BBC Commercial Holdings Limited

Registered number 04463534

Annual Reports and Consolidated Financial Statements

For the year ended 31 March 2019

Officers and advisors

Directors

Tony Hall
Anne Bulford (resigned 31 March 2019)
Tim Davie
Thomas Fussell
Glyn Isherwood (appointed 1 April 2019)
Sarah Jones
Mark Linsey (resigned 31 March 2019)
Anna Mallett (resigned 31 March 2019)
Dharmash Mistry
Stephen Morrison (appointed 1 April 2019)
Balraj Samra
Elan Closs Stephens (appointed 1 April 2019)
Howard Stringer (resigned 24 October 2018)

Company secretary

Anthony Corriette

Registered office

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

Auditor

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

Contents

Strategic report

The Directors present their annual report for BBC Commercial Holdings Limited (the 'Company'), together with the consolidated and Company financial statements and auditor's report, for the year ended 31 March 2019. 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 95 to 102.

Principal activities of the Group

The Company is a wholly-owned subsidiary of the BBC, overseeing the BBC's commercial activies. 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 company goals, agreeing business plans and ensuring compliance in regulatory and legal matters.

Commercial Holdings 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 operator of the BBC's international 24-hour TV channel BBC World News and BBC.com, both of which are funded by advertising and sponsorship, as well as revenue from pay TV operators carrying the channel.

BBC Studioworks provides TV studio facilities, equipment, crew and post-production services from its locations in the south east of the UK.

Strategic report continued

Business review

The Group monitors its business using a number of key performance indicators including revenue and EBITDA. For 2018/19 the Group recorded revenue of £1,358 million (2018: £1,380 million) and delivered an EBITDA of £173 million (2018: £103 million). The results and performance of the principal businesses of the group have been summarised below:

	2019			2018		
	Revenue £m	EBITDA £m	EBITDA Margin %	Revenue £m	EBITDA £m	EBITDA Margin %
BBC Studios group	1,189	159	13.4%	1,236	105	8.5%
BBC Global News group	114	8	7.0%	109	2	1.8%
BBC Studioworks	37	6	16.2%	31	3	9.7%

EBITDA/LBITDA 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

It has been a strong first year for the new BBC Studios group. The merger of BBC Worldwide and the BBC's commercial production arm, also known as BBC Studios, was completed, creating a cohesive and agile company. It is now a global business of scale, able to fund, create, distribute and commercialise premium content for both the BBC and other companies around the world. BBC Studios can take an idea seamlessly from thought to screen, putting the business on a sound strategic footing in a dynamic market. Alongside other continuing plans to transform the business, and significant deals with Discovery struck at year-end, agreeing the split of UKTV's channel assets and a long-term premium factual content partnership, this fundamental change was underpinned by a good financial performance.

BBC Studios group revenue including share of revenue from joint ventures total "headline sales" of £1,373 million (2017/18: £1,411 million) and EBITDA was £159 million (2017/18: £105 million). For the fifth year running, returns to the BBC were above £200 million at £243 million (2017/18: £210 million). These results show success in BBC Studios' core ambition: to create and deliver the highest quality British story-telling, with extraordinary range and depth.

Moving forward, the business is firmly focused on growing its contributions to the BBC, its audiences and the wider industry, both creatively and financially, as it transforms its approach to better serve consumers around the world, consolidating its culture and promoting creativity across the board.

Strategic report continued

Business review continued

BBC Studios group continued

The business segments this year have been changed to reflect the way the Board manages and tracks its performance following the merger in April 2018. The Production & Distribution business includes the production and distribution of scripted and un-scripted programmes to broadcasters and platform owners, including BBC Studios' share of the results of associate and joint venture production companies, format sales, and other content and brand-associated licensing and merchandise. The Branded Services business includes the activities of the BBC-branded channels and digital consumer propositions, including the share of results from associate and joint venture operations in BBC AMERICA, BritBox, and UKTV, BBC Earth with Sony and those of digital branded services including BBC Player in Asia.

The BBC Studios lines of business, for the purpose of regularity reporting to Ofcom, in 2018/19 were as follows:

- UK Production - activities in the United Kingdom related to the production of scripted and non-scripted shows for broadcasters.

- Branded Services - BBC branded channels and digital consumer propositions, including the share of the results of associate and joint venture operations in BritBox, BBC America and UKTV, and those of digital branded services including BBCPlayer in Asia.

- International Productions – activities related to the production of scripted and non-scripted shows for international broadcasters, and the licensing of formats to third parties around the world.

- Content Sales - operations related to the investment in a catalogue of both in-house and independently produced programmes and the exploitation of the distribution rights in these and other programmes across the world to broadcasters and platform owners.

- Consumer Products - activities such as the sale of physical products (including DVDs and CDs), downloads, live events and other licensing activities.

Strategic report continued

Business review continued

BBC Studios group continued

The financial performance of each line of business is detailed below:

2019	Total £m
UK Production	602
Branded Services	161
International Production	142
Content Sales	404
Consumer Products	108
Group adjustments	(228)
Total revenue	1,189
Cost of sales	(880)
Other operating costs	(260)
Share of profit of associates and joint ventures	36
Production tax credits	31
Removal of depreciation, amortisation and impairment	43
EBITDA	159
EBITDA Margin %	13.4%

* The Ofcom EBITDA for 2018/19 was £162 million as £3 million of costs were removed.

The **UK Production** business performed well in its second full year of operation as a commercial entity with sales of £602 million and EBITDA of £83 million, which is ahead of the prior year. Genres performing well included scripted, factual entertainment and events.

Branded Services performed well in the year with sales of £161 million and EBITDA of £71 million. The performance of BritBox in the U.S. and Canada, which is 40.5% owned by BBC Studios and accounted for as a joint venture, was particularly healthy. UKTV performance remained robust and BBC America had a successful year. Commissioner of stand out international hit series *Killing Eve,* BBC America continued to deliver strong ratings growth, with it's second most watched year ever across all key day parts.

International Productions delivered sales of £142 million and EBITDA of £3 million. It invested additional operating expenditure in a new production arm in Australia. This was set up in September 2018 and already has its first commission for 85 episodes of *Mastermind.* The spring of 2018 saw the premiere of the first Dancing with the Stars brand extension in *Dancing with the Stars: Juniors* for ABC.

Business review continued

BBC Studios group continued

The Content Sales business recorded sales of £404 million and EBITDA of £12 million. It broadened and deepened strategic relationships with key customers, entering into a wider set of partnerships and securing long term commitment to funding, as demonstrated by the sales deal with Discovery. Creative deal making came to the fore as the value of the distribution business continued to evolve from pure licensing to funding creativity, as shown in deals for *His Dark Materials, Dracula* and *Good Omens*. It also saw notable success in scripted format sales in Asia with *Doctor Foster* to South Korea, *Mistresses* to Japan and *Life on Mars* to China, taking the total of scripted format sales in this region to 15 in recent years. Elsewhere, *Infidele,* the first scripted format deal in France of *Doctor Foster,* was a ratings success for TF1.

Consumer Products recorded sales of £108 million and LBITDA of £2 million. It saw a significant further decline in the physical media market. As a result of this market decline, goodwill relating to the 2 entertain business was part impaired, with this being offset by a profit generated by the sale of the Good Food business, a high performing but non core area in August.

Business review continued

BBC Global News group

BBC Global News operates the BBC's two commercially-funded international news services: BBC World News, the 24-hour global news television channel, and the digital platform bbc.com (including the bbc.com website, a News app, and a Sport app). BBC Global News' mission is to bring the BBC's trusted and impartial journalism to a growing global audience while operating a sustainably profiable business.

The financial performance of the company is detailed below:

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

2018/19 saw encouraging growth in sales across our Advertising Sales and Distribution businesses, with total revenues up 5% year-on-year at £114 million. The revenue growth contributed to BBC Global News recording a record EBITDA of £8 million. The strong performance is attributable to the successful transfer of BBC Advertising (from the former BBC Worldwide) in 2017/18 to create a fully integrated business, and investment in business development opportunities such as BBC Reel and BBC Music (in North America), new content propositions which drive both audiences and sales.

In 2018/19, BBC World News' global footprint continued to expand, growing by 2% over the year and the channel is now available to a record 465 million households (up from 458 million in 2017/18). The growth was driven by gains in the Americas and South Asia.

BBC.com increased its digital reach from 88 million in 2017/18 to 93.5 million monthly browsers in 2018/19, up 6% year-on-year. Monthly page views dropped slightly, from 1.3 billion to 1.2 billion (down 5%) year-on-year, reflecting the ongoing shift from desktop to mobile consumption.

Off-platform global partnerships form a growing part of the commercial and distribution strategy. 2018/19 saw a significant increase in off-platform consumption, with bbc.com content now reaching over 22 million users per month on platforms such as Apple News, MSN and Facebook Instant Articles. BBC Global News entered in to a new agreement with Facebook to deliver a weekly show, *Cut Through The Noise* , on their Watch platform, and launched a new live news streaming service on Yahoo! Japan. The BBC News YouTube channel saw significant growth in 2018/19, passing four million subscribers and over one billion lifetime video views since the channel was launched in 2013. BBC Global News was recognised for the excellence of its journalism with a number of awards in 2018/19, including a Peabody Award and a Gracie award for BBC World News' reporting on the humanitarian crisis in Yemen and a David Bloom award for Quentin Somerville's Syria coverage. Online, BBC Travel won a Lowell Thomas award for best travel journalism website, BBC Future won a Webby for Best Writing (Editorial) and BBC Culture received a silver Telly Award for its inventive video imagining how Jane Austen characters might have used dating apps.

