BBC Commercial Holdings Limited

Registered number 04463534

Annual Reports and Consolidated Financial Statements

For the year ended 31 March 2021

Officers and advisors

Directors

Tim Davie
Thomas Fussell
Mai Fyfield
Tony Hall (resigned 31 August 2020)
Glyn Isherwood
Sarah Jones (resigned 25 March 2021)
Mark Linsey (appointed 2 September 2020)
Dharmash Mistry
Stephen Morrison
Peter Ranyard (appointed 25 March 2021)
Balraj Samra (resigned 7 December 2020)
Elan Closs Stephens
Leigh Tavaziva (appointed 25 March 2021)

Company secretary

Peter Ranyard

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Strategic report

The Directors present their annual report for BBC Commercial Holdings Limited (the 'Company'), together with the consolidated financial statements and auditor's report, for the year ended 31 March 2021. The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as per the transitional arrangements ('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 102 to 109.

Principal activities of the Group

The Company is a wholly-owned subsidiary of the BBC, overseeing the BBC's commercial activities. The BBC's commercial subsidiaries support the BBC public service mission and generate income for the BBC Group. These companies maximise the value of the BBC's intellectual property, providing income to fund high quality, distinctive content for the licence fee payer, while supporting the UK's television industry on the world stage. The BBC Commercial Holdings Board, is tasked with setting strategy in line with overall BBC Group goals, agreeing business plans and ensuring compliance in regulatory and legal matters.

Commercial Holdings Group comprises three principal businesses. BBC Studios is the production and distribution business. It 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 operates 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 income from pay TV operators carrying the channel.

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

Other commercial companies include BBC Children's Productions Limited, which is the BBC's single biggest supplier of children's content, delivering over 107 hours of high quality programming in 2020/21. Its titles include series like *Stargazing* and *Molly & Mack* as well as long running series like *Dumping Ground* and *The Dog Ate My Homework*. The majority of the BBC's children's programmes are now produced by the Company, with the first productions being made in 2016/17.

The Company has a 10% shareholding in BritBox UK, a subscription video on demand service launched in November 2019, with ITV having a 90% shareholding. BritBox UK aims to provide UK audiences with an unrivalled collection of high-quality British content. In January 2021, BritBox UK announced that it had reached its target for the year 2020 of 500,000 subscribers.

Business review

Despite immense global disruption, the Group delivered a resilient performance in 2020/21 thanks to its diversified business mix and dedicated efforts of all its staff. The pandemic, along with transformation in the global content market, created ongoing challenges. However, robust revenue from branded services, content customers and consumer products, along with active management of spending, and adaptability across the business, helped to mitigate the impact of pauses in programme-making and a global advertising slowdown.

The Group monitors its business using a number of key performance indicators including revenue and EBITDA. For 2020/21 the Group recorded revenue of £1,384 million (2020: £1,570 million) and delivered an EBITDA of £144 million (2020: £189 million). The results and performance of the principal businesses of the group have been summarised below:

	2021			2020		
	Revenue	EBITDA/ (LBITDA)	EBITDA Margin	Revenue	EBITDA	EBITDA Margin
	£m	£m	%	£m	£m	%
BBC Studios group	1,255	151	12.0%	1,388	181	13.0%
BBC Global News group	91	(9)	(9.9%)	115	2	1.7%
BBC Studioworks	37	6	16.2%	40	8	20.0%

The Group believes that 'EBITDA' is the non-statutory measure of financial performance that best provides guidance to help understand performance on a comparable basis year on year. The intention of this is to illustrate an underlying profitability that can be benchmarked relatively easily and gives a reasonable base from which to link through to cash flow measures.

The BBC defines EBITDA margin as statutory operating profit, with the following operating expenses added back: depreciation; non-content-related amortisation; impairments/write-downs. In calculating EBITDA, the BBC also offsets costs with tax credits, which aligns to market practice.

BBC Studios group

BBC Studios made good progress on strategic goals and ended the year in a strong position for future growth. A focus on people, culture and wellbeing was significantly expanded to support those working for the business through the pandemic. Alongside financial support for production staff affected by the hiatus in programming in the first half of the year, BBC Studios also made a significant donation of £0.3 million to the Film and TV Charity's emergency support fund for industry freelancers. BBC Studios received widespread creative recognition, winning 41 awards from 109 nominations. It was the most commissioned production company in the UK for the second year running, with nearly 1,000 new commissions won in the four years since becoming commercial, 33% of which are new shows.

Business review continued

BBC Studios group *continued*

Sales were £1,255 million (2020: £1,388 million), a decline of 10%, largely due to the pauses in production mentioned above. EBITDA was £151 million (2020: £181m million), down 17% as reduced costs partially offset lower revenue, and careful cash management resulted in a reduction in debt over the short term with net borrowing at £15 million at yearend ahead of future digital and intellectual property investment opportunities. Returns to the BBC, mainly investment in programming, were £137 million (2020: £276 million). BBC Studios is on track to deliver its five year target of £1.2 billion in returns to the BBC as planned by the end of the next financial year.

BBC Studios has a clear strategy: to develop creative hits, build stronger services and grow major customer partnerships, enabling the best of British content to be seen in the UK and around the world for the benefit of licence fee payers. Underpinning this is a focus on putting people first, developing a culture that promotes diversity, career development and leadership, wellbeing and sustainability.

Driving creative hits

Despite the year's challenges, BBC Studios has maintained a focus on the creative health of its key brands and as a result titles such as *Top Gear* and *Strictly Come Dancing* went from strength to strength – strong ratings for the Harris-McGuinness-Flintoff partnership in the UK as it moved to BBC One and TopGear.com site visits were up 21%. *Dancing with the Stars* reached the milestone of 60 territories as the format sold to Mongolia.

New titles launching in the year from BBC Studios included *We Hunt Together* for UKTV, RTS Award-winning *The Surgeon's Cut* for Netflix, *Waterhole* for BBC Two/PBS and *Pandemonium* for BBC One.

Productions on air throughout the pandemic included *The One Show, Countryfile* and *Springwatch,* as well as a one-off Children In Need-Comic Relief collaboration *The Big Night In*, which reached a peak audience of 8.5 million and raised £74 million. While the first lockdown paused production on Continuing Drama Series, BBC Studios' teams managed to return *EastEnders, Casualty, Doctors, Pobol y Cwm* and *Holby City* rapidly over the summer.

In the UK, BBC Studios makes programmes across 10 bases across the country and in all nations. This year, it secured 74 new commissions for the BBC and 16 new commissions for third parties in the UK, including series two and three of *Trying,* a comedy for Apple TV+, and a strong pipeline for future delivery.

The business stepped up initiatives to spot and grow new creative talent, particularly across digital and scripted through its popular programmes of residencies and workshops run under the TalentWorks and ScriptWorks labels. As part of a commitment to production diversity, the business committed to a minimum threshold of 20% for those from an under-represented background on every new production from November 2020 and launched a specialist training programme for Assistant Producers.

Distinctive, high quality programming delivered from BBC Studios' invested indie partners during this difficult year included *A Suitable Boy* for BBC One from Lookout Point and BBC One's *I May Destroy You* from Various Artists & FALKNA.

Business review continued

BBC Studios group continued

Stronger Services

In the first full year of UKTV ownership, despite a very challenging advertising environment, the business continued to grow share, with 2020 UKTV's best year on record in Share of Commercial Impacts (SOCI) for the current channel portfolio, achieving a SOCI of 8.07%. The network also achieved record SOCI for the months of February (8.08%) and March (8.72%) this year.

UKTV, which retains its brand while operating as part of the BBC Group, also won its first BAFTA (*Taskmaster*) and UKTV Originals were the highest rating shows on the network, taking the top five spots including *Red Dwarf: The Promised Land* on Dave and *Bangers & Cash* on Yesterday, which became the highest rating show in the history of the channel. UKTV also increased investment in original scripted drama with commissions including *Ragdoll, Annika, The Diplomat* and returning series of *Traces* and *We Hunt Together*.

Alongside BBC Earth's increasing popularity on YouTube, with 2.6 billion video views (a 44% year on year increase), there was steady growth in availability for BBC Studio's linear channels, with scripted channel BBC First going live in Turkey, Taiwan and Canada in the year, BBC Lifestyle launching in South Korea, and CBeebies in India. In a challenging and increasingly competitive environment, BBC AMERICA continued to offer high quality and distinct programming to loyal viewers, including *Killing Eve* and *Doctor Who*. The network is the leader in natural history programming on linear television in the US, particularly on Saturdays during the *Wonderstruck* micro-net - a full, 24 hour commerical takeover dedicted to this genre.

BBC Studios launched BBC Select, its first fully owned and operated digital streaming service, on Amazon and Apple TV+ in early 2021 with a focus on culture, politics and ideas.

E-learning service BBC Maestro successfully launched in the UK, securing over half a million visitors to the site in four months. The service will launch internationally later in 2021 with 10 new courses from high profile experts in their field, including Julia Donaldson, Peter Jones and Ozwald Boateng.

Major customer partnerships

Premium SVOD services Discovery+ and HBO Max went live to consumers with BBC content at launch, including landmark natural history and drama series respectively. A new multi-year co-production and content sales deal agreed with Chinese entertainment platform Bilibili will take BBC content to China and see the partners collaborating on BBC Studios-led productions. A partnership with Huawei Video will bring 300 hours of drama, comedy and factual shows to smartphone users in several territories, and the business agreed a content deal with Bytedance's Xigua Video for natural history, children's and drama programming.

Covid-19 impacted the year's content sales markets, with BBC Studios forging a virtual presence at industry event MIPCOM and a rapid reinvention of the BBC Studios bespoke inhouse sales conference Showcase in virtual form, doubling the number of attendees on the in person Liverpool event in 2020.

Strategic report continued

Business review continued

BBC Studios group continued

People and Culture

The last year has shown the extraordinary resilience of the people within BBC Studios who have continued to deliver change and growth in very challenging circumstances. The business launched a dedicated plan to put people first, improve culture and develop talent, and a package of wellbeing measures across mental and physical health was accelerated to help teams and individuals thrive in the unprecedented circumstances precipitated by lockdown. Regular staff surveys in the year helped guide the response, with 79% agreeing they would 'recommend the BBC as a place to work' in April 2021.

To help protect its planet and people, BBC Studios launched a company-wide sustainability plan with new targets, including a minimum 50% reduction in travel. The business announced its carbon net zero ambition for 2030, after achieving carbon neutrality through reductions and offsetting. As BBC Studios continued to lead the world in environmental content and normalise sustainable behaviour on-screen, the year saw ground-breaking innovation off-screen, with *Winterwatch* using a hydrogen and battery powered generator for the first time on a large-scale outside broadcast.

Despite the pandemic and challenges faced over the past year, 100% of productions achieved Albert foot-printing and 98% decreased carbon emissions through BAFTA Carbon Action Plans, including BBC Studios wholly-owned independent production labels.

A new digital learning platform enabled employees to access training individually and virtually and initiatives to improve leadership, career journeys and simplify processes across the company were introduced, as well as a dedicated plan to improve diversity & inclusion.

Review of financial performance

BBC Studios' overall financial results show both revenues and EBITDA down year-on-year as a result of an impacted production pipeline and lower advertising revenues. Nonetheless, its performance demonstrates its ability to adapt to both a changing market and challenging operational circumstances. BBC Studios focused its returns on content investment, which was down 39% as a result of pauses in production.

Thanks to careful control of costs, the cash position is improved as BBC Studios reduced investment and continued tight management of working capital. The net debt position at year end, excluding leases, was £15 million (2020: £112 million) and free cash flow was £201 million (2020: £89 million). This means that the business is in a good position to capitalise on future growth and recovery in the coming months.

