology; and
- workforce – a workforce that reflects the diversity of modern Britain and an inclusive work environment.

Training and development

Staff in all areas have opportunities to develop their skills. The BBC Group organises comprehensive in-house and external training programmes, covering job-specific skill enhancement, IT software tuition and management development.

Health and safety

Responsibility for health and safety across the BBC Group is delegated to the boards of each of the Company's subsidiaries.

Disabled persons

Disabled persons are fully and fairly considered for vacancies arising within the BBC Group 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.

The environment

The BBC Group does not operate in industries where there is potential for serious industrial pollution, however it recognises its responsibility to be aware of and take steps to control and minimise any damage its business might cause to the environment.

Corporate governance

The 2018 UK Corporate Governance Code, issued by the Financial Reporting Council and setting out principles of good corporate governance is not applicable to BBC Commercial Holdings Limited as a private limited company but the Group voluntarily complies where appropriate. Disclosure of how the BBC complies may be obtained from www.bbc.co.uk/annualreport.

Directors' report continued

Political and charitable contributions

The Group made £631,000 charitable donations during the period. The Group did not make any political donations during the year.

Dividends

Dividends of £6 million were declared by the Group during the year (2019: £74 million).

Future developments

See the Strategic Report above for details on the Group's future developments.

Going concern

As set out on page 34, the Directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be adopted in the preparation of the accounts.

Post balance sheet events

There were no events subsequent to the balance sheet date which require disclosure within the financial statements.

Auditors

The National Audit Office served as independent external auditors for the year ended 31 March 2020 and 31 March 2019. The National Audit Office have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the board meeting where this report is approved.

Directors' report continued

Statement as to disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- the Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board,

Peter Ranyard

Peter Ranyard
Company Secretary

1 September 2020

Registered Address
BC2 A5
Media Village
Broadcast Centre
201 Wood Lane
London
W12 7TP

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors’ report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis until it is inappropriate to presume that the Group and the Company will continue in business;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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 parent company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of BBC Commercial Holdings Limited

Opinion on financial statements

I have audited the financial statements of BBC Commercial Holdings Limited for the year ended 31 March 2020 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and parent balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union for the Group and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for the parent company financial statements, 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 group's and the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended; and
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the Companies Act 2006

Basis of opinion

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

Conclusions relating to going concern

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.

- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

- assessing the group's and the parent's company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors responsibiltiies for the audit of the financial statements

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and BBC Commercial Holdings Limited's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

- conclude on the appropriateness of BBC Commercial Holdings Limited's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BBC Commercial Holdings Limited's or the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause BBC Commercial Holdings Limited or the group to cease to continue as a going concern.

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

Other information

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

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- in light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and

- the information given in the Strategic and Directors' Report for the 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

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

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

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

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

Consolidated income statement

for the year ended 31 March 2020

	Note	2020 £m	2019 £m
Revenue	2	1,570	1,358
Total operating costs	1	(1,498)	(1,306)
Share of profit of associates and joint ventures	16	28	36
Operating profit		100	88
Operating profit reconciled as:			
EBITDA	1	189	173
Production tax credits	9b	(33)	(39)
Depreciation, amortisation and impairment*	3	(56)	(46)
		100	88
Gains on disposals	4	118	36
Other gains and losses	5	(6)	7
Financing income	8a	13	16
Financing costs	8b	(19)	(18)
Profit before taxation		206	129
Taxation	9a	(5)	11
Profit for the year		201	140
Attributable to:			
Equity shareholder of the parent company		198	139
Non-controlling interests		3	1
Profit for the year		201	140

* Excluding amortisation relating to distribution rights.

The profit for the year arose entirely from continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 March 2020

	2020 £m	2019 £m
Profit for the year	201	140
Items that may be reclassified to the income statement in the future:		
Deferred tax on financial instruments included within other comprehensive income	-	(1)
Exchange differences on translation of foreign operations	9	15
Recognition and transfer of cash flow hedges	(9)	2
Other comprehensive income for the year (net of tax)	-	16
Total comprehensive income for the year	201	156
Attributable to:		
Equity holders of the parent company	198	155
Non-controlling interests	3	1
Total comprehensive income for the year	201	156

Consolidated balance sheet
as at 31 March 2020

	Note	2020 £m	2019 £m
Non-current assets			
Goodwill	12	29	34
Distribution rights	13	126	129
Other intangibles	14	237	37
Property, plant and equipment	15a	44	38
Right-of-use assets	15b	85	-
Interests in associates and joint ventures	16	230	243
Trade and other receivables	18a	45	32
Investments		2	-
Derivative financial instruments	28	32	22
Deferred tax assets	9d	15	9
		845	544
Current assets			
Programme related assets and other inventories	17	270	153
Trade and other receivables	18b	534	463
Contract assets	2b	5	4
Current tax assets	9e	36	19
Derivative financial instruments	28	4	1
Cash and cash equivalents	21	194	199
		1,043	839
Current liabilities			
Trade and other payables	20a	(489)	(386)
Contract liabilities	2b	(156)	(147)
Borrowings	22a	(216)	(9)
Provisions	23	(14)	(15)
Derivatives financial instruments	28	(14)	(2)
Current tax liabilities	9f	(8)	(9)
		(897)	(568)
Non-current liabilities			
Trade and other payables	20b	(88)	(36)
Contract liabilities	2b	(43)	(21)
Borrowings	22b	(76)	(194)
Provisions	23	(4)	(3)
Derivative financial instruments	28	(1)	(1)
Deferred tax liabilities	9d	(39)	(16)
		(251)	(271)
Net assets		740	544
Attributable to equity shareholders of the parent company			
Share capital	24	-	-
Retained earnings	25	728	532
Hedging reserve	25	(8)	1
Translation reserve	25	45	36
Other reserve	25	(27)	(27)
		738	542
Non-controlling interests		2	2
Total equity		740	544

The financial statements of BBC Commercial Holdings Limited, registered number 04463534, were approved by the directors and authorised for issue on 1 September 2020 and signed on their behalf by:

Glyn Isherwood
Director

Consolidated statement of changes in equity

for the year ended 31 March 2020

	Share capital £m	Retained earnings £m	Hedging reserve £m	Translation reserve £m	Other reserve £m	Total £m	Non-controlling interests £m	Total £m
At 31 March 2018	-	466	-	21	(27)	460	2	462
Profit for the year	-	139	-	-	-	139	1	140
Currency translation (note 25)	-	-	-	15	-	15	-	15
Deferred tax on financial instruments	-	-	(1)	-	-	(1)	-	(1)
Cash flow hedges (note 25)	-	-	2	-	-	2	-	2
Total comprehensive income for the year	-	139	1	15	-	155	1	156
Dividends declared in year (note 10)	-	(73)	-	-	-	(73)	(1)	(74)
At 31 March 2019 as previously stated*	-	532	1	36	(27)	542	2	544
First-time adoption of IFRS 16*	-	1	-	-	-	1	-	1
At 31 March 2019 Restated	-	533	1	36	(27)	543	2	545
Profit for the year	-	198	-	-	-	198	3	201
Currency translation (note 25)	-	-	-	9	-	9	-	9
Cash flow hedges (note 25)	-	-	(9)	-	-	(9)	-	(9)
Total comprehensive income/(loss) for the year	-	198	(9)	9	-	198	3	201
Dividends declared in year (note 10)	-	(3)	-	-	-	(3)	(3)	(6)
At 31 March 2020	-	728	(8)	45	(27)	738	2	740

* The Group has applied IFRS 16 using the modified retrospective approach. Under this method, the comparative information is not restated. See accounting policies for further details.

Consolidated cash flow statement

for the year ended 31 March 2020

	Note	2020 £m	2019 £m
Operating activities			
Cash generated from operations	26	225	310
Receipt of tax credits		29	30
Tax paid		(50)	(22)
Net cash from operations		204	318
Investing activities			
Financing income	8a	2	2
Dividends received from associates and joint ventures	16	8	27
Proceeds from sale of operations		-	32
Acquisition of investment		(2)	-
Acquisition of subsidiary net of cash acquired	11	37	(2)
Acquisition of interests in associates and joint ventures		(4)	(4)
Purchases of intangible assets		(200)	(186)
Purchases or property, plant and equipment		(21)	(4)
Dividends paid to non-controlling interests		(3)	(1)
Net cash used in investing activities		(183)	(136)
Financing activities			
Financing costs	8b	(4)	(4)
Proceeds from increase in borrowings		-	11
Repayments of borrowings		(8)	(2)
Payment of lease liabilities		(11)	-
Equity dividends paid	10	(3)	(73)
Net cash used in financing activities		(26)	(68)
Net (decrease)/increase in cash and cash equivalents		(5)	114
Cash and cash equivalents at beginning of the year		199	83
Effect of foreign exchange rate changes on cash and bank overdrafts		-	2
Cash and cash equivalents at the end of the year		194	199

Statement of Group accounting policies

BBC Commercial Holdings Limited (the 'Company') is a company domiciled and incorporated in the United Kingdom, and its registered address is BC2 A5, Broadcast Centre, 201 Wood Lane, London, W12 7TP. The consolidated financial statements of the Company for the year ended 31 March 2020 comprise the Company and its subsidiary undertakings (together the 'Group') and the Group's interest in joint ventures and associated undertakings.

This section explains the Group's main accounting policies, which have been applied consistently throughout the year and in the preceding year except where stated.

Basis of preparation

These consolidated financial statements for the BBC Commercial Holdings Group have been prepared in accordance with IFRS as adopted by the EU and the Companies Act 2006.

The financial statements are principally prepared on the historical cost basis. Areas where other bases are applied are identified in the accounting policies below. The results and financial position of each group company are expressed in pounds sterling to the nearest million, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader’s understanding of the Group’s financial performance. Such items are typically gains or losses and will be shown separately in the income statement.

The consolidated financial statements have been prepared on the going concern basis.

Non-statutory financial performance measures

The Group believes that 'EBITDA' is an additional non-statutory measure of financial performance that provide additional guidance to help understand the performance of the business on a comparable basis year on year.

EBITDA is defined as operating profit plus production tax credits, excluding depreciation and amortisation with the exception of amortisation relating to distribution rights or programming. Depreciation and amortisation include any impairments or write-downs of assets (tangible, right-of-use or intangible).

Statement of Group accounting policies continued

Going concern

The coronavirus pandemic will have an impact on a number of key areas of Group. Filming pauses will delay delivery of content to commissioners and customers, as well as increasing the costs of production overall. Advertising revenues are under significant pressure globally, following dips in consumer confidence and business investment. The knock-on effect on the global economy of social distancing measures is profound. However, the Group is seeing continuing demand for premium content and output, underpinned by audience choices and the continuing proliferation of services.

The Board remains satisfied with the Group's funding and liquidity position. At the balance sheet date, the Group's primary source of funding was a £171 million US Private Placement facility, available until June 2020. This facility consisted of US$216 million (which was fixed through foreign exchange swap transactions at £143 million) and £28 million sterling. From June 2020 these facilities were replaced with a £171 million facility with UK banks. The Group also has access to a £210 million facility with a group of international banks until March 2024. As at the year-end the Group had drawn down £201 million (£169 million net of the impact of foreign exchange swap transactions) of the facilities available (2019: £194 million). The Group has to comply with both interest cover and leverage covenants. There have been no defaults or breaches of covenants during the year and none are expected during the period under review for going concern. Covenants are also in place that could require a repayment of the loan facilities and loan notes as follows:

- BBC ceasing to control the Group;
- a loss of the Charter or Agreement that has a material adverse effect on the Group; or
- if any material company ceases to be licensed to use the BBC trademark and such a loss has a material adverse effect.

There have been no such events this year and none are expected for the foreseeable future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate with the levels of its existing facilities for a period of not less than 18 months from the date of signing these financial statements. The Board have reviewed sensitivities in respect of potential downside scenarios and impacts in respect of the coronavirus pandemic. This included mitigating actions, such as the reduction of discretionary spend, careful cost management and a reduction in dividend. Consideration was also given to whether the Group has sufficient cash and borrowing facilities to meet short term needs.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Statement of Group accounting policies continued

Basis of consolidation

The Group accounts include the results of BBC Commercial Holdings Limited and its subsidiaries, associates and joint ventures. Where necessary, adjustments are made to the financial statements of subsidiaries, associates and joint ventures to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised gains from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control is achieved where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The results of subsidiaries are included in the financial statements from the date that control commences to the date that control ceases.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders are initially measured at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased in proportion to the non-controlling interests' share of any subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of non-controlling interests are adjusted to reflect any changes in their, and the Group's, relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the BBC.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest (net of disposal costs) and (ii) the previous carrying amount of the net assets of the subsidiary (including attributable goodwill) and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to the income statement or transferred directly to retained earnings as appropriate. The fair value of any interest retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate or joint venture.

Associates and joint ventures

Investments in associates and joint ventures are initially recognised at cost. The carrying amount is increased or decreased in subsequent periods to recognise the share of total comprehensive income.

The Group accounts for its share of the results and net assets of its associates and joint ventures using information as of 31 March with the exception of Children's Character Books Limited, Woodlands Books Limited, Educational Publishers LLP and JV Programmes LLC which have been included using information from unaudited accounts drawn up to 31 December. The impact of these non-coterminous year ends is not considered material.

Where the Group's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Statement of Group accounting policies continued

Acquisitions
All identified assets and liabilities included within an acquisition are recognised at fair value as at the acquisition date. Judgement is required in determining the valuation method for each identifiable asset and liability, which is specific for each category based on the most appropriate valuation method - including the Cost, Income and Market approaches. Judgement is also required when assessing the appropriate economic useful lives for assets acquired.