Business review continued

BBC Studioworks Limited

BBC Studioworks provides studios and post production services to both the BBC and external clients. The year 2018 was momentous for the company as it completed its first full year of trading at the newly refurbished Television Centre (TVC) in White City, a facility which complements its two sites in Elstree.

The financial performance of the company is detailed below:

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

BBC Studioworks delivered a robust financial performance for the year. The 19% increase in year-on-year sales was driven by the re-introduction of TVC into BBC Studioworks' portfolio, while high levels of studio utilisation ensured the year-on year rise in EBITDA. The sustained strong performance of BBC Studioworks means that it has declared a cash dividend, for the first time, of £0.8 million.

During the year, BBC Studioworks worked with over 25 different broadcasters and production companies facilitating a multitude of productions.

BBC Studioworks also welcomed over 40 new titles including:

- *The Graham Norton Show, Have I Got News for You* and *Mock the Week* for the BBC;
- *Good Morning Britain, Lorraine, This Morning, Loose Women, Peston* and *Love Island: Aftersun* for ITV;
- *The Big Narstie Show, The Great British Bake Off: An Extra Slice* and *Sunday Brunch* for Channel 4;
- *Celebrity Game Night* for Channel 5; and
- *Blockbusters* and *Your Face or Mine?* for Comedy Central.

The post-production team also experienced a positive year as more clients took advantage of integrated studio and editing offerings. In addition to EastEnders and Holby City for the BBC, the team delivered numerous projects including *The Last Leg* for Channel 4, *Strictly Come Dancing - The Live Tour* and *The Jonathan Ross Show* for ITV.

Strategic report continued

Business review continued

Other commercial entities

BBC Commercial Holdings Limited, the parent company, operates as a holding company for the Group. A redevelopment project was set up in previous years to deliver the fit-out of certain areas of Television Centre (TVC). This year, further costs were incurred by BBC Commercial Holdings Limited associated with the TVC project, leading to a £1 million operating loss.

'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 SPVs. BBC Childrens Productions Limited however has seen a significant increase in revenue (£32 million) as more productions have been won.

Dividends of £74 million were declared by the Group during the year (2018: £38 million).

Future outlook

The BBC is a public service organisation, funded by the licence fee for UK audiences. But as the high-quality content it produces has global appeal, it is also tasked with maximising its commercial revenues and promoting the BBC's brand and reputation around the world.

This has been a strong year for the commercial businesses. It has been a year of transformation internally, with the merger of BBC Studios and BBC Worldwide to form the new BBC Studios taking place at the very start of the financial year, and the results from the merged business show early signs of success. Much transformation has also been occurring externally, as changes in audience behaviour continue apace, providing both challenges and opportunities.

The business environment remains changeable, with continuing levels of uncertainty in the major global economies. The markets in which the commercial businesses operate continue to change rapidly, with audiences across the board now exercising control over their consumption of media: what, where and when. The need for business transformation is still significant and delivering expected margins in a world of hyper-competition is challenging.

BBC Studios' focus on the creation and exploitation of the best of British IP will remain. There is a growing global demand for premium content, from which BBC Studios is well-positioned to benefit. A key focus on customer insight and careful account management will ensure that the business continues to respond to this demand. The business's strength in production is a key selling point internationally, and post-year end it has secured a number of new commissions with both domestic broadcasters and international companies.

The markets in which BBC Global News operates remain challenging. On the Distribution side of the business pay-TV operators in Europe and North America in particular are under pressure from over-the-top competitors and this commercial pressure is being felt in turn by channel distributors. International advertising markets, meanwhile, remain volatile, with digital growth dominated by technology giants. However, the BBC's reputation for independent, trustworthy coverage of international events has never been more valued and BBC Global News has ambitious plans to build on the strong performance of 2018/19 and take advantage of emerging opportunities.

The market outlook for BBC Studioworks and its studio-based productions and post production work remains buoyant albeit competitive. A steady stream of new and repeat business provides a favourable backdrop as the BBC Studioworks looks to optimise its expanded portfolio over the forthcoming year and pursue further growth opportunities. While BBC Studioworks' performance is robust, the market in which it operates is set to see numerous new facilities houses opening over the medium term which could impact business levels.

Achieving growth in these main areas will enable the commercial businesses to increase the contribution to the BBC Group both creatively and financially, in an environment where IP generation and ownership are both critical. However, the BBC's commercial businesses do not exist just to generate financial returns, each has an important role in the wider creative economy, developing creative ideas, investing in talent, training in specialist skills and capabilities and promoting British culture and creativity worldwide.

Looking forward, the BBC's commercial businesses will continue to play a critical role in support of licence fee revenue. The BBC must demonstrate efficiency, the agility needed to respond to changes in our global marketplace and an absolute focus on the highest quality content.

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		
Audiences lose confidence in the integrity of the business or its content and editorial values. Failure to represent the values of the BBC to global audiences, or improve workforce diversity, representation and gender pay balance.	Harm to our reputation, our relationship with audiences and to the credibility of the BBC brand.	Leadership, managers and staff embody behaviours consistent with BBC values, supported by internal communications, leadership briefings, and HR processes. Editorial Policy framework supported by specialists, with experienced genre heads and deal approval frameworks. Executive sponsored programme for increasing ethnic and gender diversity. External review of disclosure and transparency.
Associate and joint venture relationships		
Failure to achieve the full potential from an independent production company, joint venture (JV) and associate relationships.	Lower commercial returns for independents and the UK licence fee payer. Curtailing of ambitions and strategy for each invested service or entity.	Defined accountabilities for indie and joint venture relationships with BBC Studios' Executive Committee oversight. Business expertise with representation on indie and joint venture Boards. Approvals framework incorporates appropriate safeguards over BBC editorial values and control.
Information and content security		
Risk that information security controls could be compromised and systems disrupted. Significant commercial and reputational damage from any uncontrolled release of content. Sales and margin erosion from piracy.	Loss of confidence in the Group's role as a global distributor. Reduced editorial or commercial value from disclosed assets.	Robust information security infrastructure and controls. Careful supplier management and risk assessment with appropriate contracting. Technical controls include forensic watermarking and content attribution.
Economic climate and trading performance		
Uncertainty in UK and international economic conditions. Advertising sales revenues are the most vulnerable and risk third-party commissioning budgets and UKTV returns. Risk from diverse exchange rate movements.	Adverse impact on cash flows and reported financial results.	Business is diversified as a producer and distributor, and across regions, titles and revenue streams. Central management of budgets, cash flow forecasting and prudent debtor management. Debt headroom with much improved cash conversion and balance sheet strength. Comprehensive quarterly performance review of every region and business.

Strategic report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Business continuity, safety and security		
Disruption to operations, infrastructure and loss of revenue following a major incident. Global terrorism and the continued risk of physical threats.	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.	Security and safety management arrangements supported by specialists, policy frameworks, forums, communications and risk assessments. Offices and business operations with business continuity leads and up-to-date continuity plans. Travel safety training, terrorism awareness training and a global emergency notification system.
Global distribution competitors and customer risk		
Risk we don’t reshape our business and sales strategy to remain global distributor of choice for Independent production companies, secure new programme commissions from third parties, and win competitive tenders for returning series. Risk we are not transforming our business fast enough to keep pace with extraordinary content inflation, ongoing consolidation in the creative sector, and competitors with increasing financial strength.	Lower visibility for BBC content internationally. Fewer commissions and failure to secure tenders for returning series. Overdependence on key customers, lower commercial returns for indies and the UK licence fee payer.	Expertise inherent in the business and in-depth local knowledge of international markets. Sales strategy, sales infrastructure, people skills and business relationships in the best place to respond to challenges and offer a competitive return to the licence fee payer and indies. Business Development teams focused on new opportunities. Growing experience responding to programme tenders. Internal transformation to support margins and growth.
Production working capital requirements		
Increasingly competitive market, competing for access to funding.	Failure to secure sufficient funds to meet editorial ambition and customer requirements.	Management of budgets, production approval process, cash flow forecasting and prudent debt management ensure visibility and management of cash requirements.

Strategic report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Competitive production market		
Increasingly competitive market, with large scale consolidated players competing for talent on and off screen.	Failure to attract talent and deliver high quality content, leading to a reduction in revenue.	Leadership team in place with a clear focus on developing and nurturing talent. The breadth and diversity of the business supports career development and opportunities to work on a range of content.
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, enforced framework including mandatory training programmes, policies, regular reporting and specialist committees. Group wide Code of Conduct. Oversight by senior management boards and 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.