Business review continued

BBC Studios group continued

The BBC Studios Executive Committee tracks its performance across two lines of business, Production and Distribution, and Branded Services. Sales and EBITDA performance year on year reflects the impact of Covid-19 on the Production and Branded Services business areas. The segmental analysis above includes an allocation of all central costs – the Group continues to drive strong cost control.

	2021 £m	2020 £m
Production and Distribution	929	1,059
Branded Services	383	385
Group adjustments	(57)	(56)
Total revenue	1,255	1,388
Cost of sales	(883)	(998)
Other operating costs	(370)	(312)
Share of profit of associates and joint ventures	25	28
Production tax credits	24	24
Removal of depreciation, amortisation and impairment	100	51
EBITDA	151	181
EBITDA Margin %	12.0%	13.0%

Production and Distribution delivered EBITDA of £66 million (2020: £75 million) and Branded Services delivered EBITDA of £85 million (2020: £111 million).

Production and Distribution includes programmes made and sold to broadcasters and platform owners globally, as well as the BBC Studios share of the results of its joint venture and associate production companies, format sales, and consumer products.

In the UK, just over half of programmes in production were paused for a period of several months with additional costs once filming recommenced. Despite this Production teams adapted to and often created best practice for, Covid-19 rules, keeping people safe and productions operational, particularly with the swift return of continuing dramas. Overall, the BBC Studios delivered 1,352 hours of content and 232 titles in the year.

Covid-19 also affected the production schedules for BBC Studios' invested labels, but the future pipeline is good with a Kate Atkinson adaptation *Life After Life* from House Productions and a documentary on Robert Maxwell from Expectation, both for the BBC. This was bolstered by the in-year acquisition of the remaining share of Clerkenwell Films Limited, maker of *The End of the F***ing World.*

Strategic report continued

Business review continued

BBC Studios group continued

Internationally, production teams performed very strongly on delivery of content, especially in the context of severe Covid-19 restrictions in LA, France, South Africa and Mumbai. In the US, titles included *Weakest Link* (NBC), the 150th episode of *Life Below Zero* (National Geographic), *Murder Among the Mormons* (Netflix), and the 29th season of *Dancing with the Stars* for ABC, which was for the first time hosted by Tyra Banks. In India, *Sons of the Soil* was made for Amazon, and a second series of *Criminal Justice* for Disney+ Hotstar. In difficult circumstances, the French version of *Top Gear* and *Bake Off* rated better than ever.

Content Sales had its second best year ever with overall revenues down only 9%, thanks to major customer partnerships and hard work within the business to support customers in broadcast and SVOD services affected by production delays, with access to the BBC Studios back catalogue. Consumer Products delivered 3% growth year on year, as consumers re-embraced DVDs and electronic downloads for home viewing in a pause to recent downward market trends.

Branded Services includes BBC branded channels and digital services, UKTV, the BBC Studios share of the joint venture and associate operations in BritBox International and BBC AMERICA, and its share of digital branded services including BBC Player in Asia. It achieved a robust performance in the year despite the economic uncertainty, with overall sales down by 1%.

Demonstrating its commitment to linear, UKTV made two significant long term investments in channel spectrum in late 2020: the purchase of CCXTV moved Dave Ja Vu to Freeview slot 23, and Drama+1 launched in Freeview slot 73, improving SOCI for both channels.

Market-wide advertising pressure and declining numbers of pay TV households affected BBC Studios' global linear channel portfolio and to a greater extent BBC AMERICA's results, leading to an impairment in the value of BBC Studios' share in the channel of £44 million. This is the first impairment since the sale of 49.9% of the channel to AMC Networks in 2014, which yielded a profit of £116 million; the remaining investment balance of £132 million reflects confidence in the channel's future profitability.

The BBC-ITV joint venture BritBox launched in Australia and will be available in South Africa later in 2021. The performance of the service outside the UK, where it is 50% owned by BBC Studios (50% by ITV) and accounted for as a joint venture, was particularly strong, reaching 1.7 million international subscribers in the year.

Business review continued

BBC Global News group

In an extraordinary year in which the pandemic drove record audiences to BBC Global News platforms but put significant pressure on its advertising sales and distribution businesses, 2020/21 saw a 20% annual decline in revenues, with total revenues of £91 million. Advertising was particularly sensitive to the shut down of the travel and tourism industry, and the closure of a key digital partner Quibi affected distribution. In the final quarter, continued geopolitical pressures across China and the Middle East affected both areas of the business, and notably culminated in the withdrawal of the BBC World News licence in China. The implementation of immediate cost savings measures provided some mitigation, but overall the in-year pressures resulted in an LBITDA of £9 million, which follows five successive years of profitability.

The financial performance of the company is detailed below:

	2021 £m	2020 £m
Total revenue	91	115
Cost of sales	(90)	(97)
Other operating costs	(12)	(17)
Removal of depreciation and amortisation	2	1
LBITDA	(9)	2
LBITDA Margin %	(9.9%)	1.7%

BBC Global News is consistently rated highly for trust and the Reuters Institute 2020 Digital News Report found that BBC News is the most trusted news brand in the United States. During the pandemic there was unprecedented demand for trusted news, with covid-19 consistently driving high audience figures throughout the year. BBC Global News also worked with two major international news outlets to donate a combined $50 million worth of advertising space to promote vital public health messages.

The World News channel and BBC.com contributes nearly a third of BBC's total international weekly reach. BBC World News channel household reach continues to grow and now passes 453 million households globally with 112 million people watching the channel every week.

BBC.com also saw continued expansion in its audience reach, with year-on-year growth of +19% and reached a new peak of 180 million monthly unique browsers in November 2020, driven by the US election and ongoing covid-19 coverage. A new daily peak of 31 million browsers visited bbc.com the day after the US voted for its next President, which was nearly 50% higher than the previous peak.

BBC.com feature sites (BBC Future, BBC Reel, BBC Culture, BBC Travel and BBC Worklife) have seen exceptional growth this year at +24% year-on-year, with top stories including, "Why Zoom chats are so exhausting" and "The last secrets of the world's lost continent".

Strategic report continued

Business review continued

BBC Global News group continued

BBC News is one of the most followed news sources on Facebook, with over 53 million followers. In 2020/21 BBC Global News renewed for the third time an agreement with Facebook to provide a weekly show, *Cut Through The Noise* , on their Watch platform. The BBC News YouTube channel saw continued growth in 2020/21, passing nine million subscribers, making BBC News one of the biggest news sources on YouTube.

BBC Global News was recognised for the excellence of its journalism with several awards in 2020/21, including a number of AIB Awards, Telly Awards and a White House News Photographers Association Award for BBC World News content. Online, BBC Culture won a Webby for social media content dedicated to arts and culture. BBC Reel won a Video Team of the Year in the Drum Online Media Awards which recognised original, clever and thought provoking content.

Voluntary sign-in was launched on BBC.com, which will enable the business to capture first party data for advertising as well as provide better insights into our users' consumption of editorial content on the BBC's digital platforms.

BBC Studioworks Limited

Against the backdrop of a global pandemic, BBC Studioworks developed a growth strategy for the next five years, with a clear vision and purpose at its heart. BBC Studioworks is evolving its culture and has accelerated its next generation people plan to drive diversity, greater capabilities and income with a clear set of values woven throughout the company.

The financial performance of the company is detailed below:

	2021 £m	2020 £m
Total revenue	37	40
Cost of sales	(32)	(33)
Other operating costs	(4)	(3)
Removal of depreciation and amortisation	5	4
EBITDA	6	8
EBITDA Margin %	**16.2%**	20.0%

An organisational redesign has also been implemented to ensure BBC Studioworks is optimally structured to drive revenues and deliver growing commercial returns back to BBC Group.

In parallel, the company's industry leading, comprehensive and rigorous management of covid-19 enabled productions to continue operating in a safe environment, even at the height of lockdown.

Strategic report continued

Business review continued

BBC Studioworks Limited *continued*

BBC Studioworks' operational excellence and exceptional customer service has led to the company delivering a strong financial performance, against an ominous backdrop. This saw the company deliver forecasted revenues – £37 million of income (2020: £40 million) and EBITDA of £6 million (2020: £8 million). Despite year-on-year sales being down 8% due to covid-19 disrupting production schedules, the company's strong performance and covid-19 recovery means it declared a cash dividend to BBC Group of £0.7 million.

BBC Studioworks was the first UK TV studio operator to safely return audiences in the summer of 2020 and has been integral in facilitating some of the biggest shows to ensure audiences across the nation were kept entertained during the global crisis. Credits include *Strictly Come Dancing, Talking Heads* and *One World: Together at Home* for BBC One, ITV's *Saturday Night Takeaway* and its live weekday programming (*Good Morning Britain, Lorraine, This Morning, Loose Women*), *The Last Leg* and *Sunday Brunch* for Channel 4 and a *League of Their Own* for Sky One.

The business also continued to provide services to BBC's *EastEnders, Holby City,* Programme Acquisitions and Persian Television. While the post production team worked on a number of projects including *Strictly Come Dancing, It Takes Two* and the Comic Relief Appeal Night for the BBC, *Saturday Night Takeaway* for ITV and its spinoff show, *Extra Helping,* for ITV Hub, and *The Last Leg* for Channel 4.

New productions included *Channel Hopping* and *Rhod Gilbert's Growing Pains* for Comedy Central, *Bank Balance* for BBC One and *Winning Combination* for ITV.

Strategic report continued

Future outlook

BBC Studios begins the new financial year following a strong performance relative to circumstances. The pandemic will cause further market uncertainty, cost and disruption; supporting the wellbeing of employees and freelancers through these times will remain a high priority. With over 90% of programmes now back in production, the business expects to deliver against its strategy and has re-committed to achieving its five-year BBC returns target of £1.2 billion by the end of the new financial year, despite Covid-19 impacts.

Having already transformed significantly in recent years - bringing production and distribution together, consolidating UKTV - there is further change ahead with increasing ambition to increase revenues from the BBC's commercial activities. BBC Global News Limited, home to bbc.com and BBC World News, became part of BBC Studios on 1 July, while editorial responsibility for BBC World News moved to BBC Public Service. This allows the business to create market opportunities outside the UK, including global digital and audio services. BBC Children's Production will join BBC Studios Productions in April 2022, enabling it to develop and produce for external customers while continuing to supply CBeebies and CBBC with the highest quality British children's content. Together these structural changes and existing organic growth plans underpin a new financial returns target of £1.5 billion for the five years starting 2022/23, a 30% increase on the previous period and ahead of forecast market growth.

BBC Studios' contribution to on-screen success will continue in the year ahead. New creative deliveries will include Jimmy McGovern's *Time* , Sir David Attenborough-narrated BBC Studios Natural History Unit landmark *The Green Planet* and brand new dancing and dating format, *I Like The Way You Move,* for BBC Three alongside audience favourites *Strictly Come Dancing, EastEnders, Doctor Who* and *Top Gear* . BBC Studios' major investments through its independent production partners for the BBC include Nicole Lecky's *Superhoe* (working title), James Graham's *Sherwood* and David Olusoga's *Forgotten Empire* - alongside the 11th season of perennial audience favourite, *Call The Midwife* .

The pandemic has had a dramatic impact on the markets in which BBC Global News operates, shrinking advertising budgets and putting additional pressure on pay-TV operators by accelerating the shift from traditional TV to streaming. At the same time, demand for BBC Global News' output, particularly BBC.com, has never been higher as readers and viewers seek trustworthy, independent coverage of world changing events. BBC Global News will continue to respond to these impacts through the pursuit of a range of new and existing revenue opportunities, including expansion of our OTT offering and a potential new subscription product.

