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for 09451708
BBC [illegible]
([illegible]) Limited

Registered number: 04463546

BBC Studios Limited

Amended

Annual Report and Financial Statements for the year ended 31 March 2019

NOTE

The Annual Report and Financial Statements for the year ended 31 March 2019 have been amended. This amendment corrects note 32c on page 84 setting out the BBC Studios Limited Group subsidiaries that are exempt from audit under s.479A of the Companies Act 2006.

The revised accounts, which includes this note together with the appended independent auditor's report and the revision to note 32c on page 84, replace the accounts for the year ended 31 March 2019 originally approved by the directors on 18 June 2019 and are now the Annual Report and Financial Statements for the year ended 31 March 2019. The revised accounts have been prepared as at the date of the original accounts, and not as at the date of the revision and accordingly do not deal with events between those dates.

Director, BBC Studios Limited
11 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BBC STUDIOS LIMITED

Opinion on Financial Statements

I have audited the revised financial statements of BBC Studios Limited for the year ended 31 March 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, the group and parent balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes, including the significant accounting policies. The revised financial statements replace the original financial statements approved by the Directors on 18 June 2019 and consist of the attached supplementary note together with the original financial statements which were circulated to shareholders on 18 June 2019.

The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Report) Regulations 2008 (as amended) and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

In my opinion:

- the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the group and parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended; and
- the revised group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the revised parent financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the revised financial statements have been properly prepared in accordance with the provisions of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Report) Regulations 2008 (as amended); and
- the original financial statements for the year ended 31 March 2019 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the Directors in the statement contained in the supplementary note.

Basis of opinions

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

The audit of revised financial statements includes the performance of additional procedures to assess whether the revisions made by the Directors are appropriate and have been properly made.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the revised financial statements are free from material misstatement, whether caused by fraud or error. In forming my opinion I also evaluated the overall adequacy of presentation of information in the revised financial statements.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BBC Studios Limited's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Directors for the Financial Statements

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

- the preparation of the revised financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the group and parent company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

My responsibility is to audit and express an opinion on the revised financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK) and are prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Report) Regulations 2008 (as amended).

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and BBC Studios Limited's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.
- In the case of revised financial statements, I am required to report whether, in my opinion, the original financial statements failed to comply with the requirements of the Companies Act 2006 in the respects identified by the Directors.

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

Other Information

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

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- in light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the revised financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

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

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

Emphasis of matter – revision of the disclosure related to subsidiary companies claiming exemption from audit under section 479A of the Companies Act

In forming my opinion of the revised financial statements, which is not qualified, I have considered the adequacy of the disclosures made in the supplementary note concerning the need to revise the disclosure related to subsidiary companies claiming exemption from audit under section 479A of the Companies Act.

The original financial statements were approved on 18 June 2019 and my previous report was signed on that date. In accordance with the requirements of the Companies (Revision of Defective Accounts and Reports) Regulations 2008 (as amended), I have not performed a review of subsequent events for the period from the date of my previous report to the date of this report. My work on subsequent events is restricted solely to the amendment of the financial statements as described in the supplementary note to the financial statements.

LEWIS KNIGHTS

Senior Statutory Auditor **12 December 2019**

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

BBC Studios Limited

Registered number 04463546

Annual Reports and Consolidated Financial Statements

For the year ended 31 March 2019

Officers and advisors

Directors
Tim Davie
Tom Fussell

Company secretary
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Contents

Strategic report

The Directors present their annual report for BBC Studios Limited (the 'Company'), together with the consolidated and Company financial statements and auditor's report, for the year ended 31 March 2019. The consolidated financial statements comprise the Company and its subsidiary undertakings (the 'Group'). The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'). The Company financial statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework for all periods presented and these can be seen on pages 88 to 92.

What is BBC Studios?

BBC Studios was created in April 2018 by the merger of two existing commercial British Broadcasting Corporation ('BBC') subsidiaries: the BBC's production arm for factual, factual entertainment, events, entertainment, music and scripted programmes, also known as BBC Studios, and BBC Worldwide, which oversaw the global distribution and exploitation of BBC IP through content sales, channels, international production and ancillaries.

Its goal is to inspire global audiences with world-class content that informs, educates and entertains, strengthening the BBC, its partners and the wider industry creatively and financially.

Through its award-winning production arm, BBC Studios is the BBC's primary supplier of content, making around 2,000 hours of high quality programming every year in the UK. Its titles include award-winning series like *Blue Planet II*, *Doctor Who*, *Strictly Come Dancing*, *This Country* and *Top Gear*, as well as long running series like *Watchdog*, *EastEnders*, *DIY SOS* and *Antiques Roadshow*. Its programmes span drama, comedy, factual, factual entertainment, entertainment, music and events representing all audiences round the UK.

Globally, through its distribution business, BBC Studios trades in over 200 territories. The business licenses content to broadcast customers, runs BBC-branded channels, on-demand services and/or operates production bases catering to local, national and international markets.

There are 34 BBC-branded wholly owned and operated channels, broadcast in multiple countries, ranging from BBC Earth in Natural History and Factual through to CBeebies for younger audiences. BBC Studios also owns channels with other broadcasting partners, like BBC AMERICA with AMC Networks, BBC Earth with Sony in India; and Corus Entertainment for BBC Canada. In North America, with partner ITV plc, BBC Studios has created BritBox for fans of British shows in the USA and Canada. BBC Player, BBC Studios' multi-genre subscription video-on-demand (SVOD) service, is available in Singapore and Malaysia.

BBC Studios works with other content companies and broadcasters to create formats, to co-fund programmes like the forthcoming *One Planet*, *Seven Worlds* for BBC One, made by BBC Studios Natural History Unit, and co-produced with BBC AMERICA, Tencent Penguin Pictures, ZDF and France Télévisions. This additional international funding enables UK audiences to enjoy premium programming in a way that is affordable to BBC Content, and significantly broadens the reach of BBC programmes, with over a billion people watching a BBC *Planet* title in the last three years. It also devises spin-off products like programme merchandise and branded live events like *Countryfile Live*.

In addition to programmes made and marketed by BBC Studios itself, the Company also partners with other broadcasters and platforms to nurture ideas and get content funded, made and shown. BBC Studios invests in independent production companies, both for rights and strategic equity, fostering British talent and ideas like the recent drama *Pure*, made for E4 by independent production company Drama Republic, and the critically-acclaimed adaptation of the classic Victor Hugo novel *Les Misérables* - a BBC Studios Productions co-production with fully owned premium scripted production company Lookout Point.

What is BBC Studios? continued

Last but not least, BBC Studios has a bold ambition to create and foster a strong working culture, one that nurtures creativity, encourages collaboration and embraces diversity and innovation. It is committed to ongoing improvements in training, development and overall structure to ensure that all BBC Studios staff have the support and space they need to do their best work.

Business Highlights

1. Headline Sales

Breakdown by line of business (excluding Studioworks in prior year):

	2019	2018
	£m	£m
Production and Distribution	**1,056.6**	1,103.8
Branded Services	**335.6**	326.0
Core Group eliminations	**(19.3)**	(18.5)
Total	**1,372.9**	1,411.3

2. EBITDA

Breakdown by line of business (excluding Studioworks in prior year):

	2019	2018
	£m	£m
Production and Distribution	**81.5**	33.9
Branded Services	**70.9**	60.8
Core Group eliminations	**7.0**	10.3
Total	**159.4**	105.0

3. Free Cash Generation

£111.2 million (2018: £91.9 million) +21%

4. Returns to the BBC

£243.3 million (2018: £209.9 million) +16%

5. Five-year returns to the BBC

£1,112.4 million since 2014/15*

	£m
2018/19	**243.3**
2017/18	**209.9**
2016/17	**210.5**
2015/16	**222.2**
2014/15	**226.5**

* The first four years relate to BBC Worldwide only

6. Returns to Indies

£175.6 million (2018: £148.6 million)

Strategic report continued

Overview

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

Headline sales were £1,372.9 million (2017/18: £1,411.3 million excluding Studioworks) and EBITDA was £159.4 million (2017/18: £105.0 million excluding Studioworks). For the fifth year running, returns to the BBC, which included dividends and investments in programming, were above £200 million at £243.3 million (2017/18: £209.9 million). These results show success in BBC Studios' core ambition: to create and deliver the highest quality British story-telling, with extraordinary range and depth.

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

Strategic approach

BBC Studios is focused on three strategic priorities: to boost BBC-owned content and IP through world-class content creation and investment in production, indies and talent; to grow existing franchise brands and to build new ones; and to grow its share of high-value customers and markets through active development of existing and potential relationships. An outline of the developments in each area throughout the year is below.

Content

The business continues to perform extremely well in premium content, and is working actively to develop its programming pipeline. For the BBC in the year, BBC Studios made acclaimed drama like *Luther*, *Silent Witness*, and *MotherFatherSon*; world-class natural history including *Dynasties* and *Earth's Great Rivers*; and impactful science programmes like *Horizon: Stopping Male Suicide*, *The Truth About... The Menopause* and *Trust Me, I'm A Doctor*. Elsewhere, *Hold the Sunset*, *Two Doors Down* and *Famalam* sat alongside thought-provoking factual titles like *Winterwatch*, *The Flu That Killed 50 Million*, *David Bowie: Finding Fame* and *American History's Biggest Fibs*. The live events team covered *The Royal Wedding: Prince Harry and Meghan Markle* and the Royal British Legion *Festival of Remembrance*.

Fatberg Autopsy was broadcast on Channel 4, BBC Studios' first title for a non-BBC broadcaster, swiftly followed by *Royal Wedding Watch* for PBS, *Stargazing Live 2* for ABC TV in Australia, *The Bermuda Triangle Enigma* for Channel 5 and *Sex Knives and Liposuction* for UKTV's W channel. In addition, *Chocolate Dreams - Inside Hotel Chocolat* was broadcast on Channel 5 in January.

In the year, five titles were put out to tender by BBC Commissioning as part of the BBC's progress to meeting the contestability obligations established in the 2016 Charter and Agreement for all BBC returning series made by BBC Studios. BBC Studios retained one (*Later with Jools Holland...*) during 2018/19 and two more after year-end (*Topical Arts* and *Countryfile*), losing the other two tenders (*BBC Proms* and *Mastermind*). To date, this puts the number of titles retained after tendering at seven out of ten.

Strategic report continued

Content continued

New commissions won in the year included *Planet Earth III* and *Frozen Planet II* for the BBC, *Inside the Duchy* for ITV, *The Watch* for BBC AMERICA, *Danny Dyer on Pinter* for Sky Arts and *Stay Free: The Story of the Clash* for Spotify. BBC Studios' adaptation of Terry Pratchett and Neil Gaiman's story of an angel and demon, *Good Omens*, with an ensemble cast led by Michael Sheen and David Tennant, finished production in the year, ahead of its premiere on Amazon at the end of May, with a subsequent appearance on BBC Two.