By order of the Board,

Anthony Corriette
Company Secretary

18 June 2019

Registered Address
BC2 A5, Broadcast Centre
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 (Chairman until 31 March 2019)
- Anne Bulford (resigned 31 March 2019)
- Tim Davie
- Thomas Fussell
- Glyn Isherwood (appointed 1 April 2019)
- Sarah Jones
- Mark Linsey (resigned 31 March 2019)
- Anna Mallett (resigned 31 March 2019)
- Dharmash Mistry
- Stephen Morrison (appointed 1 April 2019)
- Balraj Samra
- Howard Stringer (resigned 24 October 2018)
- Elan Closs Stephens (appointed as Chairman from 1 April 2019)

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.

Directors' report continued

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 2016 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 no political donations or contributions to charity during the period.

Dividends

Dividends of £74 million were declared by the Group during the year (2018: £38 million).

Future developments

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

Going concern

As set out on page 31, 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

As discussed in note 27c, the UKTV group (which BBC Studios owned 50% of its holding company) was demerged and had its ownership restructured. The three leisure-themed channels were seperated and BBC Studios acquired 100% ownership of UKTV Holdings Limited and its remaining seven entertainment channels.

Auditors

The National Audit Office served as independent external auditors for the year ended 31 March 2019 and 31 March 2018. 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 he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board,

Anthony Corriette
Company Secretary

18 June 2019

Registered Address
BC2 A5
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 Internatioanl 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.

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 2019 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 2019 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

We are required to conclude on the appropriateness of management'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 the group's and the BBC Commercial Holdings Limited's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. We have nothing to report in these respects.

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.

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.

Stephen Smith (Senior Statutory Auditor)
18 June 2019

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 2019

	Note	2019 £m	2018 £m
Headline sales including share of joint ventures' revenue*		1,542	1,556
Less: share of joint ventures revenue		(184)	(176)
Revenue	1a	1,358	1,380
Total operating costs	1c	(1,306)	(1,346)
Share of profit of associates and joint ventures	16	36	36
Operating profit		88	70
Operating profit reconciled as:			
EBITDA		173	103
Production tax credits	9b	(39)	(16)
Depreciation, amortisation and impairment**		(46)	(17)
		88	70
Gains on disposals	4	36	5
Other gains and losses	5	7	25
Financing income	8a	16	21
Financing costs	8b	(18)	(23)
Profit before taxation		129	98
Taxation	9a	11	9
Profit for the year		140	107
Attributable to:			
Equity shareholder of the parent company		139	106
Non-controlling interests		1	1
Profit for the year		140	107

* The non-statutory performance measure of 'headline sales including share of joint ventures' revenue' is explained in more detail in the Statement of Group Accounting Policies.

** Excluding amortisation relating to distribution rights.

Consolidated statement of comprehensive income

for the year ended 31 March 2019

	2019 £m	2018 £m
Profit for the year	140	107
Items that may be reclassified to the income statement in the future:		
Deferred tax on financial instruments included within other comprehensive income	(1)	(5)
Exchange differences on translation of foreign operations	15	(29)
Recognition and transfer of cash flow hedges	2	26
Other comprehensive income/(loss) for the year (net of tax)	16	(8)
Total comprehensive income for the year	156	99
Attributable to:		
Equity holders of the parent company	155	98
Non-controlling interests	1	1
Total comprehensive income for the year	156	99

Consolidated balance sheet
as at 31 March 2019

	Note	2019 £m	2018 £m
Non-current assets			
Goodwill	12	34	36
Distribution rights	13	129	111
Other intangibles	14	37	31
Property, plant and equipment	15	38	42
Interests in associates and joint ventures	16	243	226
Trade and other receivables	18a	32	46
Investments		-	1
Derivative financial instruments	28	22	9
Deferred tax assets	9d	9	6
		544	508
Current assets			
Programme related assets and other inventories	17	153	175
Trade and other receivables	18b	463	414
Contract assets	2c	4	-
Current tax assets	9e	19	30
Derivative financial instruments	28	1	8
Cash and cash equivalents	21	199	83
		839	710
Current liabilities			
Trade and other payables	20a	(386)	(460)
Contract liabilities	2c	(147)	-
Borrowings	22a	(9)	(1)
Provisions	23	(15)	(9)
Derivatives financial instruments	28	(2)	(2)
Current tax liabilities	9f	(9)	(10)
		(568)	(482)
Non-current liabilities			
Trade and other payables	20b	(36)	(71)
Contract liabilities	2c	(21)	-
Borrowings	22b	(194)	(182)
Provisions	23	(3)	(1)
Derivative financial instruments	28	(1)	(1)
Deferred tax liabilities	9d	(16)	(14)
		(271)	(269)
Net assets		544	467
Attributable to equity shareholders of the parent company			
Share capital	24	-	-
Retained earnings	25	532	471
Hedging reserve	25	1	-
Translation reserve	25	36	21
Other reserve	25	(27)	(27)
		542	465
Non-controlling interests		2	2
Total equity		544	467

The financial statements of BBC Commercial Holdings Limited, registered number 04463534, were approved by the directors and authorised for issue on 18 June 2019 and signed on their behalf by:

Glyn Isherwood
Director

Consolidated statement of changes in equity

for the year ended 31 March 2019

	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 2017	1	277	(21)	50	(2)	305	-	305
Profit for the year	-	106	-	-	-	106	1	107
Currency translation (note 25)	-	-	-	(29)	-	(29)	-	(29)
Deferred tax on financial instruments	-	-	(5)	-	-	(5)	-	(5)
Cash flow hedges (note 25)	-	-	26	-	-	26	-	26
Total comprehensive income for the year	-	106	21	(29)	-	98	1	99
Issue of share capital (note 24)	125	-	-	-	-	125	-	125
Share capital reduction (note 24)	(126)	126	-	-	-	-	-	-
Dividends declared in year (note 10)	-	(38)	-	-	-	(38)	-	(38)
Release of financial assets	-	-	-	-	(3)	(3)	-	(3)
Changes in non-controlling interest	-	-	-	-	(22)	(22)	1	(21)
At 31 March 2018 as previously stated*	-	471	-	21	(27)	465	2	467
First time adoption of IFRS 15 (see accounting policies)	-	(5)	-	-	-	(5)	-	(5)
At 31 March 2018 Restated	-	466	-	21	(27)	460	2	462
Profit for the year	-	139	-	-	-	139	1	140
Currency translation (note 25)	-	-	-	15	-	15	-	15
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	-	532	1	36	(27)	542	2	544

* The Group has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 2.

Consolidated cash flow statement

for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Operating activities			
Cash generated from operations	26	310	202
Tax reimbursed		8	11
Net cash from operations		318	213
Investing activities			
Interest received	8a	2	1
Dividends received from associates and joint ventures		27	39
Proceeds from sale of operations		32	-
Proceeds from disposal of investments		-	9
Proceeds from disposal of associates and joint ventures		-	2
Proceeds from the issue of shares		-	75
Acquisition of subsidiary net of cash aquired		(2)	(8)
Acquisition of interests in associates and joint ventures		(4)	(12)
Purchases of other intangible assets		(186)	(129)
Purchases or property, plant and equipment		(4)	(14)
Dividends paid to non-controlling interests		(1)	-
Net cash used in investing activities		(136)	(37)
Financing activities			
Interest paid	8b	(4)	(4)
Proceeds from increase in borrowings		11	-
Repayments of borrowings		(2)	(4)
Equity dividends paid	10	(73)	(149)
Net cash used in financing activities		(68)	(157)
Net increase in cash and cash equivalents		114	19
Cash and cash equivalents at beginning of the year		83	64
Effect of foreign exchange rate changes on cash and bank overdrafts		2	-
Cash and cash equivalents at the end of the year		199	83

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 2019 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 milion, 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 'headline sales including joint ventures' revenue' (gross revenue earned by the Group including the Group's share of income from its joint ventures) and 'EBITDA' are additional non-statutory measures 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 or intangible).

Statement of Group accounting policies continued

Going concern

The Board remains satisfied with the Group's funding and liquidity position.

At the balance sheet date, the Group's primary source of funding is a £171 million US Private Placement facility which is available until June 2020. This facility consists of US$216 million (which is fixed through foreign exchange swap transactions at £143 million) and £28 million sterling. 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 Group had drawn down £194 million (£173 million net of the impact of foreign exchange swap transactions) of the facilities available (2018: £181 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 12 months from the date of signing these financial statements.

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.

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.

Statement of Group accounting policies continued

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

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 income are recognised on delivery of the related programme or on a stage of completion basis, depending on the nature of the contract with the customer. The performance obligation is satisfied on delivery of the finished tape to the customer, therefore revenue is recognised at a 'point in time'. 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

Assets held under finance leases, whereby the Group assumes substantially all the risks and rewards of ownership, are capitalised and depreciation is charged accordingly. Assets are capitalised at lease commencement at the lower of their fair value and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

All other leases are classified as operating leases. The lease expense arising from operating leases is charged to the income statement on a straight line basis over the term of the lease. Any incentives to enter into operating leases are recognised as a reduction of the lease expense and recorded on a straight line basis over the lease term.

Statement of Group accounting policies continued

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.

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 of distribution rights is charged to the income statement to match the average revenue profile over its estimated average marketable life.