The market in which BBC Studioworks operates in remains competitive. The pandemic and the consequent rise in content consumption has fuelled the demand for TV studios resulting in a number of new entrants. To deliver commercial growth, and in response to growing industry demand for regional studio space enabling Public Service broadcasters to fulfil their nations and regions quotas, the business has clear and considered pan-UK expansion plans.

Sustainability is also a prime focus for the business with the goal of being net zero by 2030. A strategy and framework is currently being formulated which will define the priority areas to drive change. With a clear vision, purpose and people plan, the company will continue to explore relevant commercial opportunities. BBC Studioworks will expand its client base to maximise revenue, solidifying its position as the industry leader in TV studio operations.

UK Streamlined Energy and Carbon Reporting

Climate change is one of the biggest challenges facing humankind. The Group has been employing sustainable practices for many years, and has now ramped up action across all areas of business to address its own impacts on the environment.

The BBC Group is taking the next step in its ambitious sustainability and environmental plans by aligning with the Taskforce on Climate-related Financial Disclosures ('TCFD') recommendations. The BBC wants to be seen as a leader on tackling climate change and to ensure we are advocating a transition to a low-carbon economy. The Group is committed to setting a net zero target and we are currently in the process of calculating our full scope 1, 2 and 3 emissions to establish our baseline.

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

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

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

		2021			2020	
	tCO_2e	tCO_2e/£m Revenue	Consumption (kWh)	tCO_2e	tCO_2e/£m Revenue	Consumption (kWh)
BBC Studios Limited*	6,693	5	24,937,279	7,479	6	31,494,246
BBC Global News Limited	402	4	1,814,487	437	4	1,791,164
BBC Studioworks Limited	1,389	38	6,266,319	1,621	40	6,872,965

* Represents required emissions for all in-scope BBC Studios group entities (BBC Studios Production Limited, BBC Studios Distribution Limited, and UKTV Media Limited) and building and business road transport emissions for co-located out-of-scope BBC Studios Production Limited entities.

The assessment has been conducted in accordance with the GHG Protocol Corporate Accounting and Reporting Standard using the UK Government Conversation Factors for Company Reporting, and where possible is guided by the principles contained within ISO 14064:2018 series. Emissions reported comply with the SECR guidelines published by BEIS (2019) and includes consumption and GHG emissions for UK electricity and gas use, as well as road transportation for business travel purposes (fuel cards, hire cars, personal cars, and fleet vehicles).

Despite the pandemic, the Group has continued its efforts within the business to reduce environmental impact. Learning from the reduction in travel due to the pandemic, BBC Studios has implemented more ambitious travel targets going forward – 50% reduction in non-filming travel for 2021/22. BBC Studios is also continuing its commitment to 100% Albert certification across its UK productions for 2021/22, and is continuing to maintain its carbon neutrality status for all UK operations, productions and global air travel backdated to April 2018, as well as total emissions relating to all directly controlled global activities backdated to April 2019; achieved through a combination of reduction and offsetting.

Strategic report continued

UK Streamlined Energy and Carbon Reporting continued

The Group is an industry leader in sustainable television production, working as part of the Bafta Albert consortium. The Albert Carbon Action Plan is a practical way to help production teams reduce their impact on the environment and embed sustainable production values within their shows. It helps production teams progress sustainability both in terms of on screen content and behind the scenes operations.

BBC Studios is also working with the wider BBC Group towards a net zero carbon by 2030 pathway. A lighting upgrade to LED lighting project is ongoing in Television Centre and almost all of BBC Studios UK sites are on 100% renewable electricity tariffs that are backed by Renewable Energy Guarantees of Origin (REGOs). This meets the quality criteria of the GHG Protocol (2015) for reporting zero carbon emissions.

Risk and uncertainties

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

Risk	Strategic impacts	Mitigation
Protecting the brand, reputation and standards		
Risk that global audiences and customers lose confidence in the integrity of the Group and its editorial standards if fails to successfully represent the values of the BBC across all its content and services.	Reputational damage to the brand and loss of customer confidence and revenue. Inability to successfully meet the strategic objectives.	The Group is aligned to the BBC Code of Conduct. This sets out the commitments for staff to follow. Including: respecting each other, doing the right thing, acting with integrity and living up to the highest legal and ethical standards. The Code is supported by a speak up culture and a programme of training.
Risk that a third party does not share or fails to meet our values and standards or acts unlawfully.		Proportionate controls ensure that third parties are appropriate partners, share our values and meet legal and regulatory obligations.
Risk that we are unable to achieve improved diversity across the workforce and within the Group's content.		The Group is committed to driving greater inclusion across all activities, including with third parties and producers. The strategy sets clear plans and targets. D&I is integral to the investment and commissioning processes.
Risk that the Group does not demonstrate industry leadership in meeting its green ambitions.		Green strategy approved and aligned to the BBC Group. Production activity is comparable to industry leaders. Clear plans are in place for international operations.

Strategic report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Looking after people		
Risk that the Group fails to protect the health, safety and wellbeing of its people, which may result in a person being harmed or suffer adverse health effects. Risk breach of Covid-19 guidelines. Restrictions continue to present challenges across the business including to staff mental health and wellbeing. Risk some variants will prolong interruption.	Potential for injury, financial penalties and criminal charges. Reputational risk if we fail to protect staff and all others in the care the of Group.	There are policies, processes, plans and governance structures in place to manage the safety of Group activities. During the pandemic, the overriding priority has been to protect the health and wellbeing of individuals, with extensive support available for those facing challenges working on productions, in the field or from home for extended periods with a focus on maintaining wellbeing in a stressful and uncertain climate.
Economic and geopolitical climate		
Ongoing economic uncertainty over speed and nature of the projected recovery in the UK and internationally, due to the ongoing pandemic. Routes to market strategy are challenged in some territories, especially where there are risk factors such as authoritarian regimes, human rights issues, a poor environment record and lack of upholding laws.	Impact on financial performance. Loss of business opportunities and revenues if routes to markets strategies cannot be fully implemented.	The Group is diversified across production, distribution and branded and ancillary services. It operates across many geographical regions as well as having key global customers and partnerships. It has been resilient during the pandemic and advertising markets have performed stronger than anticipated. Measures are in place to ensure commercial interests are balanced against international purpose, meet our editorial goals, that the Group selects appropriate partners and manage compliance risks in high risk territories.

Strategic report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Market competition in Production Intense market competition for creative talent, driven by the shift of power to large international players away from traditional broadcasters. These companies can influence pricing of content and increasingly demanding a greater share of commercial rights. Major customer spend is moving from acquisitions to creating original content and IP effectively eliminating the need for traditional producers. Production continues to be impacted by additional safety costs, as well as risks of further disruption and volatility due to	Inability to deliver a creatively and commercially successful creative pipeline. Failure to win commissions, leading to a reduction in revenues. Pressure on margins due to increased costs not being offset by increasing fees. Inability to grow valuable IP.	The Group continues to attract talent into key creative roles and is constantly reviewing makes it an attractive proposition. Creative talent continues to develop and deliver successful content and formats. The Group closely manages its top customer portfolio across all lines of business to surface demand and inform the pipeline direction. The Group ensures that investment decisions seek to maximise value and IP. This is increasingly through early investment in new IP, formats and programmes and content deals with partners as well as investments into Independent Production companies.
Regulatory and compliance breaches Risk of non-compliance with increasing number of UK and international laws and regulations; many of which have an extra-territorial reach. The Group operates globally and in certain high-risk territories. It is seeking to expand and launch new services. This poses further risk of exposure to new legislation and regulations.	Civil or criminal challenge. Fines or penalties. Potential restrictions on business activities.	Frameworks exist to manage compliance risks internationally across the Group. This includes clear lines of responsibility, SMEs, risk assessments, policies, control processes, response plans, communications, training and monitoring. Compliance reporting with regular updates to senior committees. Incident reporting process and corrective action taken. In-house Regulatory Team supported by specialists in BBC Group.

Strategic report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Managing suppliers and third parties		
The Group relies on third parties located across the globe to support the delivery of its content and services. Failure of a key supplier could significantly impact our infrastructure, our content sales, and channels and digital services operations.	Customer dissatisfaction and potential loss of revenue if service levels are not met. Regulatory fines if services are not operating within required parameters.	Action was taken to ensure the Group's technology and operations infrastructure, including broadcast and editing continuity continued to be resilient during the pandemic. Critical third parties are managed closely through contracted SLAs and ongoing dialogue and there clear communication and escalation protocols in place.
Distribution customer base and competition		
Risk that the Group's structure, strategy, content and services are not aligned to changes in the market and increased competition from a small number of global players and that it loses access to valuable rights. Distribution is increasingly focussed on a few top strategic customers. There is a risk the Group fails to meet their demand. Traditional linear broadcasters are under increasing margin pressure, due to competition for audiences, leading to reduction in subscribers and advertising revenues.	Diminishing returns on content investments. Lower commercial returns to BBC Group and Independent Production Companies. Declines in affiliate and advertising revenue in the UK and globally.	Customer Management approach with a remit across all lines of business in order to build, coordinate and optimise relationships with a portfolio of most valuable customers. Pricing initiatives reflect market. Actively growing business with new customers. Branded Services initiatives to enable operational fitness and cost savings and to derive investment value across the portfolio. The Direct to Consumer proposition provides a credible strategic response to changes in the market and presents significant future growth opportunities for the Group.

Strategic report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Protecting our content and assets		
Risk that information security controls are compromised, leading to disruption of systems and services and the loss of sensitive or critical information. Risk from the unauthorised release of premium, high value content. Intellectual property is key to the success of the Group. There is an increasing risk globally of illegal piracy of content and services. Risk of loss due to financial crime, including fraud, bribery and theft or the manipulation of financial information.	Reduced editorial or commercial value of content, services and assets. Reputational damage and loss of confidence in company's ability as a credible global producer and distributer. Inability to establish paid digital services.	Information Security team and Divisional Information Risk Officer appointed, with leads in each key business area. Frameworks are in place to ensure robust controls to minimise the risk of loss. This includes policies, risk assessments, rehearsed response plans, training, ongoing monitoring and regular communications. Working with third parties to ensure they meet Group's requirements. The Group works with other content providers, platforms and customers to act against illegal use of brand and participates in outreach and engagement projects to combat piracy.

Promoting the success of the Company and Section 172 Statement of the Companies Act 2006 (‘the Act’)

The Directors are aware of their duty under Section 172 of the Act to act in a way which they consider, in good faith, would be most likely to promote the success of the Company, in doing so, to have regard (amongst other matters) to the factors detailed in section 172(1) of the Act. The Commercial Holdings Board (“the Board”) is responsible for the governance, assurance and oversight of the BBC’s commercial subsidiaries - each of which has an executive committee responsible for the operational management of that subsidiary. The Board is chaired by a non-executive member of the BBC Board, and comprises members of the BBC Board, Directors across the commercial parts of the BBC and two independent Directors. The Board, which meets formally approximately eight times a year, ensures that the strategy of the commercial subsidiary align with that of the BBC Group - applying the following principles:

- Protect overall Licence Fee Payer value in BBC Group’s Intellectual Property creation, management and exploitation.
- Fulfil the four commercial criteria; including ensuring fit with mission and purposes and not jeopardising the reputation of the BBC or value of the brand.
- Grow the BBC’s interest and return from IP across the BBC Group as a whole – identifying business development opportunities, new business models and new partnerships.

During the year consideration has been given to:

- Employees: Considered the dedicated plans to put people first; the package of wellbeing measures across mental and physical health; and the plans to improve diversity & inclusion.
- Customers: Considered the impact of Covid-19 on customers, and as a response both the level of back catalogue access provided to customers affected by production delays and the amount of advertising space donated to provide public health messaging.
- Suppliers: Considered the response to the challenge of keeping production teams safe while making the programmes audiences love as lockdown restrictions halted television and film production.
- Community: Noted that a donation was made to the Film and TV Charity’s emergency support fund for industry freelancers.
- Environment: Considered sustainability plans, including new targets and carbon net zero ambitions for 2030, after achieving carbon neutrality through reductions and offsetting.