The outstanding creativity and craft of the BBC Studios production team was recognised by 79 award wins, and close to 300 nominations in the year. These include Royal Television Society awards for one-off drama *Killed by my Debt*, live coverage of *The Royal Wedding: Prince Harry and Meghan Markle*, comedy *Inside No. 9* and *Strictly Come Dancing* won a National Television Award.

Supporting British creativity beyond the BBC remains one of BBC Studios' commitments, and BBC Studios is nurturing its relationships with best-of-British indies in ways to suit them: with equity stakes in 16; first look/output deals with a further 17; and representing content from over 200. Award-winning transatlantic hit *Killing Eve* was made by Sid Gentle (part-owned by BBC Studios) for BBC AMERICA, as commissioning broadcaster. It was shown in the UK on BBC One and a second series aired in America and the UK shortly after year end.

Brands

The business continues to invest in its international brands. Jodie Whittaker was a hit as the first female *Doctor Who*, made by BBC Studios in Cardiff. In the *Planet* strand of landmark programming, the world-renowned BBC Studios Natural History Unit has a pipeline of titles in production. The new presenter line-up for series 27 of *Top Gear* debuted in June, and *Strictly Come Dancing* brought the family together on the Saturday night sofa, with an audience for the final of 12.9 million (55% share). The first *Dancing with the Stars* brand extension in the US launched with *Dancing with the Stars: Juniors*.

BBC Studios is also working on development of new brands. In Australia, up-and-coming Children's title *Bluey,* based on the life of a Blue Heeler dog family in Queensland, co-commissioned with ABC Kids and set to air on CBeebies Australia next year, has been a huge success with critics and audiences alike.

Markets

The business has continued to evolve its approach to important customers and markets, including the building of deeper strategic partnerships to secure and grow revenue. In the US and Canada, subscribers to BritBox, the SVOD joint venture majority controlled by ITV and BBC Studios, reached the half million mark at under two years. A three-year deal with Chinese internet company Tencent will expand an existing content licensing and co-production partnership, and build a social media community around natural history programming.

In the UK, the BBC is working to create a commercial video-on-demand partnership with ITV and others, under the BritBox brand, to which BBC Studios will supply content.

Strategic report continued

Markets continued

At the end of the financial year, BBC Studios reached three significant deals with Discovery. First, an agreement on the future of the 50/50 joint venture for UKTV's channels business in the UK. This will see the division of channel assets to complement the strategic focus and commercial business of both organisations. BBC Studios will acquire the seven channels most closely aligned to the BBC's content strategy – Alibi, Dave, Drama, Eden, Gold, Yesterday and W – along with digital player UKTV Play, and the UKTV brand. Alongside this, it will make balancing payments of £173 million to Discovery, over two years.

BBC programmes currently deliver half the viewing for these seven channels. BBC Studios will look to grow investment into UK programming, including original content, for the UKTV channels it will own, and in turn the transaction will secure an important element of the BBC Studios business for the long term. It will also simplify the way BBC Studios can offer its rights to market in the UK.

Separately, the two companies have agreed a multi-year global content partnership in two parts. This will see BBC Studios provide premium factual series, including natural history landmarks, for Discovery's new global streaming service, and a bespoke development deal for BBC Studios to create ideas for future Discovery commissions.

Taken together, these deals cement an important partnership that will deliver long-term returns for licence fee payers, underpinning investment in original content for UK audiences, as well as a boost for those enjoying the BBC's programming internationally.

Operational review

2018/19 is the first year of operation for the merged business. The performance represented a strong start across BBC Studios' two key operating segments with earnings before interest, tax, depreciation and amortisation (EBITDA) of £159.4 million (2017/18: £105 million excluding Studioworks), up 52%. EBITDA, excluding the year on year benefit of foreign exchange, was up 21%.

This very strong EBITDA performance and cash generation has allowed the business to reduce its borrowings (net debt at year end of £45.7 million) (2017/18: £126.6 million) whilst still achieving a record year of investment and returns to the BBC. This strong balance sheet position will allow BBC Studios to finance the purchase of UKTV and to further invest in producing world-class content. BBC Studios' agreed borrowing facility was increased to £300 million (2017/18: £270 million) on 31 March 2019.

Taxation

Before the impact of production tax credits, the effective tax rate for the year was 21% (2017/18: 9%).

Performance by operating segment

The business segments this year have been changed to reflect the way the BBC Studios Executive Committee (SEC) manages and tracks its performance following the merger in April 2018.

Strategic report continued

Performance by operating segment continued

The segmental analysis below includes allocation of all central costs – strong cost control in these areas, along with the points below, enabled the business to show EBITDA growth. The prior year amounts exclude Studioworks.

	2019		2018	
	Statutory Sales £m	**EBITDA £m**	Statutory Sales £m	EBITDA £m
Production and Distribution	**1,047.5**	**81.5**	1,094.6	33.9
Branded Services	**161.0**	**70.9**	159.5	60.8
Core Group eliminations	**(19.3)**	**7.0**	(18.5)	10.3
Total	**1,189.2**	**159.4**	1,235.6	105.0

Production and Distribution

The Production and Distribution business includes the production and distribution of scripted and unscripted programmes to broadcasters and platform owners, including BBC Studios' share of the results of joint venture and associate production companies, format sales, and other content and brand-associated licensing and merchandise.

Production and Distribution achieved growth in EBITDA of 140%. The UK production business performed well in its second full year of operation as a commercial entity with both sales and EBITDA ahead of the prior year (9% and 288%). Genres performing well include scripted, factual entertainment and events.

The international production business delivered a small growth in sales and invested additional operating expenditure in a new production arm in Australia. This was set up in September, and already has its first commission for 85 episodes of *Mastermind* for SBS. In the US the autumn of 2018 saw the premiere of the first *Dancing with the Stars* brand extension in *Dancing with the Stars: Juniors* for ABC. The first female Doctor was welcomed with much anticipation at San Diego Comic-Con and at year end, a content deal was struck with MotorTrend to stream the majority of the *Top Gear* UK catalogue in addition to a new US version for its service.

Independent production companies in which BBC Studios holds stakes in continued to grow, and the shareholding in premium scripted indie Lookout Point was increased from 49.9% to 100% in July 2018. New investments in the year included drama start-ups Moonage and Firebird, both from proven British creative talent. BBC Studios returned £175.6 million (2017/18: £148.6 million) to indies through rights investment and royalties within the year.

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

The Consumer Products business saw a significant further decline in the physical media market. As a result of this market decline, goodwill relating to the 2Entertain business was part-impaired with this being offset by a profit generated by the sale of the Good Food business, a high-performing but non-core area, in August.

Branded services

The Branded Services business includes the activities of the BBC-branded channels and digital consumer propositions, including the share of results from joint venture and associate operations in BBC AMERICA, BritBox, and UKTV, BBC Earth with Sony and those of digital branded services including BBC Player in Asia.

Branded Services' performance in the year showed growth in EBITDA of 17%. The performance of BritBox in the US and Canada, which is 40.5% owned by BBC Studios and accounted for as a joint venture, was particularly healthy. UKTV performance remained robust.

Commissioner of stand-out international hit series *Killing Eve*, BBC AMERICA continued to deliver strong ratings growth, with its second most watched year ever across all key day parts.

In under two years, BritBox achieved half a million subscribers across the US and Canada, ahead of all targets. BBC Learning, globally managed out of the Americas, secured significant deals with education companies ProQuest, FMG and Stemscopes, as well as a multi-million dollar deal that brings together the BBC World Service, Microsoft Education and Angelina Jolie's production company to deliver a three-year programme, teaching media literacy skills to middle school classrooms globally.

This year also saw the renewal of affiliate partnerships for BBC-branded channels carriage with NC+ in Poland and the launch of BBC Earth channels in the Middle East, Turkey, Czech Republic, Slovakia and Cyprus, as well as CBeebies in Turkey and the Maldives. BBC First launched in Poland as a rebrand from BBC HD. In Australia and New Zealand, new channel launches included BBC Living on Fetch in May and BBC Earth on SKY in October.

Forward view

The merger of BBC Studios' production and distribution businesses is complete, giving it a strong position in the global market, and the business is well on track to meet its stated target of delivering £1.2 billion of returns to the BBC in the first five years of the current Charter period. The business environment remains changeable, with continuing levels of uncertainty in the major global economies. The markets in which BBC Studios operates continue to change rapidly, with audiences across the board now exercising control over their consumption of media: what, where and when. The need for business transformation is still significant and delivering expected margins in a world of hyper-competition is challenging.

BBC Studios' goal is to be the best British content company in the world. It looks to inspire audiences around the world with bold British creativity. To do this it will secure talent, rights and ideas for the future, and through these, it will return cash and funding for content to the BBC.

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

Strategic report continued

Forward view continued
BBC Studios' brand and digital storytelling expertise will continue to drive engagement as well as develop new commercial models for emerging digital entrants. In addition, the business plans to invest further in premium content, with the impact of these plans already showing in the increased returns to the BBC in the financial year. This will result in lower free cash generation in 2019/20.

BBC Studios will continue to work hard to build and grow its brands internationally, searching for ways to boost the value of existing franchises and identifying opportunities for new brands. The business is actively seeking like-minded companies to partner with at every point in the process, from finding a new idea to making and exploiting content, through to developing new business models for funding.

Achieving growth and consolidating relationships across content, customers and brands will enable the business to increase its contribution to the BBC both creatively and financially, in an environment where IP generation and ownership are both critical. BBC Studios has ambitious plans to build a world-class culture that attracts and retains the finest talent, and with content at its heart, and an unparalleled position in high quality British IP, the business is well placed to meet stretching expectations for the coming year and beyond.

Information requested by BBC Studios' regulator, Ofcom
The Group provides financial information on a periodic basis to the regulator Ofcom. The information provided is on a prior format and EBITDA definition to that currently used by the Group. To aid transparency, this information is shown below, along with a reconciliation to the Group EBITDA.

	2019 Statutory sales £m	2019 Ofcom defined EBITDA £m
UK Production	602	83
International Production	142	3
Branded services	161	71
Content sales	404	12
Consumer Products	108	(2)
Hedging and eliminations	(228)	(5)
Total	**1,189**	**162**

The definition of EBITDA for reporting to Ofcom results in a £3m variance to the £159m EBITDA reported in these accounts.

Strategic report continued

Future outlook

While the external commercial environment is expected to remain competitive in 2019, BBC Studios Limited is well diversified, both geographically and by business, and this should provide the Group with the resilience to cope with adverse economic conditions.