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:

Carrier agreements	Straight line	unexpired term of agreement
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.

The comparatives for intangible assets have been restated as described in the basis of preparation section above.

Property, plant and equipment

Owned assets

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale in their present condition and a sale is highly probable. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Once classified as held for sale, non-current assets or disposal groups are measured at the lower of carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on non-current assets (including those in disposal groups) classified as held for sale.

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, which is usually three years.

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 2019 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 contratual cash flows are solely payments of princial and interest.

- *Trade and other receivables and contract assets*

  Trade receivables are recognised initially at fair value 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.

- *Cash and cash equivalents*

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

Statement of Group accounting policies continued

Financial instruments continued

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 foreign currency forward contract rates is determined using forward exchange rates at the balance sheet date.

- *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.

- *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 previosuly classed as available for sale under IAS 39 *Financial Instruments: Recognition and Measurement* , and are now held at fair value through profit/loss.

Statement of Group accounting policies continued

Financial instruments continued

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 Company also participate in defined benefit schemes operated by the Company'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* .

Statement of Group accounting policies continued

Retirement benefit plans continued

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 and, in particular, whether the Group has met the necessary performance obligations.

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.

Statement of Group accounting policies continued

Use of estimates and judgements continued

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 over the past five years 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.

Deferred tax

Deferred tax arises due to certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and those for taxation purposes. 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.

Statement of Group accounting policies continued

Use of estimates and judgements continued

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.

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 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers (including clarifications to IFRS 15 Revenue from Contracts with Customers)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Transfers of Investment Property (Amendments to IAS 40)
- Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 1)
- Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IAS 28)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

They have been applied since 1 April 2018 and have not had a significant impact on the results or financial position of the Group with the exception of IFRS 15 (see note 2).

Statement of Group accounting policies continued

New standards and interpretations not yet adopted continued

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).

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 (Oct 2017) Prepayment Features with Negative Compensation
- Amendments to IAS 28 (Oct 2017) Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Dec 2017)
- Amendments to IAS 19 (Feb 2018) Plan Amendment, Curtailment or Settlement
- 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, except for IFRS 16.

Statement of Group accounting policies continued

New standards and interpretations not yet adopted continued
IFRS 16 *Leases* (date of adoption: 1 April 2019) replaces IAS 17 *Leases* . IFRS 16 impacts the accounting for lessees. For applicable lease agreements IFRS 16 requires the recognition of lease assets and lease liabilities, representing the right to use the leased item and the respective future lease payments. The rental expense previously recognised within the income statement is replaced by a depreciation charge and a finance charge. This will apply to all relevant leases unless the term is less than 12 months or the underlying asset has a low value. The BBC has chosen not to apply IFRS 16 to intangible assets.

The Group has chosen to adopt IFRS 16 on a cumulative catch up basis and therefore the cumulative impact on previous years results will be recognised within equity at the beginning of the period. As at 1 April 2019 a Right of Use Asset and Lease Liability will be recognised for all relevant leases not previously recognised as Finance Leases for accounting purposes under IAS 17. These reflect the right to use leased assets and the future lease payments respectively. The initial value of the Right of Use Asset will consist of the present value of the minimum lease payments adjusted for any lease payments made prior to the commencement of the lease and any lease incentives received. Leases previously recognised as Finance Leases under IAS 17 will be transitioned into the first IFRS 16 reporting period at carrying value and remeasured to bring the cumulative impact of any rent reviews based on an index or rate and the assessment of purchase options onto the balance sheet.

When valuing a lease, future payments are discounted to present value to evaluate the book value of liabilities. In order to determine the appropriate discount rate to use the BBC applies an incremental borrowing rate where the rate implicit in the lease is not available. Where the asset has an underlying value of more than £1 million, a rate is calculated according to the specific details of the relevant contract, taking into account factors such as lease term and lease currency. For leases of assets valued at less than £1 million, the revolving credit facility rate is referenced.

The BBC determines the lease term applicable for IFRS 16 (including purchase options and extension/termination options) according to it's enforceable rights and obligations under the contract. For example, where a contract allows either party to terminate with no more than an insignificant penalty, that termination option is reflected in the lease term.

The Group has elected to adopt the following practical expedients on transition:
- not to capitalise a right-of-use lease asset or related lease liability where the lease expires before 31 March 2020;
- to use hindsight in determining the lease term;
- to exclude initial direct costs from the measurement of the right-of-use asset; and
- to apply the portfolio approach where a group of leases has similar characteristics.

Lessor accounting, relating to the Group’s investment property portfolio, is similar to IAS 17.

Statement of Group accounting policies continued

New standards and interpretations not yet adopted continued

Based on the information currently available, on adoption of IFRS 16 on 1 April 2019, non-current assets and liabilities are expected to increase by c.£85 million. Assuming the Group's leases in operation remain unchanged during the 2019/20 financial year, operating expenditure is expected to reduce by c.£1 million and net financing costs expected to increase by c.£2 million resulting in an overall net deficit of £1 million for the Group.

The adoption of IFRS 16 will see a c.£2 million improvement in cash flow generated from operating activities, offset by a corresponding decline in cash flow from financing activities. There is however no overall cash flow impact from the adoption of the new standard.

Changes in Accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods in these consolidated financial statements.

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39.

As a result of the adoption of IFRS 9, the Group has also adopted consequential amendments to IAS 1 *Presentation of Financial Statements* , which require impairment of trade receivables and other contract assets to be presented in a separate line item in the statement of profit or loss where material. As this is not material to the Group it continues to be reported within operating expenditure. Impairment losses on other financial assets are presented separately under finance costs, similar to the presentation under IAS 39 again due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018/19 but have not been generally applied to comparative information. The adoption of IFRS 9 did not result in a material adjustments to previously reported results.

A summary of the changes in classification of financial instruments resulting from the new accounting standards are disclosed in the table below:

	Classification under IAS 39	Classification under IFRS 9
Forward foreign currency contracts - fair value through other comprehensive income	Fair value through other comprehensive income	Fair value through other comprehensive income
Forward foreign currency contracts - fair value through profit/loss	Fair value through profit/loss	Fair value through profit/loss
Unquoted equities	Available for sale	Fair value through profit/loss
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Bank loans	Loans and receivables	Amortised cost
Finance leases	Loans and receivables	Amortised cost
Trade and other payables	Loans and receivables	Amortised cost
Other creditors (put options)	Fair value through profit/loss	Fair value through profit/loss

Statement of Group accounting policies continued

Changes in Accounting policies continued

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 with a date of initial application of 1 April 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 *Revenue* , IAS 11 *Construction Contracts* and related interpretations.

The Group has applied IFRS 15 using the cumulative effect method - i.e. by recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below.

The cumulative catch up adjustment required under the cumulative effect method is made up of exclusively from Content and Format Sales other than an £1 million adjustment to interests in associates and joint ventues that relates to production fee revenue . Overall the effect on revenue is immaterial as shown below due to similar contract values over 2018/19 year end. Materially affected line items are shown in the tables below. No other line items would have been materially affected had IFRS 15 not been adopted for the 2018/19 financial statements. Comparative prior year periods have not been adjusted.

Statement of Group accounting policies continued

Changes in Accounting policies continued

The following tables summarises the impacts of adopting IFRS 15 on the Group's consolidated financial statements for the year ending 31 March 2019.

Consolidated income statement
for the year ended 31 March 2019

		Impact on changes in accounting policies	
	As reported £m	Adjustments £m	Balances without adoption of IFRS 15 £m
Revenue	1,358	(6)	1,364
Total operating costs	(1,306)	2	(1,308)
Share of profit of associates and joint ventures	36	-	36
Operating profit	88	(4)	92

Consolidated balance sheet
for the year ended 31 March 2019

		Impact on changes in accounting policies	
	As reported £m	Adjustments £m	Balances without adoption of IFRS 15 £m
Non-current assets			
Interests in associates and joint ventures	243	1	242
Total assets	1,383	1	1,382
Current liabilities			
Trade and other payables	(386)	(1)	(385)
Total liabilities	(839)	(1)	(838)
Net assets	544	-	544

There has been no impact of adopting IFRS 15 on the Group's Consolidated statement of comprehensive income or Consolidated cash flow statement.

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 – Incorporates BBC World Distribution Limited, BBC Global News Limited and bbc.com. 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

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	2b	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		159	8	6	2	(2)	173
Production tax credits		(31)	-	-	(8)	-	(39)
Depreciation, amortisation and impairment*		(43)	(1)	(2)	-	-	(46)
Operating profit/(loss)		85	7	4	(6)	(2)	88

* Excluding amortisation relating to distribution rights.