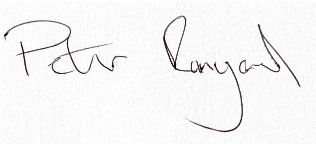
Strategic report continued

Promoting the success of the Company and Section 172 Statement of the Companies Act 2006 (‘the Act’) continued

- Environment: Consideration was given to sustainability plans including new targets and carbon net zero ambitions for 2030, after achieving carbon neutrality through reductions and offsetting.

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

By order of the Board,



Peter Ranyard
Company Secretary
16 June 2021

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

Directors' report

Directors

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

- Elan Closs Stephens (Chair)
- Tim Davie
- Thomas Fussell
- Mai Fyfield
- Tony Hall (resigned 31 August 2020)
- Glyn Isherwood
- Sarah Jones (resigned 25 March 2021)
- Mark Linsey (appointed 2 September 2020)
- Dharmash Mistry
- Stephen Morrison
- Peter Ranyard (appointed 25 March 2021)
- Balraj Samra (resigned 7 December 2020)
- Leigh Tavaziva (appointed 25 March 2021)

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 29 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 2018 UK Corporate Governance Code, issued by the Financial Reporting Council and setting out principles of good corporate governance is not applicable to BBC Commercial Holdings Limited as a private limited company but the Group voluntarily complies where appropriate. Disclosure of how the BBC complies may be obtained from www.bbc.co.uk/annualreport.

Directors' report continued

Political and charitable contributions
The Group made £314,000 charitable donations during the period. The Group did not make any political donations during the year.

Dividends
Dividends of £75 million were declared by the Group during the year (2020: £6 million).

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

Going concern
As set out on page 39, 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
BBC Global News, became part of the BBC Studios Group on 1 July 2021.

Auditors
The National Audit Office served as independent external auditors for the year ended 31 March 2021 and 31 March 2020. The National Audit Office have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the board meeting where this report is approved.

Directors' report continued

Statement as to disclosure of information to auditors

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

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

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

By order of the Board,

Peter Ranyard
Company Secretary

16 June 2021

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

Statement of directors' responsibilities

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company’s transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the parent company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Opinion on financial statements

I have audited the financial statements of BBC Commercial Holdings Limited for the year ended 31 March 2021 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 Accounting Standards 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 2021 and of the Group's profit for the year then ended; and
- the Group financial statements have been properly prepared in accordance with International Accounting Standards; 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 requirements of the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and applicable law. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the BBC Commercial Holdings Limited in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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

My evaluation of the BBC Commercial Holdings Board's assessment of the BBC Commercial Holdings' ability to continue to adopt the going concern basis of accounting included reviewing cashflow forecasts and underlying assumptions for at least the next twelve months, understanding and assessing the risks to future revenue streams and BBC Commercial Holdings' ability to access borrowings and take other mitigating actions to manage cash-flows. I also considered my wider understanding of the environment in which the BBC operates which may have implications for the ability to adopt the going concern basis of accounting.

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

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

Other information

The other information comprises information included in the Strategic and Directors' report but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the BBC Commercial Holdings Limited and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of the directors for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors responsibilities for the audit of the financial statements

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

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

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

My procedures included the following:

- Inquiring of management, the BBC's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the BBC Commercial Holdings Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Companies Act 2006, regulation established by the Office of Communications (Ofcom) and applicable taxation, health & safety and employment regulation and legislation.
- discussing among the engagement team including significant component audit teams and involving relevant internal and or external specialists, including information technology, corporate finance, and tax specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: judgments relating to revenue recognition, programme accounting (including the amortisation of distribution rights) and management override of controls, including bias in management's estimation of significant investments impairments and the year end talent royalty accrual. These were identified as significant risks to the audit and detailed audit procedures were performed.
- obtaining an understanding of audited BBC Commercial Holdings Group's framework of authority as well as other legal and regulatory frameworks that the BBC Commercial Holdings Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the BBC Commercial Holdings Group. The key laws and regulations I considered in this context included the Companies Act 2006 and applicable taxation, health & safety and employment and Ofcom regulation and legislation.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Commercial Holding Board and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

- assessing the design and implementation of controls related to the significant risks identified above including testing the appropriateness of balances recognised for significant revenue generating contracts and reviewing the appropriateness of assumptions used for the amortisation policy of distribution rights applied in year and in the calculation of the year-end talent royalty accrual.

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

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

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

Greg Wilson (Senior Statutory Auditor)

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 2021

	Note	2021 £m	2020 £m
Revenue	2	1,384	1,570
Total operating costs	1c	(1,399)	(1,498)
Share of profit of associates and joint ventures	16	25	28
Operating profit		10	100
Operating profit reconciled as:			
EBITDA	1	144	189
Production tax credits	9b	(30)	(33)
Depreciation, amortisation and impairment*	3	(104)	(56)
		10	100
(Loss)/gains on disposals	4	(1)	118
Other gains and losses	5	(2)	(6)
Financing income	8a	4	13
Financing costs	8b	(12)	(19)
Profit before taxation		(1)	206
Taxation	9a	22	(5)
Profit for the year		21	201
Attributable to:			
Equity shareholder of the parent company		19	198
Non-controlling interests		2	3
Profit for the year		21	201

* Excluding amortisation relating to distribution rights.

The profit for the year arose entirely from continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 March 2021

	2021 £m	2020 £m
Profit for the year	21	201
Items that may be reclassified to the income statement in the future:		
Deferred tax on financial instruments included within other comprehensive income	(3)	-
Exchange differences on translation of foreign operations	(19)	9
Put-options exercised	9	-
Recognition and transfer of cash flow hedges	14	(9)
Other comprehensive income for the year (net of tax)	1	-
Total comprehensive income for the year	22	201
Attributable to:		
Equity holders of the parent company	20	198
Non-controlling interests	2	3
Total comprehensive income for the year	22	201

Consolidated balance sheet
as at 31 March 2021

	Note	2021 £m	2020 £m
Non-current assets			
Goodwill	12	34	29
Distribution rights	13	82	126
Other intangibles	14	223	237
Property, plant and equipment	15a	37	44
Right-of-use assets	15b	90	85
Interests in associates and joint ventures	16	174	230
Trade and other receivables	18a	35	45
Investments		4	2
Derivative financial instruments	29	1	32
Deferred tax assets	9d	14	15
		694	845
Current assets			
Programme related assets and other inventories	17	306	270
Trade and other receivables	18b	457	534
Contract assets	2b	4	5
Current tax assets	9e	46	36
Derivative financial instruments	29	8	4
Cash and cash equivalents	21	206	194
		1,027	1,043
Current liabilities			
Trade and other payables	20a	(405)	(489)
Contract liabilities	2b	(215)	(156)
Borrowings	22	(1)	(204)
Lease obligations	23	(12)	(12)
Provisions	24	(24)	(14)
Derivatives financial instruments	29	-	(14)
Current tax liabilities	9f	(11)	(8)
		(668)	(897)
Non-current liabilities			
Trade and other payables	20b	(48)	(88)
Contract liabilities	2b	(36)	(43)
Borrowings	22	(170)	-
Lease obligations	23	(80)	(76)
Provisions	24	(3)	(4)
Derivative financial instruments	29	-	(1)
Deferred tax liabilities	9d	(29)	(39)
		(366)	(251)
Net assets		687	740
Attributable to equity shareholders of the parent company			
Share capital	25	-	-
Retained earnings	26	674	728
Hedging reserve	26	3	(8)
Translation reserve	26	26	45
Other reserve	26	(18)	(27)
		685	738
Non-controlling interests		2	2
Total equity		687	740

The financial statements of BBC Commercial Holdings Limited, registered number 04463534, were approved by the directors and authorised for issue on 16 June 2021 and signed on their behalf by:

Leigh Tavaziva
Director

Consolidated statement of changes in equity

for the year ended 31 March 2021

	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 2019	-	533	1	36	(27)	543	2	545
Profit for the year	-	198	-	-	-	198	3	201
Currency translation (note 25)	-	-	-	9	-	9	-	9
Cash flow hedges (note 25)	-	-	(9)	-	-	(9)	-	(9)
Total comprehensive income for the year	-	198	(9)	9	-	198	3	201
Dividends declared in year (note 10)	-	(3)	-	-	-	(3)	(3)	(6)
At 31 March 2020	-	728	(8)	45	(27)	738	2	740
Profit for the year	-	19	-	-	-	19	2	21
Currency translation (note 25)	-	-	-	(19)	-	(19)	-	(19)
Put options exercised	-	-	-	-	9	9	-	9
Deferred tax on financial instruments	-	-	(3)	-	-	(3)	-	(3)
Cash flow hedges (note 25)	-	-	14	-	-	14	-	14
Total comprehensive income/(loss) for the year	-	19	11	(19)	9	20	2	22
Dividends declared in year (note 10)	-	(73)	-	-	-	(73)	(2)	(75)
At 31 March 2021	-	674	3	26	(18)	685	2	687

Consolidated cash flow statement

for the year ended 31 March 2021

	Note	2021 £m	2020 £m
Operating activities			
Cash generated from operations	27	322	225
Receipt of tax credits		31	29
Tax paid		(34)	(50)
Net cash from operations		319	204
Investing activities			
Financing income	8a	1	2
Dividends received from associates and joint ventures	16	11	8
Proceeds from disposal of associates and joint ventures		3	-
Acquisition of investment		-	(2)
Acquisition of subsidiary net of cash acquired		(55)	37
Acquisition of interests in associates and joint ventures		(3)	(4)
Purchases of intangible assets		(158)	(200)
Purchases or property, plant and equipment		(8)	(21)
Dividends paid to non-controlling interests		(2)	(3)
Net cash used in investing activities		(211)	(183)
Financing activities			
Financing costs		(6)	(4)
Proceeds from increase in borrowings		171	-
Repayments of borrowings		(205)	(8)
Proceeds from settlement of interest rate swaps		33	-
Payment of lease liabilities		(14)	(11)
Equity dividends paid	10	(73)	(3)
Net cash used in financing activities		(94)	(26)
Net increase/(decrease) in cash and cash equivalents		14	(5)
Cash and cash equivalents at beginning of the year		194	199
Effect of foreign exchange rate changes on cash and bank overdrafts		(2)	-
Cash and cash equivalents at the end of the year		206	194

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 2021 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 as per the transitional arrangements and the Companies Act 2006.

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

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

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

Non-statutory financial performance measures

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

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

Statement of Group accounting policies continued

Going concern

The Board remains satisfied with the Group’s funding and liquidity position. At the balance sheet date, the Group’s primary source of funding was a £170 million facility with UK banks. The Group also has access to a £210 million facility with a group of international banks until March 2024. As at the year-end the Group had drawn down £170 million of the facilities available (2020: £201 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 impact of the pandemic, along with ongoing transformation in the global content market, created ongoing challenges. Active management of the Groups spending, and adaptability across the Group, helped to mitigate the impact of pauses in programme-making and a global advertising slowdown. In the UK, just over half of programmes in production were paused for a period of several months, but production teams adapted to keep productions operational.

The pandemic will cause further market uncertainty, cost and disruption. However, with over 90% of programmes now back in production, 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. The Board has reviewed sensitivities in respect of potential downside scenarios and impacts in respect of the coronavirus pandemic. This has included mitigating actions, such as the careful control of costs, an improved cash as the business reduced investment and released working capital, and a reduction in dividend.