Segmental analysis
In accordance with IFRS 8 *Operating Segments* , the Group's operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Commercial Holdings Board. The Commercial Holdings Board comprises non-executive and executive directors and is responsible for making strategic decisions.

Revenue
Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue recognition is based on the delivery of performance obligations and an assessment of when control is transferred to the customer. The complexity of individual contractual terms may require the Group to make judgements in assessing when the triggers for revenue recognition have been met, particularly whether the Group has sufficiently fulfilled its obligations under the contract to allow revenue to be recognised.

Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer. A performance obligation must meet one of the three criteria in IFRS15 *Revenue from Contracts with Customers* to meet 'over time' recognition. The default category, if none of these criteria are met, is 'point in time' recognition. Refer to the Group's revenue streams below for which category the revenue recognition generally meets.

IFRS 15 provides more comprehensive guidance for contracts to licence intellectual property, or contracts where licence of intellectual property is a significant component. Each performance obligation is identified and evaluated as to whether it represents a right to access the content (revenue recognised over time) or represents a right to use the content (revenue recognised at a point in time), and all three of the criteria referred to above must be met to meet the definition of a 'right to access' licence. The majority of the Group's contracts to licence intellectual property have defaulted to a 'right to use' licence and recognised at a 'point in time'.

The transaction price, being the amount to which the Group expects to be entitled and has rights to under the contract is allocated to the identified performance obligations. Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Exceptions are as follows: Royalties are generally set in a as a metric/percentage of sales generated.

The allocation of the transaction price to the performance obligations is at the amount that depicts the consideration to which the Group expects to be entitled to in exchange for goods or services transferred. This is generally done in proportion to the stand-alone selling prices.

Statement of Group accounting policies continued

Revenue continued

The Group's main sources of contract revenue are recognised as follows:

- *Content and format sales*
  Licence fees from programme content and programme formats are recognised on the later of the start of the licence period (taking into account any holdback dates) or when the Group's performance obligations have been satisfied. For content sales the performance obligation will generally be to deliver the associated programme to the customer, therefore revenue is recognised 'episodically' - on delivery of each episode. For format sales, there are two performance obligations - to provide the format 'bible' and in some cases production assistance. Revenue is allocated to each of these performance obligations based on stand-alone selling prices and recognition at the two separate 'points in time'. The payment terms are over the term of the contract.

- *Production income*
  Production revenue is recognised on delivery of the related programme or on a stage of completion basis, depending on the nature of the contract with the customer. Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer. The payment terms are over the term of the contract.

- *Subscription fees*
  Subscription fees on pay channel platforms and from subscriptions to print and online publications and services are recognised as earned, pro rata over the subscription period. The performance obligation is to provide the subscription service over the period of the contract. This performance obligation meets the definition of 'right to access' as the customer simultaneously receives and consumes the benefits as the Group provides the service. Therefore, subscription fee revenue is recognised 'over time'. Minimum guarantees related to subscription fee revenue are recognised pro-rata straight line over the contract life, in line with 'over time' recognition. The payment terms are quarterly in arrears.

- *Advertising revenue*
  Advertising revenue is recognised on transmission or publication of the advertisement. The performance obligation is satisfied at this 'point in time' - when each advertisement occurs. The payment terms are over the term of the contract.

- *Consumer products*
  Revenue generated from the sale of consumer products is recognised at the time of delivery. Revenue from the sale of goods is stated net of deductions for actual and expected returns based on management judgement and historical experience. The performance obligation is delivery of the products, and therefore revenue is recognised at a 'point in time'. The payment terms are over the term of the contract.

- *Royalties*
  Royalty income arising from sales and usage-based royalties are recognised at the later of when the subsequent sales or usage occurs, or the performance obligation has been satisfied. Minimum guarantees related to royalty income are recognised on delivery of the completed content to the customer, with any subsequent royalties recognised as earnt. Therefore, royalty income is recognised at a 'point in time'. The payment terms are over the term of the contract.

Statement of Group accounting policies continued

Costs of obtaining long-term contracts and costs of fulfilling contracts

The cost of fulfilling contracts do not result in the recognition of a separate asset because:

- such costs are included in the carrying amount of inventory for contracts involving the sale of goods; and

- for service contracts, revenue is recognised over time by reference to the stage of completion meaning that control of the asset is transferred to the customer on a continuing basis as work is carried out. Consequently, no asset for work in progress is recognised.

The group has taken advantage of the practical exemptions:

- Not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and

- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

Foreign currencies

Transactions in foreign currencies are translated into the functional currency of each entity of the Group at an average exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling on that date. Foreign exchange differences which arise on translation are recognised in the income statement.

The Group's presentational currency is pounds sterling. The income statements and cash flows of foreign operations are translated into sterling at the weighted average rates for the year. The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the retranslation of the opening net assets of foreign operations are taken directly to other comprehensive income, together with the differences arising when income statements are translated at average rates compared with rates ruling at the balance sheet date. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that operation is recognised in the income statement as part of the gain or loss on sale.

Lease payments

Under IFRS 16, at inception of a contract the Group assesses whether a contract contains a lease; defined as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The group assesses whether:

- the contract involves the use of an identified asset - either specified explicitly or implicitly - and should be (or represent substantially all the capacity of) a physical asset. If the supplier has substantive substitution rights, then the asset is not identified;

- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset, which is when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

Statement of Group accounting policies continued

Lease payments continued
This predominantly includes land and buildings (both in the UK and overseas) as well as a range of specialised broadcast equipment.

This policy is applied to all contracts entered into, or changed, on or after 1 April 2019

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relevant stand alone prices as determined by the underlying contract.

As a lessee
The Group recognises a right of use asset and a lease liability upon lease commencement. The right of use asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made before the commencement date, plus any initial direct costs and an estimate of restoration costs, less incentives received.

The right of use asset is subsequently depreciated using a straight line method from the commencement date over the lease term (which is equal to, or shorter than, the asset's useful life). The right of use asset is periodically reduced by impairment loses and adjustments for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of unpaid lease payments at commencement, discounted using the Group's incremental borrowing rate (unless the interest rate implicit in the lease can be readily determined).

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable payments dependant on an index or rate, measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option or lease payments in an optional renewal period that the Group is reasonable certain to exercise, and early termination penalties of a lease unless the Group is reasonable certain not to terminate early.

The lease liability is measured using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, change in estimate of the amount expected to be payable under a residual value guarantee, a change in the lease term or a change in the assessment of an option being exercised.

The Group has a number of options to predominantly extend the lease on a right of use asset, or to purchase the underlying asset - typically relating to land and buildings, either in the UK or overseas. An assessment of the location and the availability of suitable alternatives has been undertaken in determining the likelihood of exercising these options.

Statement of Group accounting policies continued

Lease payments continued

When the lease liability is remeasured a corresponding adjustment is made to the carrying amount of the right of use asset. If the carrying value has been reduced to zero then any further reductions are recorded in the income statement.

Right of use assets are presented in property, plant and equipment and lease liabilities are presented in borrowings in the statement of financial position.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets, which are expensed. This includes laptops and other items of small IT equipment.

When determining the accounting for a finance lease, the BBC has assessed whether it has the right to use the leased asset at the inception of the lease, or whether this right passes at a later date ('the commencement date').

Where a significant site is being redeveloped, occupation may occur in distinct phases; consequently, the leased asset and liabilities are recognised based on the proportion of the site occupied at each commencement date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use.

All finance income and other borrowing costs are recognised in income and expense in the period in which they are incurred.

Statement of Group accounting policies continued

Taxation

Current tax is based on taxable profit for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure which are not taxable or deductible or which are taxable or deductible in other years.

Current tax assets and current tax liabilities are offset if, and only if, there is a legally enforceable right to offset the recognised amounts; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax is the tax expected to be payable or recoverable in future periods and is recognised using the balance sheet liability method. This method provides for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The amount of deferred tax provided is based on the manner in which tax is expected to arise and using tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except where it relates to items recorded within other comprehensive income, in which case the deferred tax is also recorded within other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only where there is a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or
- different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Statement of Group accounting policies continued

Intangible fixed assets

Programme rights for distribution

Distribution rights represent rights to programmes and associated intellectual property acquired with the primary intention of exploiting the rights commercially as part of the Group's long-term operations.

Distribution rights acquired by the Group are either purchased, generated internally or licensed following the payment of an advance on royalties. Where the Group controls the respective assets and the risks and rewards attached to them, rights are initially recognised at acquisition cost or production cost. The carrying amount is stated at cost less accumulated amortisation and provision for impairment.

Amortisation is charged to the income statement to match the estimated future economic benefit. This is calculated as the higher of an estimated recoupment profile based on the average historic performance of the overall distribution rights portfolio or the actual recoupment of the specific initial distribution advance.

Where the carrying value of any individual set of rights exceeds management's best estimate of future exploitation revenues, a provision for impairment is recorded in the income statement immediately.

For self-produced content, distribution rights exclude co-production costs borne by third parties. These costs are deferred within current assets and expensed upon recognition of the associated production income. Production income is recognised in accordance with the Group's revenue recognition policies.

Business combinations and goodwill

Acquisitions on or after 1 April 2007 – on initial recognition goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired.

Acquisitions prior to 1 April 2007 – as part of the adoption of IFRS, in accordance with IFRS 1 'First-time adoption of IFRS', the Group elected to restate only those business combinations that occurred on or after 1 April 2007. In respect of acquisitions prior to 1 April 2007, goodwill is recognised at deemed cost being the amount previously recognised under UK Accounting Standards, subject to being tested for impairment at that date. Goodwill arising in periods up to 1 April 1998 remains offset against the operating reserve, as was permitted by UK GAAP at the time.

Goodwill arising on the acquisition of associates and joint ventures – this is included in the carrying amount of the associate or joint venture and is tested for impairment as part of the overall balance.

Subsequent measurement of separately recognised goodwill – goodwill is tested annually for impairment and is measured at cost less any accumulated impairment losses. For the purposes of impairment testing the goodwill is allocated to cash-generating units on the basis of those expected to benefit from the relevant business combination.

Statement of Group accounting policies continued

Intangible fixed assets continued

Other intangible assets

Intangible assets acquired as part of a business acquisition are capitalised at fair value at the date of acquisition. The fair value of such intangible assets is valued by reference to external market values or income based methods. Income based methods estimate the future economic benefits to be derived from ownership of the asset by identifying, quantifying and separating cash flows attributable to the asset and capitalising their present value. Purchased intangible assets acquired separately are capitalised at cost. After initial recognition, all intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

An internally-generated intangible asset arising from the Group's development, including software and website development, is recognised when the asset is technically and commercially feasible, sufficient resources exist to complete the development and it is probable that the asset will generate future economic benefits. Any expenditure on research activities, or development activities that do not meet the aforementioned criteria, is recognised as an expense in the period in which it is incurred.

Amortisation

With the exception of goodwill, which is not amortised, amortisation is charged on assets with finite lives on a systematic basis over the asset's useful life and disclosed within total operating costs in the income statement.

The useful lives and amortisation methods are as follows:

Customer Relationships	Straight line	unexpired term of agreement
Licences and Trademarks	Straight line	30 years or unexpired term
Software (including internally-generated software)	Straight line	1-5 years
Other	Straight line	3-8 years

Useful lives are examined every year and adjustments are made, where applicable, on a prospective basis.

Statement of Group accounting policies continued

Intangible fixed assets continued

Impairment of assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Non-financial assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount; the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) and for which goodwill is monitored for management purposes.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

Property, plant and equipment

Other than as noted on the following page, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Statement of Group accounting policies continued

Property, plant and equipment continued

Depreciation

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The major categories of property, plant and equipment are depreciated as follows:

- Land and buildings
  - Freehold land – not depreciated
  - Freehold buildings – 50 years
  - Freehold building improvements – 10 to 50 years
  - Long leasehold buildings – shorter of 50 years or life of lease
  - Long leasehold building improvements – 10 to 50 years
- Plant and machinery
  - Computer equipment – 3 to 5 years
  - Electrical and mechanical infrastructure – 10 to 25 years
  - Other – 3 to 10 years
- Furniture and fittings – 3 to 10 years

Statement of Group accounting policies continued

Programme rights and other inventories

Programme rights in this context refers to the programme rights acquired for the primary purpose of broadcasting through the regional channels operations. The carrying amount is stated at cost less accumulated amortisation and provision for impairment. The Group's estimate of the benefits received from these rights is determined to be most appropriately aligned with a straight-line amortisation profile for the majority of the programme inventory held. The cost is recognised in the income statement on a straight-line basis over the period of the licence.

Other inventories, comprising CDs, DVDs, raw materials and work in progress are stated at the lower of cost (determined on a first-in-first-out basis) and net realisable value.

Work in progress relates to the costs of programmes in the course of production which were not delivered to the programme commissioner by 31 March 2020 and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the assets to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion.

Financial instruments

The Group classifies its financial assets and liabilities into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial instruments in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Amortised cost

The Group's financial assets measured at amortised cost comprise trade and other receivables, contract assets and cash and cash equivalents. The Group's financial liabilities measured at amortised cost comprise trade and other payables, contract liabilities and borrowings. They principally arise from the provision of goods and services, but also incorporate other types of financial assets/liabilities where the objective is to collect or receive contractual cash flows and the contractual cash flows are solely payments of principal and interest.