Risk and uncertainties

BBC Studios considers its key risks and uncertainties to be as follows:

Risk	Strategic impacts	Mitigation
Brand, reputation and standards Audiences lose confidence in the integrity of the business or its content and editorial values. Failure to represent the values of the BBC to global audiences, or improve workforce diversity, representation and gender pay balance.	Harm to our reputation, our relationship with audiences and to the credibility of the BBC brand.	Leadership, managers and staff embody behaviours consistent with BBC values, supported by internal communications, leadership briefings, and HR processes. Editorial Policy framework supported by specialists, with experienced genre heads and deal approval frameworks. Executive sponsored programme for increasing ethnic and gender diversity. External review of disclosure and transparency.
Joint venture and associate relationships Failure to achieve the full potential from an independent production company, joint venture (JV) and associate relationships.	Lower commercial returns for independents and the UK licence fee payer. Curtailing of ambitions and strategy for each invested service or entity.	Defined accountabilities for indie and joint venture relationships with BBC Studios' Executive Committee oversight. Business expertise with representation on indie and joint venture Boards. Approvals framework incorporates appropriate safeguards over BBC editorial values and control.
Information and content security Risk that information security controls could be compromised and systems disrupted. Significant commercial and reputational damage from any uncontrolled release of content. Sales and margin erosion from piracy.	Loss of confidence in the Group's role as a global distributor. Reduced editorial or commercial value from disclosed assets.	Robust information security infrastructure and controls. Careful supplier management and risk assessment with appropriate contracting. Technical controls include forensic watermarking and content attribution.

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Economic climate and trading performance		
Uncertainty in UK and international economic conditions. Advertising sales revenues are the most vulnerable and risk third-party commissioning budgets and UKTV returns. Risk from diverse exchange rate movements.	Adverse impact on cash flows and reported financial results.	Business is diversified as a producer and distributor, and across regions, titles and revenue streams. Central management of budgets, cash flow forecasting and prudent debtor management. Debt headroom with much improved cash conversion and balance sheet strength. Comprehensive quarterly performance review of every region and business.
Business continuity, safety and security		
Disruption to operations, infrastructure and loss of revenue following a major incident. Global terrorism and the continued risk of physical threats.	Potential for injury, death and loss of infrastructure and services with disruption to business operations. Reputational risk if we fail to protect our staff and all others in our care.	Security and safety management arrangements supported by specialists, policy frameworks, forums, communications and risk assessments. Offices and business operations with business continuity leads and up-to-date continuity plans. Travel safety training, terrorism awareness training and a global emergency notification system.
Global distribution competitors and customer risk		
Risk we do not reshape our business and sales strategy to remain global distributor of choice for Independent production companies, secure new programme commissions from third parties, and win competitive tenders for returning series. Risk we are not transforming our business fast enough to keep pace with extraordinary content inflation, ongoing consolidation in the creative sector, and competitors with increasing financial strength.	Lower visibility for BBC content internationally. Fewer commissions and failure to secure tenders for returning series. Overdependence on key customers, lower commercial returns for indies and the UK licence fee payer.	Expertise inherent in the business and in-depth local knowledge of international markets. Sales strategy, sales infrastructure, people skills and business relationships in the best place to respond to challenges and offer a competitive return to the licence fee payer and indies. Business Development teams focused on new opportunities. Growing experience responding to programme tenders. Internal transformation to support margins and growth.
Production working capital requirements		
Increasingly competitive market, competing for access to funding.	Failure to secure sufficient funds to meet editorial ambition and customer requirements.	Management of budgets, production approval process, cash flow forecasting and prudent debt management ensure visibility and management of cash requirements.

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Competitive production market		
Increasingly competitive market, with large scale consolidated players competing for talent on and off screen.	Failure to attract talent and deliver high quality content, leading to a reduction in revenue.	Leadership team in place with a clear focus on developing and nurturing talent. The breadth and diversity of the business supports career development and opportunities to work on a range of content.
Regulatory and compliance		
Potential for non-compliance with UK and international laws, especially regulatory changes and legislation with extra-territorial reach.	Civil or criminal challenge. Financial penalties. Reputational damage.	Robust, enforced framework including mandatory training programmes, policies, regular reporting and specialist committees. Group wide Code of Conduct. Oversight by senior management boards and Compliance and Risk Committee. Embedded regional expertise and local compliance champions. Fair Trading framework for compliance with OFCOM trading and separation rules. NAO Value for Money reviews providing transparency.

By order of the Board,

Anthony Corriette
Company Secretary

18 June 2019

Registered Address
1 Television Centre
101 Wood Lane
London
W12 7FA

Directors' report

Directors

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

Tim Davie
Tom Fussell
Charlie Villar (resigned 3 April 2018)

Financial instruments

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

Directors' interests and indemnities

No Director had any interest in the share capital of the Group throughout the financial year. No rights were granted to subscribe for shares or debentures of the Company or any other group company 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 as appropriate.

Employee participation

The Group participates in a range of approaches in ensuring employee participation and involvement. Employee feedback, thoughts and views are measured and tracked through a range of methods including the pan-BBC survey, which are subsequently used to develop detailed action plans. The Group also has a range of staff leadership and personal development programmes and is committed to fostering constructive relations with our recognised trade unions.

Diversity

Recruiting and developing a diverse workforce that is representative of contemporary British society is central to the modern BBC and to BBC Studios 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.

Directors' report continued

Training and development
Staff in all areas have opportunities to develop their skills. The 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 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 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 Group does not operate in industries where there is potential for serious industrial pollution, however it recognises its responsibility to be aware of and take steps to control and minimise any damage its business might cause to the environment.

Corporate governance
The 2016 UK Corporate Governance Code, issued by the Financial Reporting Council and setting out principles of good corporate governance is not applicable to BBC Studios Limited as a private limited company but the BBC Group voluntarily complies where appropriate. Disclosure of how the BBC complies may be obtained from www.bbc.co.uk/annualreport.

Political and charitable contributions
The Group made no political donations or contributions to charity during the year.

Dividends
Dividends of £65.3 million were declared by the Group during the year (2018: £109.1 million).

Future developments
See the Strategic report for details on the Group's future outlook.

Going concern
As set out on page 28, 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.

Directors' report continued

Post balance sheet events

On 11 June 2019, the UKTV group, a joint venture previously owned by BBC Studios Distribution Limited and Southbank Media Limited, was demerged and had its ownership restructured. The three leisure-themed channels were separated from the group, and BBC Studios obtained 100% ownership and control of UKTV Holdings Limited and its remaining seven entertainment channels, as well as UKTV Play and the UKTV brand. Please refer to note 33 for further details.

Auditor

The National Audit Office served as independent external auditor for the year ended 31 March 2019 and 31 March 2018. The National Audit Office have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the next board meeting.

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board,

Anthony Corriette
Company secretary

18 June 2019

Registered address
1 Television Centre
101 Wood Lane
London
W12 7FA

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 IFRS 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 IFRS as adopted by the EU; and
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Independent auditor's report to the members of BBC Studios Limited

Opinion on financial statements

I have audited the financial statements of BBC Studios Limited for the year ended 31 March 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, the group and parent balance sheet, the consolidated statement of changes in equity and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union for the Group and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of the profit for the year then ended; and
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure
- have been prepared in accordance with the Companies Act 2006.

Basis of opinions

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

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BBC Studios Limited's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. We have nothing to report in these respects.

Responsibilities of the directors for the financial statements

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

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the group and company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of BBC Studios Limited continued

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Other information

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

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

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

- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

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

- adequate accounting records have not been kept by the company, or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- I have not received all of the information and explanations I require for my audit.

Stephen Smith **(Senior Statutory Auditor)**
18 June 2019
for and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria, London
SW1W 9SP

Consolidated income statement

for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Headline sales including share of joint ventures' revenue*		**1,372.9**	1,418.4
Less: share of joint ventures' revenue		**(183.7)**	(175.7)
Revenue	2	**1,189.2**	1,242.7
Total operating costs	3a	**(1,139.8)**	(1,206.5)
Share of profit of joint ventures and associates	17	**35.9**	35.8
Operating profit		**85.3**	72.0
Operating profit reconciled as:			
EBITDA	1a	**159.4**	104.2
Production tax credits	9b	**(31.0)**	(16.4)
Depreciation and amortisation	3b	**(43.1)**	(15.8)
		85.3	72.0
Gains on disposals	4	**35.6**	21.2
Other gains and losses	5	**15.1**	9.4
Financing income	8a	**2.0**	1.4
Financing costs	8b	**(5.6)**	(4.3)
Profit before taxation		**132.4**	99.7
Taxation	9a	**3.5**	7.2
Profit for the year		**135.9**	106.9
Attributable to:			
Equity shareholder of the parent company		**135.0**	105.6
Non-controlling interests		**0.9**	1.3
Profit for the year		**135.9**	106.9

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

Consolidated statement of comprehensive income

for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Profit for the year		**135.9**	106.9
Items that are or may be reclassified to the income statement in the future:			
Tax on cash flow hedges taken directly to other comprehensive income		**(0.3)**	(4.9)
Exchange differences on translation of foreign operations	25	**15.1**	(28.4)
Net gains on foreign exchange cash flow hedges		**1.7**	25.9
Other comprehensive income/(loss) for the year (net of tax)		**16.5**	(7.4)
Total comprehensive income for the year		**152.4**	99.5
Attributable to:			
Equity holders of the parent company		**151.5**	98.2
Non-controlling interests		**0.9**	1.3
		152.4	99.5