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

Statement of Group accounting policies continued

Basis of consolidation

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

Subsidiaries and non-controlling interests

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

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

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

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

Statement of Group accounting policies continued

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.

Acquisitions

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

Segmental analysis

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

Revenue

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

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

Statement of Group accounting policies continued

Revenue continued
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.

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

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

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

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

Statement of Group accounting policies continued

Revenue continued

- *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.

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.

Statement of Group accounting policies continued

Foreign currencies

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

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

Lease payments

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

- the contract involves the use of an identified asset - either specified explicitly or implicitly - and should be (or represent substantially all the capacity of) a physical asset. If the supplier has substantive substitution rights, then the asset is not identified;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset, which is when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

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

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

Statement of Group accounting policies continued

Lease payments continued

As a lessee

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

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

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

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

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

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

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

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

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

Statement of Group accounting policies continued

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

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

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

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

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

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.

Taxation continued

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.

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

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

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

Business combinations and goodwill

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

Statement of Group accounting policies continued

Intangible fixed assets continued

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.

Other intangible assets

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

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

Amortisation

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

The useful lives and amortisation methods are as follows:

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

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

Statement of Group accounting policies continued

Intangible fixed assets continued

Impairment of assets

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

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

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

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

Property, plant and equipment

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

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

Statement of Group accounting policies continued

Property, plant and equipment continued

Depreciation

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

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

Statement of Group accounting policies continued

Programme rights and other inventories

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

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

Work in progress relates to the costs of programmes in the course of production which were not delivered to the programme commissioner by 31 March 2021 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. Work in progress is recognised at net realisable value representing the estimated selling price less all estimated costs of completion.

Financial instruments

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

Amortised cost

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

- *Trade and other receivables and contract assets*

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

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

- *Contract liabilities*

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

Statement of Group accounting policies continued

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

Fair value through profit/loss
This category comprises derivatives. Those in-the-money derivatives are financial assets whilst those out-the-money are financial liabilities.

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

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

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

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

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

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

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

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

Statement of Group accounting policies continued

Financial instruments continued

Fair value through profit/loss continued

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

Fair value through other comprehensive income

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

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

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

Provisions

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

Statement of Group accounting policies continued

Retirement benefit plans

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

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

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

Termination benefits

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

Other employee benefits

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

Dividends on shares presented within equity

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

Use of estimates and judgements

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

Revenue recognition

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

Statement of Group accounting policies continued

Use of estimates and judgements continued

Revenue recognition continued

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

Carrying value of goodwill

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

Basis of consolidation

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

Fair value of financial instruments

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

Impairment of financial assets

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

Statement of Group accounting policies continued

Use of estimates and judgements continued

Impairment of financial assets continued

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

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

Deferred tax

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

Distribution rights and programme rights

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

Rights creditors

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

Accruals

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

Statement of Group accounting policies continued

Adoption of new and revised accounting standards

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

- Amendments to references to the Conceptual Framework in IFRS Standards
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Definition of a Business (Amendments to IFRS 3)

They have been applied since 1 April 2020 and have not had a significant impact on the results or financial position of the Group.

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).

- Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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.

The Group has consistently applied the accounting policies to all periods presented.

1 Segmental reporting

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

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

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

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

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

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

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

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

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

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

2021	Note	BBC Studios group £m	BBC Global News group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Total revenue	2a	1,255	91	37	18	(17)	1,384
Depreciation and amortisation	3a	(233)	(2)	(5)	-	3	(237)
Other operating (costs)/income		(1,020)	(100)	(31)	(26)	15	(1,162)
Share of profit of associates and joint ventures	16	25	-	-	-	-	25
Operating profit/(loss)		27	(11)	1	(8)	1	10
Analysed as:							
EBITDA/(LBITDA)		151	(9)	6	(2)	(2)	144
Production tax credits		(24)	-	-	(6)	-	(30)
Depreciation, amortisation and impairment*		(100)	(2)	(5)	-	3	(104)
Operating profit/(loss)		27	(11)	1	(8)	1	10

* Excluding amortisation relating to distribution rights.

1 Segmental reporting continued

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

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

* Excluding amortisation relating to distribution rights.

1b Geographical location of revenue and non-current assets

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

2021	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	470	2	30	306	(318)	490
America	167	-	-	-	-	167
Australia	14	-	-	-	-	14
Rest of world	7	1	-	-	-	8
	658	3	30	306	(318)	679
Additions included in non-current assets	200	1	5	-	(14)	192
External revenue:						
UK	546	-	37	18	(17)	584
America	275	27	-	-	-	302
Australia	64	2	-	-	-	66
Rest of world	370	62	-	-	-	432
	1,255	91	37	18	(17)	1,384

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

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

1 Segmental reporting continued

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

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

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

1c Analysis of total operating costs by activity

2021	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	883	90	32	23	(16)	1,012
Distribution costs	100	-	-	-	-	100
Administration expenses	270	12	4	3	(2)	287
	1,253	102	36	26	(18)	1,399

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

Administration expenses include exchange rate differences. BBC Global News group in particular has significant movements between years as a result of these. Also included in the BBC Studios group administration expenses is the impairment charge on NVCA (see note 16 for further details).

2 Revenue

2a Disaggregation of revenue

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

2021	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		358	-	-	-	-	358
Production income		391	-	37	18	(14)	432
Royalties		40	-	-	-	-	40
Advertising revenue		171	47	-	-	(3)	215
Subscription fees		215	44	-	-	-	259
Consumer products		80	-	-	-	-	80
Total contract revenue		1,255	91	37	18	(17)	1,384
Timing of goods and services							
Point in time		1,040	91	-	18	(5)	1,144
Over time		215	-	37	-	(12)	240
Total revenue	1a	1,255	91	37	18	(17)	1,384

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

2 Revenue continued

2b Contract balances

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

	Contract Assets		Contract Liabilities	
	2021	2020	2021	2020
	£m	£m	£m	£m
At 1 April	5	4	(199)	(168)
Decrease due to balance transferred to trade receivables	(5)	(4)	-	-
Decrease due to revenue recognised in the period	-	-	123	131
New contract assets	4	5	-	-
Increase due to cash received in advance and not recognised as revenue during the year	-	-	(175)	(162)
At 31 March	4	5	(251)	(199)
Presented within:				
Current	4	5	(215)	(156)
Non-current	-	-	(36)	(43)
	4	5	(251)	(199)

2c Transaction price allocated to the remaining performance obligations

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

	2022	2023	2024	Beyond
	£m	£m	£m	£m
Content and format sales	55	21	2	6
Production income	411	244	42	72
Royalties	7	6	2	3
Advertising revenue	196	177	170	660
Subscription fees	189	75	53	19
Consumer products	7	-	-	-
	865	523	269	760

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

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

2d Contract costs

There were no capitalised commission fees or any other material 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.

Notes to the financial statements continued

3 Total operating costs

3a Total operating costs

Operating costs is stated after charging/(crediting):

	Note	2021 £m	2020 £m
Intangible fixed assets and property, plant and equipment			
Depreciation - owned assets	15a	9	8
Depreciation - right-of-use assets	15b	11	10
Amortisation of intangible fixed assets	14	37	32
Amortisation of distribution rights	13	180	176
Impairment of investments in associates and joint ventures	16	45	2
Impairment of investments		2	-
Impairment intangible fixed assets	12	-	4
Inventories			
Write-downs		12	10
Other operating costs			
Expenses relating to short term leases		7	10
Expenses relating to leases of low value assets, excluding short term leases		-	1
Net exchange differences on settled transactions		14	(14)
Impairment of trade receivables	19	1	-
Staff costs	6b	241	241

3b Auditor's remuneration

The National Audit Office served as independent external auditors for the year ended 31 March 2021 and 31 March 2020.

The audit fee was £92,000 (2020: £91,000) for the audit of the Company’s annual accounts. Fees payable for services provided across the Group are shown below.

	2021 £m	2020 £m
Audit services with the National Audit Office	1.6	1.2
Audit services with other auditors	0.1	0.1
Total audit services	1.7	1.3
Tax services with other auditors	0.3	0.3
Total non-audit services with other auditors	0.3	0.3
Total fees paid	2.0	1.6

Notes to the financial statements continued

4 (Losses)/gains on disposals

	Note	2021 £m	2020 £m
Gain on deemed disposal of UKTV	11	-	114
Loss on deemed disposal of associates	11	(2)	-
Gain on disposal of interests in associates and joint ventures		1	-
Other gains		-	4
Total (losses)/gains on disposals		(1)	118

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

5 Other gains and losses

	2021 £m	2020 £m
Change in fair value of derivative financial instruments	4	(2)
Change in fair value of put options over non-controlling interests	(4)	(2)
Change in earn-out payments due in respect of prior acquisitions	(2)	(2)
Total other gains and losses	(2)	(6)

6 Staff numbers and costs

6a Persons employed

The average full-time equivalent number of persons employed in the year was:

	2021 Number	2020 Number
BBC Studios group	2,723	2,672
BBC Global News group	392	385
BBC Studioworks	127	120
Total staff numbers	3,242	3,177

Within the averages above, 281 (2020: 283) part-time employees have been included at their full-time equivalent of 200 (2020: 201).

In addition, the Group employed an average full-time equivalent of 428 (2020: 525) persons on a casual basis.

6b Staff costs (including directors)

	2021 £m	2020 £m
Salaries and wages	195	196
Social security costs	23	23
Pension costs	23	22
Total staff costs	241	241

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 thirteen (2020: five of ten) key management individuals who served during the year receive remuneration by the Commercial Holdings Group in respect of their professional services or duties to this Group. The disclosures in this note refer to these individuals.

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

Key management personnel compensation is as follows:

	2021 £m	2020 £m
Emoluments	0.8	0.9
Defined benefit pension scheme contributions	0.1	-
Performance related	0.1	0.4
Total key management personnel compensation	**1.0**	1.3

Retirement benefits accrue to key management under the following schemes:

	2021 Number	2020 Number
Defined benefit schemes	2	1

The highest paid director's emoluments were as follows:

	2021 £'000	2020 £'000
Emoluments	368	400
Defined benefit pension scheme contributions	-	40
Performance related	46	200
Other benefits	2	2
Total highest paid director's emoluments	**416**	642

The defined benefit pension reflects a 31.4% (2020: 31.4%) employer contribution.

8 Net financing costs

8a Financing income

	2021 £m	2020 £m
Bank interest receivable	1	2
Unwinding of discount receivable	2	-
Fair value gains on interest rate swaps classified as fair value through profit/loss	1	11
Total financing income	4	13

8b Financing costs

	2021 £m	2020 £m
Interest on bank loans	(7)	(4)
Unwinding of discount payable	(3)	(4)
Exchange loss on borrowings	-	(9)
Interest on lease liabilities	(2)	(2)
Total financing costs	(12)	(19)

9 Taxation

9a Taxation recognised in the income statement

	Note	2021 £m	2020 £m
Current tax			
UK corporation tax		(11)	(11)
Group relief receivable		(6)	(1)
Double tax relief		(5)	(4)
Adjustments in respect of prior years		(9)	5
UK current taxation		(31)	(11)
Foreign tax		20	20
Total current tax		(11)	9
Deferred tax			
Origination and reversal of temporary differences		(10)	(5)
Reduction in tax rate		-	(1)
Adjustments in respect of prior years		(1)	2
Total deferred tax	9d	(11)	(4)
Total (credit)/charge for the year		(22)	5

Corporation tax is calculated at 19% (2020: 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 2021 was different from the standard rate of tax in the UK of 19% (2020: 19%) as a result of the following:

	2021 £m	2020 £m
Group profit before taxation	(1)	206
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	-	39
Effects of		
Disallowed expenditure (includes goodwill impairment)	13	(17)
High-end television tax relief	(30)	(33)
Tax differential on wholly owned overseas earnings	5	9
Tax differential in associates and joint ventures	-	-
Other differences		
Adjustments in respect of prior years	(10)	7
Total tax (credit)/charge for the year	(22)	5

9c Factors that may affect future tax charges

The UK corporation tax rate is 19%.