- *Trade and other receivables and contract assets*

  Trade receivables are recognised initially at transaction price and subsequently at amounts considered recoverable (amortised cost). Estimates are used in determining the level of receivables that will not be collected. These estimates include factors such as historical experience, the current state of the UK and overseas economies and industry specifics. A provision for impairment of trade and other receivables is recognised based on the simplified approach using the lifetime expected credit losses.

  Changes in the carrying amount of the allowance are recognised in the income statement within total operating costs.

- *Contract liabilities*

  A contract liability is recognised when payment is received prior to the associated performance obligation being fulfilled. It is released to revenue when the performance obligation is satisfied.

Statement of Group accounting policies continued

Financial instruments continued

Amortised cost continued

- *Cash and cash equivalents*
  Cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months (short-term deposits).

Fair value through profit/loss

This category comprises derivatives. Those in-the-money derivatives are financial assets whilst those out-the-money are financial liabilities.

The Group does not enter into speculative derivative contracts; however, some derivative financial instruments are used to manage the Group's exposure to fluctuations in interest rates (interest rate swaps , caps and collars) and foreign currency exchange rates (foreign currency forwards contracts and currency options).

Derivative financial instruments, excluding derivatives held as qualifying hedges, are initially recognised at fair value and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the income statement.

- *Interest rate swaps, caps and collars*
  The fair value is the estimated amount that the Group would receive or pay to terminate the swap, cap or collar at the balance sheet date, taking into account current interest rates, the current creditworthiness of swap, cap or collar counterparties and the creditworthiness of the Group.

- *Foreign currency forward contract rates*
  The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date from third parties.

- *Embedded derivatives*
  An embedded derivative is a component of a hybrid contract that also includes a non-derivative host - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

  Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 *Financial instruments* are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

  Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit/loss.

  If the hybrid contract is a quoted financial liability, instead of separating the embedded derivatives, the Group generally designates the whole hybrid contract at fair value through profit/loss.

Statement of Group accounting policies continued

Financial instruments continued

Fair value through profit/loss continued

- *Other investments*
  The Group has strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or joint ventures. These investments were previously classed as available for sale under IAS 39 *Financial Instruments: Recognition and Measurement* , and are now held at fair value through profit/loss.

Fair value through other comprehensive income

Certain derivatives designated as cash flow hedges are recognised at fair value through other comprehensive income.

- *Hedge accounting*
  Where hedge accounting is applied, the Group has elected to adopt the hedge accounting requirements of IFRS 9. The Group enters into hedge relationships where the critical terms of the hedging instruments and the hedged item match. Hedge effectiveness is determined at the origination of the hedging relationship. Quantitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. In instances where changes occur to the hedged item which results in the critical terms no longer matching, the hypothetical derivative method is used to assess effectiveness.

  The Group designates certain derivatives as cash flow hedges by documenting the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions. Where the hedge is deemed to have been effective, the effective portion of any changes in the fair value of the derivatives that are designated in the hedge are recognised in other comprehensive income. The accumulated amount in the cash flow hedge reserve is reclassified to profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of the hedge is recognised immediately in the income statement.

Provisions

Judgements are employed in determining if a past event has given rise to a present obligation that will result in probable payment by the group that can be measured reliably. Estimation techniques are used, following the review of such events, if it is determined that a provision is required. Such techniques are used in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the group. This can be complex, especially when there is a wide range of possible outcomes. The BBC reassesses whether there has been a change in this liability based on the facts and circumstances at each balance sheet date. Any provisions that are payable over a number of years (other than deferred tax) are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

Retirement benefit plans

Employees of the Group also participate in defined benefit schemes operated by the Group's ultimate parent, the British Broadcasting Corporation. The defined benefit schemes provide benefits based on pensionable pay. The assets of the BBC's main pension scheme, the BBC Pension Scheme, to which the majority of employees belong, are held separately from those of the BBC Group.

The BBC Pension Scheme is a group-wide scheme and there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants. The contribution rates are set by the pension scheme trustees based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities. Valuations of the scheme are performed by Willis Towers Watson, consulting actuaries, with formal valuations undertaken at least every three years. Accordingly, the Company accounts for contributions payable to the scheme as if the schemes were defined contribution schemes, as is required by IAS 19 *Employee Benefits* .

The amounts charged as expenditure for the defined contribution plans represent the contributions payable by the BBC for the accounting period.

Termination benefits

Termination benefits are a component of restructuring provisions and are payable when employment is terminated before the normal retirement date. They are recognised as an expense when the Group is demonstrably committed to termination being when there is a detailed formal plan to terminate employment without possibility of withdrawal.

Other employee benefits

Other short and long term employee benefits, including holiday pay and long service leave, are recognised as an expense over the period in which they accrue.

Dividends on shares presented within equity

Dividends are recognised through equity in the period in which they are declared. Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Group. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions, and requires management to exercise its judgement and to make estimates in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

Revenue recognition

The timing of revenue recognition requires judgement, as does the amount to be recognised. This may involve estimating the fair value of consideration before it is received. In making these judgements, the Group considers the revenue recognition criteria set out in IFRS 15 Revenue from contracts with customers and, in particular, whether the Group had transferred the significant risks and rewards of the goods/services to the customer.

The complexity of individual contractual terms may require the Group to make judgements in assessing when the criteria for recognising revenue have been met, particularly whether the Group has sufficiently fulfilled its obligations under the contract to allow revenue to be recognised.

Statement of Group accounting policies continued

Use of estimates and judgements continued

Carrying value of goodwill

The determination of whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate that reflects current market assessments of the risks specific to the asset and the time value of money, in order to calculate present value. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting. If different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements. Please refer to note 12 for further details.

Basis of consolidation

Judgement is required in determining whether certain entities in which the Group has an economic interest should be considered to be subsidiaries, associates or joint ventures. In such circumstances, the Group has assessed its ability to control or influence those entities. The Group controls an investee if, and only if, the Group has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. Where such policies are reserved such that an economic partner has the power to veto key strategic financial and operating decisions, the entity is considered to be an associate or joint venture undertaking.

Fair value of financial instruments

Certain financial instruments are carried on the balance sheet at fair value, with changes in fair value reflected in the income statement. Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques.

Impairment of financial assets

Financial assets are assessed at each balance sheet date to determine whether there is any objective evidence of impairment. Judgement is required when considering the factors in determining whether there is objective evidence of impairment; which include significant financial difficulty of the counterparty and breach of contract. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. All impairment losses are recognised in the income statement.

The Group uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers. Loss rates are based on actual credit loss experience which are adjusted to reflect differences between customer base during the period over which the historical data has been collected, as well as any forward looking information regarding the Group's view of economic and industry wide conditions over the expected lives of the receivables.

Statement of Group accounting policies continued

Use of estimates and judgements continued

Impairment of financial assets continued

The Group has further reviewed the amounts provided against receivables for expected credit losses, taking into account the potential for increased losses due to the economic impact of the coronavirus pandemic. In addition to revisiting historic loss rates, this review assessed if heightened sectoral exposure and uncertainty impacted certain segments of the receivables balances, resulting in a qualitative adjustment being required.

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets therefore involves judgement regarding timing and level of future taxable income.

Distribution rights and programme rights

The assessment of the appropriate profile over which to recognise the amortisation of distribution rights and programme rights involves a certain degree of judgement. Amortisation is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life.

Rights creditors

Rights creditors arise from obligations to pay rights holders for the exploitation of content. These rights holders include; third party profit participants, contributors, talent unions and collecting societies. There is an element of the rights creditors which is subject to judgement where the information is not yet available to calculate the rate payable. In these cases, the rate is estimated based on the best information available.

Accruals

Accruals include work in progress accruals, which arise in instances where a performance obligation has been satisfied but all associated expenditure has not yet been incurred. The basis of the calculation of such accruals is based upon forecast expenditure required to fulfil the contract.

Statement of Group accounting policies continued

Adoption of new and revised accounting standards

The following new and revised standards and Interpretations have been adopted for the first time, as they became effective for this financial year:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- IFRIC 23 Uncertainty over Income Tax Treatments

They have been applied since 1 April 2019 and have not had a significant impact on the results or financial position of the Group with the exception of IFRS 16 (see below).

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU).

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts
- Amendments to IFRS 10 and IAS 28 (Sept 2014) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors do not expect that the adoption of the standards and interpretations above would have a material impact on the financial statements of the Group in future periods.

Changes in Accounting policies

Except for the below, the Group has consistently applied the accounting policies to all periods presented. The Group has applied IFRS 16 with an initial application date of 1 April 2019, using the modified retrospective approach, under which the cumulative effect of initial recognition is recognised in retained earnings at 1 April 2019.

The definition of a lease applicable to the BBC's circumstances is decribed in the accounting policies relevant to leases.

Changes in Accounting policies continued

On transition to IFRS 16, the Group elected to apply the practical expedient to apply the assessment of which transactions are leases, applying IFRS 16 to contracts that had been previously identified as leases. The definition of a lease under IFRS 16 was applied to contracts entered into or changed on or after 1 April 2019.

As a lessee, the Group previously classified leases as either operating or finance based upon its assessment of whether significantly all the risks and rewards incidental to ownership of the underlying asset transferred to the Group. Under IFRS 16, the Group recognises right of use assets and lease liabilities for most leases on the balance sheet. Recognition exemptions have been applied to short term and low value leases.

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate at 1 April 2019. Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to previously classified operating leases:

- Adjusted the right of use assets by any onerous contract provision immediately before initial application;
- Did not recognise right of use assets and liabilities for leases with a term of less than 12 months;
- Excluded initial direct costs from measuring right of use assets at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For previously classified finance leases, the carrying amount of the right of use asset and the lease liability at 1 April 2019 are determined at the carrying amount of the lease asset and liability immediately as at 31 March 2019.

Adjustments upon transition are not required for leases in which the Group acts as a lessor, except for sub leases when classification is determined with reference to the right-of-use asset, not the underlying asset. On transition the Group recognised the following:

	£m
Right-of-use asset	76
Other balance sheet movement	4
Additional lease liabilities	(79)
Retained earnings	(1)

	£m
Operating lease commitments at 31 March 2019 as previously disclosed	163
Discounted using the incremental borrowing rate at 1 April 2019	141
Finance lease liabilities at 31 March 2019	-
Recognition exemption for short term leases	(8)
Recognition exemption for leases of low value assets	(1)
Variable lease payments based on an index or rate	(14)
Other	(39)
Lease liabilities recognised at 1 April 2019	79

1 Segmental reporting

The Commercial Holdings Board, the Group's chief operating decision maker (CODM), has determined the reportable segments based upon the reports it regularly reviews and uses to make strategic decisions and allocate resources.

Segmental information provided to the Board is based on the Group's primary revenue sources. The reportable segments are:

- BBC Studios group - Generates revenue from exploiting the various assets of the BBC, for example by licencing programme formats, selling international rights, merchandising and production facilities. Revenue is also generated through subscription fees from the broadcast of the Group's channels on pay television platforms and from the production of programme content across factual, drama, comedy and entertainment genres;

- BBC Global News group – The group generates its revenue through the commercial exploitation of global news through the BBC World News television channel and bbc.com website. Revenue is also generated through video news on demand available to channel operators and through mobile devices; and

- BBC Studioworks - Generates revenue through the provision of equipment, facilities and services for use in programme production.

The results of the holding Company and other commercial entities are reported to the Board at the same time as other segments.

Group adjustments reflect eliminations required for trading activity between the segments detailed above.

Inter-segment pricing is determined on an arms length price.

Information regarding reportable segment assets and liabilities is not reported to the Board.

1a Analysis of revenue and operating profit/(loss) by activity

2020	Note	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Total revenue	2a	1,388	115	40	42	(15)	1,570
Depreciation and amortisation	3a	(221)	(1)	(4)	-	-	(226)
Other operating (costs)/income		(1,089)	(113)	(32)	(89)	51	(1,272)
Share of profit of associates and joint ventures	16	28	-	-	-	-	28
Operating profit/(loss)		106	1	4	(47)	36	100
Analysed as:							
EBITDA/(LBITDA)		181	2	8	(38)	36	189
Production tax credits		(24)	-	-	(9)	-	(33)
Depreciation, amortisation and impairment*		(51)	(1)	(4)	-	-	(56)
Operating profit/(loss)		106	1	4	(47)	36	100

* Excluding amortisation relating to distribution rights

1 Segmental reporting continued

1a Analysis of revenue and operating profit/(loss) by activity continued

2019	Note	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Total revenue	2a	1,189	114	37	32	(14)	1,358
Depreciation and amortisation	3a	(173)	(1)	(2)	-	-	(176)
Other operating (costs)/income		(967)	(106)	(31)	(38)	12	(1,130)
Share of profit of associates and joint ventures	16	36	-	-	-	-	36
Operating profit/(loss)		85	7	4	(6)	(2)	88
Analysed as:							
EBITDA/(LBITDA)		159	8	6	2	(2)	173
Production tax credits		(31)	-	-	(8)	-	(39)
Depreciation and amortisation* and impairment		(43)	(1)	(2)	-	-	(46)
Operating profit/(loss)		85	7	4	(6)	(2)	88

* Excluding amortisation relating to distribution rights

1b Geographical location of revenue and non-current assets

The Group's geographical reportable segments reflect management reporting lines and do not solely correspond to the country or region after which they are named. The Group’s revenue by country of destination was as follows:

2020	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Non-current assets excluding deferred tax and derivative financial instruments:						
UK	536	1	30	306	(306)	567
America	210	-	-	-	-	210
Australia	13	-	-	-	-	13
Rest of world	7	1	-	-	-	8
	766	2	30	306	(306)	798
Additions included in non-current assets	445	1	4	-	-	450
External revenue:						
UK	658	-	40	39	(15)	722
America	301	33	-	-	-	334
Australia	64	2	-	-	-	66
Rest of world	365	80	-	3	-	448
	1,388	115	40	42	(15)	1,570

The allocation of sales to geographical segments is based upon the business region in which the sales are generated. No individual country within the rest of world category is more than 3% of total sales.