Consolidated balance sheet

as at 31 March 2019

	Note	2019 £m	2018 £m	2017 £m
Non-current assets				
Goodwill	12	**33.5**	35.7	35.5
Distribution rights	13	**129.0**	110.5	162.0
Other intangible assets	14	**35.8**	29.8	25.6
Property, plant and equipment	15	**24.0**	26.8	35.9
Interests in joint ventures and associates	17	**243.0**	226.0	245.0
Investments		**-**	0.6	7.9
Trade and other receivables	18a	**32.3**	46.5	72.8
Derivative financial assets	28	**0.6**	0.1	0.1
Deferred tax assets	9d	**10.6**	5.9	13.1
		508.8	481.9	597.9
Current assets				
Programme related assets and other inventories	16	**147.4**	169.3	66.5
Trade and other receivables	18b	**421.7**	382.2	394.2
Current tax assets	9e	**12.4**	26.1	17.9
Derivative financial assets	28	**1.0**	2.4	0.1
Cash and cash equivalents	21	**49.2**	45.3	57.2
		631.7	625.3	535.9
Total assets		**1,140.5**	1,107.2	1,133.8
Current liabilities				
Trade and other payables	20a	**(340.5)**	(351.7)	(378.8)
Contract liabilities	2d	**(126.5)**	(79.3)	(80.9)
Borrowings	22a	**(8.5)**	(0.9)	-
Provisions	23	**(15.0)**	(9.1)	(5.6)
Derivative financial liabilities	28	**(1.1)**	(2.0)	(25.4)
Current tax liabilities	9f	**(7.8)**	(10.9)	1.4
		(499.4)	(453.9)	(489.3)
Non-current liabilities				
Trade and other payables	20b	**(35.5)**	(65.9)	(30.5)
Contract liabilities	2d	**(21.1)**	(4.8)	(9.0)
Borrowings	22b	**(86.4)**	(171.0)	(183.8)
Provisions	23	**(3.1)**	(1.4)	(1.1)
Derivative financial liabilities	28	**(0.3)**	(0.6)	(6.9)
Deferred tax liabilities	9d	**(16.0)**	(12.3)	(31.5)
		(162.4)	(256.0)	(262.8)
Total liabilities		**(661.8)**	(709.9)	(752.1)
Net assets		**478.7**	397.3	381.7
Attributable to equity shareholders of the parent company				
Share capital	24	**0.1**	0.1	1.3
Retained earnings	25	**464.1**	399.3	352.1
Hedging reserve	25	**1.1**	(0.3)	(21.3)
Translation reserve	25	**35.7**	20.6	49.0
Other reserve	25	**(24.0)**	(24.0)	0.5
		477.0	395.7	381.6
Non-controlling interests		**1.7**	1.6	0.4
Total equity		**478.7**	397.3	382.0

The consolidated financial statements of BBC Studios Limited, registered number 04463546, were approved by the Directors and authorised for issue on 18 June 2019 and signed on their behalf by:

Tom Fussell
Director
BBC Studios Limited

Consolidated statement of changes in equity

for the year ended 31 March 2019

	Share capital £m	Retained earnings £m	Hedging reserve £m	Translation reserve £m	Other reserve £m	Total £m	Non-controlling interests £m	Total £m
At 31 March 2017	1.3	352.1	(21.3)	49.0	0.5	381.6	0.4	382.0
Profit for the year	-	105.6	-	-	-	105.6	1.3	106.9
Exchange differences on *translation of foreign operations*	-	-	-	(28.4)	-	(28.4)	-	(28.4)
Tax on cash flow hedges taken directly to other comprehensive income	-	-	(4.9)	-	-	(4.9)	-	(4.9)
Net gains on foreign exchange cash flow hedges	-	-	25.9	-	-	25.9	-	25.9
Total comprehensive income/(loss) for the year	-	105.6	21.0	(28.4)	-	98.2	1.3	99.5
Issue of share capital	49.5	-	-	-	-	49.5	-	49.5
Share capital reduction	(50.7)	50.7	-	-	-	-	-	-
Dividends declared and paid in year (note 10)	-	(109.1)	-	-	-	(109.1)	-	(109.1)
Acquisition of entities under common control (note 11)	-	-	-	-	0.2	0.2	-	0.2
Release of financial assets	-	-	-	-	(2.9)	(2.9)	-	(2.9)
Changes in non-controlling interest	-	-	-	-	(21.8)	(21.8)	(0.1)	(21.9)
At 31 March 2018 as previously stated*	0.1	399.3	(0.3)	20.6	(24.0)	395.7	1.6	397.3
First time adoption of IFRS 15* (see accounting policies)	-	(4.9)	-	-	-	(4.9)	-	(4.9)
At 31 March 2018 Restated	0.1	394.4	(0.3)	20.6	(24.0)	390.8	1.6	392.4
Profit for the year	-	135.0	-	-	-	135.0	0.9	135.9
Exchange differences on translation of foreign operations	-	-	-	15.1	-	15.1	-	15.1
Tax on cash flow hedges taken directly to other comprehensive income	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Net gains on foreign exchange cash flow hedges (note 28)	-	-	1.7	-	-	1.7	-	1.7
Total comprehensive income for the year	-	135.0	1.4	15.1	-	151.5	0.9	152.4
Dividends declared and paid in year (note 10)	-	(65.3)	-	-	-	(65.3)	(0.8)	(66.1)
At 31 March 2019	0.1	464.1	1.1	35.7	(24.0)	477.0	1.7	478.7

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

Consolidated cash flow statement

for the year ended 31 March 2019

	Note	2019 £m	2018 £m
Cash flows from operating activities			
Cash generated from operations	26	**273.2**	184.0
Receipt of tax credits		**29.9**	11.3
Tax paid		**(23.3)**	(18.4)
Net cash inflow from operations		**279.8**	176.9
Cash flows from investing activities			
Financing income	8a	**0.7**	0.5
Proceeds from sale of operations		**32.0**	37.7
Proceeds from disposal of financial assets		**-**	8.8
Proceeds from disposal of joint ventures and associates		**-**	1.9
Acquisition of subsidiary net of cash aquired		**(2.4)**	(8.2)
Acquisition of interests in joint ventures and associates		**(3.7)**	(11.8)
Purchases of distribution rights	13	**(170.5)**	(117.8)
Purchases of other intangible assets		**(14.7)**	(5.0)
Purchases or property, plant and equipment	15	**(2.4)**	(8.6)
Amounts advanced to related parties		**-**	(0.3)
Repayments by related parties		**-**	4.3
Dividends paid to minority interests		**(0.8)**	-
Dividends received from associates and joint ventures		**26.9**	39.3
Net cash used in investing activities		**(134.9)**	(59.2)
Cash flows from financing activities			
Financing costs	8b	**(3.2)**	(3.7)
Proceeds from increase in borrowings		**10.7**	0.9
Repayments of borrowings		**(85.0)**	(17.4)
Equity dividends paid	10	**(65.3)**	(109.1)
Net cash used in financing activities		**(142.8)**	(129.3)
Net increase/(decrease) in cash and cash equivalents		**2.1**	(11.6)
Cash and cash equivalents at beginning of the year		**45.3**	57.2
Effect of foreign exchange rate changes on cash and cash equivalents		**1.8**	(0.3)
Cash and cash equivalents at the end of the year		**49.2**	45.3

Statement of Group accounting policies

BBC Studios Limited (the 'Company') is a company domiciled and incorporated in the United Kingdom, and its registered address is 1 Television Centre, 101 Wood Lane, London, W12 7FA. The consolidated financial statements of the Company for the year ended 31 March 2019 comprise the Company and its subsidiary undertakings (together the 'Group') and the Group's interest in joint ventures and associated undertakings.

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

Basis of preparation
These consolidated financial statements for the Group have been prepared in accordance with IFRS as adopted by the EU and the Companies Act 2006.

The financial statements are principally prepared on the historical cost basis. Areas where other bases are applied are identified in the accounting policies below. The results and financial position of each group company are expressed in pounds sterling to the nearest £100,000, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

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

Non-statutory financial performance measures
The Group believes that headline sales including share of JVs and associates revenue (gross revenue earned by the Group including the Group's share of income from its joint ventures and associates) and 'EBITDA' are additional non-statutory measures of financial performance that provide additional guidance to help understand the performance of the business on a comparable basis year on year.

EBITDA is defined as operating profit plus production tax credits, excluding depreciation and amortisation with the exception of amortisation relating to distribution rights or programming. Depreciation and amortisation include any impairments or write-downs of assets (tangible or intangible), and in the prior year excluded £0.4m in relation to investment impairments (note 3b).

Statement of Group accounting policies continued

Going concern

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

At the balance sheet date, the Group's primary source of funding is a £270.0 million multicurrency loan facility with the immediate parent, BBC Commercial Holdings Limited, expiring in September 2020. As at the year-end, the Group had drawn down £85.3 million of the facilities available (2018: £171.0 million).

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 no less than 12 months from the date of signing these financial statements.

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

Basis of consolidation

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

Statement of Group accounting policies continued

Subsidiaries and non-controlling interests

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

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

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

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 a joint venture and associate.

Joint ventures and associates

Investments in joint ventures and associates 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 joint ventures and associates 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 joint venture or associate, 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 joint venture or associate.

Segmental analysis

Whilst not required by IFRS8 *Operating Segments* to present segmental information, such information has been provided in note 1 as it is considered meaningful to the users of the accounts. 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 making strategic decisions, allocating resources and assessing performance of the operating segments has been identified as the Studios Group Executive Committee.

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 to meet 'over time' recognition. The default category, if none of these criteria are met, is 'point in time' recognition. Refer to the Group's revenue streams below for which category the revenue recognition generally meets.

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

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

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

Statement of Group accounting policies continued

Revenue continued

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

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

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

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

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

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

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

Revenue continued

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

The cost of fulfilling contracts does 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
- expensing the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

Foreign currencies

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

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

Lease payments

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

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

Statement of Group accounting policies continued

Borrowing costs

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

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

Taxation

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

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

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

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

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

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

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

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

Statement of Group accounting policies continued

Intangible fixed assets

Programme rights for distribution

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

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

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

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

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

Business combinations and goodwill

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

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

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

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

Statement of Group accounting policies continued

Intangible fixed assets continued

Other intangible assets

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

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

Amortisation

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

The useful lives and amortisation methods are as follows:

• Carrier agreements	Straight line	unexpired term of agreement
• Software (including internally-generated software)	Straight line	1-5 years
• Other	Straight line	3-8 years

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

Impairment of assets

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.

Statement of Group accounting policies continued

Property, plant and equipment

Owned assets

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.

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

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 2019 and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the assets to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion.

Statement of Group accounting policies continued

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 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*

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

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

- *Contract liabilities*

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

- *Cash and cash equivalents*

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

Statement of Group accounting policies continued

Financial instruments continued

Fair value through profit/loss

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

The Group does not enter into speculative derivative contracts; however, some derivative financial instruments are used to manage the BBC's exposure to fluctuations in 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.

- *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 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

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

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

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

Statement of Group accounting policies continued

Financial instruments continued

Fair value through other comprehensive income

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

- *Hedge accounting*

  Where hedge accounting is applied, the Group has elected to adopt the hedge accounting requirements of IFRS 9. The Group enters into hedge relationships where the critical terms of the hedging instruments and the hedged item match. Hedge effectiveness is determined at the origination of the hedging relationship.

  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.

Retirement benefit plans

Employees of the Group also participate in defined benefit schemes operated by the Group's ultimate parent, the BBC. 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 Group accounts for contributions payable to the scheme as if the schemes were defined contribution schemes, as is required by IAS 19 Employee Benefits.

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.

Statement of Group accounting policies continued

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

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

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

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, joint ventures or associates. 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 a joint venture or associated 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.

Statement of Group accounting policies continued

Use of estimates and judgements continued

Impairment of financial assets

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

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

Deferred tax

Deferred tax arises due to certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and those for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets therefore involves judgement regarding timing and level of future taxable income.

Distribution rights and programme rights

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

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.