The Chancellor announced on 3 March 2021 that the current Corporation Tax rate of 19% would increase to 25%, with effect from 1 April 2023. The change has not yet been substantively enacted, and as such the BBC Group's deferred tax liability as at 31 March 2021 continued to be calculated based on the rate of 19%. The effect on the deferred tax provision of the increase in Corporation Tax rate is estimated to be an additional deferred tax liability of £5 million.

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 2020		5	6	(5)	(21)	(7)	(2)	**(24)**
Credit/(charge) to income statement	9a	-	1	6	-	-	4	**11**
Charge to reserves		-	-	(3)	-	-	-	**(3)**
Exchange movements		-	4	-	-	-	(3)	**1**
At 31 March 2021		5	11	(2)	(21)	(7)	(1)	**(15)**

Presented within:	**2021 £m**	2020 £m
Non-current assets	**14**	15
Non-current liabilities	**(29)**	(39)
Total deferred tax	**(15)**	(24)

Deferred tax assets in respect of tax losses carried forward are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised deferred tax assets arising on capital losses totalling £137 million (2020: £139 million). These assets have not been recognised on the basis that there is insufficient certainty that capital gains will arise against which the Group can utilise these losses.

The Group also has unrecognised deferred tax assets on brought forward unutilised management expenses amounting to £nil (2020: £4m). The BBC also has an unrecognised deferred tax asset on non-trade loan relationship amounting to £14m (2020: £14m). These assets have not been recognised on the basis that there is insufficient certainty that future gains or losses will arise against which the Group can utilise these losses.

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

9e Current tax asset

The current tax assets totalling £46 million (2020: £36 million) includes £30 million (2020: £33 million) due in respect of film tax credits outstanding on high-end drama, comedy, natural history and factual productions.

9f Current tax liabilities

The current tax liabilities totalling £11 million (2020: £8 million) are due in both UK and overseas jurisdictions.

10 Equity Dividends

Dividends payable on ordinary equity shares	2021 £m	2020 £m
Dividends were paid/proposed as follows:		
March 2020 of 5,000p per share	-	3
March 2021 of 146,000p per share	73	-
Total dividends	73	3

11 Acquisitions

Clerkenwell Films

BBC Studios Distribution Limited previously held a 48.1% share in Clerkenwell Films Limited and on 8th January 2021 were required to purchase an additional stake under a put option. This took the shareholding to 100%, thus Clerkenwell Films Limited became a wholly owned subsidiary of BBC Studios Distribution. The initial investment was revalued at acquisition for a fair value of £5 million compared to a carrying amount of £7 million. As at 31 March 2021, Clerkenwell Films Limited is fully consolidated, recognising goodwill of £5 million and removing the amount held as an associate investment of £7 million.

UKTV Group

On 5 June 2019, the UKTV group, a British multi-channel broadcaster, that was previously a joint venture owned by BBC Studios Distribution Limited and Southbank Media Limited, was demerged and had its ownership restructured. The three life-style channels were separated from the Group, and BBC Studios Distribution obtained 100% ownership and control of UKTV Holdings Limited and its remaining seven entertainment channels, as well as UKTV Play and the UKTV brand.

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

12 Goodwill

	2021 £m	2020 £m
Cost		
At 1 April	55	56
Additions	5	-
Exchange differences	-	(1)
At 31 March	60	55
Amortisation and impairment		
At 1 April	26	22
Impairment	-	4
At 31 March	26	26
Net book value	34	29

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:

	2021 £m	2020 £m
Independent production companies	25	21
Australian channels business	9	8
At 31 March	34	29

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.

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

The cash flow projections used in determining value in use for both CGUs are based on the current business plans approved by management, which cover a five year period after which cash flows have been extrapolated using an expected long term growth rate of 1% (2020: 1%).

A discount rate of 8.3% (2020: 9.0%) has been applied to the cash flows.

12 Goodwill continued

Australian channels business

The goodwill in this CGU arose as a result of the acquisition of UK.TV on 1 July 2008. Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of five years (2020: five years) and a discount rate of 8.4% (2020: 8.7%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1% (2020: 1%).

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

The increase in goodwill is due to the Australian dollar strengthening against the British pound.

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

13 Distribution rights

	2021 £m	2020 £m
Cost		
At 1 April	1,402	1,187
Additions	136	172
Rights where licences expired	(2)	(50)
Prior period reclass	-	93
At 31 March	**1,536**	1,402
Amortisation and impairment		
At 1 April	1,276	1,058
Charge for the year	180	176
Rights where licences expired	(2)	(50)
Prior period reclass	-	92
At 31 March	**1,454**	1,276
Net book value at 31 March	**82**	126

Notes to the financial statements continued

14 Other intangible assets

	Customer Relationships £m	Software £m	Other Intangibles £m	Total £m
Cost				
At 1 April 2019	9	49	26	84
Additions*	54	46	130	230
Disposals	-	(8)	(1)	(9)
Transfers	3	-	(3)	-
At 31 March 2020	66	87	152	305
Additions	2	12	11	25
Prior period reclass	-	-	16	16
At 31 March 2021	**68**	**99**	**179**	**346**
Amortisation and impairment				
At 1 April 2019	6	27	14	47
Charge for the year	9	22	1	32
Disposals	-	(5)	(1)	(6)
Transfers	3	-	(3)	-
Exchange differences	(2)	-	(3)	(5)
At 31 March 2020	16	44	8	68
Charge for the year	12	13	12	37
Prior period reclass	-	-	16	16
Exchange differences	-	1	1	2
At 31 March 2021	**28**	**58**	**37**	**123**
Net book value				
At 31 March 2021	**40**	**41**	**142**	**223**
At 31 March 2020	50	43	144	237

* Additions to other intangibles relate to licences and trademarks.

15 Property, plant and equipment

15a Owned assets

	Land and buildings* £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2019	17	62	21	-	100
Additions	2	11	6	4	23
Transfers	-	3	-	(3)	-
Disposals	-	(12)	(5)	-	(17)
Exchange differences	1	(4)	(1)	-	(4)
At 31 March 2020	20	60	21	1	102
Additions	-	1	2	5	8
Transfers	-	6	-	(6)	-
Disposals	(2)	(14)	-	-	(16)
At 31 March 2021	**18**	**53**	**23**	**-**	**94**
Depreciation and impairment					
At 1 April 2019	7	42	13	-	62
Charge for the year	1	5	2	-	8
Disposals	-	(7)	(4)	-	(11)
Exchange movements	(1)	(1)	1	-	(1)
At 31 March 2020	7	39	12	-	58
Charge for the year	3	5	1	-	9
Disposals	(2)	(8)	-	-	(10)
At 31 March 2021	**8**	**36**	**13**	**-**	**57**
Net book value					
At 31 March 2021	**10**	**17**	**10**	**-**	**37**
At 31 March 2020	13	21	9	1	44

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

15 Property, plant and equipment continued
15b Right-of-use assets

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 April 2019	-	-	-
Recognition of right-of-use asset on initial application of IFRS 16	74	2	76
Additions	17	1	18
Change in contract	1	-	1
At 1 April 2020	92	3	95
Additions	11	1	12
Change in contract	4	-	4
Disposals	(3)	-	(3)
At 31 March 2021	**104**	**4**	**108**
Depreciation and impairment			
At 31 March 2019	-	-	-
Charge for the year	9	1	10
At 31 March 2020	9	1	10
Charge for the year	10	1	11
Disposals	(3)	-	(3)
At 31 March 2021	**16**	**2**	**18**
Net book value			
At 31 March 2021	**88**	**2**	**90**
At 31 March 2020	83	2	85

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

	2021 £m	2020 £m
Interest in associates	149	217
Interest in joint ventures	25	13
Total interest in associates and joint ventures	**174**	**230**
Share of profit of associates	13	18
Share of profit of joint ventures	12	10
Total share of results of associates and joint ventures	**25**	**28**

Details of significant associates and joint ventures along with principal subsidiary undertakings, including their activities, are provided in note 33.

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

	Associates 2021 £m	Joint Ventures 2021 £m	Total 2021 £m	Associates 2020 £m	Joint Ventures 2020 £m	Total 2020 £m
At 1 April	217	13	**230**	198	45	**243**
Additions	-	3	**3**	-	8	**8**
Disposals	(8)	(1)	**(9)**	-	(50)	**(50)**
Share of results	13	12	**25**	18	10	**28**
Adjustment to provision for unrealised profits	2	-	**2**	(4)	2	**(2)**
Dividends receivable	(11)	-	**(11)**	(8)	-	**(8)**
Foreign exchange translation gains	(19)	(2)	**(21)**	15	(2)	**13**
Impairment	(45)	-	**(45)**	(2)	-	**(2)**
At 31 March	149	25	**174**	217	13	**230**

The Group tests assets for indicators of impairment annually. An impairment loss is recognised in the income statement for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The recoverable amount of the assets 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.

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

Changes in interests in associates and joint ventures continued

New Video Channel America, LLC ("NVCA")

The investment in this channel arose from the Group retaining 50.1% ownership in the business partially sold to AMC Networks on 23 October 2014. The Group accounts for its retained interest as an associate as AMC Networks retains operational control (see below for further detail). 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 -5.1% (2020: -1%). Management performed a sensitivity analysis on the long term growth rate and a 1% increase or decrease in the rate would lead to a £4 million increase or decrease in the impairment recorded in the financial statements.

A discount rate of 8.5% (2020: 8.9%) has been applied to the cash flows.

Investments in associates

The forecast cash flows are based on the assumption that the near term decline in the advertising market and declining numbers of US pay TV households will continue. The Group performed a review of market trends concluding that a 5.1% decline per annum was reasonable and the 5 year business plan has been extrapolated on this basis.

As a result of the changes in this market, management made the decision to impair the value of the Group's share in the channel by £44 million (2020: no impairment) as a result of the annual impairment review. The remaining investment balance of £132 million reflects confidence in the channel's future profitability.

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

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.

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

Investments in associates continued

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

	NVCA 2021 £m	NVCA 2020 £m
Non-current assets	131	183
Current assets	112	115
Current liabilities	(10)	(43)
Non-current liabilities	(1)	(4)
Net assets of NVCA	232	251
Group's share of net assets of NVCA	116	126
Provision for unrealised profit	(3)	(5)
Goodwill	19	70
Group's interest in NVCA	132	191
Income	138	163
Profit after tax	27	35
Share attributable to other parties	(14)	(18)
Group's share of results of NVCA	13	17

Investments in joint ventures

There were no material joint ventures in the current year.

17 Programme related assets and other inventories

	2021 £m	2020 £m
Work in progress	204	141
Rights to broadcast acquired programmes and films	98	123
Finished goods and goods for resale	4	6
Total programme related assets and other inventories	306	270

18 Trade and other receivables

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

	2021 £m	2020 £m
Trade receivables	35	43
Amounts owed by associates and joint ventures	-	2
Total trade and other receivables due after more than one year	35	45

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

18b Trade and other receivables due within one year

	2021 £m	2020 £m
Trade receivables	167	263
Accrued income	210	181
Prepayments	36	33
Amounts owed by parent undertaking	20	8
Amounts owed by associates and joint ventures	6	16
Other receivables	18	33
Total trade and other receivables due within one year	457	534

19 Expected credit losses

Included in the Group’s contract assets (see note 2c) and trade and other receivables at 31 March 2021 are balances of £39 million (2020: £57 million) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

	2021 £m	2020 £m
Up to 3 months	4	30
3 to 6 months	1	17
Over 6 months	34	10
Total balance past due	39	57

19 Expected credit losses continued

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

Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the income statement. The impairment provision stands at £5 million at 31 March 2021 (2020: £7 million).