Further analysis of the Group's revenues by product or service line is not provided as this information is not routinely reported to the Board.

1 Segmental reporting continued

1b Geographical location of revenue and non-current assets continued

2019	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Non-current assets excluding deferred tax and derivative financial instruments:						
UK	289	1	14	342	(341)	305
America	186	-	-	-	-	186
Australia	14	-	-	-	-	14
Rest of world	8	-	-	-	-	8
	497	1	14	342	(341)	513
Additions included in non-current assets	218	1	1	-	-	220
External revenue:						
UK	529	-	37	30	(14)	582
America	241	33	-	-	-	274
Australia	70	7	-	-	-	77
Rest of world	349	74	-	2	-	425
	1,189	114	37	32	(14)	1,358

The allocation of revenue to geographic segments is based upon the business region in which the sales are generated.

1c Analysis of total operating costs by activity

2020	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Cost of sales	998	97	33	51	(16)	1,163
Distribution costs	114	-	-	-	-	114
Administration expenses	198	17	3	38	(35)	221
	1,310	114	36	89	(51)	1,498

2019	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Cost of sales	880	98	30	38	(15)	1,031
Distribution costs	54	-	-	-	-	54
Administration expenses	206	9	3	-	3	221
	1,140	107	33	38	(12)	1,306

Administration expenses include exchange rate differences. BBC Global News group in particular has significant movements between years as a result of these.

2 Revenue

2a Disaggregation of revenue

In the following table, revenue is disaggregated by reportable segment, revenue streams, and timing of revenue recognition. See note 1b for a geographical split of total revenue. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 1 *Segmental Reporting*).

2020	Note	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Revenue streams							
Content and format sales		447	-	-	-	-	447
Production income		442	-	40	42	(15)	509
Royalties		33	-	-	-	-	33
Advertising revenue		168	69	-	-	-	237
Subscription fees		209	46	-	-	-	255
Consumer products		89	-	-	-	-	89
Total contract revenue		1,388	115	40	42	(15)	1,570
Timing of goods and services							
Point in time		1,179	115	-	42	-	1,336
Over time		209		40	-	(15)	234
Total revenue	1a	1,388	115	40	42	(15)	1,570

2019	Note	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Revenue streams							
Content and format sales		412	-	-	-	-	412
Production income		492	-	37	32	(13)	548
Royalties		32	-	-	-	-	32
Advertising revenue		23	68	-	-	(1)	90
Subscription fees		141	46	-	-	-	187
Consumer products		89	-	-	-	-	89
Total contract revenue		1,189	114	37	32	(14)	1,358
Timing of goods and services							
Point in time		1,048	114	-	32	(1)	1,193
Over time		141	-	37	-	(13)	165
Total revenue	1a	1,189	114	37	32	(14)	1,358

2 Revenue continued

2b Contract balances

Contract assets (accrued income) primarily relate to the Group's right to consideration for work completed but not billed at the reporting date. Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service. The following table provides analysis on significant changes to contract assets and liabilities during the year.

	Contract Assets		Contract Liabilities	
	2020	2019	2020	2019
	£m	£m	£m	£m
At 1 April	4	-	(168)	-
Balance transferred following adoption of IFRS 15	-	3	-	(97)
Decrease due to balance transferred to trade receivables	(4)	(3)	-	-
Decrease due to revenue recognised in the period	-	-	131	80
New contract assets	5	4	-	-
Increase due to cash received in advance and not recognised as revenue during the year	-	-	(162)	(151)
At 31 March	5	4	(199)	(168)
Presented within:				
Current	5	4	(156)	(147)
Non-current	-	-	(43)	(21)
	5	4	(199)	(168)

2c Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to the performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2021	2022	2023	Beyond
	£m	£m	£m	£m
Content and format sales	156	91	39	147
Production income	328	196	80	88
Royalties	7	6	4	4
Advertising revenue	137	171	158	736
Subscription fees	192	140	50	47
Consumer products	7	7	-	-
	827	611	331	1,022

No consideration from contracts with customers is excluded from the amounts presented above.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

2d Contract costs

There were no capitalised commission fees or any other contract costs occurred in the current year or prior year.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

3 Total operating costs

3a Total operating costs

Operating costs is stated after charging/(crediting):

	Note	2020 £m	2019 £m
Intangible fixed assets and property, plant and equipment			
Depreciation - owned assets	15a	8	8
Depreciation - right-of-use assets	15b	10	-
Amortisation of intangible fixed assets	14	32	16
Amortisation of distribution rights	13	176	152
Impairment of investments in associates and joint ventures	16	2	1
Impairment intangible fixed assets	12	4	21
Inventories			
Write-downs		10	4
Other operating costs			
Rentals on operating leases and similar arrangements		1	42
Expenses relating to short term leases		10	-
Expenses relating to leases of low value assets, excluding short term leases		1	-
Net exchange differences on settled transactions		(14)	(7)
Impairment of trade receivables	19	-	7
Staff costs	6b	241	228

3b Auditor's remuneration

The National Audit Office served as independent external auditors for the year ended 31 March 2020 and 31 March 2019.

The audit fee was £91,000 (2019: £35,000) for the audit of the Company's annual accounts. Fees payable for services provided across the Group are shown below.

	2020 £m	2019 £m
Audit services with the National Audit Office	1.2	1.1
Audit services with other auditors	0.1	-
Total audit services	1.3	1.1
Tax services with other auditors	0.3	0.2
Total non-audit services with other auditors	0.3	0.2
Total fees paid	1.6	1.3

Notes to the financial statements continued

4 Gains on disposals

	Note	2020 £m	2019 £m
Gain on disposal of Good Food		-	29
Gain on deemed disposal of UKTV	11	114	-
Other gains		4	7
Total gains on disposals		118	36

The Group increased its shareholding in UKTV Media Holdings Limited on 5 June 2019 thereby changing the accounting for this joint venture to that of a subsidiary holding. A £114 million deemed disposal on the joint venture holding has therefore been recognised.

On 31 August 2018 BBC Studios Group completed the sale of Good Food to Immediate Media Co. for consideration of £32 million.

5 Other gains and losses

	2020 £m	2019 £m
Change in fair value of derivative financial instruments	(2)	(8)
Change in fair value of put options over non-controlling interests	(2)	15
Change in earn-out payments due in respect of prior acquisitions	(2)	-
Total other gains and losses	(6)	7

6 Staff numbers and costs

6a Persons employed

	2020 Number	2019* Number
BBC Studios group	2,672	2,641
BBC Global News group	385	350
BBC Studioworks	120	106
Total staff numbers	3,177	3,097

* The comparatives for BBC Studios have been restated to better reflect the average headcount for the prior year.

Within the averages above, 283 (2019: 269) part-time employees have been included at their full-time equivalent of 201 (2019: 189).

In addition, the Group employed an average full-time equivalent of 525 (2019: 554) persons on a casual basis.

6b Staff costs (including directors)

	2020 £m	2019 £m
Salaries and wages	196	194
Social security costs	23	21
Pension costs	22	13
Total staff costs	241	228

2018/19 employer contributions to the BBC Group Pension scheme were benchmarked to ensure consistency with market rates. To comply with Ofcom transfer pricing requirements, the contributions were charged at 8% market rate, compared to the BBC Group defined rate of 31.4%. Following a change in Ofcom's transfer pricing requirements to allow recharges at cost, the contributions increased to 31.4% in 2019/20.

7 Key management personnel compensation

Key management personnel are those people who have authority and responsibility for planning, directing and controlling the activities of the Group. The Board of Directors for BBC Commercial Holdings Limited have been identified as the key management for this Group based on their responsibilities and influence for spending money and overseeing the Group's services and operations.

Only five of the ten (2019: six of ten) key management individuals who served during the year receive remuneration by the Commercial Holdings Group in respect of their professional services or duties to this Group. The disclosures in this note refer to these individuals.

The remaining individuals are remunerated separately within the BBC Group in relation to their wider professional duties to the BBC.

Key management personnel compensation is as follows:

	2020 £m	2019 £m
Emoluments	0.9	1.5
Defined benefit pension scheme contributions	-	0.2
Performance related	0.4	0.6
Total key management personnel compensation	1.3	2.3

Retirement benefits accrue to key management under the following schemes:

	2020 Number	2019 Number
Defined benefit schemes	1	3

The highest paid director's emoluments were as follows:

	2020 £'000	2019 £'000
Emoluments	400	400
Defined benefit pension scheme contributions	40	32
Performance related	200	200
Other benefits	2	2
Total highest paid director's emoluments	642	634

The highest paid director is a member of the BBC defined benefit pension scheme and had accrued entitlements of £21,000 (2019: £18,000) under the scheme at the end of the year.

The defined benefit pension reflects a 31.4% (2019: 31.4%) employer contribution.

8 Net financing costs

8a Financing income

	2020 £m	2019 £m
Bank interest receivable	2	2
Unwinding of discount receivable	-	1
Fair value gains on interest rate swaps classified as fair value through profit/loss	11	13
Total financing income	13	16

8b Financing costs

	2020 £m	2019 £m
Interest on bank loans	(4)	(4)
Unwinding of discount payable	(4)	(2)
Exchange loss on borrowings	(9)	(12)
Interest on lease liabilities	(2)	-
Total financing costs	(19)	(18)

9 Taxation

9a Taxation recognised in the income statement

	Note	2020 £m	2019 £m
Current tax			
UK corporation tax		(11)	(13)
Group relief receivable		(1)	(8)
Double tax relief		(4)	(9)
Adjustments in respect of prior years		5	-
UK current taxation		(11)	(30)
Foreign tax		20	20
Total current tax		9	(10)
Deferred tax			
Origination and reversal of temporary differences		(5)	(1)
Reduction in tax rate		(1)	-
Adjustments in respect of prior years		2	-
Total deferred tax	9d	(4)	(1)
Total charge/(credit) for the year		5	(11)

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable UK profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9 Taxation continued

9b Reconciliation of effective tax rate

The effective rate of tax for the year ended 31 March 2020 was different from the standard rate of tax in the UK of 19% (2019: 19%) as a result of the following:

	2020 £m	2019 £m
Group profit before taxation	206	129
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	39	25
Effects of		
Disallowed expenditure (includes goodwill impairment)	(17)	6
High-end television tax relief	(33)	(39)
Tax differential on wholly owned overseas earnings	9	2
Tax differential in associates and joint ventures	-	(5)
Other differences		
Adjustments in respect of prior years	7	-
Total tax charge/(credit) for the year	5	(11)

9c Factors that may affect future tax charges

The UK corporation tax rate is 19% and is expected to remain at this level for the immediate future.

The March 2020 Budget announced that a Corporation Tax rate of 19% would continue to apply with effect from 1 April 2020 and this change was substantively enacted on 17 March 2020. The deferred tax liability at 31 March 2020 has been calculated based on the rate of 19%.

There are many future changes to worldwide taxation systems as a result of the potential adoption by the UK and individual territories of measures relating to the OECD Base Erosion and Profit Shifting Actions. The Group continues to actively monitor any developments and evaluate their potential impact. The Group does not expect the future tax rate to be materially impacted by these changes to the international tax landscape.

9 Taxation continued

9d Analysis of deferred tax balance

	Note	Accelerated capital allowances £m	Provisions £m	Financial instruments £m	Joint ventures and associates £m	Programme rights £m	Other £m	Net deferred tax asset/ (liability) £m
At 1 April 2019		4	6	(3)	(21)	(7)	14	(7)
Credit/(charge) to income statement	9a	1	-	(2)	-	-	5	4
Acquisition of subsidiary		-	-	-	-	-	(20)	(20)
Exchange movements		-	-	-	-	-	(1)	(1)
At 31 March 2020		5	6	(5)	(21)	(7)	(2)	(24)

Presented within:	2020 £m	2019 £m
Non-current assets	15	9
Non-current liabilities	(39)	(16)
Total deferred tax	(24)	(7)

Deferred tax assets in respect of tax losses carried fowward are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised deferred tax assets arising on capital losses totalling £139 million (2019: £139 million). These assets have not been recognised on the basis that there is insufficient certainty that capital gains will arise against which the Group can utilise these losses.

The Group also has unrecognised deferred tax assets on brought forward unutilised management expenses amounting to £4 million (2019: £4 million) and non-trade loan relationship losses totalling £14 million (2019: £14 million). These assets have not been recognised on the basis that there is insufficient certainty that future gains or losses will arise against which the Group can utilise these losses.

There is no time limit for the utilisation of either of these losses, and the position is reviewed annually.

9e Current tax asset

The current tax assets totalling £36 million (2019: £19 million) includes £33 million (2019: £30 million) due in respect of film tax credits outstanding on high-end drama, comedy, natural history and factual productions.

9f Current tax liabilities

The current tax liabilities totalling £8 million (2019: £9 million) is due in overseas jurisdictions.