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. An element of the rights creditors is subject to judgement when the information is not yet available to calculate the rate payable. In these cases, the rate is estimated based on the best information available.

Statement of Group accounting policies continued

First-time adoption of IFRS

These are the Group's first consolidated financial statements to be prepared under International Financial Reporting Standards. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 April 2017, the Group's date of transition to IFRS, and made those changes in accounting policies and other restatements required for the first-time adoption of IFRS.

On transition to IFRS, the Group has applied the requirements of IFRS 1 *First-time adoption of International Financial Reporting Standards* and following review, minimal adjustments to the financial statements of the Group were required.

IFRS 1 requires financial reporting standards that were effective at the end of the reporting period to be applied throughout all the periods presented. The Group has assessed the impact of applying this requirement and has determined that the impact is not material, with the exception of the reclassification of contract liabilities from deferred income under IFRS 15 as presented in note 2d.

Adoption of new and revised accounting standards

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

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

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

Statement of Group accounting policies continued

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

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 (Oct 2017) Prepayment Features with Negative Compensation
- Amendments to IAS 28 (Oct 2017) Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Dec 2017)
- Amendments to IAS 19 (Feb 2018) Plan Amendment, Curtailment or Settlement
- IFRS 17 Insurance Contracts
- Amendments to IFRS 10 and IAS 28 (Sept 2014) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors do not expect that the adoption of the standards and interpretations above would have a material impact on the financial statements of the Group in future periods, except for IFRS 16.

IFRS 16 Leases (date of adoption: 1 April 2019) replaces IAS 17. IFRS 16 will impact the accounting for lessees. For applicable lease agreements IFRS 16 will require the recognition of lease assets and lease liabilities, representing the right to use the leased item and the respective future lease payments. The rental expense previously recognised within the income statement will be replaced by a depreciation charge and a finance charge. This will apply to all leases unless the term is less than 12 months or the underlying asset has a low value as the Group will utilise these exemptions provided for under the standard.

A significant number of lease transactions will be impacted by IFRS 16, with a number of judgements being required to both identify and account for leases. When IFRS 16 is adopted it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods, or with the cumulative impact of the new standard applied as an adjustment to reserves on the date of adoption. The Group will apply the latter approach, which will also require the disclosure of the impact of the relevant accounting standard change on each line item in the financial statements in the reporting period.

The likely impact on the consolidated income statement in 2019/20 is an increase of between £8 million and £9 million to EBITDA and an immaterial impact on profit before tax. Non-current assets and liabilities are both expected to increase by between £55 million and £60 million with the impact on net assets being immaterial.

Statement of Group accounting policies continued

Changes in accounting policies

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

IFRS 9 Financial instruments

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

As a result of the adoption of IFRS 9, the Group has also adopted consequential amendments to IAS 1 *Presentation of Financial Statements,* which require impairment of trade receivables and other contract assets to be presented in a separate line item in the statement of profit or loss where material. Impairment losses on other financial assets are to be presented separately under finance costs, similar to the presentation under IAS 39.

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

Statement of Group accounting policies continued

Changes in accounting policies continued

The cumulative catch up adjustment required under the cumulative effect method is made up exclusively from content and format sales other than a £1.3 million adjustment to interests in joint ventures and associates which relates to production fee revenue. Overall the effect on revenue is immaterial as shown below due to similar contract values during 2018/19. Materially affected line items are shown in the tables below. No other line items would have been materially affected had IFRS 15 not been adopted for the 2018/19 financial statements. Comparative prior year periods have not been adjusted with the exception of contract liabilities - see note 2d).

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

Consolidated income statement
for the year ended 31 March 2019

	Impact on changes in accounting policies		
	As reported £m	Adjustments £m	Balances without adoption of IFRS 15 £m
Revenue	1,189.2	(6.4)	1,195.6
Total operating costs	(1,139.8)	1.7	(1,141.5)
Share of profit of joint ventures and associates	35.9	-	35.9
Operating profit	85.3	(4.7)	90.0

Consolidated balance sheet
as at 31 March 2019

	Impact on changes in accounting policies		
	As reported £m	Adjustments £m	Balances without adoption of IFRS 15 £m
Interests in joint ventures and associates	243.0	1.3	241.7
Trade and other receivables	454.0	(0.1)	454.1
Other	443.5	-	443.5
Total assets	1,140.5	1.2	1,139.3
Trade and other payables	(376.0)	(0.8)	(375.2)
Other	(285.8)	-	(285.8)
Total liabilities	(661.8)	(0.8)	(661.0)
Net assets	478.7	0.4	478.3
Retained earnings	464.1	0.4	463.7
Other	14.6	-	14.6
Total equity	478.7	0.4	478.3

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

Notes to the Group financial statements

1 Segmental reporting

1a Analysis of revenue and EBITDA by line of business

The Studios Group Executive Committee, the Group's Chief Operating Decision Maker, has determined the reportable segments based upon the reports it regularly reviews and uses to make strategic decisions and allocate resources.

The Studios Group Executive Committee assesses the performance of reportable segments based on statutory sales and EBITDA. Line items between EBITDA and profit before tax are not allocated to segments.

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.

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

The reportable segments are:

- Production and Distribution - Production and distribution of scripted and non-scripted programmes to broadcasters and platform owners, including our share of the results of our joint venture and associate production companies, format sales, and other content and brand associated licensing and merchandise.

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

Segment information as presented is consistent with the Group's internal reporting to the Studios Group Executive Committee.

The Group did not operate as a merged business and did not produce consolidated accounts until the current year, and therefore comparative information is presented for the first time on the same basis to that disclosed for the current year.

During the prior year, the BBC Studioworks business was held within the Group until it was transferred to BBC Commercial Holdings Limited on 11 October 2017. The results of the BBC Studioworks business for the six month period are thus shown separately in the segmental tables.

Notes to the Group financial statements continued

1 Segmental reporting continued

1a Analysis of revenue and EBITDA by line of business continued

2019	Production and *Distribution* £m	Branded *Services* £m	*Eliminations* £m	Core *Group* £m	Studioworks *(incl Elims)* £m	*Group* £m
Statutory sales	1,047.5	161.0	(19.3)	1,189.2	-	**1,189.2**
EBITDA	81.5	70.9	7.0	159.4	-	**159.4**

2018	Production and Distrubution £m	Branded Services £m	Eliminations £m	Core Group £m	Studioworks (incl Elims) £m	Group £m
Statutory sales	1,094.6	159.5	(18.5)	1,235.6	7.1	1,242.7
EBITDA	33.9	60.8	10.3	105.0	(0.8)	104.2

For the Core Group, inter-segment revenues are eliminated on consolidation and are reflected in the eliminations column above.

1b Geographical location of revenue and non-current assets

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

	2019 £m	2018 £m
External sales:		
UK	**528.5**	573.8
America	**241.2**	255.6
Australia	**70.2**	76.1
Rest of world	**349.3**	337.2
Total	**1,189.2**	1,242.7

The Group's non-current assets, other than financial instruments and deferred tax assets, located in the UK are £290.3 million (2018: £266.5 million) and located outside of the UK are £207.9 million (2018: £209.5 million).

The allocation of sales to geographic 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.

2 Revenue

The Group has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed seperately if they are different from those under IFRS 15 and the impact of changes is disclosed in this note.

2a Significant accounting policy

The Group's revenue recognition policy and main sources of revenue are noted under the 'Statement of Group accounting policies' on page 30.

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

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

2b Disaggregation of revenue

In the following table, revenue is disaggregated by lines of business and revenue streams.

2019	Production and Distribution £m	Branded Services £m	Eliminations £m	Core Group £m	Studioworks incl eliminations £m	Group £m
Revenue streams						
Content and format sales	431.8	-	(19.8)	**412.0**	-	**412.0**
Production revenues	491.8	-	0.5	**492.3**	-	**492.3**
Royalties	31.6	-	-	**31.6**	-	**31.6**
Advertising revenue	3.2	20.2	-	**23.4**	-	**23.4**
Subscription fees	-	140.8	-	**140.8**	-	**140.8**
Consumer products	89.1	-	-	**89.1**	-	**89.1**
Total sales	**1,047.5**	**161.0**	**(19.3)**	**1,189.2**	-	**1,189.2**

2 Revenue *continued*

2b Disaggregation of revenue continued

2018*	Production and Distribution £m	Branded Services £m	Eliminations £m	Core Group £m	Studioworks incl eliminations £m	Group £m
Revenue streams						
Content and format sales	432.4	-	(18.8)	**413.6**	-	**413.6**
Production revenues	505 9	-	0.3	**506.2**	7.1	**513.3**
Royalties	36 8	-	-	**36.8**	-	**36.8**
Advertising revenue	11.6	9.6	-	**21.2**	-	**21.2**
Subscription fees	-	149 9	-	**149.9**	-	**149.9**
Consumer products	107 9	-	-	**107.9**	-	**107.9**
Total sales	**1,094.6**	**159.5**	**(18.5)**	**1,235.6**	**7.1**	**1,242.7**

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

2c Timing of revenue recognition

The following table includes revenue from contracts disaggregated by the timing of recognition:

	2019 £m	2018 £m
Goods and services transferred at a point in time	**1,048.4**	1,092.8
Goods and services transferred over time	**140.8**	149.9
Total Core Group revenue	**1,189.2**	1,242.7

2 Revenue continued

2d Contract balances

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 liabilities.

	Contract liabilities £m
At 1 April 2017	(89.9)
Decrease due to revenue recognised in the period	63.1
Increase due to cash received in advance and not recognised as revenue during the year	(57.3)
At 31 March 2018	(84.1)
Decrease due to revenue recognised in the period	67.5
Increase due to cash received in advance and not recognised as revenue during the year	(131.0)
At 31 March 2019	**(147.6)**
Presented within:	
Current	(126.5)
Non-current	(21.1)
	(147.6)

The Group has no contract assets as at 31 March 2019.

2e Transaction price allocated to the remaining performance obligations

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

	2020 £m	2021 £m	2022 £m	Beyond £m
Content and Format sales	121.8	48.3	31.0	182.3
Production revenue	238.9	159.6	10.8	20.5
Royalties	2.9	1.5	1.6	5.2
Advertising revenue	8.9	-	-	-
Subscription fees	70.8	29.6	13.8	14.2
Consumer products	8.6	8.3	7.2	0.2

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.

2f Contract Costs

No capitalised commission fees or any other contract costs occurred in the current year or prior year.