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

	2021 £m	2020 £m
Balance at the beginning of the year	7	10
Charge for the year	1	-
Amounts recovered during the year	(1)	(2)
Amounts written off as uncollectible	(2)	(1)
Balance at the end of the year	5	7

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

	2021 £m	2020 £m
Rights creditors	104	140
Accruals	98	110
Trade payables	60	61
Salaries and wages creditors	26	34
Amounts owed to parent company	40	50
Amounts owed to associates and joint ventures	6	-
Deferred income	-	3
Other payables	71	91
Total trade and other payables due within one year	405	489

20 Trade and other payables continued

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

	2021 £m	2020 £m
Rights creditors	33	21
Other payables	15	67
Total trade and other payables due after more than one year	48	88

21 Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank available on demand and cash in hand	37	47
Short term deposits	169	147
Total cash and cash equivalents	206	194

22 Borrowings

	2021 £m	2020 £m
Bank loans due within one year	1	204
Bank loans due after more than one year	170	-
	171	204

See note 30 for further details on borrowing facilities in place.

23 Lease obligations

	2021 £m	2020 £m
Lease obligations due within one year	12	12
Lease obligations due after more than one year	80	76
Total borrowings due after more than one year	92	88

The aging of obligations under leases is as follows:

	2021 £m	2020 £m
Within one year	12	12
Between one and five years	36	28
Over five years	44	48
Total obligations under leases	92	88

24 Provisions and contingent liabilities

	At 1 April 2020 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2021 £m
Restructuring	2	4	(4)	-	2
Property	2	-	-	-	2
Legal	11	-	-	(1)	10
Other	3	11	-	(1)	13
Total	18	15	(4)	(2)	27
Included in current liabilities	14				24
Included in non-current liabilities	4				3
Total	18				27

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

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

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

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

25 Share capital

	2021 £'000	2020 £'000
Issued, allotted, called up and fully paid		
At 1 April and 31 March	50	50

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

26 Equity shareholder's funds and reserves

Retained earnings

The retained earnings reserve reflects accumulated profits to date.

Hedging reserve

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, losses of £4 million were removed from the hedging reserve and recognised in revenue in the income statement (2020: losses of £4 million).

Translation reserve

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

Other reserve

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

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

	Note	2021 £m	2020 £m
Group profit before tax		(1)	206
Depreciation, amortisation and impairment	3a	284	232
Gain on derivatives associated with loans		(1)	(11)
(Gain)/loss on other derivatives		(6)	1
Loss on disposal of fixed asset		6	9
Share of profits in associates and joint ventures	16	(25)	(28)
Loss/(gain) on disposal/deemed disposal of associate	4	1	(114)
Gain on other disposals		-	(4)
Other gains and losses	5	6	4
Financing income (excluding fair value swaps)	8a	(3)	(2)
Financing costs (excluding fair value swaps)	8b	12	19
Increase in inventories	17	(36)	(12)
Decrease/(increase) in debtors		107	(34)
Decrease in creditors		(31)	(41)
Increase in provisions	24	9	-
Cash generated from operations		322	225

28 Off balance sheet items

28a Contracts placed for future expenditure

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

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

2021	Amounts due in less than one year £m	Amounts due between two and five years £m	Total £m
Programme rights for distribution	126	46	**172**
Other commitments	41	26	**67**
2020			
Programme rights for distribution	118	46	164
Other commitments	26	14	40

Included in other commitments is £1 million (2020: £2 million) to associates. No amounts were due to to joint ventures (2020: no amounts).

28b Post balance sheet events

As discussed within the strategic report, BBC Global News, became part of the BBC Studios Group on 1 July 2021.

29 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

29 Financial Instruments continued

Currency risk

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

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

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

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

As the Group has mitigated its underlying exposure to currency fluctuations there is no requirement to present sensitivity analysis as any potential variation is insignificant.

At 31 March 2021, the Group had entered into a net commitment to buy foreign currencies amounting to £38 million (2020: sell £179 million) that mature in the period through to 2025 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 2021, if the pound had moved adversely by 5% with all other variables being constant, the profit or loss impact would have been negligable (2020: gain of £2 million) and the comprehensive income impact would have been a loss of £11 million (2020: loss of £9 million).

29 Financial Instruments continued

Currency risk continued

Net gains (before tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in hedge relationships at 31 March 2021 were £14 million (2020: £9 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.

Interest rate risk

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 2023. In total, £170 million (2020: £174 million) of swaps were entered into. The coverage matches (2020: £27 million lower than) the current level of bank loans of £170 million (2020: £201 million).

The private placement debt matured in June 2020 and was replaced by a £170 million term loan. A series of interest rate swaps have also been entered into to fix the interest rate on this facility. See note 30 for further details.

Other price risk

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is subject to limits on its borrowings set by the Secretary of State in accordance with the Agreement between the BBC and Department of Culture Media and Sport. At 31 March 2021 the net debt limit in place was £350 million (2020: £350 million) and an additional £200 million (2020: £150 million) for leases.

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

The Group bank loans are subject to debt covenants based on the Group's earnings before interest and taxation. The covenants are in respect of net borrowings and net interest coverage. The Group is active in the monitoring of its debt covenants which have been met at 31 March 2021.

29 Financial Instruments continued

Liquidity risk continued

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

2021	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	(328)	(333)	(263)	(66)	(4)
Bank loans and overdrafts	(171)	(175)	(2)	(173)	-
Lease obligations	(92)	(109)	(14)	(39)	(56)

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

29 Financial Instruments continued

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty defaults on its contractual obligation. Default arises when it is determined that a counterparty is unlikely to pay following the evaluation of objective evidence. Credit risk arises from cash and cash equivalents, derivative financial instruments, contract liabilities and trade and other receivables.

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

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

Capital management

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

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

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

29 Financial Instruments continued

Fair value of financial instruments

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

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

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

No transfers between these categories have occurred during the period.

	Carrying value				Fair value hierarchy for those carried at fair value or at amortised cost where fair value differs			
	Amortised cost	Fair value through profit/ loss	Fair value through other comprehensive income	**Total**	Level 1	Level 2	Level 3	**Total**
2021	£m	£m	£m	**£m**	£m	£m	£m	**£m**
Cash and cash equivalents	206	-	-	206				
Trade and other receivables	244	-	-	244				
Derivative financial assets:								
Forward foreign currency contracts	-	3	6	9	9	-	-	9
Other investments	4	-	-	4	-	-	4	4
Total financial assets	**454**	**3**	**6**	**463**	**9**	**-**	**4**	**13**
Bank loans and overdrafts	(171)	-	-	(171)				
Lease obligations	(92)	-	-	(92)	-	-	(92)	(92)
Trade and other payables	(315)	(13)	-	(328)	-	-	(13)	(13)
Total financial liabilities	**(578)**	**(13)**	**-**	**(591)**	**-**	**-**	**(105)**	**(105)**

29 Financial Instruments continued

Fair value of financial instruments continued

2020	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	194	-	-	194				
Trade and other receivables	365	-	-	365				
Derivative financial assets:								
Forward foreign currency contracts	-	3	1	4	4	-	-	4
Interest rate swaps	-	32	-	32	-	32	-	32
Other investments	2			2	-	-	2	2
Total financial assets	561	35	1	597	4	32	2	38
Bank loans and overdrafts	(204)	-	-	(204)				
Lease obligations	(88)	-	-	(88)	-	-	(88)	(88)
Trade and other payables	(414)	(16)	-	(430)	-	-	(16)	(16)
Derivative financial liabilities:								
Forward foreign currency contracts	-	(6)	(9)	(15)	(15)	-	-	(15)
Total financial liabilities	(706)	(22)	(9)	(737)	(15)	-	(104)	(119)

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.

29 Financial Instruments continued

Level 3 financial instruments

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

	2021		2020	
	Financial assets £m	Financial liabilities £m	Financial assets £m	Financial liabilities £m
At 1 April	2	(104)	-	(12)
Payments and settlements	-	23	-	8
Unwinding of discount recorded within finance expense	-	(3)	-	(4)
Additions	2	-	2	-
IFRS 16 cumulative catch up	-	-	-	(78)
Change in fair value recorded in other gains and losses	-	(4)	-	(2)
Change in fair value	-	(17)	-	(16)
At 31 March	4	(105)	2	(104)

30 Borrowing facilities

Facility	Interest rate	Total available 31 March 2021 £m	Drawn down at 31 March 2021 £m	Total available 31 March 2020 £m	Drawn down at 31 March 2020 £m	Expiry or review date
BBC Commercial Holdings Limited						
Revolving credit facility agreement	LIBOR* plus 0.45% rising to LIBOR* plus 0.6% on utilisations over 1/3 and LIBOR* plus 0.75% on utilisations over 2/3.	210	-	210	-	March 2026
Overdraft or money market lines*	Bank base rate plus 1.5%	2	-	20	-	Reviewed annually
Fixed term loan	LIBOR + 1.25%	170	170	-	-	June 2023***
US Private Placement	Fixed interest at 2.36%	-	-	28	28	June 2020
US Private Placement**	Fixed interest at 2.71%	-	-	173	173	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 + 1.5%	1	1	-	-	September 2021
Bank loan	3 month GBP LIBOR + 1.75%	-	-	9	-	November 2021
Bank loan	3 month GBP LIBOR + 1%	-	-	3	3	September 2020

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

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

*** The BBC has two one-year extension options which, if exercised, would take the maturity through to June 2025. A series of interest rate swaps have been entered to fix the interest rate on this facility to 1.49%.

There have been no defaults or breaches of covenants on the facilities above during the year (2020: none).

31 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.

32 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 (2020: less than £100,000).

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

	Parent company	
	2021	2020
	£m	£m
Investment in BBC programme rights	(15)	(13)
Dividends proposed	(73)	(3)
Other income	246	343
Other expense	(78)	(95)
	80	232

32 Related party transactions continued

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

2021	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Total £m
Revenue settled in year	217	-	2	20	239
Revenue not yet settled (before any write offs)	10	-	-	-	10
Total revenue received from BBC Public Service	227	-	2	20	249
Removal of contributions to cost and other Income Statement timing differences	(1)	-	-	(2)	(3)
Total reportable revenue received from BBC Public Service	226	-	2	18	246

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

32 Related party transactions continued

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

2021	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Total £m
In year spend paid	(42)	(17)	(1)	(1)	(61)
In year spend not yet paid	(18)	(16)	-	(1)	(35)
Total spend with BBC Public Service	(60)	(33)	(1)	(2)	(96)
Removal of contributions to cost and other Income Statement timing differences	3	-	-	-	3
Total reportable revenue received by BBC Public Service	(57)	(33)	(1)	(2)	(93)

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

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 2021 £m	Expenditure 2021 £m	Dividends received 2021 £m	Income 2020 £m	Expenditure 2020 £m	Dividends received 2020 £m
Associates:						
New Video Channel America LLC	18	(7)	11	26	-	7
Other associates	1	(17)	-	1	(12)	-
Joint ventures:						
Other joint ventures	10	7	-	28	-	1
	29	(17)	11	55	(12)	8

32 Related party transactions continued

The following amounts were outstanding at the balance sheet date:

Name of related party	Receivables 2021 £m	Payables 2021 £m	Net balance 2021 £m	Receivables 2020 £m	Payables 2020 £m	Net balance 2020 £m
Associates:						
New Video Channel America LLC	2	(4)	(2)	4	-	4
Other associates	2	(2)	-	4	-	4
Joint ventures:						
Other joint ventures	2	-	2	10	-	10
	6	(6)	-	18	-	18

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.