1 Segmental reporting continued

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

2018	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	2b	1,236	109	31	18	(14)	1,380
Depreciation and amortisation	3a	(185)	-	(1)	-	-	(186)
Other operating (costs)/income		(1,014)	(107)	(28)	(25)	14	(1,160)
Share of profit of associates and joint ventures	16	36	-	-	-	-	36
Operating profit/(loss)		73	2	2	(7)	-	70
Analysed as:							
EBITDA/(LBITDA)		105	2	3	(7)	-	103
Production tax credits		(16)	-	-	-	-	(16)
Depreciation and amortisation*		(16)	-	(1)	-	-	(17)
Operating profit/(loss)		73	2	2	(7)	-	70

* Excluding amortisation relating to distribution rights or programming

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:

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

Notes to the financial statements continued

1 Segmental reporting continued

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

2018	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	267	1	15	264	(263)	284
America	190	-	-	-	-	190
Australia	14	-	-	-	-	14
Rest of world	5	-	-	-	-	5
	476	1	15	264	(263)	493
Additions included in non-current assets	181	1	9	137	(138)	190
External revenue:						
UK	567	-	31	16	(14)	600
America	256	33	-	-	-	289
Australia	76	3	-	-	-	79
Rest of world	337	73	-	2	-	412
	1,236	109	31	18	(14)	1,380

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

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

2018	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	975	75	26	22	(14)	1,084
Distribution costs	52	-	-	-	-	52
Administration expenses	172	32	3	3	-	210
	1,199	107	29	25	(14)	1,346

2 Revenue

The Group has applied IFRS 15 *Revenue from Contracts with Customers* using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18 *Revenue* and IAS 11 *Construction Contracts* . The details of accounting policies under IAS 18 and IAS 11 are disclosed separately if they are different from those under IFRS 15.

2a Significant accounting policy

The Group's revenue recognition policy and main sources of revenue are noted under the 'Statement of Group accounting policies' on page 33.

Content and format sales are recognised on the later of the licence period start date or when the associated programme has been delivered. In the comparative period, this revenue was recognised when the associated programme was available for delivery.

Minimum guarantee revenue on right to use licences are also recognised on the later of the licence period start date or when the associated programme has been delivered. In the comparative period, all minimum guarantees were spread over the licence period.

2b 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*).

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 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 Disaggregation of revenue continued

2018	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		414	-	-	-	-	414
Production income		506	-	27	17	(14)	536
Royalties		37	-	-	-	-	37
Advertising revenue		21	68	-	-	-	89
Subscription fees		150	41	-	-	-	191
Consumer products		108	-	-	-	-	108
Total contract revenue		1,236	109	27	17	(14)	1,375
Timing of goods and services							
Point in time		1,086	109	-	17	-	1,212
Over time		150	-	27	-	(14)	163
Total contract revenue		1,236	109	27	17	(14)	1,375
Other revenue		-	-	4	1	-	5
Total revenue	1a	1,236	109	31	18	(14)	1,380

2c 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.

2019	Contract Assets £m	Contract Liabilities £m
At 1 April 2018	-	-
Balance transferred following adoption of IFRS 15	3	(97)
Decrease due to balance transferred to trade receivables	(3)	-
Decrease due to revenue recognised in the period	-	80
New contract assets	4	-
Increase due to cash received in advance and not recognised as revenue during the year	-	(151)
At 31 March 2019	4	(168)
Presented within:		
Current	4	(147)
Non-current	-	(21)
	4	(168)

2 Revenue continued

2d 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.

	2020 £m	2021 £m	2022 £m	Beyond £m
Content and format sales	122	48	31	182
Production income	259	160	11	20
Royalties	3	2	2	5
Advertising revenue	9	-	-	-
Subscription fees	101	34	16	16
Consumer products	9	8	7	-
	503	252	67	223

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.

2e 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	2019 £m	2018 £m
Intangible fixed assets and property, plant and equipment			
Depreciation - owned assets	15	8	7
Amortisation of intangible fixed assets	14	16	10
Amortisation of distribution rights	13	152	169
Impairment of investments in associates and joint ventures	16	1	-
Impairment intangible fixed assets	12	21	-
Inventories			
Included in cost of sales		44	59
Write-downs		4	4
Other operating costs			
Rentals on operating leases and similar arrangements		42	37
Net exchange differences on settled transactions		(7)	25
Impairment of trade receivables	19	7	2
Staff costs	6b	228	224

3b Auditor's remuneration

The National Audit Office served as independent external auditors for the year ended 31 March 2019 and 31 March 2018.

The audit fee was £35,000 (2018: £10,000) for the audit of the Company's annual accounts. Fees payable for services provided across the Group are shown below.

	2019 £m	2018 £m
Audit services with the National Audit Office	1.1	0.9
Audit services with other auditors	-	0.2
Total audit services	1.1	1.1
Tax services with other auditors	0.2	0.2
Total non-audit services with other auditors	0.2	0.2
Total fees paid	1.3	1.3

Notes to the financial statements continued

4 Gains on disposals

	2019 £m	2018 £m
Gain on disposal of Good Food	29	-
Other gains	7	5
Total gains on disposals	**36**	**5**

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

	Note	2019 £m	2018 £m
Change in fair value of derivative financial instruments		(8)	21
Change in fair value of put options over non-controlling interests		15	2
Decrease in earn-out payments due in respect of prior acquisitions		-	2
Total other gains and losses		**7**	**25**

Notes to the financial statements continued

6 Staff numbers and costs

6a Persons employed

	2019 Number	2018* Number
BBC Studios group	2,714	2,963
BBC Global News group	350	164
BBC Studioworks	106	94
Total staff numbers	3,170	3,221

* Prior year results have been adjusted to exclude casual staff

Within the averages above, 269 (2018: 273) part-time employees have been included at their full-time equivalent of 189 (2018: 188).

In addition, the Group employed an average full-time equivalent of 554 (2017: 397) persons on a casual basis.

6b Staff costs (including directors)

	2019 £m	2018 £m
Salaries and wages	194	189
Social security costs	21	20
Pension costs	13	15
Total staff costs	228	224

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 (2017/18: 16.7%), compared to the BBC Group defined rate of 31.4% (2017/18: 16.7%). £10 million (2017/18: nil) of the employer pension contributions was borne by another group entity. Following a recent change in Ofcom’s transfer pricing requirements to allow recharges at cost, the contributions will increase 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 six of the ten (2018: six of eleven) 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:

	2019 £m	2018 £m
Emoluments	1.5	1.0
Defined benefit pension scheme contributions	0.2	0.1
Performance related	0.6	0.6
Total key management personnel compensation	2.3	1.7

Retirement benefits accrue to key management under the following schemes:

	2019 Number	2018 Number
Defined benefit schemes	3	3

The highest paid director's emoluments were as follows:

	2019 £'000	2018 £'000
Emoluments	400	400
Defined benefit pension scheme contributions	32	41
Performance related	200	248
Other benefits	2	2
Total highest paid director's emoluments	634	691

The highest paid director is a member of the BBC defined benefit pension scheme and had accrued entitlements of £18,000 (2018: £15,000) under the scheme at the end of the year.

The defined benefit pension reflects a 31.4% employer contribution, some of which is borne by another group entity in 2018/19.

8 Net financing costs

8a Financing income

	2019 £m	2018 £m
Bank interest receivable	2	1
Unwinding of discount receivable	1	-
Exchange gain on borrowings	-	20
Fair value gains on interest rate swaps classified as fair value through profit/loss	13	-
Total financing income	16	21

8b Financing costs

	2019 £m	2018 £m
Interest on bank loans	(4)	(4)
Unwinding of discount payable	(2)	-
Fair value loss on interest rate swaps classified as fair value through profit/loss	-	(19)
Exchange loss on borrowings	(12)	-
Total financing costs	(18)	(23)

9 Taxation

9a Taxation recognised in the income statement

	Note	2019 £m	2018 £m
Current tax			
UK corporation tax		(13)	(17)
Group relief receivable		(8)	-
Double tax relief		(9)	(2)
UK current taxation		(30)	(19)
Foreign tax		20	24
Total current tax		(10)	5
Deferred tax			
Origination and reversal of temporary differences		(1)	(5)
Reduction in tax rate		-	(8)
Adjustments in respect of prior years		-	(1)
Total deferred tax	9d	(1)	(14)
Total credit for the year		(11)	(9)

Corporation tax is calculated at 19% (2018: 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 2019 was different from the standard rate of tax in the UK of 19% (2018: 19%) as a result of the following:

	2019 £m	2018 £m
Group profit before taxation	129	98
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	25	19
Effects of		
Disallowed expenditure (includes goodwill impairment)	6	(4)
High-end television tax relief	(39)	(21)
Tax exempt capital gain	-	(1)
Tax differential on wholly owned overseas earnings	2	13
Tax differential in associates and joint ventures	(5)	(6)
Other differences		
Tax rate decrease	-	(8)
Adjustments in respect of prior years	-	(1)
Total tax credit for the year	(11)	(9)

9c Factors that may affect future tax charges

The Finance Bill 2016 was enacted on 6 September 2016. This reduced the corporation tax rate to 17% from April 2020. As this reduction to the rate has been substantively enacted at the balance sheet date, the deferred tax assets have been calculated at 17% in line with when the company anticipates temporary differences to unwind.

As part of the 2016 Budget the Chancellor announced the Business Tax Road Map, which included measures to limit the utilisation of brought forward losses and interest deductions. These were included in Finance (No. 2) Act 2017, which was substantially enacted on 31 October 2017, and apply from 1 April 2017.