10 Equity Dividends

Dividends payable on ordinary equity shares	2020 £m	2019 £m
Dividends were paid/proposed as follows:		
March 2020 of 5,000p per share	3	-
March 2019 of 146,000p per share	-	73
Total dividends	3	73

11 Acquisitions

UKTV Group

On 5 June 2019, the UKTV group, a British multi-channel broadcaster, that was previously a joint venture (see note 16) owned by BBC Studios Distribution Limited and Southbank Media Limited, was demerged and had its ownership restructured. The three life-style channels were separated from the Group, and BBC Studios Distribution obtained 100% ownership and control of UKTV Holdings Limited and its remaining seven entertainment channels, as well as UKTV Play and the UKTV brand. The principal reason for this acquisition was that these channels are closely aligned to the Group's own content strategy, providing financial return.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£m
Cash paid	2
Deferred consideration	98
Purchase consideration	100

An additional £73 million will be paid, representing the assumption of debt previously financed by Discovery and the impact of discounting the deferred consideration.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value £m
Cash	39
Trade and other receivables	75
Trade and other payables	(64)
Rights to broadcast acquired programmes and films	106
Furniture and Fittings	2
Intangible assets: Customer relationships	58
Intangible assets: Software	5
Intangible assets: Licences and trademarks	139
Intercompany payable	(68)
Corporation tax	(4)
Deferred tax	(20)
Net assets aquired	268

11 Acquisitions continued

Business combination achieved in stages

Pre acquisition the UKTV joint venture was revalued from £50 million to a fair value of £164 million, resulting in a profit on disposal of £114 million recognised in the income statement. Gain on bargain purchase totalled £4 million.

Acquired receivables

The fair value of acquired trade receivables is £36 million. The gross contractual amount for trade receivables due is £36 million, all of which is expected to be collected.

Revenue and profit contribution

The acquired business contributed revenues of £236 million and net profit of £41 million to the Group for the period from 5 June 2019 to 31 March 2020.

Purchase consideration - cash inflow

	Total £m
Cash consideration	(2)
Add cash aquired	39
Net inflow of cash - investing activities	37

Acquisition-related costs

Acquisition-related costs of £1 million that were not directly attributable to the issue of shares are included in administrative expenses in the income statement and in operating cash flows in the statement of cash flows.

12 Goodwill

	2020 £m	2019 £m
Cost		
At 1 April	56	37
Additions	-	19
Exchange differences	(1)	-
At 31 March	55	56
Amortisation and impairment		
At 1 April	22	1
Impairment	4	21
At 31 March	26	22
Net book value	29	34

Goodwill is allocated by cash generating unit (CGU) and is analysed in the BBC Studios group results. The applicable cash generating units within BBC Studios Distribution Limited are as follows:

	2020 £m	2019 £m
Consumer distribution business	-	4
Independent production companies	21	21
Australian channels business	8	9
At 31 March	29	34

The Group tests goodwill for impairment in the accounting period in which a business combination takes place, thereafter annually, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions used for these calculations are those regarding discount rates and growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to each CGU.

Consumer distribution business
The goodwill in this CGU arose as a result of the acquisition of 2 Entertain Limited on 6 August 2009. The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected long term growth rate of -42% (2019: -34%).

A discount rate of 9.6% (2019: 8.8%) has been applied to the cash flows.

The main assumption on which the forecast cash flows are based is the trends in the global DVD market. The Group performed an operational review of the DVD business concluding that sales are declining by an average of approximately 42% per year, which the Group extrapolated to calculate the expected decline on EBITDA for this business.

As a result of the changes in the global DVD market, management made the decision to impair the Goodwill in the consumer distribution business by £4 million (2019: £21 million) as a result of the annual impairment review.

12 Goodwill continued

Independent production companies

The goodwill balance arose as a result of the acquisition of Sid Gentle Films Limited and Lookout Point Limited in 2018.

The cash flow projections used in determining value in use for both CGUs are based on the current business plans approved by management, which cover a five year period after which cash flows have been extrapolated using an expected long term growth rate of 1% (2019: 1%).

A discount rate of 9% (2019: 10%) has been applied to the cash flows.

Australian channels business

The goodwill in this CGU arose as a result of the acquisition of UK.TV on 1 July 2008. Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of five years (2018: five years) and a discount rate of 8.7% (2019: 8.6%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1% (2019: 1%).

The main assumption on which the forecast cash flows are based is licence fee rates. In forming its assumptions about licence fee rates, the Group has used a combination of long term trends and recently contracted terms.

The decrease in goodwill is due to the Australian dollar weakening against the British pound.

Management believes that no reasonable change in the key assumptions on which the value in use of this CGU is based would result in an impairment.

The coronavirus pandemic has had an adverse effect on the economic environment in which each CGU operates. The remaining goodwill balance for the consumer distribution business CGU is nil, and therefore the consideration of any risk-adjusted cash flow forecasts would not have an impact on the respective goodwill balance. For the independent production company CGU consideration has been given to downside scenarios arising from the coronavirus pandemic in order to incorporate a market view of risk and uncertainty.

13 Distribution rights

	2020 £m	2019 £m
Cost		
At 1 April	1,187	1,020
Additions	172	171
Rights where licences expired	(50)	(5)
Prior period reclass	93	-
Exchange differences	-	1
At 31 March	1,402	1,187
Amortisation and impairment		
At 1 April	1,058	909
Charge for the year	176	152
Rights where licences expired	(50)	(5)
Prior period reclass	92	-
Exchange differences	-	2
At 31 March	1,276	1,058
Net book value at 31 March	126	129

14 Other intangible assets

	Customer Relationships £m	Software £m	Other Intangibles £m	Total £m
Cost				
At 1 April 2018	10	39	15	64
Additions	-	13	10	23
Disposals	-	(3)	-	(3)
Exchange differences	(1)	-	1	-
At 31 March 2019	9	49	26	84
Additions*	54	46	130	230
Disposals	-	(8)	(1)	(9)
Transfers	3	-	(3)	-
At 31 March 2020	66	87	152	305
Amortisation and impairment				
At 1 April 2018	6	22	5	33
Charge for the year	1	7	8	16
Disposals	-	(2)	-	(2)
Exchange differences	(1)	-	1	-
At 31 March 2019	6	27	14	47
Charge for the year	9	22	1	32
Disposals	-	(5)	(1)	(6)
Transfers	3	-	(3)	-
Exchange differences	(2)	-	(3)	(5)
At 31 March 2020	16	44	8	68
Net book value				
At 31 March 2020	50	43	144	237
At 31 March 2019	3	22	12	37

* Additions to other intangibles relate to licences and trademarks.

15 Property, plant and equipment

15a Owned assets

	Land and buildings* £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2018	17	62	19	2	100
Additions	-	1	1	2	4
Transfers	-	3	1	(4)	-
Disposals	-	(4)	-	-	(4)
At 31 March 2019	17	62	21	-	100
Additions	2	11	6	4	23
Transfers	-	3	-	(3)	-
Disposals	-	(12)	(5)	-	(17)
Exchange movements	1	(4)	(1)	-	(4)
At 31 March 2020	20	60	21	1	102
Depreciation and impairment					
At 1 April 2018	6	41	11	-	58
Charge for the year	1	5	2	-	8
Disposals	-	(4)	-	-	(4)
At 31 March 2019	7	42	13	-	62
Charge for the year	1	5	2	-	8
Disposals	-	(7)	(4)	-	(11)
Exchange movements	(1)	(1)	1	-	(1)
At 31 March 2020	7	39	12	-	58
Net book value					
At 31 March 2020	13	21	9	1	44
At 31 March 2019	10	20	8	-	38

* Land and buildings are not separable and therefore reported collectively.

15 Property, plant and equipment continued

15b Right-of-use assets

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2019	-	-	-	-	-
Recognition of right-of-use asset on initial application of IFRS 16	74	2	-	-	76
Additions	17	1	-	-	18
Change in contract	1	-	-	-	1
At 31 March 2020	92	3	-	-	95
Depreciation and impairment					
At 31 March 2019	-	-	-	-	-
Charge for the year	9	1			10
At 31 March 2020	9	1	-	-	10
Net book value					
At 31 March 2020	83	2	-	-	85

16 Group share of associates' and joint ventures' assets and profit

	2020 £m	2019 £m
Interest in associates	217	198
Interest in joint ventures	13	45
Total interest in associates and joint ventures	230	243
Share of profit of associates	18	11
Share of profit of joint ventures	10	25
Total share of results of associates and joint ventures	28	36

Details of significant associates and joint ventures along with principal subsidiary undertakings, including their activities, are provided in Note 32.

The movements in associates and joint ventures during the year were as follows:

	Associates 2020 £m	Joint Ventures 2020 £m	Total 2020 £m	Associates 2019 £m	Joint Ventures 2019 £m	Total 2019 £m
At 1 April	198	45	243	191	35	226
Additions	-	8	8	3	1	4
Disposals	-	(50)	(50)	(7)	-	(7)
Share of results	18	10	28	11	25	36
Adjustment to provision for unrealised profits	(4)	2	(2)	1	(1)	-
Dividends receivable	(8)	-	(8)	(12)	(15)	(27)
Foreign exchange translation gains	15	(2)	13	12	-	12
Impairment	(2)	-	(2)	(1)	-	(1)
At 31 March	217	13	230	198	45	243

Additions relate to an increase in ownership of Britbox in North America, which became equally split between BBC Studios and ITV.

Changes in interests in associates and joint ventures

The Group previously held a 50% share in UKTV Media Holdings Limited, a joint venture holding in a British multi-channel broadcaster, and on the 5 June 2019 purchased the remaining shareholding, resulting in it being a 100% wholly owned subsidiary.

16 Group share of associates' and joint ventures' assets and profit continued

Changes in interests in associates and joint ventures continued

Investments in associates

Interests in associates in the current and previous years included the following material operation:

New Video Channel America, LLC ("NVCA")

On 23 October 2014, the Group sold a 49.9% stake in NVCA, formerly a wholly-owned subsidiary of BBC Worldwide Americas Inc., and retained an investment of 50.1% in NVCA. Whilst the Group retains significant influence over NVCA, and has the right to variable returns, it no longer has control as the Group has limited power over the operational activities, holding responsibility for voting only on activities outside the normal course of business. Therefore the Group has deconsolidated NVCA from the date of the sale and accounts for its retained interest since that date as an associate.

The following table presents the Group's share of NVCA during the year:

	NVCA 2020 £m	NVCA 2019 £m
Non-current assets	183	272
Current assets	115	105
Current liabilities	(43)	(156)
Non-current liabilities	(4)	(6)
Net assets of NVCA	251	215
Group's share of net assets of NVCA	126	108
Provision for unrealised profit	(5)	(5)
Goodwill	70	66
Group's interest in NVCA	191	169
Income	163	145
Profit after tax	35	24
Share attributable to other parties	(18)	(12)
Group's share of results of NVCA	17	12

Investments in joint ventures

There were no material joint ventures in the current year.

17 Programme related assets and other inventories

	2020 £m	2019 £m
Rights to broadcast acquired programmes and films	123	42
Work in progress	141	105
Finished goods and goods for resale	6	6
Total programme related assets and other inventories	270	153

18 Trade and other receivables

18a Trade and other receivables due after more than one year

	2020 £m	2019 £m
Trade receivables	43	30
Amounts owed by associates and joint ventures	2	2
Total trade and other receivables due after more than one year	45	32

The carrying value of trade and other receivables approximates to their fair value.

18b Trade and other receivables due within one year

	2020 £m	2019 £m
Trade receivables	263	219
Amounts owed by parent undertaking	8	22
Amounts owed by associates and joint ventures	16	45
Prepayments	33	25
Accrued income	181	130
Other receivables	33	22
Total trade and other receivables due within one year	534	463

19 Expected credit losses

Included in the Group’s contract assets (see note 2c) and trade and other receivables at 31 March 2020 are balances of £57 million (2019: £35 million) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

	2020 £m	2019 £m
Up to 3 months	30	27
3 to 6 months	17	3
Over 6 months	10	5
Total balance past due	57	35

19 Expected credit losses continued

In determining the recoverability (likelihood of receiving payment) or a contract asset or trade and other receivable the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date as well as future considerations around the current state of the UK and overseas economies and any industry specific issues. Receivables are provided for based on the probability of expected credit losses for each receivable.

Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the income statement. The impairment provision stands at £7 million at 31 March 2020 (2019: £10 million).

The movement in the allowance for expected credit losses is set out below:

	2020 £m	2019 £m
Balance at the beginning of the year	10	4
Charge for the year	-	7
Amounts recovered during the year	(2)	(1)
Amounts written off as uncollectible	(1)	-
Balance at the end of the year	7	10

No significant amount has been provided for items that are not yet due for payment.

20 Trade and other payables

20a Trade and other payables due within one year

	2020 £m	2019 £m
Trade payables	61	45
Salaries and wages creditors	34	36
Rights creditors	140	135
Amounts owed to parent company	50	51
Amounts owed to associates and joint ventures	-	11
Accruals	110	63
Deferred income	3	2
Other payables	91	43
Total trade and other payables due within one year	489	386

20 Trade and other payables continued

20b Trade and other payables due after more than one year

	2020 £m	2019 £m
Rights creditors	21	16
Other payables	67	20
Total trade and other payables due after more than one year	88	36

21 Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank available on demand and cash in hand	47	56
Short term deposits	147	143
Total cash and cash equivalents	194	199

22 Borrowings

22a Borrowings due within one year

	2020 £m	2019 £m
Bank loans	204	9
Lease liabilities	12	-
Total borrowings due within one year	216	9

22b Borrowings due after more than one year

	2020 £m	2019 £m
Bank loans	-	194
Lease liabilities	76	-
Total borrowings due after more than one year	76	194

See note 29 for further details on borrowing facilities in place.