33 Interests in associates, joint ventures and subsidiaries

33a 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 the BBC Studios Group 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.

33b Significant joint ventures and their activities

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

33 Interests in associates, joint ventures and subsidiaries continued

33c 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.

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

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 Studioworks Limited	Neptune House, BBC Elstree Centre, Clarendon Road, Borehamwood, Hertfordshire WD6 1JF	100

Indirectly owned subsidiaries	Registered Address	Holding of ordinary shares %
BBC Studios Productions Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA	100
BBC Studios Distribution Limited		100
BBC Grafton House Productions Limited		100
BBC Comedy Productions Limited		100
Nice and Accurate Productions Limited		100
BBC Natural History and Factual Productions Limited		100
BBC Natural History Giant Screen Limited		100
BBC Studios Productions (Clifton) Limited		100
Mortimer Productions Limited		100
2 entertain Limited		100
2 entertain Management Limited		100
2 entertain Video Limited		100
BBC Video Limited		100
MCI Music Publishing Limited		100
Demon Music Group Limited		100
Crimson Productions Limited		100
F-Beat Records Limited		100
Demon Records Limited		100
BBC Earth MD (WWD) Limited		100
BBC Earth Productions (Life) Limited		100
BBC Earth Productions Limited		100
BBC Earth Productions (Giant Films) Limited		100
Earth Film Productions Limited		100

33 Interests in associates, joint ventures and subsidiaries continued

33c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holding 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		75
Baby Cow Manchester Limited		100
Baby Cow Productions (Hunderby) Limited		100
Baby Cow Productions (Partridge) Limited		100
Baby Cow Productions (Red Dwarf) Limited		100
Baby Cow Films Limited		100
Alan Partridge Limited		100
Baby Cow Animation (Warren) Limited		100
Baby Cow Animation (Wussywat) Limited		100
Baby Cow Productions (Witchfinder) Limited		100
Baby Cow Animation Limited		100
Baby Cow Films (Zoe) Limited		100
Lost Child Limited		50
Moone Boy (UK) Limited		50
The Last Holiday Limited		100
Sid Gentle Films Limited	Ground Floor Charles House, 5-11 Regent Street, London, SW1Y 4LR, United Kingdom	51
Sid Gentle Films (Corfu) Limited		100
Sid Gentle Films (Gaiman) Limited		100
Sid Gentle Films (KE2) Limited		100
Sid Gentle Films (Killing Eve) Limited		100
Sid Gentle Films (OLIVE) Limited		100
Sid Gentle Films (KE3) Limited		100
Sid Gentle Films (KE4) Limited		100
Philomena Lee Limited		100
Sid Gentle Films (SS-GB) Limited		100
Sid Gentle Films (TD4) Limited		100
Sid Gentle Films (The Durrells) Limited		100
Lookout Point Limited	Hammer House, 113 - 117 Wardour Street, London, United Kingdom, W1F 0UN	92
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 (LT5) Limited		100
Lookout Point Acquisition Limited		100
Off Stone Productions Limited		100
Lookout Point (The Collection) Limited		100

33 Interests in associates, joint ventures and subsidiaries continued

33c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holding of ordinary shares %
BBC.com Limited	Broadcasting House, Portland Place, London W1A 1AA	100
BBC World Distribution Limited		100
UKTV Media Holdings Limited	10 Hammersmith Grove, London, W6 7AP	100
UKTV Media Limited		100
BBC Studios Canada Limited	145 King Street West, Suite 740, Toronto ON M5H 1JH,	100
BBC Studios Singapore PTE. Limited	12-08/08 Shaw Tower, 100 Beach Road, Singapore 189702, Singapore	100
BBC Studios Japan Limited	Tokyo Club Bldg., 10F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo	100
BBC Studios Productions Nordics ApS	Mosedalvej 14 , 2500 Valby, Denmark	100
BBC.com US, Inc	c/o Corporation Trust Centre, 1209 Orange Street, Wilmington 19801, United States	100
Nine Productions1 Inc	650-699 Howe Street Vancouver, British Columbia, V6 0B4, Canada	100
BBC Studios France	18-20 Quai du Point du Jour, Bat. A, 92100 Boulogne-Billancourt, France	100
BBC Studios Channel Investments (Ontario) Limited	Toronto Dominion Bank Tower, Toronto Dominion Center, Toronto, ON M5K 1E6, Canada	100
2004370 Inc	66 Wellington Street West 470, Toronto Dominion Bank Tower, Toronto M5k 1EG, Canada	100
BBC Studios Americas Inc	1120 Avenue of the Americas, 5th Floor, New York, NY 10036-6700, United States	100
BBC Studios Americas (401) k Plan Trustees		100
Adjacent Productions, LLC	10351 Santa Monica Boulevard, Los Angeles, CA 90025, United States	100
Bad Wolf Productions LLC		100
BBC Studios Reality Productions LLC		100
Global Hybrid Productions LLC		100
Lime Grove Productions LLC		100
Sun Never Sets Productions LLC		100
Studios Competition Productions LLC		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	Level 1, 35-51 Mitchell Street, McMahons Point NSW 2060, Australia	100
BBC Studios Australia Pty Limited		100
BBC Studios Productions Australia Pty Limited		100
BBC Studios Germany GmbH	Kaiser-Wilhelm-Ring 17-21, 50672 Köln, Germany	100
Erste Weltweit Medien GmbH		100
BBC Worldwide Holdings B.V	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands	100

Notes to the financial statements continued

33 Interests in associates, joint ventures and subsidiaries continued

33c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holding of ordinary shares %
BBC Studios India Private Limited	Construction House A Wing, 401- 4th Floor, Off Linking Road,	100
BBC Studios Africa (Pty) Limited	Office 003H3 Ground Floor, 10 Melrose Boulevard, Melrose	100
BBC Studios Intermediadora de Programadora Estangeira Limited	Rua Ferreira de Araujo, 741, Andar 1, Pinheiros, São Paulo SP 05.428-002 Brazil	100
BBC Worldwide Polska Sp. z o.o.	Pl. Bankowy 1, 00-139 Warszawa, Poland	100
BBC Worldwide Mexico S.A de C.V BBC Worldwide Channels Mexico S.A de C.V	Calle Andres Bello 10 Piso 10, Chapultepec Polanco, Delg. Miguel Hidalgo, Ciudad de Mexico CP 11560, Mexico	100 100
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 Pty Limited	263 Oak Avenue, Ferndale, Randburg, 2194, South Africa	70
Rapid Blue Afica Limited	7 Sowemimo Street, GRA Ikeja, Lagos, Nigeria	100
BBC Global News (Japan) Limited (incorporated in Japan)	Tokyo Club Bldg., 3-2-6, Kasumigaseki, Chiyoda-ku, Tokyo, 100-0013, Japan	100
BBC Global News (Singapore) Private Limited (incorporated in Singapore)	#12-08/08 Shaw Tower, 100 Beach Road Singapore 189702, Singapore	100
BBC Global News (India) Private Limited (Incorporated in India)	Unit No. 301, 3rd Floor, D-2, Southern Park, District Centre, Saket, New Delhi, 110017	100
BBC Global News US LLC (incorporated in America)	Corporation Service Company, 80 State Street, Albany, New York, 12207-2543	100
Canadian AP Ventures Company ULC	800-1959 Upper Water Street, Halifax NS B3J 2N2, Canada	100

Balance sheet

as at 31 March 2021

	Note	Company 2021 £m	Company 2020 £m
Fixed assets			
Investment in subsidiaries	A	306	306
Derivative financial instruments		-	32
		306	338
Current assets			
Receivables			
- due within one year	B	203	266
Cash and cash equivalents		169	148
		372	414
Creditors: amounts falling due within one year			
Trade and other payables	C1	(126)	(91)
Current tax liabilities	C1	(5)	-
Borrowings	C1	-	(201)
		(131)	(292)
Net current assets		241	122
Total assets less current liabilities		547	460
Creditors: amounts falling due after more than one year			
Borrowings	C2	(170)	-
Deferred tax liabilities	C2	-	(6)
		(170)	(6)
Net assets		377	454
Represented by			
Share capital	D	-	-
Retained earnings	D	377	454
Total equity shareholder's funds		377	454

The financial statements of BBC Commercial Holdings Limited, registered number 04463534, were approved by the directors and authorised for issue on 16 June 2021 and signed on their behalf by:

Leigh Tavaziva
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 £170 million facility with UK banks. The Group also have access to a £210 million facility with a group of international banks until March 2024. As at the year-end the Company had drawn down £170 million of the facilities available (2020: £201 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 loss after taxation for the financial year was £4 million (2020: £36 million profit). The Company did not have any other comprehensive income and consequently no statement of other comprehensive income has been presented.

Statement of accounting policies continued

Investment in subsidiaries

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

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

Taxation

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

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

Cash and cash equivalents

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

Finance costs

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

Financial instruments

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

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

Statement of accounting policies continued

Financial instruments continued

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

Interest bearing borrowings

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

Trade and other receivables

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

Dividends on shares presented within shareholder's funds

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

Foreign currencies

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

Statement of accounting policies continued

Judgements and key sources of estimation uncertainty

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

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

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

Impairment of investments in subsidiaries

Determining whether the company's investments in subsidiaries have been impaired required estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present value. The carrying amount of investments in subsidiaries at the balance sheet date was £306 million (2020: £306 million). Impairments totalling £36 million were recognised on BBC Global News Limited during the prior year.

Notes to the financial statements

A Investment in subsidiary undertakings

	Company 2021 £m	Company 2020 £m
Cost		
At 1 April and at 31 March	**344**	344
Impairment		
At 1 April	**(38)**	(2)
Charge for the year	**-**	(36)
At 31 March	**(38)**	(38)
Net book value	**306**	306

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

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

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

B Receivables

	Company 2021 £m	Company 2020 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	**203**	266
Total receivables due within one year	**203**	266

Notes to the financial statements continued

C Payables

C1 Amounts falling due within one year

	Company 2021 £m	Company 2020 £m
Borrowings	-	201
Amounts owed to fellow subsidiaries	126	91
Corporation tax	5	-
Total amounts falling due within one year	131	292

C2 Amounts falling due after more than one year

	Company 2021 £m	Company 2020 £m
Borrowings	170	-
Deferred tax liability	-	6
Total amounts falling due after more than one year	170	6

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
2021		
Within two and five years	170	170
	170	170
2020		
Within one year	201	201
	201	201

C Payables continued

C4 Borrowing facilities

Facility	Interest rate	Total available 31 March 2021 £m	Drawn down at 31 March 2021 £m	Total available 31 March 2020 £m	Drawn down at 31 March 2020 £m	Expiry or review date
Multicurrency, revolving credit facility agreement for loans	LIBOR* plus 0.45% rising to LIBOR* plus 0.6% on utilisations over 1/3 and LIBOR* plus 0.75% on utilisations over 2/3.	210	-	210	-	March 2026
Overdraft or money market lines*	Bank base rate plus 1.5%	2	-	20	-	Reviewed annually
Fixed term loan	LIBOR + 1.25%	170	170	-	-	June 2023***
US Private Placement	Fixed interest at 2.36%	-	-	28	28	June 2020
US Private Placement**	Fixed interest at 2.71%	-	-	173	173	June 2020

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

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

*** The Company has two one-year extension options which, if exercised, would take the maturity through to June 2025. A series of interest rate swaps have ben entered into to fix the interest rate on this facility to 1.49%.

There have been no defaults or breaches of covenants on the facilities above during the year (2020: 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 2020	50	454
Loss for the financial year	-	(4)
Dividends declared in year	-	(73)
At 31 March 2021	50	377

E Auditor's remuneration

The audit fee of £92,000 was incurred by the Company (2020: £91,000).