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

3 Total operating costs

3a Analysis of total operating costs by activity

	2019 £m	2018 £m
Cost of sales	**879.9**	981.9
Distribution costs	**53.5**	52.3
Administration expenses	**206.4**	172.3
Total	**1,139.8**	1,206.5

3b Operating costs

Operating costs is stated after charging/(crediting):

	Note	2019 £m	2018 £m
Intangible fixed assets and property, plant and equipment			
Depreciation - owned assets	15	**5.2**	5.3
Amortisation of intangible fixed assets	14	**15.4**	10.0
Amortisation of distribution rights	13	**152.2**	169.4
Impairment of investments in joint ventures and associates	17	**1.0**	0.4
Impairment of goodwill	12	**21.5**	0.5
Broadcast rights and other inventories			
Included in cost of sales		**43.7**	59.3
Write-downs		**4.1**	4.4
Other operating costs			
Rentals on operating leases and similar arrangements		**33.8**	27.6
Net foreign exchange (gains)/losses		**(1.4)**	17.2
Impairment of trade receivables	19	**4.9**	1.4
Staff costs	6b	**193.6**	206.9

3 Total operating costs continued

3c Auditor's remuneration

The National Audit Office served as independent external auditors for the Company for the years ended 31 March 2019 and 31 March 2018. The following table presents the aggregate fees for professional services and other services rendered by the external auditors to the Group:

	2019 £m	2018 £m
For the audit of BBC Studios Limited's annual accounts	**0.1**	-
For the audit of subsidiaries of BBC Studios Limited	**0.8**	0.8
Total audit fees with the National Audit Office	**0.9**	0.8
Audit services with other auditors	**0.1**	0.4
Total audit fees	**1.0**	1.2
Taxation compliance services	**0.1**	0.2
Total non-audit fees with other auditors	**0.1**	0.2
Total fees paid	**1.1**	1.4

4 Gains on disposals

	2019 £m	2018 £m
Gain on disposal of entities under common control	-	16.4
Gain on available for sale financial assets	-	4.4
Gain on deemed disposal of associates	**7.2**	-
Gain on disposal of interests in joint ventures and associates	-	0.4
Gain on disposal of Good Food	**28.4**	-
Total	**35.6**	21.2

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

5 Other gains and losses

	2019 £m	2018 £m
Change in fair value of derivative financial instruments	**(0.1)**	5.2
Change in fair value of put options over non-controlling interests	**15.2**	2.5
Decrease in earn-out payments due in respect of prior acquisitions	-	1.7
Total	**15.1**	9.4

6 Staff numbers and costs

6a Persons employed

The average monthly number of persons (including directors) employed:

	2019 Number	2018 Number
BBC Studios Distribution Limited	**1,445**	1,596
BBC Studios Productions Limited	**1,269**	1,367
Total	**2,714**	2,963

Within the averages above, 226 (2018: 222) part-time employees have been included at their full-time equivalent of 161 (2018: 160).

The Group also employed an average full-time equivalent of 336 (2018: 243) persons on a casual basis.

6b Staff costs (including directors)

	2019 £m	2018 £m
Salaries and wages	**164.4**	174.5
Social security costs	**17.9**	18.4
Pension costs	**11.3**	14.0
Total	**193.6**	206.9

Employer contributions to the BBC Group Pension scheme in 2018/19 were benchmarked to ensure consistency with market rates. To comply with Ofcom transfer pricing requirements, the contributions were charged at this 8% market rate (2017/18: 16.7%), compared to the BBC Group rate of 31.4% (2017/18: 16.7%). Following a change in Ofcom's transfer pricing requirements to allow recharges at cost, the contributions will increase to 31.4% in 2019/20.

7 Key management personnel compensation

Key management personnel are those people who have authority and responsibility for planning, directing and controlling the activities of the Group. The Studios Group Executive Committee (which includes the Directors) for BBC Studios Limited have been identified as the key management for this Group based on their responsibilities and influence for running and overseeing the Group's services and operations.

All key management individuals who served during the year received remuneration by the Group in respect of their professional services or duties to this Group. The disclosures in this note refer to all these individuals, including those no longer serving on the Studios Group Executive Committee at the year end.

Key management personnel compensation is as follows:

	2019 £m	2018 £m
Short-term employee benefits	**7.4**	-
Post-employment benefits	**0.4**	-
Other long-term benefits	**0.2**	-
Total key management personnel compensation	**8.0**	-

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

The number of key management personnel to whom retirement benefits have accrued throughout the year under the following schemes is as follows:

	2019 Number	2018 Number
Defined benefit schemes	9	-

Directors remuneration is as follows:

2019	Date appointed to Board	Salary £'000	Benefits £'000	Pension £'000	Performance Related £'000	Total £'000
Tim Davie (highest paid director)	3 April 2018	400	2	32	200	**634**
Tom Fussell	3 April 2018	314	2	-	157	**473**
Total directors		**714**	**4**	**32**	**357**	**1,107**

Charlie Villar was a director until 3 April 2018 but received no remuneration in either the current or prior year from the Group.

The Group has made no contributions to money purchase schemes for its directors in the year (2018: nil).

Tim Davie is a member of the BBC defined benefit pension scheme and had accrued entitlements of £18,000 (2018: £15,000) under the scheme at the end of the year. The defined benefit pension reflects 31.4% employer contribution, some of which is borne by another group entity in 2018/19.

8 Net financing costs

8a Financing income

	2019 £m	2018 £m
Unwinding of discounted receivables	**1.3**	0.9
Other interest receivable	**0.7**	0.5
Total financing income	**2.0**	1.4

8b Financing costs

	2019 £m	2018 £m
Interest payable on loan from parent undertaking	**2.8**	3.4
Unwinding of discounted payables	**2.4**	0.6
Other interest payable	**0.4**	0.3
Total financing costs	**5.6**	4.3

9 Taxation

9a Taxation recognised in the income statement

	Note	2019 £m	2018 £m
Current tax			
UK corporation tax		**(7.4)**	(15.5)
Group relief (receivable)/payable		**(3.5)**	2.7
Double tax relief		**(7.5)**	-
Adjustments in respect of prior years		**(1.0)**	(2.4)
UK current taxation		**(19.4)**	(15.2)
Foreign tax		**18.0**	21.6
Total current tax (credit)/charge		**(1.4)**	6.4
Deferred tax			
Origination and reversal of temporary differences		**(2.2)**	(4.5)
Reduction in tax rate		**(0.1)**	(7.8)
Adjustments in respect of prior years		**0.2**	(1.3)
Total deferred tax	9d	**(2.1)**	(13.6)
Total credit for the year		**(3.5)**	(7.2)

Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable UK profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9b Reconciliation of effective tax expense

The effective rate of tax for the year ended 31 March 2019 was different from the standard rate of tax in the UK of 19% (2018: 19%) as a result of the following:

	2019 £m	2018 £m
Group profit before taxation	**132.4**	99.7
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**25.2**	18.9
Effects of		
Disallowed expenditure and non taxable income	**6.0**	0.4
Losses utilised	**-**	(2.0)
Production tax credits	**(31.0)**	(16.4)
Tax exempt capital gain	**-**	(4.0)
Tax differential on wholly owned overseas earnings	**2.2**	12.6
Deemed tax charge on joint ventures and associates profit	**(5.1)**	(5.5)
Other differences		
Tax rate decrease	**(0.1)**	(7.8)
Adjustments in respect of prior years	**(0.7)**	(3.4)
Total tax credit for the year	**(3.5)**	(7.2)

9 Taxation continued

9c Factors that may affect future tax charges

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

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

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

9d Analysis of deferred tax balance

	Note	Accelerated capital allowances £m	Provisions £m	Financial instruments £m	Other £m	Net deferred tax (liability) / asset £m
At 1 April 2018		4.4	5.2	0.4	(16.4)	**(6.4)**
(Charge) / credit to income statement	9a	(1.5)	1.5	0.4	1.7	**2.1**
Disposal of subsidiaries, joint ventures and associates		-	(1.1)	-	-	**(1.1)**
At 31 March 2019		**2.9**	**5.6**	**0.8**	**(14.7)**	**(5.4)**

9 Taxation continued

9d Analysis of deferred tax balance continued

Deferred tax assets/(liabilities) presented within:	2019 £m	2018 £m
Non-current assets	**10.6**	5.9
Non-current liabilities	**(16.0)**	(12.3)
Total	**(5.4)**	(6.4)

Deferred tax assets in respect of tax losses carried forward are recognised to the extent that the real sation of the related tax benefit through future taxable profits is probable. The Group has unrecognised deferred tax assets arising on capital losses totalling £139.2 million (2018: £139.2 million) and trade losses totalling £23.2 million (2018: £28.2 million). These assets have not been recognised on the basis that there is insufficient certainty that future gains or profits will arise against which the Group can utilise these losses. There is no time limit for the utilisation of these losses.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £0.5 million (2018: £0.5 million). No liability has been recognised in respect of these differences because the Group is in a positon to control the timing of the reversal of the temporary differences and those differences are not expected to reverse in the foreseeable future.

Temporary differences arising in connection with the Group's interests in the undistributed retained earnings of associates and joint ventures are not considered to be material in either year.

9e Current tax asset

The current tax assets totalling £12.4 million (2018: £26.1 million) includes £20.7 million (2018: £22.4 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 £7.8 million (2018: £10.9 million) is due in overseas jurisdictions.

10 Equity Dividends

Dividends payable on ordinary equity shares	2019 £m	2018 £m
Dividends were paid/proposed as follows:		
March 2019 of 130,600p per share	**65.3**	-
March 2018 of 142,700p per share	**-**	71.4
October 2017 of 75,418p per share	**-**	37.7
Total dividends	**65.3**	109.1

11 Acquisitions

The operations of the former BBC Studios Public Service Broadcasting division were transferred, as a going concern, on 1 April 2017 to form a new BBC Studios Productions Limited company. Net assets transferred totalled £49.5 million, which included £96.5 million of programme related assets and £50.9 million of trade and other payables. Existing intellectual property rights did not transfer and remain owned by BBC Public Service Broadcasting, while employees employed directly by the former BBC Studios division were subject to Transfer of Undertakings (Protection of Employment) Regulations. The consideration for the transferred assets was ultimately by way of the issue of shares.

On 27 March 2017 the special purpose vehicle BBC Grafton House Productions Limited and on 1 April 2017 the special purpose vehicles, BBC Comedy Productions Limited and BBC Natural History and Factual Productions Limited were transferred from the Group's parent entity, BBC Commercial Holdings Limited, to BBC Studios Productions Limited, forming the BBC Studios Productions Group. As these entities remained under common control throughout, the transfer was accounted for using the predecessor value method and consequently £2.7 million (£0.2 million within 2017/18) of net assets acquired were recognised within other reserves.

During the year, the Group made payments totalling £13.7 million plus deferred consideration of £2.8 million for three acquisitions including two associate investments and a subsidiary acquisition. The business fits with the ongoing commitment of the Group to support the best creative talent in the UK and take quality British programming to the world.