The aging of obligations under leases is as follows:

	2020 £m	2019 £m
Within one year	12	-
Between one and five years	28	-
Over five years	48	-
Total obligations under leases	88	-

23 Provisions and contingent liabilities

	At 1 April 2019 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2020 £m
Restructuring	1	3	(2)	-	2
Property	2	-	-	-	2
Legal	11	-	-	-	11
Other	4	1	-	(2)	3
Total	18	4	(2)	(2)	18
Included in current liabilities	15				14
Included in non-current liabilities	3				4
Total	18				18

Other provisions include amounts relating to items arising in the normal course of business, none of which are individually material.

The group makes specific provision for its best estimate of any damages and costs which may be awarded. A provision is only made to the extent that the group considers it probable that there will be an outflow of economic benefits and the amount can be reliably estimated.

The Group occasionally enters into contracts with other equity shareholders of its associates and joint ventures to purchase additional equity. In some cases, these contracts place an obligation on the Group to acquire further shares at the option of the counterparty to the contract. The Group has not recorded a liability in respect of most of these contracts as the amounts payable in the event of exercise are based on a proxy for the market value of those shares. Amounts payable under such contracts are not expected to be material to the Group as a whole.

There were no contingent liabilities in the current or prior year.

24 Share capital

	2020 £'000	2019 £'000
Issued, allotted, called up and fully paid		
At 1 April and 31 March	50	50

The Company has one class of ordinary shares, which carry no right to fixed income.

Notes to the financial statements continued

25 Equity shareholder's funds and reserves

Retained earnings

The retained earnings reserve reflects accumulated profits to date.

Hedging reserve

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, losses of £4 million were removed from the hedging reserve and recognised in revenue in the income statement (2019: losses of £4 million).

Translation reserve

The translation reserve comprises all foreign exchange differences arising since the transition to IFRS, from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries.

Other reserve

Other reserve includes the fair value of put option liabilities arising on acquisition of subsidiaries and the difference between the cost of investment and net assets of entities acquired which are held under common control.

26 Reconciliation of Group profit before tax to cash generated from operations

	Note	2020 £m	2019 £m
Group profit before tax		206	129
Depreciation, amortisation and impairment	3a	232	198
Gain on derivatives associated with loans		(11)	(13)
Loss on other derivatives		1	10
Loss on disposal of fixed asset		9	-
Share of profits in associates and joint ventures	16	(28)	(36)
Gain on sale and termination of operations	4	-	(29)
Gain on deemed disposal of associate	4	(114)	(7)
Gain on other disposals		(4)	-
Other gains and losses	5	4	(15)
Financing income (excluding fair value swaps)	8a	(2)	(3)
Financing costs (excluding fair value swaps)	8b	19	18
(Increase)/decrease in inventories	17	(12)	22
(Increase)/decrease in debtors		(34)	6
(Decrease)/increase in creditors		(41)	22
Increase in provisions	23	-	8
Cash generated from operations		225	310

27 Off balance sheet items

27a Contracts placed for future expenditure

This note shows amounts to which the Group is contractually committed, but which do not meet the criteria for inclusion in the balance sheet. It includes fixed (but not variable) payments due under outsourcing contracts for the life of those contracts.

Functions covered by these long-term outsourcing contracts include IT support, content distribution and transmission, facilities management and elements of finance support.

2020	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after five years £m	Total £m
Programme rights for distribution	118	46	-	164
Other commitments	26	14	-	40
2019				
Programme rights for distribution	122	37	-	159
Other commitments	45	12	-	57

Included in other commitments is £2 million (2019: £26 million) to associates. No amounts were due to to joint ventures (2019: £7 million).

27b Post balance sheet events

There were no events subsequent to the balance sheet date which require disclosure within the financial statements.

28 Financial Instruments

This section details the financial instruments held by the Group. A financial instrument is a contract that results in one entity recording a financial asset (a contractual right to receive financial assets, e.g. cash) in their accounts and another entity recording a financial liability.

The Group's financial risk management operations are carried out by the BBC Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the Treasury Management Group which has delegated authority from the BBC Board.

The BBC Group Treasury function uses financial instruments to raise finance and to manage financial risk arising from the BBC's operations in accordance with its objectives, which are:

- to ensure the business of the BBC Group, both public service and commercial, is funded in the most efficient manner and remains compliant with borrowing ceilings;
- to protect the value of the BBC's assets, liabilities and cash flows from the effects of adverse interest rates and foreign exchange fluctuations; and
- to maximise the return on surplus funds, whilst ensuring sufficient cash is retained to meet foreseeable liquidity requirements.

The Group takes a risk averse approach to the management of interest rate fluctuations and foreign currency trading and has implemented a clear economic hedging policy to minimise volatility in the financial results. A small number of the forward foreign currency contracts entered into by the Group were designated as hedging instruments in effective cash flow hedges. Hedge accounting is only applied where there is appropriate designation and documentation.

The Group is exposed to the following areas of risk arising from financial instruments:

Risk	Exposure arising from	Measurement	Management
Market risk - currency risk	Transactions and balances denominated in foreign currencies	Cash flow forecasting	Forward foreign currency contracts
Market risk - interest risk	Long term borrowings at variable rates	Projected borrowing requirements	Interest rate swaps, caps and collars
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Monitoring cash flow forecasts and covenant compliance
Credit risk	Counterparty default on contractual obligations	Credit ratings and ageing analysis	Assessment of financial reliability, collateral and other credit enhancements

28 Financial Instruments continued

Currency risk

Foreign exchange transaction risk arises from forecast future commercial transactions that are denominated in a currency that is not the entity's functional currency. Foreign exchange translation risk arises from the retranslation of overseas subsidiaries' income statements and balance sheets into sterling. The Group is a global organisation with the majority of revenues generated outside the UK. BBC Studios in particular has significant overseas operations and as a result is exposed to foreign exchange risk arising from various currency exposures, principally in relation to the US dollar, the Euro and the Australian dollar. Due to movements in exchange rates over time, the amount the Group expects to receive or pay when it enters into a transaction may differ from the amount that it actually receives or pays when it settles the transaction.

The Group has implemented a hedging policy to minimise volatility in its financial results. The Group's policy is to hedge a proportion of its forecast net foreign currency trading covering a period of up to two years. The foreign currency forwards are denominated in the same currency as the highly probable forecast net exposures and therefore the hedge ratio is 1:1. Forward currency contracts allow the Group to settle transactions at known exchange rates, and therefore to reduce uncertainty arising from currency risk.

The overall income or expenditure to be recognised in relation to contracts denominated in foreign currencies (and the related hedges) is therefore fixed; however, where these contracts span financial years, the recognition of the fair value of the forward currency contracts results in timing gains or losses in each financial year. These timing gains or losses are as a result of market conditions and not variances in underlying contract value.

Depending on how exchange rates move between the time the Group enters into the transaction and at the year end reporting date, derivatives can either be profitable (‘in the money’) or loss-making in their own right. However, the rationale in entering into these derivatives is not to profit from currency markets or interest rate fluctuations, but to provide stability to the Group's cash flows. Other than where hedge accounting is applied the movements relating to these derivatives (i.e. where they are either in profit or loss-making) are taken to the Group’s statement of income and expenditure for the year.

At 31 March 2020, the Group had entered into a net commitment to sell foreign currencies amounting to £179 million (2019: £347 million) that mature in the period through to 2021 in order to fix the sterling cost of commitments through this period (mainly euros and US dollars).

Based on the net forward contracts outstanding at 31 March 2020, if the pound had moved adversely by 5% with all other variables being constant, the profit or loss impact would have been an increased gain of £2 million (2019: gain of £1 million) and the comprehensive income impact would have been a loss of £9 million (2019: loss of £16 million).

Net gains (before tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in hedge relationships at 31 March 2020 were £9 million (2019: £1 million net losses). These amounts are recognised in the income statement in the period when the hedged forecast transaction impacts the income statement.

The ineffective portion recognised in operating costs arising from such hedges was immaterial in both the current and prior year.

28 Financial Instruments continued

Interest rate risk

BBC Commercial Holdings' 2013 private placement included a tranche of fixed rate sterling debt alongside a tranche of fixed rate US dollar debt, with the latter swapped to fixed rate sterling throughout the period of the instrument. Since March 2003 the Group has borrowed using its revolving credit facilities at floating rates of interest and then used interest rate swaps, caps and collars to manage the Group's exposure to interest rate fluctuations and provide greater certainty of cash flows. Interest rate swaps, caps and collars are entered into based on projected borrowing requirements, therefore differences will occur between the notional amount of the swaps, caps and collars and the actual borrowing requirements. By taking out the interest rate swaps, caps and collars the Group has mitigated underlying exposure to interest rate fluctuations and hence no sensitivity analysis has been presented.

Sterling fixed rate borrowings are achieved by entering into interest rate swap transactions; all outstanding swaps mature by the end of June 2020. In total, £174 million (2019: £165 million) of swaps were entered into. The coverage is £27 million lower (2019: £28 million lower) than the current level of bank loans of £201 million (2019: £193 million).

The private placement debt matured in June 2020 and was therefore replaced by a £170 million term loan. A series of interest rate swaps have also been entered into to fix the interest rate on this facility. See note 29 for further details.

Other price risk

Other price risk of financial assets: The Group invests surplus cash in money market funds and money market deposits, therefore it is not subject to other price risks, such as market price risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is subject to limits on its borrowings set by the Secretary of State in accordance with the Agreement between the BBC and Department of Culture Media and Sport. At 31 March 2020 the net debt limit in place was £350 million (2019: £350 million) and an additional £150 million (2019: £nil) for leases.

In order to comply with these limits, together with the terms of any individual debt instruments, the BBC's Group Treasury function manages the Group's borrowings by regularly monitoring Group cash flow forecasts. The Group holds its surplus liquidity in term deposit accounts with highly rated financial institutions.

The Group bank loans are subject to debt covenants based on the Group's earnings before interest and taxation. The covenants are in respect of net borrowings and net interest coverage. The Group is active in the monitoring of its debt covenants which have been met at 31 March 2020.

28 Financial Instruments continued

Liquidity risk continued

The following table sets out the contractual undiscounted cash flows (including interest) of financial liabilities:

2020	Carrying value £m	Contractual cash flows Total £m	Less than one year £m	Between one and five years £m	Over five years £m
Non-derivative financial liabilities					
Trade and other payables	(430)	(435)	(342)	(92)	(1)
Bank loans and overdrafts	(204)	(224)	(224)	-	-
Lease obligations	(88)	(88)	(12)	(30)	(46)
Derivative financial liabilities					
Forward foreign currency contracts - fair value through profit/loss	(6)	(6)	(5)	(1)	-
Forward foreign currency contracts - fair value through other comprehensive income	(9)	(9)	(9)	-	-

2019	Carrying value £m	Contractual cash flows Total £m	Less than one year £m	Between one and five years £m	Over five years £m
Non-derivative financial liabilities					
Trade and other payables	(320)	(320)	(288)	(32)	-
Bank loans and overdrafts	(203)	(223)	(15)	(208)	-
Derivative financial liabilities					
Forward foreign currency contracts - fair value through other comprehensive income	(3)	(3)	(2)	(1)	-

28 Financial Instruments continued

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty defaults on its contractual obligation. Credit risk arises from cash and cash equivalents, derivative financial instruments, contract liabilities and trade and other receivables.

Cash and cash equivalents and derivative financial instruments are held only with banks of A+ to BBB rating. The Group limits its exposure to credit risk by only investing in liquid securities with counterparties that have a minimum credit rating of A-, with a higher minimum rating up to AA- required depending upon duration and amount. Given these high credit ratings, the Group considers it has appropriately mitigated the risk of any counterparty failing to meet its obligations.

The Group's credit risk management policy in relation to other trade receivables involves regularly assessing the credit quality of customers, taking into account several factors such as their financial position and historical performance. The carrying amount of financial assets included in the financial statements represents the Group's maximum exposure to credit risk in relation to these assets.

Capital management

The Group delivers long term value to its shareholder, the BBC Group, through cash returned in the form of dividends as a share of the Group's profits, acquisition of BBC content or intellectual property, direct investment in BBC programming and growth in the capital value of the BBC's equity in the Group. Accordingly it is appropriate that the targets set for the Group and the incentives placed on the management team are aligned with these goals.

The dividend policy of the Group is therefore set to achieve the optimum balance between annual cash returns to the BBC, which are an essential part of the BBC's funding stream, and investing for growth to build value over the long term.

The Group applies strict compliance with the BBC's four Commercial Criteria: fit with the BBC's public purposes, brand reputation and brand values, commercial efficiency and fair trading policy. The Group's policy in making investment decisions is governed by these principles and the commercial efficiency of the investment. The commercial efficiency of an investment is determined on a case-by-case basis, with respect to financial metrics such as net present value, internal rate of return, payback period and profit margin. In line with current best practice, the Group operates a framework for calculating investment discount rates that are tailored to each investment. This framework applies appropriate risk premiums to the discount rate in order to ensure all risks relating to the investment are taken into account and that the required rate of return is commensurate with this level of risk.

28 Financial Instruments continued

Fair value of financial instruments

When calculating the fair value of the Group's financial instruments (subsequent to the initial recognition), the technique used is determined with reference to the classification in the 3-level hierarchy set out below. This disclosure helps to show the level of judgement that the Group has used in calculating fair values, subsequent to the initial recognition.