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 2018		6	5	(2)	(21)	(7)	11	(8)
(Charge)/credit to income statement	9a	(2)	1	(1)	-	-	3	1
At 31 March 2019		4	6	(3)	(21)	(7)	14	(7)

Presented within:	2019 £m	2018 £m
Non-current assets	9	6
Non-current liabilities	(16)	(14)
Total deferred tax	(7)	(8)

The Group has unrecognised deferred tax assets arising on capital losses totalling £139 million (2018: £139 million) and trade losses totalling £23 million (2018: £28 million). These assets have not been recognised on the basis that there is insufficient certainty that future gains or profits will arise against which the Group can utilise these losses. There is no time limit for the utilisation of these losses.

The Group also has unrecognised deferred tax assets arising on excess management expenses totalling £4 million (2018: £4 million) and non-trade loan relationship losses totalling £14 million (2018: £9 million). These assets have not been recognised on the basis that there is insufficient certainty that future gains or profits will arise against which the Group can utilise these losses.

There is no time limit for the utilisation of either of these losses.

9e Current tax asset

The current tax assets totalling £19 million (2018: £30 million) includes £30 million (2018: £28 million) due in respect of film tax credits outstanding on high-end drama and comedy productions.

9f Current tax liabilities

The current tax liabilities totalling £9 million (2018: £10 million) is due in overseas jurisdictions.

10 Equity Dividends

Dividends payable on ordinary equity shares	2019 £m	2018 £m
Dividends were paid/proposed as follows:		
March 2019 of 146,000p per share	73	-
March 2018 of 75,700p per share	-	38
Total dividends	73	38

11 Acquisitions

During the year, the Group made payments totalling £14 million plus deferred consideration of £3 million for three acquisitions including two associate investments and a subsidiary acquisition. The business fits with the ongoing commitment of the Group to support the best creative talent in the UK and take quality British programming to the world.

Subsidiary Acquisition - Lookout Point Limited

BBC Studios Distribution Limited previously held a 49.9% share in Lookout Point Limited (LPL) and on the 5th of July 2018 purchased an additional stake taking the shareholding to 100%, thus LPL becoming a wholly owned subsidiary of BBC Studios Distribution. The initial LPL investment was revalued at acquisition date at a fair value of £13 million compared to a carrying amount of £7 million. As at 31 March 2019, LPL is fully consolidated, recognising goodwill of £19 million and removing the amount held as an associate investment of £7 million. On acquisition date, £28 million of work in progress and £33 million of deferred income was recognised relating to productions. Since acquisition, BBC Studios have recognised revenue of £39 million and profit of £1 million including high end tax credits.

Notes to the financial statements continued

12 Goodwill

	2019 £m	2018 £m
Cost		
At 1 April	37	36
Additions	19	2
Exchange differences	-	(1)
At 31 March	56	37
Amortisation and impairment		
At 1 April	1	-
Impairment	21	1
At 31 March	22	1
Net book value	34	36

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:

	2019 £m	2018 £m
Consumer distribution business	4	25
Independent production Company	21	2
Australian channels business	9	9
At 31 March	34	36

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.

12 Goodwill continued

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 -34% (2018: -4%).

A discount rate of 8.8% (2018: 9.3%) 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 22% 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 £21 million in 2018/19 as a result of the annual impairment review.

Independent production company
The 2018 goodwill balance arose as a result of the acquisition of Sid Gentle Films Limited on 25 January 2018. In 2019 additional goodwill arose on step-acquisition of Lookout Point Limited on 5 July 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%.

A discount rate of 10% has been applied to the cash flows.

Management believes that no reasonable change in the key assumptions on which the value in use of these CGUs are based would result in an impairment.

Australian channels business
The goodwill in this CGU arose as a result of the acquisition of UKTV 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 8.6% (2018: 9.9%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1% (2018: nil).

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.

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.

13 Distribution rights

	2019 £m	2018 £m
Cost		
At 1 April	1,020	899
Additions	171	123
Rights where licences expired	(5)	-
Exchange differences	1	(2)
At 31 March	**1,187**	1,020
Amortisation and impairment		
At 1 April	909	742
Charge for the year	152	169
Rights where licences expired	(5)	-
Exchange differences	2	(2)
At 31 March	**1,058**	909
Net book value	**129**	111

14 Other intangible assets

	Software £m	Other Intangibles £m	Total £m
Cost			
At 1 April 2017	52	15	**67**
Additions	5	11	**16**
Disposals	(18)	-	**(18)**
Exchange differences	-	(1)	**(1)**
At 31 March 2018	39	25	**64**
Additions	13	10	**23**
Disposals	(3)	-	**(3)**
At 31 March 2019	**49**	**35**	**84**
Amortisation and impairment			
At 1 April 2017	34	7	**41**
Charge for the year	6	4	**10**
Disposals	(18)	-	**(18)**
At 31 March 2018	22	11	**33**
Charge for the year	7	9	**16**
Disposals	(2)	-	**(2)**
At 31 March 2019	**27**	**20**	**47**
Net book value			
At 31 March 2019	**22**	**15**	**37**
At 31 March 2018	17	14	31

Other intangibles predominantly comprise of intellectual property and customer relationships. No individual category on its own is material.

15 Property, plant and equipment

	Land and buildings* £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2017	18	54	16	3	91
Additions	-	3	1	10	14
Transfers	-	7	4	(11)	-
Disposals	-	(2)	(2)	-	(4)
Exchange differences	(1)	-	-	-	(1)
At 31 March 2018	17	62	19	2	100
Additions	-	1	1	2	4
Transfers	-	3	1	(4)	-
Disposals	-	(4)	-	-	(4)
Exchange differences	-	-	-	-	-
At 31 March 2019	**17**	**62**	**21**	**-**	**100**
Depreciation and impairment					
At 1 April 2017	6	38	11	-	55
Charge for the year	1	4	2	-	7
Disposals	-	(1)	(2)	-	(3)
Exchange differences	(1)	-	-	-	(1)
At 31 March 2018	6	41	11	-	58
Charge for the year	1	5	2	-	8
Disposals	-	(4)	-	-	(4)
Exchange differences	-	-	-	-	-
At 31 March 2019	**7**	**42**	**13**	**-**	**62**
Net book value					
At 31 March 2019	**10**	**20**	**8**	**-**	**38**
At 31 March 2018	11	21	8	2	42

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

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

	2019 £m	2018 £m
Interest in associates	198	191
Interest in joint ventures	45	35
Total interest in associates and joint ventures	243	226
Share of profit of associates	11	12
Share of profit of joint ventures	25	24
Total share of results of associates and joint ventures	36	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 2019 £m	Joint Ventures 2019 £m	Total 2019 £m	Associates 2018 £m	Joint Ventures 2018 £m	Total 2018 £m
At 1 April	191	35	226	205	40	245
Additions	3	1	4	6	1	7
Disposals	(7)	-	(7)	(2)	-	(2)
Share of results	11	25	36	12	24	36
Adjustment to provision for unrealised profits	1	(1)	-	(1)	1	-
Dividends receivable	(12)	(15)	(27)	(9)	(30)	(39)
Foreign exchange translation gains/(losses)	12	-	12	(20)	(1)	(21)
Impairment	(1)	-	(1)	-	-	-
At 31 March	198	45	243	191	35	226

Additions relate predominantly to investments in independent production companies.

Changes in interests in associates and joint ventures

The Group invested £1 million further into BB Rights LLC a joint venture with ITV formed in 2016.

During the year, the Group purchased a 15% share in MoonAge Pictures for on 15th April 2018 and a 25% share in Firebird pictures for on 28th February 2019, both independent production companies. These have both been recognised as associates.

The Group previously held a 49.9% share in Lookout Point Limited, an associate holding in an independent production company, and on the 5th July 2018 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

As a result of impairment reviews, the Group partially impaired two associate holdings in independent production companies.

Costs directly attributable to equity transactions are capitalised.

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 2019 £m	NVCA 2018 £m
Non-current assets	272	145
Current assets	105	90
Current liabilities	(156)	(28)
Non-current liabilities	(6)	(8)
Net assets of NVCA	215	199
Group's share of net assets of NVCA	108	100
Provision for unrealised profit	(5)	(5)
Goodwill	66	62
Group's interest in NVCA	169	157
Income	145	130
Profit after tax	24	24
Share attributable to other parties	(12)	(12)
Group's share of results of NVCA	12	12

The Group has board representation and participates in policy-making decisions affecting Educational Publishers LLP, 72 Films Limited, Original Talent Limited, Woodlands Books Limited and MoonAge Pictures Limited. The Group has concluded that it exerts significant influence over these businesses despite holding less than 20% of the voting power. Accordingly, the Group has classified its interests in these entities as associates.

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

Investments in joint ventures

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

UKTV

BBC Studios Distribution Limited has a major partnership deal with Southbank Media Limited for the production, marketing and supply on a wholesale basis of free-to-air and subscription channels in the UK. The partnership operates through the joint venture company UKTV Media Holdings Limited ("UKTV"). Southbank Media Limited was ultimately owned by Scripps Networks Interactive Inc. until 6 March 2018 when ownership transferred to Discovery Inc.

UKTV was the only material joint venture undertaking held by the Group in both the current and the prior year.