Subsidiary Acquisition - Lookout Point Limited

BBC Studios Distribution Limited previously held a 49.9% share in Lookout Point Limited ('LPL') and on the 5 July 2018 purchased an additional stake taking the shareholding to 100%, thus LPL became a wholly owned subsidiary of BBC Studios Distribution. The initial LPL investment was revalued at acquisition date at a fair value of £12.5 million compared to a carrying amount of £6.5 million. As at 31 March 2019, LPL is fully consolidated, recognising goodwill of £19.3 million and removing the amount held as an associate investment of £6.5 million. On acquisition date, £28.2 million of work in progress and £33.2 million of deferred income was recognised relating to productions. Since acquisition, the group has recognised revenue of £39.2 million and profit of £1.4 million including high end tax credits.

12 Goodwill

	2019 £m	2018 £m
Cost		
At 1 April	**36.2**	35.5
Additions	**19.3**	1.8
Exchange differences	**-**	(1.1)
At 31 March	**55.5**	36.2
Amortisation and impairment		
At 1 April	**0.5**	-
Impairment	**21.5**	0.5
At 31 March	**22.0**	0.5
Net book value	**33.5**	35.7

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

	2019 £m	2018 £m
Consumer distribution business	**3.9**	25.4
Australian channels business	**8.5**	8.5
Independent production companies	**21.1**	1.8
At 31 March	**33.5**	35.7

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

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

Consumer distribution business
The goodwill in this CGU arose as a result of the acquisition of 2 Entertain Limited on 6 August 2009. The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected long term growth rate of -34% (2018: -4%).

A discount rate of 8.8% (2018: 9.3%) has been applied to the cash flows.

The main assumption on which the forecast cash flows are based is the trends in the global DVD market. The Group performed an operational review of the DVD business concluding that sales are declining by an average of approximately 22% per year, which the Group extrapolated to calculate the expected decline on EBITDA for this business.

As a result of the changes in the global DVD market, management made the decision to impair the goodwill in the consumer distribution business by £21.5m in 2018/19 as a result of the annual impairment review.

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 (2018: five years) and a discount rate of 8.6% (2018: 9.9%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1% (2018: nil%).

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

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

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

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

A discount rate of 10.4% has been applied to both of these.

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

13 Distribution Rights

	2019 £m	2018 £m
Cost		
At 1 April	**1,019.8**	904.4
Additions	**170.5**	117.8
Rights where licences have expired	**(4.8)**	-
Exchange differences	**1.5**	(2.4)
At 31 March	**1,187.0**	1,019.8
Depreciation and impairment		
At 1 April	**909.3**	742.4
Charge for the year	**152.2**	169.4
Rights where licences have expired	**(4.8)**	-
Exchange differences	**1.3**	(2.5)
At 31 March	**1,058.0**	909.3
Net book value	**129.0**	110.5

14 Other intangible assets

	Software £m	Carrier agreements £m	Other Intangibles £m	Total £m
Cost				
At 1 April 2017	52.3	10.1	4.5	**66.9**
Additions	5.0	-	10.0	**15.0**
Disposals	(18.7)	-	-	**(18.7)**
Exchange differences	-	(1.1)	(0.1)	**(1.2)**
At 31 March 2018	38.6	9.0	14.4	**62.0**
Amortisation and impairment				
At 1 April 2017	34.1	5.5	1.7	**41.3**
Charge for the year	6.0	0.7	3.3	**10.0**
Disposals	(18.3)	-	-	**(18.3)**
Exchange differences	-	(0.7)	(0.1)	**(0.8)**
At 31 March 2018	21.8	5.5	4.9	**32.2**
Net book value				
At 31 March 2018	16.8	3.5	9.5	**29.8**
Cost				
At 1 April 2018	38.6	9.0	14.4	**62.0**
Additions	14.6	-	7.7	**22.3**
Disposals	(3.3)	-	-	**(3.3)**
At 31 March 2019	**49.9**	**9.0**	**22.1**	81.0
Amortisation and impairment				
At 1 April 2018	21.8	5.5	4.9	**32.2**
Charge for the year	7.0	0.6	7.8	**15.4**
Disposals	(2.5)	-	-	**(2.5)**
Exchange differences	-	-	0.1	**0.1**
At 31 March 2019	**26.3**	**6.1**	**12.8**	45.2
Net book value				
At 31 March 2019	**23.6**	**2.9**	**9.3**	35.8

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

15 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2017	17.8	54.0	15.3	4.7	**91.8**
Additions	-	2.6	1.4	4.6	**8.6**
Disposals	-	(28.7)	(3.7)	(9.3)	**(41.7)**
Exchange differences	(0.6)	(0.4)	(0.6)	-	**(1.6)**
At 31 March 2018	17.2	27.5	12.4	-	**57.1**
Depreciation and impairment					
At 1 April 2017	5.8	39.5	10.6	-	**55.9**
Charge for the year	0.9	3.2	1.2	-	**5.3**
Disposals	-	(26.5)	(3.5)	-	**(30.0)**
Exchange differences	(0.4)	(0.1)	(0.4)	-	**(0.9)**
At 31 March 2018	6.3	16.1	7.9	-	**30.3**
Net book value					
At 31 March 2018	10.9	11.4	4.5	-	**26.8**
Cost					
At 1 April 2018	17.2	27.5	12.4	-	**57.1**
Additions	0.1	1.3	0.7	0.3	**2.4**
Brought into service	-	0.3	-	(0.3)	**-**
Exchange differences	0.3	0.1	0.2	-	**0.6**
At 31 March 2019	**17.6**	**29.2**	**13.3**	**-**	**60.1**
Depreciation and impairment					
At 1 April 2018	6.3	16.1	7.9	-	**30.3**
Charge for the year	0.9	3.2	1.1	-	**5.2**
Exchange differences	0.4	0.1	0.1	-	**0.6**
At 31 March 2019	**7.6**	**19.4**	**9.1**	**-**	**36.1**
Net book value					
At 31 March 2019	**10.0**	**9.8**	**4.2**	**-**	**24.0**

16 Programme related assets and other inventories

	2019 £m	2018 £m
Rights to broadcast acquired programmes and films	**42.3**	37.5
Work in progress	**99.3**	125.0
Finished goods and goods for resale	**5.8**	6.8
Total programme related assets and other inventories	**147.4**	169.3

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

Investments in joint ventures

Details of the Group's significant interests in joint ventures and associates, including the name, country of incorporation and proportion of ownership interest, is given in note 32.

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

	Joint ventures 2019 £m	**Associates 2019 £m**	**Total 2019 £m**	Joint ventures 2018 £m	Associates 2018 £m	Total 2018 £m
At 1 April	34.6	191.4	**226.0**	39.9	205.1	245.0
Additions	0.6	3.1	**3.7**	1.1	6.3	7.4
Disposals	-	(6.5)	**(6.5)**	-	(1.5)	(1.5)
Share of results	25.0	10.9	**35.9**	23.5	12.3	35.8
Adjustment to provision for unrealised profits	(0.6)	0.5	**(0.1)**	0.8	(1.4)	(0.6)
Dividends receivable	(14.9)	(12.0)	**(26.9)**	(30.1)	(9.2)	(39.3)
Foreign exchange translation gains/(losses)	0.1	11.8	**11.9**	(0.6)	(19.8)	(20.4)
Impairment	-	(1.0)	**(1.0)**	-	(0.4)	(0.4)
At 31 March	44.8	198.2	**243.0**	34.6	191.4	226.0

Additions relate predominantly to investments in independent production companies.

Changes in interests in joint ventures and associates

The Group invested £0.6m further into BB Rights LLC a joint venture with ITV formed in 2016.

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

The Group previously held a 49.9% share in Lookout Point Limited, an associate holding in an independent production company, and on the 5 July 2018 purchased the remaining shareholding, resulting in it being a 100% wholly owned subsidiary.

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

Costs directly attributable to equity transactions are capitalised.

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

Investments in joint ventures continued

Interests in joint ventures

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

UKTV

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

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

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

	UKTV 2019 £m	UKTV 2018 £m
Non-current assets	**18.4**	8.9
Current assets	**248.0**	241.3
Current liabilities	**(124.0)**	(128.5)
Non-current liabilities	**(48.0)**	(51.2)
Net assets of UKTV	**94.4**	70.5
Group's share of net assets of UKTV	**47.0**	35.1
Provision for unrealised profit	**(4.7)**	(4.2)
Interest in UKTV	**42.3**	30.9
Revenue	**332.0**	328.0
Expenses	**(256.7)**	(252.4)
Depreciation	**(6.3)**	(3.6)
Interest payable	**(3.7)**	(3.6)
Taxation	**(12.5)**	(14.7)
Profit after taxation	**52.8**	53.7
Profit from UKTV attributable to other parties	**(26.4)**	(26.9)
Group share of results from UKTV recognised in consolidated income statement	**26.4**	26.8

Included within the UKTV balance sheet are cash and cash equivalents of £30 million (2018: £28.9 million), financial liabilities of £117.3 million (2018: £111.8 million) and non-current financial liabilities of £48.1million (2017: £51.4 million). Included within UKTV's expense for the year is an amortisation charge of £129.9 million (2018: £114.5million).

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

Investments in associates

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

New Video Channel America, LLC. ("NVCA")

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

The following represents the Group's share of NVCA held during the year:

	NVCA 2019 £m	NVCA 2018 £m
Non-current assets	**271.6**	145.1
Current assets	**104.6**	89.6
Current liabilities	**(155.9)**	(28.4)
Non-current liabilities	**(5.5)**	(8.2)
Net assets of NVCA	**214.8**	198.1
Group share of net assets of NVCA	**107.6**	99.2
Provision for unrealised profit	**(4.5)**	(4.7)
Goodwill	**66.1**	61.7
Interest in NVCA	**169.2**	156.2
Revenue	**145.0**	130.5
Profit after taxation	**24.6**	24.0
Profit from NVCA attributable to other parties	**(12.3)**	(11.8)
Group share of results of NVCA recognised in consolidated income statement	**12.3**	12.2

Other associates

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

18 Trade and other receivables

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

	2019 **£m**	2018 £m
Trade receivables	**30.3**	44.3
Amounts owed by joint ventures and associates	**2.0**	2.2
Total	**32.3**	46.5

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

18b Trade and other receivables due within one year

	2019 **£m**	2018 £m
Trade receivables	**199.9**	211.7
Amounts owed by ultimate parent undertaking	**11.9**	15.1
Amounts owed by parent undertaking	**-**	2.7
Amounts owed by fellow BBC group subsidiaries	**3.8**	-
Amounts owed by joint ventures and associates	**45.4**	32.1
Prepayments	**21.6**	12.1
Accrued income	**120.2**	94.2
Other receivables	**18.9**	14.3
Total	**421.7**	382.2

19 Expected credit losses

Included in the Group's contract assets and trade and other receivables at 31 March 2019 are balances of £26.2 million (2018: £29.6 million) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

	2019 **£m**	2018 £m
Up to 3 months	**19.6**	23.1
3 to 6 months	**2.3**	3.9
Over 6 months	**4.3**	2.6
Total	**26.2**	29.6

In determining the recoverability (likelihood of receiving payment) of a 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. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Receivables are provided for based on the probability of expected credit losses for each receivable.