Fair value hierarchy levels 1 to 3 are based upon the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No transfers between these categories have occurred during the period.

	Carrying value				Fair value hierarchy for those carried at fair value or at amortised cost where fair value differs			
2020	Amortised cost £m	Fair value through profit/ loss £m	Fair value through other comprehensive income £m	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Cash and cash equivalents	194	-	-	194				
Trade and other receivables	365	-	-	365				
Derivative financial assets:								
Forward foreign currency contracts	-	3	1	4	4	-	-	4
Interest rate swaps	-	32	-	32	-	32	-	32
Other investments	2	-	-	2	-	-	2	2
Total financial assets	561	35	1	597	4	32	2	38
Bank loans and overdrafts	(204)	-	-	(204)				
Lease obligations	(88)	-	-	(88)	-	-	(88)	(88)
Trade and other payables	(414)	(16)	-	(430)	-	-	(16)	(16)
Derivative financial liabilities:								
Forward foreign currency contracts	-	(6)	(9)	(15)	(15)	-	-	(15)
Total financial liabilities	(706)	(22)	(9)	(737)	(15)	-	(104)	(119)

28 Financial Instruments continued

Fair value of financial instruments continued

2019	Carrying value: Amortised cost £m	Carrying value: Fair value through profit/ loss £m	Carrying value: Fair value through other comprehensive income £m	Total £m	Fair value hierarchy for those carried at fair value or at amortised cost where fair value differs: Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Cash and cash equivalents	199	-	-	199				
Trade and other receivables	320	-	-	320				
Derivative financial assets:								
Forward foreign currency contracts	-	1	1	2	2	-	-	2
Interest rate swaps	-	21	-	21	-	21	-	21
Total financial assets	**519**	**22**	**1**	**542**	**2**	**21**	**-**	**23**
Bank loans and overdrafts	(203)	-	-	(203)				
Trade and other payables	(308)	(12)	-	(320)	-	-	(12)	(12)
Derivative financial liabilities:								
Forward foreign currency contracts	-	(3)	-	(3)	(3)	-	-	(3)
Total financial liabilities	**(511)**	**(15)**	**-**	**(526)**	**(3)**	**-**	**(12)**	**(15)**

Due to their short-term nature; the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables, is approximately equal to their fair value.

28 Financial Instruments continued

Level 3 financial instruments

The change in fair value of level 3 financial instruments is reconciled as follows:

	2020		2019	
	Financial assets £m	Financial liabilities £m	Financial assets £m	Financial liabilities £m
At 1 April	-	(12)	1	(26)
Payments	-	8	-	-
Unwinding of discount recorded within finance expense	-	(4)	-	(2)
Additions	2	-	-	-
IFRS 9 cumulative catch up	-	-	(1)	1
IFRS 16 cumulative catch up	-	(78)	-	-
Change in fair value recorded in other gains and losses	-	(2)	-	15
Change in fair value	-	(16)	-	-
At 31 March	2	(104)	-	(12)

29 Borrowing facilities

Facility	Interest rate	Total available 31 March 2020 £m	Drawn down at 31 March 2020 £m	Total available 31 March 2019 £m	Drawn down at 31 March 2019 £m	Expiry or review date
BBC Commercial Holdings Limited						
Multicurrency, revolving credit facility agreement for loans	LIBOR* plus 0.45% rising to LIBOR* plus 0.6% on utilisations over 1/3 and LIBOR* plus 0.75% on utilisations over 2/3.	210	-	210	-	March 2025
Overdraft or money market lines	Money market line - margin of 1.0% (2019: 1.0%)	20	-	20	-	Reviewed annually
US Private Placement	Fixed interest at 2.36%	28	28	28	28	June 2020***
US Private Placement**	Fixed interest at 2.71%	173	173	165	165	June 2020***
BBC Studios Distribution Limited						
Overdraft	Bank base rate plus 1% if drawn down in sterling. Bank currency overdraft rate plus a 1% margin if drawn down in other currencies.	2	-	2	-	Reviewed annually
Bank loan	3 month GBP LIBOR + 1.75%	9	-	9	1	November 2021
Bank loan	3 month GBP LIBOR + 1%	3	3	-	-	September 2020
Bank loan	3 month GBP LIBOR + 1%	-	-	3	3	August 2019
Bank loan	3 month GBP LIBOR + 1%	-	-	6	6	October 2019

* The base rate used varies according to the currency drawn. GBP drawings are linked to LIBOR.

** The $216 million US placement has been hedged to a sterling value of £143 million, valued at the time of the facility being placed.

*** The US Private Placement was replaced by a £170 million term loan. This facility matures in June 2023 with two one year extension options taking the maturity to June 2025. A series of interest rate swaps have also been entered into to fix the interest rate on this facility to 1.49%.

There have been no defaults or breaches of covenants on the facilities above during the year (2019: none).

30 Parent undertaking and controlling party

The Company’s parent undertaking and controlling party is the British Broadcasting Corporation (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. Copies of the financial statements of the BBC can be obtained from www.bbc.co.uk/annualreport.

31 Related party transactions

The related party transactions of the Group have been presented in accordance with IAS 24 *Related Party Disclosures*. Related parties of BBC Commercial Holdings Limited include its subsidiary, associate and joint venture undertakings, its parent undertaking and fellow subsidiaries and key management personnel of the Group and their close family members.

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note. Amounts owed by and to the BBC Public Service and fellow subsidiary undertakings within the BBC Group are reported in notes 18 and 20 respectively. In addition to the above, BBC Commercial Holdings Group also received less than £100,000 of income from BBC Children in Need (2019: less than £100,000).

The following table illustrates transactions with the BBC and fellow subsidiary undertakings:

	Parent company		Other BBC subsidiaries	
	2020	2019	2020	2019
	£m	£m	£m	£m
Investment in BBC programme rights	(13)	(15)	-	-
Dividends proposed	(3)	(73)	-	-
Other income	343	389	-	-
Other expense	(95)	(89)	-	-
	232	212	-	-

31 Related party transactions continued

The following table illustrates the Group's revenue received from the BBC Public Service by segment:

2020	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Total £m
Revenue settled in year	296	-	2	35	333
Revenue not yet settled (before any write offs)	9	-	-	-	9
Total revenue received from BBC Public Service	305	-	2	35	342
Removal of contributions to cost and other Income Statement timing differences	2	-	(1)	-	1
Total reportable revenue received from BBC Public Service	307	-	1	35	343

2019	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Total £m
Revenue settled in year	361	1	2	30	394
Revenue not yet settled (before any write offs)	7	-	-	-	7
Total revenue received from BBC Public Service	368	1	2	30	401
Removal of contributions to cost and other Income Statement timing differences	(8)	(1)	(1)	(2)	(12)
Total reportable revenue received from BBC Public Service	360	-	1	28	389

31 Related party transactions continued

The following table illustrates the Group's spend with the BBC Public Service by segment:

2020	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Total £m
In year spend paid	(41)	(25)	(1)	(2)	(69)
In year spend not yet paid	(31)	(15)	-	-	(46)
Total spend with BBC Public Service	(72)	(40)	(1)	(2)	(115)
Removal of contributions to cost and other Income Statement timing differences	5	2	-	-	7
Total reportable revenue received by BBC Public Service	(67)	(38)	(1)	(2)	(108)

2019	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Total £m
In year spend paid	(53)	(26)	(1)	(1)	(81)
In year spend not yet paid	(24)	(15)	-	(1)	(40)
Total spend with BBC Public Service	(77)	(41)	(1)	(2)	(121)
Removal of contributions to cost and other Income Statement timing differences	15	2	-	-	17
Total reportable revenue received by BBC Public Service	(62)	(39)	(1)	(2)	(104)

In all transactions, the terms of trade were negotiated on an arm's length basis.

The value of transactions with significant associates and joint ventures are as follows:

Name of related party	Income 2020 £m	Expenditure 2020 £m	Dividends received 2020 £m	Income 2019 £m	Expenditure 2019 £m	Dividends received 2019 £m
Associates:						
New Video Channel America LLC	26	-	7	20	(3)	11
Other associates	1	(12)	-	3	(10)	1
Joint ventures:						
UKTV Media Holdings Limited*	-	-	-	53	-	15
Other joint ventures	28	-	1	8	-	-
	55	(12)	8	84	(13)	27

* The Group purchased the remaining shareholding of UKTV Media Holdings Limited during the year, resulting in it being a 100% wholly owned subsidiary.

31 Related party transactions continued

The following amounts were outstanding at the balance sheet date:

Name of related party	Receivables 2020 £m	Payables 2020 £m	Net balance 2020 £m	Receivables 2019 £m	Payables 2019 £m	Net balance 2019 £m
Associates:						
New Video Channel America LLC	4	-	4	2	(1)	1
Other associates	4	-	4	7	-	7
Other	-	-	-	-	-	-
Joint ventures:						
UKTV Media Holdings Limited*	-	-	-	35	(10)	25
Other joint ventures	10	-	10	3	-	3
	18	-	18	47	(11)	36

* The Group purchased the remaining shareholding of UKTV during the year, resulting in it being a 100% wholly owned subsidiary.

For the prior year the Group had an other payable of £1 million due to a joint venture of the Group's ultimate parent in respect of group relief. No such balance existed in the current year.

32 Interests in associates, joint ventures and subsidiaries

32a Significant associates and their activities

The Group holds interests in the following significant associates:

Name of entity	Place of incorporation and principle place of business	Holding of issued ordinary shares %	Activity
New Video Channel America LLC*	United States	50.1	TV channel operator
3sixtymedia Limited**	England and Wales	10.0	Production

* Whilst BBC Studios Distribution Limited retains a significant influence over New Video Channel America LLC and has the rights to variable returns, it is not deemed to have control and is therefore recognised as an associate undertaking.

** The BBC holds 10% holding of the total share capital of 3sixtymedia Limited but 20% of the Class A ordinary shares which gives it significant influence.

32b Significant joint ventures and their activities

The Group does not hold any significant interests in joint ventures.

32 Interests in associates, joint ventures and subsidiaries continued

32c Subsidiary undertakings

BBC Commercial Holdings Limited owns 100% of the issued share capital of the following companies which are incorporated in Great Britain and registered in England and Wales:

Directly owned subsidiaries	Registered Address	Holding of ordinary shares %
BBC Global News Holdings Limited	Broadcasting House, Portland Place, London W1A 1AA	100
BBC Global News Limited		100
BBC Studios Limited*	1 Television Centre, 101 Wood Lane, London W12 7FA	100
BBC Children's Productions Limited	Broadcast Centre, Media Village, 201 Wood Lane, London	100
BBC Studioworks Limited	Neptune House, BBC Elstree Centre, Clarendon Road, Borehamwood, Hertfordshire WD6 1JF	100

Indirectly owned subsidiaries	Registered Address	Holding of ordinary shares %
BBC.com Limited	Broadcasting House, Portland Place, London W1A 1AA	100
BBC World Distribution Limited		100
UKTV Media Holdings Limited	10 Hammersmith Grove, London, W6 7AP	100
UKTV Media Limited		100
BBC Studios Productions Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA	100
BBC Studios Distribution Limited		100
BBC Grafton House Productions Limited		100
BBC Comedy Productions Limited		100
BBC Natural History and Factual Productions Limited		100
BBC Natural History Giant Screen Limited		100
BBC Studios Productions (Clifton) Limited		100
Mortimer Productions Limited		100
2 entertain Limited		100
2 entertain Management Limited		100
2 entertain Video Limited		100
BBC Video Limited		100
MCI Music Publishing Limited		100
Demon Music Group Limited		100
Crimson Productions Limited		100
F-Beat Records Limited		100
Demon Records Limited		100
BBC Earth MD (WWD) Limited		100
BBC Earth Productions (Life) Limited		100
BBC Earth Productions Limited		100
BBC Earth Productions (Giant Films) Limited		100
Earth Film Productions Limited		100

Demon Music Group Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A.