The following represents the Group's aggregate share of UKTV during the year:

	UKTV 2019 £m	UKTV 2018 £m
Non-current assets	18	9
Current assets	248	241
Current liabilities	(124)	(129)
Non-current liabilities	(48)	(51)
Net assets of UKTV	94	70
Group's share of net assets of UKTV	47	35
Provision for unrealised profit	-	(4)
Group's interest in UKTV	47	31
Revenue	332	328
Expenses	(257)	(252)
Depreciation	(6)	(4)
Interest payable	(4)	(3)
Taxation	(12)	(15)
Profit after taxation	53	54
Share attributable to other parties	(27)	(27)
Group's share of results of UKTV	26	27

Included within the UKTV balance sheet are cash and cash equivalents of £30 million (2018: £29 million), financial liabilities of £117 million (2018: £112 million) and non-current financial liabilities of £48 million (2018: £51 million). Included within UKTV's expenses for the year is an amortisation charge of £130 million (2018: £115 million).

Where the Group’s share of losses exceeds the carrying amount of the associates 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.

17 Programme related assets and other inventories

	2019 £m	2018 £m
Rights to broadcast acquired programmes and films	42	37
Work in progress	105	131
Finished goods and goods for resale	6	7
Total programme related assets and other inventories	153	175

18 Trade and other receivables

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

	2019 £m	2018 £m
Trade receivables	30	44
Amounts owed by associates and joint ventures	2	2
Total trade and other receivables due after more than one year	32	46

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

18b Trade and other receivables due within one year

	2019 £m	2018 £m
Trade receivables	219	224
Amounts owed by parent undertaking	22	21
Amounts owed by associates and joint ventures	45	32
Prepayments	25	26
Accrued income	130	97
Other receivables	22	14
Total trade and other receivables due within one year	463	414

19 Expected credit losses

Included in the Group’s contract assets (see note 2c) and trade and other receivables at 31 March 2019 are balances of £35 million (2018: £39 million) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

	2019 £m	2018 £m
Up to 3 months	27	28
3 to 6 months	3	5
Over 6 months	5	6
Total balance past due	35	39

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.

19 Expected credit losses continued

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 £10 million at 31 March 2019 (2018: £4 million).

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

	2019 £m	2018 £m
Balance at the beginning of the year	4	6
Charge for the year	7	2
Amounts recovered during the year	(1)	(2)
Amounts written off as uncollectible	-	(2)
Balance at the end of the year	10	4

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

	2019 £m	2018 £m
Trade payables	45	44
Salaries and wages creditors	36	40
Rights creditors	135	156
Amounts owed to parent company	51	45
Amounts owed to fellow BBC Group subsidiaries	-	2
Amounts owed to associates and joint ventures	11	1
Accruals	63	50
Deferred income	2	89
Other payables	43	33
Total trade and other payables due within one year	386	460

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

	2019 £m	2018 £m
Rights creditors	16	39
Other payables	20	32
Total trade and other payables due after more than one year	36	71

Other payables includes the fair value of put option liabilities of £12 million (2018: £25 million). The Group had no contingent considerations in either the current or prior year.

21 Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank available on demand and cash in hand	56	52
Short term deposits	143	31
Total cash and cash equivalents	199	83

22 Borrowings

22a Borrowings due within one year

	2019 £m	2018 £m
Bank loans	9	1
Total borrowings due within one year	9	1

22b Borrowings due after more than one year

	2019 £m	2018 £m
Bank loan	194	181
Obligations under finance leases	-	1
Total borrowings due after more than one year	194	182

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

23 Provisions and contingent liabilities

	At 1 April 2018 £m	Charge for the year £m	Utilised during the year £m	At 31 March 2019 £m
Restructuring	2	3	(4)	1
Property	2	-	-	2
Other	6	9	-	15
Total	10	12	(4)	18
Included in current liabilities	-			15
Included in non-current liabilities	-			3
Total	-			18

Other provisions comprise legal claims.

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

	2019 £'000	2018 £'000
Issued, allotted, called up and fully paid		
At 1 April	50	1,250
Share issue	-	124,500
Share capital reduction	-	(125,700)
At 31 March	50	50

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

In the prior year, BBC Commercial Holdings limited resolved to reduce its share capital to £50,000 by means of the solvency statement procedure (in accordance with sections 644 & 649 Companies Act 2006).

25 Equity shareholder's funds and reserves

Retained earnings

The retained earnings reserve reflects accumulated profits to date and the one-off cumulative catch-up adjustment of £5 million due to the transition to IFRS 15 *Revenue from Contracts with Customers* , hence this will amount to the difference in 2017/18 closing and 2018/19 opening retained earnings. The cumulative catch-up adjustment is an entry to opening retained earnings to reflect the changes in revenue recognition due to IFRS 15 under the modified retrospective transition method. Refer to accounting policies section for further information on the transition.

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 (2018: losses of £17 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	2019 £m	2018 £m
Group profit before tax		129	98
Depreciation, amortisation and impairment	3a	198	186
(Gain)/loss on derivatives associated with loans		(13)	19
Loss/(gains) on other derivatives		10	(26)
Loss on disposal of fixed asset		-	2
Share of profits in associates and joint ventures	16	(36)	(36)
Gain on disposal of investment	4	-	(4)
Gain on sale and termination of operations	4	(29)	-
Gain on deemed disposal of associate	4	(7)	-
Other gains and losses	5	(15)	-
Financing income (excluding fair value swaps)	8a	(3)	(21)
Financing costs (excluding fair value swaps)	8b	18	4
Decrease/(Increase) in inventories	17	22	(94)
Decrease in debtors		6	102
Increase/(decrease) in creditors		22	(32)
Increase in provisions	23	8	4
Cash generated from operations		310	202

27 Off balance sheet items

27a Contracts placed for future expenditure

2019	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	122	37	-	**159**
Other commitments	45	12	-	**57**
2018				
Programme rights for distribution	94	20	-	114
Other commitments	31	25	-	56

Included in other commitments is £26 million (2018: £22 million) to associates and £7 million (2018: £16 million) to joint ventures .

27b Operating leases

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 £m	2018 £m
Within one year	**35**	30
In two to five years	**52**	53
After five years	**76**	85
Total operating leases	**163**	168

The majority of operating leases relate to property. The rent payable under these leases is subject to renegotiation at the various intervals specified in the agreements.

27c Post balance sheet events

On 11 June 2019, the UKTV group, a joint venture previously owned by BBC Studios Distribution Limited and Southbank Media Limited (see note 16), was demerged and had its ownership restructured. The three leisure-themed channels were separated from the group, and BBC Studios 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 BBC Studio’s own content strategy and supply. The total cash payment due from BBC Studios of £173 million is payable over two years. This includes a cash consideration of £106 million in relation to the channels acquisition, and the assumption of £67 million of debt, previously financed by the joint venture counterparty. This acquisition was financed through existing borrowing facilities. As outlined in note 16, for the year ended 31 March 2019, UKTV had total revenues of £332 million and profit of £53 million, and had gross assets of £266 million and net assets of £94 million. Owing to the timing of the transaction occurring close to the date of signing of the 2019 financial statements, full acquisition accounting has not yet been completed, including calculation of goodwill on acquisition and potential recognition of other intangible assets. Full acquisition accounting information is expected to be provided in the financial statements for the year ending 31 March 2020.

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 takes a risk averse approach to the management of currency risk and has implemented clear policy parameters utilising forward foreign currency contracts to minimise volatility in the financial results. A substantial proportion of the Group's material net foreign currency exposures are economically hedged. Entering into these forward foreign currency contracts thereby allows the group to reduce risk by settling transactions at known exchange rates.

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.

At 31 March 2019, the Group had entered into a net commitment to sell foreign currencies amounting to £347 million (2018: £192 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 2019, 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 £1 million (2018: loss of £3 million) and the comprehensive income impact would have been a loss of £16 million (2018: loss of £7 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 2019 were £1 million (2018: £26 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, £165 million (2018: £154 million) of swaps were entered into. The coverage is £28 million lower (2018: £27 million lower) than the current level of bank loans of £193 million (2018: £181 million).

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 2019 the net debt limit in place was £350 million (2018: £350 million).

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 2019.

28 Financial Instruments continued

Liquidity risk continued

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

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 profit/loss	(3)	(3)	(2)	(1)	-

2018	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	(280)	(358)	(280)	(77)	(1)
Bank loans and overdrafts	(182)	(202)	(6)	(196)	-
Obligations under finance leases	(1)	(1)	(1)	-	-
Derivative financial liabilities					
Forward foreign currency contracts - fair value through other comprehensive income	(2)	(2)	(2)	-	-
Embedded derivatives	(1)	(1)	-	(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.

Depending on how exchange rates and interest 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.

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 hierachy 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			
2019	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	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)**

28 Financial Instruments continued

Fair value of financial instruments continued

2018	Carrying value: Amortised cost £m	Fair value through profit/ loss £m	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	83	-	-	83				
Trade and other receivables	460	-	-	460				
Unquoted equities	1	-	-	1			1	1
Derivative financial assets:								
Forward foreign currency contracts	-	8	1	9	9	-	-	9
Interest rate swaps	-	8	-	8	-	8	-	8
Total financial assets	**544**	**16**	**1**	**561**	**9**	**8**	**1**	**18**
Bank loans and overdrafts	(182)	-	-	(182)				
Obligations under finance leases	(1)	-	-	(1)				
Trade and other payables	(255)	(25)	-	(280)	-	-	(25)	(25)
Derivative financial liabilities:								
Forward foreign currency contracts	-	-	(2)	(2)	(2)	-	-	(2)
Embedded derivatives	-	(1)	-	(1)	-	-	(1)	(1)
Total financial liabilities	**(438)**	**(26)**	**(2)**	**(466)**	**(2)**	**-**	**(26)**	**(28)**

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:

	2019		2018	
	Financial assets £m	Financial liabilities £m	Financial assets £m	Financial liabilities £m
At 1 April	1	(26)	8	(9)
Settlements	-	-	-	2
Unwinding of discount recorded within finance expense	-	(2)	-	(1)
Disposal of available for sale asset	-	-	(7)	-
Additions	-	-	-	(22)
IFRS 9 cumulative catch up	(1)	1	-	-
Change in fair value recorded in operating costs	-	15	-	4
At 31 March	-	(12)	1	(26)

The IFRS 9 cumulative catch up adjustment to opening reserves has a net impact of nil. Under IAS 39 unquoted equities were measured at cost and are now measured at fair value under IFRS 9. The change in value of £1 million between the balance at 31 March 2018 under IAS 39 and 1 April 2019 under IFRS 9 has been released as a debit to the opening reserves. Embedded derivatives relating to financial asset host contracts are no longer separated under IFRS 9 and instead the contract is measured entirely under amortised cost. The change in value of £1 million between the balance at 31 March 2018 under IAS 39 and 1 April 2019 under IFRS 9 has been released as a credit to the opening reserves.

29 Borrowing facilities

Facility	Interest rate	Total available 31 March 2019 £m	Drawn down at 31 March 2019 £m	Total available 31 March 2018 £m	Drawn down at 31 March 2018 £m	Expiry or review date
BBC Commercial Holdings Limited						
Multicurrency, revolving credit facility agreement for loans	LIBOR* plus 0.45% rising to LIBOR plus 0.15% on utilisations over 1/3 and LIBOR* plus 0.15% on utilisations over 2/3.	210	-	210	-	March 2024
Overdraft or money market lines	Money market line - margin of 1.0% (2017: 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%	165	165	153	153	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	1	-	-	November 2021
Bank loan	3 month GBP LIBOR + 1%	3	3	9	1	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.

There have been no defaults or breaches of covenants on the facilities above during the year (2018: 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.

Notes to the financial statements continued

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 (2018: nil).

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

	Parent company		Other BBC subsidiaries	
	2019	2018	2019	2018
	£m	£m	£m	£m
Investment in BBC programme rights	(15)	(17)	-	-
Dividends proposed	(73)	(38)	-	-
Other income	389	367	-	-
Other expense	(89)	(110)	-	(1)
	212	202	-	(1)

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

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 I&E 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:

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 I&E 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 2019 £m	Expenditure 2019 £m	Dividends received 2019 £m	Income 2018 £m	Expenditure 2018 £m	Dividends received 2018 £m
Associates:						
New Video Channel America LLC	20	(3)	11	29	(6)	8
Other associates	3	(10)	1	2	(27)	2
Joint ventures:						
UKTV Media Holdings Limited	53	-	15	55	-	29
Other joint ventures	8	-	-	3	3	-
	84	(13)	27	89	(30)	39

31 Related party transactions continued

The following amounts were outstanding at the balance sheet date:

Name of related party	Receivables 2019 £m	Payables 2019 £m	Net balance 2019 £m	Receivables 2018 £m	Payables 2018 £m	Net balance 2018 £m
Associates:						
New Video Channel America LLC	2	(1)	1	3	(1)	2
Other associates	7	-	7	9	-	9
Other	-	-	-	-	(1)	(1)
Joint ventures:						
UKTV Media Holdings Limited	35	(10)	25	19	-	19
Other joint ventures	3	-	3	3	-	3
	47	(11)	36	34	(2)	32

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 has a 50% equity interest in the following significant joint ventures:

Name of entity	Place of incorporation and principle place of business	Activity
UKTV Media Holdings Limited	England and Wales	TV channel operator

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 W12 7TP	100
BBC Store Limited		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
BBC Studios Productions Limited (previously BBC Studios Limited)	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA	100
BBC Studios Distribution Limited (previously BBC Worldwide 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		
BBC Studios Productions (Clifton) Limited		
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

* Previously BBC Studios Group Limited

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 Animation Limited		100
Baby Cow Films (Zoe) Limited		100
The Last Holiday Limited		100
Sid Gentle Films Limited	Charles House, 5-11 Regent Street, London, SW1Y 4LR	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 (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	100
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		100
BBC Studios Canada Limited	409 King Street West, 5th Floor, Toronto, ON, M5V 1K1, 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 PTE. Limited	3 Anson Road, #17-03 Springleaf Tower, Singapore 079909	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	1120 Avenue of the Americas, 5th Floor, New York, NY 10036-6700, United States	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	Avenida Paseo de la Reforma No 115, Piso 4 Lomas de Chapultepec, Distrito Federal 11000 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

Balance sheet
as at 31 March 2019

	Note	Company 2019 £m	Company 2018 £m
Fixed assets			
Investment in subsidiaries	A	342	344
Derivative financial instruments		21	8
		363	352
Current assets			
Debtors			
- due within one year	B	179	236
Cash and cash equivalents		143	32
		322	268
Creditors: amounts falling due within one year			
Trade and other payables	C1	(67)	(15)
		(67)	(15)
Net current assets		255	253
Total assets less current liabilities		618	605
Creditors: amounts falling due after more than one year			
Borrowings	C2	(193)	(181)
Deferred tax liabilities	C2	(4)	(1)
		(197)	(182)
Net assets		421	423
Represented by			
Share capital	D	-	-
Retained earnings	D	421	423
Total equity shareholder's funds		421	423

The financial statements of BBC Commercial Holdings Limited, registered number 04463534, were approved by the directors and authorised for issue on 18 June 2019 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 consists of US$216 million (which is fixed through foreign exchange swap transactions at £143 million) and £28 million sterling. 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 £193 million (£171 million net of the impact of foreign exchange swap transactions) of the facilities available (2018: £181 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 £71 million (2018: £107 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 unit, on a pro-rata or more appropriate basis.

BBC Studioworks Limited was transferred at cost from the Company's 100% owned subsidiary, BBC Studios Limited, during the prior year.

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 debtors

These are recognised at fair value plus directly attributable transaction costs 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 £342 million (2018: £344 million). Impairments totalling £2 million were recognised on BBC Global News Holdings Limited during the year (2018: £nil).

Notes to the financial statements

A Investment in subsidiary undertakings

	Company 2019 £m	Company 2018 £m
Cost		
At 1 April and at 31 March	344	344
Impairment		
At 1 April	-	-
Charge for the year	(2)	-
At 31 March	(2)	-
Net book value	342	344

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 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

* Formerly BBC Studios Group Limited

B Debtors

	Company 2019 £m	Company 2018 £m
Amounts falling due within one year:		
Trade debtors	-	1
Amounts owed by subsidiaries	177	228
Amounts owed by parent undertaking	2	7
Total debtors due within one year	179	236

C Creditors

C1 Amounts falling due within one year

	Company 2019 £m	Company 2018 £m
Amounts owed to parent	-	2
Amounts owed to fellow subsidiaries	67	13
Total amounts falling due within one year	67	15

C2 Amounts falling due after more than one year

	Company 2019 £m	Company 2018 £m
Borrowings	193	181
Deferred tax liability	4	1
Total amounts falling due after more than one year	197	182

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
2019		
Between two and five years	193	193
	193	193
2018		
Between two and five years	181	181
	181	181

C Creditors continued

C4 Borrowing facilities

Facility	Interest rate	Total available 31 March 2019 £m	Drawn down at 31 March 2019 £m	Total available 31 March 2018 £m	Drawn down at 31 March 2018 £m	Expiry or review date
Multicurrency, revolving credit facility agreement for loans	LIBOR* plus 0.45% rising to LIBOR plus 0.15% on utilisations over 1/3 and LIBOR* plus 0.15% on utilisations over 2/3.	210	-	210	-	March 2024
Overdraft or money market lines	Money market line - margin of 1.0% (2016: 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%	165	**165**	153	153	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.

There have been no defaults or breaches of covenants on the facilities above during the year (2018: 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 2018	50	423
Profit for the financial year	-	71
Dividends declared in year	-	(73)
At 31 March 2019	**50**	**421**

Shares were issued during the prior year to fund the carve out of the BBC's Public Service Broadcasting television production divisions (BBC Studios Productions Limited).

The Company also resolved to reduce its share capital to £50,000 in the prior year by means of the solvency statement procedure (in accordance with sections 644 & 649 Companies Act 2006).

E Auditor's remuneration

The audit fee of £35,000 was incurred by the Company (2018: £10,000 borne by another Group company).