32 Interests in associates, joint ventures and subsidiaries continued

32c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holdings of ordinary shares %
BBC Magazine Holdings Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA	100
BBC Studios Corporate Services Limited		100
BBC Studios Investments Limited		100
BBC Studios Drama Productions Limited		100
Tonto Films and Television Limited		100
BBC Studios Channel Investments Limited		100
UK Programme Distribution Limited		93
BEEB Rights Limited		88
Baby Cow Productions Limited		73
Baby Cow Manchester Limited		100
Baby Cow Productions (Hunderby) Limited		100
Baby Cow Productions (Partridge) Limited		100
Baby Cow Productions (Red Dwarf) Limited		100
Baby Cow Films Limited		100
Alan Partridge Limited		100
Baby Cow Animation (Warren) Limited		100
Baby Cow Animation (Wussywat) Limited		100
Baby Cow Productions (Witchfinder) Limited		100
Baby Cow Animation Limited		100
Baby Cow Films (Zoe) Limited		100
Lost Child Limited		50
Moone Boy (UK) Limited		50
The Last Holiday Limited		100
Sid Gentle Films Limited	Ground Floor Charles House, 5-11 Regent Street, London, SW1Y 4LR, United Kingdom	51
Sid Gentle Films (Corfu) Limited		100
Sid Gentle Films (Gaiman) Limited		100
Sid Gentle Films (KE2) Limited		100
Sid Gentle Films (Killing Eve) Limited		100
Sid Gentle Films (OLIVE) Limited		100
Sid Gentle Films (KE3) Limited		100
Sid Gentle Films (KE4) Limited		100
Philomena Lee Limited		100
Sid Gentle Films (SS-GB) Limited		100
Sid Gentle Films (TD4) Limited		100
Sid Gentle Films (The Durrells) Limited		100
Lookout Point Limited	Hammer House, 113 - 117 Wardour Street, London, United Kingdom, W1F 0UN	94
A suitable Company Limited		100
AMP 1 Limited		100
Evergreen Television Limited		100
LOOKOUT POINT (LES MISERABLES) Limited		100
LOOKOUT POINT (SHIBDEN) Limited		100
Lookout Point Acquisition Limited		100
Off Stone Productions Limited		100
Lookout Point (The Collection) Limited	4 Daventry Road, Rugby, CV22 6NS, United Kingdom	100
BBC Studios Canada Limited	145 King Street West, Suite 740, Toronto ON M5H 1JH, Canada	100

32 Interests in associates, joint ventures and subsidiaries continued

32c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holdings of ordinary shares %
BBC Studios Singapore PTE. Limited	12-08/08 Shaw Tower, 100 Beach Road, Singapore 189702, Singapore	100
BBC Studios Japan Limited	Tokyo Club Bldg., 10F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo	100
BBC Studios Productions Nordics ApS	Mosedalvej 14 , 2500 Valby, Denmark	100
BBC.com US, Inc	c/o Corporation Trust Centre, 1209 Orange Street, Wilmington 19801, United States	100
Nine Productions1 Inc	650-699 Howe Street Vancouver, British Columbia, V6 0B4, Canada	100
BBC Studios France	18-20 Quai du Point du Jour, Bat. A, 92100 Boulogne-Billancourt, France	100
BBC Studios Channel Investments (Ontario) Limited	Toronto Dominion Bank Tower, Toronto Dominion Center, Toronto, ON M5K 1E6, Canada	100
2004370 Inc	66 Wellington Street West 470, Toronto Dominion Bank Tower, Toronto M5k 1EG, Canada	100
BBC Studios Americas Inc BBC Studios Americas (401) k Plan Trustees	1120 Avenue of the Americas, 5th Floor, New York, NY 10036-6700, United States	100 100
Adjacent Productions, LLC Bad Wolf Productions LLC BBC Studios Reality Productions LLC Global Hybrid Productions LLC Lime Grove Productions LLC Sun Never Sets Productions LLC Studios Competition Productions LLC	10351 Santa Monica Boulevard, Los Angeles, CA 90025, United States	100 100 100 100 100 100 100
BBC Studios Americas Investments Inc	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington 19801, United States	100
BBC Studios Australia Holdings Pty Limited BBC Studios Australia Pty Limited BBC Studios Productions Australia Pty Limited	Level 1, 35-51 Mitchell Street, McMahons Point NSW 2060, Australia	100 100 100
BBC Studios Germany GmbH Erste Weltweit Medien GmbH	Kaiser-Wilhelm-Ring 17-21, 50672 Köln, Germany	100 100
BBC Worldwide Holdings B.V	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands	100
BBC Studios Indiaa Private Limited	Construction House A Wing, 401- 4th Floor, Off Linking Road, 24th Road, Khar (W), Mumbai 400 052 India	100
BBC Studios Africa (Pty) Limited	Office 003H3 Ground Floor, 10 Melrose Boulevard, Melrose Arch, Melrose North 2196, SA	100
BBC Studios Intermediadora de Programadora Estangeira Limited	Rua Ferreira de Araujo, 741, Andar 1, Pinheiros, São Paulo SP 05.428-002 Brazil	100
BBC Worldwide Polska Sp. z o.o.	Pl. Bankowy 1, 00-139 Warszawa, Poland	100
BBC Worldwide Mexico S.A de C.V BBC Worldwide Channels Mexico S.A de C.V	Calle Andres Bello 10 Piso 10, Chapultepec Polanco, Delg. Miguel Hidalgo, Ciudad de Mexico CP 11560, Mexico	100 100

32 Interests in associates, joint ventures and subsidiaries continued

32c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holdings of ordinary shares %
Worldwide Knowledge (Beijing) Business Consulting Company Ltd	Unit 7, Floor 9, West Tower, Genesis Building, 8 Xinyuan South Road, Chaoyang District, Beijing 100027	100
BBC Studios Productions (Africa) (Pty) Limited	24 18th Street, Menlo Park 0081, Maxars House, 5 ST Davids Place, Parktown 2193, SA	100
Rapid Blue	263 Oak Avenue, Ferndale, Randburg, 2194, South Africa	100
BBC Global News (Japan) Limited (incorporated in Japan)	Tokyo Club Bldg., 3-2-6, Kasumigaseki, Chiyoda-ku, Tokyo, 100-0013, Japan	100
BBC Global News (Singapore) Private Limited (incorporated in Singapore)	#12-08/08 Shaw Tower, 100 Beach Road Singapore 189702, Singapore	100
BBC Global News (India) Private Limited (Incorporated in India)	Unit No. 301, 3rd Floor, D-2, Southern Park, District Centre, Saket, New Delhi, 110017	100
BBC Global News US LLC (incorporated in America)	Corporation Service Company, 80 State Street, Albany, New York, 12207-2543	100
Canadian AP Ventures Company ULC	800-1959 Upper Water Street, Halifax NS B3J 2N2, Canada	100

Balance sheet
as at 31 March 2020

	Note	Company 2020 £m	Company 2019 £m
Fixed assets			
Investment in subsidiaries	A	306	342
Derivative financial instruments		32	21
		338	363
Current assets			
Receivables			
- due within one year	B	266	179
Cash and cash equivalents		148	143
		414	322
Creditors: amounts falling due within one year			
Trade and other payables	C1	(91)	(67)
Borrowings	C1	(201)	-
		(292)	(67)
Net current assets		122	255
Total assets less current liabilities		460	618
Creditors: amounts falling due after more than one year			
Borrowings	C2	-	(193)
Deferred tax liabilities	C2	(6)	(4)
		(6)	(197)
Net assets		454	421
Represented by			
Share capital	D	-	-
Retained earnings	D	454	421
Total equity shareholder's funds		454	421

The financial statements of BBC Commercial Holdings Limited, registered number 04463534, were approved by the directors and authorised for issue on 1 September 2020 and signed on their behalf by:

Glyn Isherwood
Director

Statement of accounting policies

This section explains the Company's main accounting policies, which have been applied consistently throughout the year and in the preceding year except where stated.

Basis of accounting

The financial statements have been prepared under the historical cost accounting convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

Basis of preparation

The Company financial statements have been prepared on the going concern basis. The Board remains satisfied with the Company's funding and liquidity position. At the balance sheet date, the Company's primary source of funding is a £171 million US Private Placement facility which is available until June 2020. This facility consisted of US$216 million (which was fixed through foreign exchange swap transactions at £143 million) and £28 million sterling. From June 2020 these facilities were replaced with a £171 million facility with UK banks. The Group also have access to a £210 million facility with a group of international banks until March 2024. As at the year-end the Company had drawn down £201 million (£169 million net of the impact of foreign exchange swap transactions) of the facilities available (2019: £193 million). The financial covenants associated with the facilities are unchanged. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility for a period of no less than 12 months from the date of signing these accounts. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, for all periods presented.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions under FRS101:

- IFRS 2 Share based payments
- IFRS 3 Business combinations
- IFRS 5 Non-current assets held for sale and discontinued operations
- IFRS 7 Financial instruments
- IFRS 13 Fair value measurement
- IAS 1 Presentation of financial statements
- IAS 7 Statement of cashflows
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 24 Related party disclosures
- IAS 36 Impairment of assets

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account reflecting the results of BBC Commercial Holdings Limited has not been presented. The Company's profit after taxation for the financial year was £36 million (2019: £71 million). The Company did not have any other comprehensive income and consequently no statement of other comprehensive income has been presented.

Statement of accounting policies continued

Investment in subsidiaries

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Impairment losses are allocated firstly against goodwill, secondly against other intangibles and thirdly to the tangible assets of the cash generating unit, on a pro-rata or more appropriate basis.

Taxation

The taxation charge represents the sum of current tax payable and deferred tax. The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet dates.

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Certain temporary differences do not lead to the recognition of deferred tax, for example, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. The amount of deferred tax provided is based on the tax rates expected to apply in the period when the liability is settled or the asset is realised using tax rates enacted or substantively enacted at the balance sheet date.

Cash and cash equivalents

Cash comprises cash in hand and deposits repayable within three months. Liquid resources are current asset investments which are readily convertible into known amounts of cash at, or close to, their carrying values. They comprise money market deposits and liquidity funds with a notice period in excess of one working day.

Finance costs

Finance costs of the Company's loans, are recognised in the profit and loss account over the term of the loan at a constant rate on the carrying amount.

Financial instruments

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the profit and loss account.

At each balance sheet date, the Company assesses whether there is any objective evidence that any financial asset is impaired. Financial assets and liabilities are recognised on balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised from the balance sheet when the Company's contractual rights to the cash flows expire or there has been a substantial transfer of the risks and rewards of the financial asset. Financial liabilities are derecognised from the Company's balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

Statement of accounting policies continued

Financial instruments continued
Gains and losses on foreign currency and interest rate hedges are recognised in the profit and loss account on maturity of the underlying transaction.

Interest bearing borrowings
Interest bearing loans and overdrafts are recognised initially at fair value, less transaction costs. Such borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Trade and other receivables
These are recognised at transaction price less an allowance for estimated impairment. The allowance is based on objective evidence that the Company will not be able to recover all amounts due, through a review of all accounts and prior experience collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the profit and loss account.

Dividends on shares presented within shareholder's funds
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Foreign currencies
Transactions in foreign currencies are translated into the functional currency of each entity of the Group at an average exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling on that date. Foreign exchange differences which arise on translation are recognised in the income statement.

Statement of accounting policies continued

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired required estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present value. The carrying amount of investments in subsidiaries at the balance sheet date was £306 million (2019: £342 million). Impairments totalling £36 million were recognised on BBC Global News Limited during the year (2019: £2 million in BBC Global News Holdings Limited).

Notes to the financial statements

A Investment in subsidiary undertakings

	Company 2020 £m	Company 2019 £m
Cost		
At 1 April and at 31 March	344	344
Impairment		
At 1 April	(2)	-
Charge for the year	(36)	(2)
At 31 March	(38)	(2)
Net book value	306	342

The Company recognised a £36 million impairment within Global News Limited during the year.

BBC Commercial Holdings Limited owns 100% of the issued share capital of the following companies which are incorporated in Great Britain and registered in England and Wales:

Name of entity	Place of incorporation and principle place of business	Nature of business
BBC Global News Holdings Limited	England and Wales	Holding Company
BBC Global News Limited	England and Wales	Programme making
BBC Studios Limited	England and Wales	Holding Company
BBC Studioworks Limited	England and Wales	Programme making
BBC Children's Productions Limited	England and Wales	Programme making
BBC Store Limited	England and Wales	Broadcasting

B Receivables

	Company 2020 £m	Company 2019 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	266	177
Amounts owed by parent undertaking	-	2
Total receivables due within one year	266	179

C Payables

C1 Amounts falling due within one year

	Company 2020 £m	Company 2019 £m
Borrowings	201	-
Amounts owed to fellow subsidiaries	91	67
Total amounts falling due within one year	292	67

C2 Amounts falling due after more than one year

	Company 2020 £m	Company 2019 £m
Borrowings	-	193
Deferred tax liability	6	4
Total amounts falling due after more than one year	6	197

C3 Maturity of financial liabilities

The Company arranges its borrowings to meet forecast cash flows such that is has access to sufficient funds to meet its commitments. The maturity profile of the Company's financial liabilities, other than short-term creditors, at 31 March was:

	Bank loans and overdrafts £m	Total £m
2020		
Within one year	201	201
	201	201
2019		
Between two and five years	193	193
	193	193

C Payables continued

C4 Borrowing facilities

Facility	Interest rate	Total available 31 March 2020 £m	Drawn down at 31 March 2020 £m	Total available 31 March 2019 £m	Drawn down at 31 March 2019 £m	Expiry or review date
Multicurrency, revolving credit facility agreement for loans	LIBOR* plus 0.45% rising to LIBOR* plus 0.6% on utilisations over 1/3 and LIBOR* plus 0.75% on utilisations over 2/3.	210	-	210	-	March 2025
Overdraft or money market lines	Money market line - margin of 1.0% (2019: 1.0%)	20	-	20	-	Reviewed annually
US Private Placement	Fixed interest at 2.36%	28	28	28	28	June 2020
US Private Placement**	Fixed interest at 2.71%	173	173	165	165	June 2020

* The base rate used varies according to the currency drawn. GBP drawings are linked to LIBOR.

** The $216 million US placement has been hedged to a sterling value of £143 million, valued at the time of the facility being placed.'The US Private Placement was replaced by a £170 million term loan. This facility matures in June 2023 with two one year extension options taking the maturity to June 2025. A series of interest rate swaps have also been entered into to fix the interest rate on this facility to 1.49%.

There have been no defaults or breaches of covenants on the facilities above during the year (2019: none).

D Reconciliation of movements in equity shareholder's funds and reserves

The movement in reserves during the year was as follows:

Company	Share capital £'000	Retained earnings £m
At 1 April 2019	50	421
Profit for the financial year	-	36
Dividends declared in year	-	(3)
At 31 March 2020	50	454

E Auditor's remuneration

The audit fee of £91,000 was incurred by the Company (2019: £35,000 borne by another Group company).