19 Expected credit losses continued

Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the income statement. The impairment provision stands at £7.4 million at 31 March 2019 (2018: £3.1 million).

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

	2019 £m	2018 £m
Balance at the beginning of the year	**3.1**	4.2
Charge for the year	**4.9**	1.4
Amounts recovered during the year	**(0.1)**	(1.6)
Amounts written off as uncollectable	**(0.5)**	(0.9)
Balance at the end of the year	**7.4**	3.1

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

20 Trade and other payables

20a Trade and other payables due within one year

	2019 £m	2018 £m
Trade payables	**42.8**	38.6
Salaries and wages creditors	**31.1**	34.0
Rights creditors	**135.0**	156.2
Amounts owed to ultimate parent undertaking	**27.1**	31.4
Amounts owed to fellow BBC Group subsidiaries	**2.4**	15.1
Amounts owed to joint ventures and associates	**11.1**	1.2
Accruals	**46.9**	41.5
Deferred income	**3.8**	0.2
Other payables	**40.3**	33.5
Total	**340.5**	351.7

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

	2019 £m	2018 £m
Rights creditors	**16.4**	39.3
Other payables	**19.1**	26.6
Total	**35.5**	65.9

Other payables includes the fair value of put option liabilities of £12.4 million (2018: £25.2 million). The Group had no contingent considerations in either the current or prior year.

21 Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank available on demand and cash in hand	**49.2**	45.3
Total	**49.2**	45.3

22 Borrowings

22a Borrowings due within one year

	2019 £m	2018 £m
Bank loans	**8.5**	0.9
Total	**8.5**	0.9

22b Borrowings due after more than one year

	2019 £m	2018 £m
Bank loan	**1.1**	-
Borrowings from parent company	**85.3**	171.0
Total	**86.4**	171.0

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

23 Provisions and contingent liabilities

	At 1 April 2018 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2019 £m
Restructuring	2.7	1.1	(1.7)	-	**2.1**
Property provisions	1.5	0.1	(0.4)	-	**1.2**
Other	6.3	9.0	(0.2)	(0.3)	**14.8**
Total	10.5	10.2	(2.3)	(0.3)	**18.1**
Included in current liabilities	9.1				**15.0**
Included in non-current liabilities	1.4				**3.1**
Total	10.5				**18.1**

Property-related provisions include onerous leases in respect of properties held under non-cancellable leases, when the expected benefits to be derived by the Group from subletting those properties are lower than the unavoidable costs payable over the remaining term of the respective leases, together with provisions for dilapidations in respect of leasehold properties.

Other provisions primarily comprise of legal claims.

The Group has given guarantees in relation to the BBC Commercial Holdings limited revolving credit facility agreement. No amounts were drawn down under this facility in the current or prior year. In addition the Group has given guarantees in relation to a US private placement in the name of BBC Commercial Holdings Limited which at year end was £193.2 million (2018: £181.6 million). At 31 March 2019, the total amount of this debt was £193.2 million (2018: £181.6 million).

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

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

24 Share capital

	2019 £m	2018 £m
Issued, allotted, called up and fully paid		
At 1 April	**0.1**	1.3
Share issue	-	49.5
Share capital reduction	-	(50.7)
At 31 March	**0.1**	0.1

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

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

25 Equity shareholder's funds and reserves

Retained earnings

The retained earnings reserve reflects accumulated profits to date and the one-off cumulative catch-up adjustment of £4.9 million due to the transition to IFRS 15 *Revenue from Contracts with Customers* . The cumulative catch-up adjustment is an entry to opening retained earnings to reflect the changes in revenue recognition due to IFRS 15 under the modified retrospective transition method. Refer to accounting policies section for further information on the transition. As at 31 March 2019, the cumulative goodwill charged to reserves on acquisitions prior to 1 April 1998 amounted to £14.2 million. This amount is unchanged from the prior year, and remained in equity in the subsidary it relates to upon transition to IFRS as permitted by IFRS 1.

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 £4.0 million were removed from the hedging reserve and recognised in revenue in the income statement (2018: losses of £17.4 million).

Translation reserve

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

Other reserve

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

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

	2019 £m	2018 £m
Group profit before tax	**132.4**	99.7
Depreciation, amortisation and impairment	**43.1**	16.2
Amortisation of distribution rights	**152.2**	169.4
Loss/(gains) on derivatives	**2.1**	(5.2)
Share of profits in joint ventures and associates	**(35.9)**	(35.8)
Gains on disposal of available for sale investment	**-**	(4.4)
Gains on disposal of joint ventures and associates	**(7.2)**	(0.4)
Gain on sale and termination of operations	**(28.4)**	(16.4)
Other gains and losses	**(15.2)**	(4.2)
Financing income	**(2.0)**	(1.4)
Financing costs	**5.6**	4.3
Decrease / (increase) in inventories	**21.9**	(102.8)
Decrease in receivables	**16.5**	96.0
Decrease in payables	**(19.5)**	(34.8)
Increase in provisions	**7.6**	3.8
Cash generated from operations	**273.2**	184.0

27 Commitments and operating leases

27a Commitments

	2019		2018	
	Distribution rights £m	**Other Commitments £m**	Distribution rights £m	Other Commitments £m
Amounts due in less than one year	**121.6**	**44.7**	93.8	30.2
Amounts due between two and five years	**36.4**	**12.5**	20.0	24.6
Total	**158.0**	**57.2**	113.8	54.8

Included in other commitments is £25.8 million (2018: £21.7 million) of commitments to associates and £7.4 million (2018: £16.0 million) to joint ventures.

27b Operating leases

The total future minimum lease payments under noncancellable operating leases are payable as follows:

	2019 £m	2018 £m
Within one year	**25.4**	22.5
In two to five years	**31.8**	33.5
After five years	**65.9**	72.3
Total	**123.1**	128.3

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

28 Financial Instruments

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

The Group's financial risk management operations are carried out by a 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, 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 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 where required
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 aging analysis	Assessment of financial reliability, collateral and other credit enhancements

28 Financial instruments continued

Currency risk

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

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

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

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

At 31 March 2019, the Group had entered into a net commitment to sell foreign currencies amounting to £290.1 million (2018: £124.1million) that mature in the period through to 2021 in order to fix the sterling cost of commitments through this period (mainly euros and US dollars).

Based on the net forward contracts outstanding at 31 March 2019, if the pound had moved adversely by 5% with all other variables being constant, the profit or loss impact would have been a gain of £0.9 million (2018: loss of £3.0 million) and the comprehensive income impact would have been a loss of £15.5 million (2018: loss of £2.8 million).

Net gains (before tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in hedge relationships at 31 March 2019 were £1.8 million (2018: £25.9 million net gains). 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 £0.9 million (2018: nil).

28 Financial Instruments continued

Interest rate risk

The Group's main exposure to interest rate fluctuations arises on external interest bearing liabilities and loans from its parent undertakings. The Group borrows at floating rates of interest creating an exposure to cashflow interest rate risk.

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 31 March 2019 would have decreased by £1.5 million (2018: £1.4 million).

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 ceilings imposed on its borrowings by the BBC, which in turn is subject to limits set by the Secretary of State in accordance with the Agreement between the BBC and Department of Culture Media and Sport. At 31 March 2019 the net debt limit imposed was £300 million (2018: £270 million).

In order to comply with these limits, together with the terms of any individual debt instruments, the Group manages its liquidity through a number of measures, including regular cash flow reporting, forecasting, hedging against foreign exchange fluctuations and proactively managing working capital.

28 Financial instruments continued

Liquidity risk continued

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

2019	Carrying value £m	Total contractual cash flows £m	Less than one year £m	Between one and five years £m	Over five years £m
Non-derivative financial liabilities					
Trade and other payables	(359.8)	(359.8)	(336.4)	(22.9)	(0.5)
Non-controlling interest put options	*(12.4)*	*(16.7)*	-	*(16.7)*	-
Bank loans	(9.6)	(9.7)	(8.6)	(1.1)	-
Loan from immediate parent undertaking	(85.3)	(87.9)	(1.7)	(86.2)	-
Derivative financial liabilities					
Forward foreign currency contracts - fair value through profit/loss	(1.4)	(1.4)	(1.1)	(0.3)	-

2018	Carrying value £m	Total contractual cash flows £m	Less than one year £m	Between one and five years £m	Over five years £m
Non-derivative financial liabilities					
Trade and other payables	(392.2)	(392.2)	(314.9)	(52.4)	(24.9)
Non-controlling interest put options	(25.2)	(37.8)	(37.8)	-	-
Bank loans	(0.9)	(0.9)	(0.9)	-	-
Loan from immediate parent undertaking	(171.0)	(177.0)	(4.0)	(173.0)	-
Derivative financial liabilities					
Designated forward foreign currency contracts - fair value through other comprehensive income	(1.7)	(1.7)	(1.7)	-	-
Forward foreign currency contracts - fair value through profit/loss	(0.3)	(0.3)	(0.3)	-	-
Embedded derivatives	(0.6)	(0.6)	-	(0.6)	-

28 Financial Instruments continued

Credit risk

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

For 2019 and 2018, there were no customers external to the BBC Group comprising over 10% of the Group's total revenues. For related party revenues and receivables please refer to note 31.

Fair value hierarchy and valuation techniques

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

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

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

No transfers between these categories have occurred during the period.

28 Financial Instruments continued

Fair value hierarchy and valuation techniques continued

	Carrying value				For those carried at fair value			
2019	Amortised cost £m	Fair value through profit/loss £m	Fair value through OCI £m	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Cash and cash equivalents	49.2	-	-	49.2	-	-	-	-
Trade and other receivables	432.4	-	-	432.4	-	-	-	-
Derivative financial assets:								
Forward foreign currency contracts	-	0.3	1.3	1.6	-	1.6	-	1.6
Total financial assets	**481.6**	**0.3**	**1.3**	**483.2**	-	**1.6**	-	**1.6**
Trade and other payables	(359.8)	-	-	(359.8)	-	-	-	-
Non-controlling interest put options	-	(12.4)	-	(12.4)	-	-	(12.4)	(12.4)
Derivative financial liabilities:								
Forward foreign currency contracts	-	(1.4)	-	(1.4)	-	(1.4)	-	(1.4)
Bank loans and overdrafts	(9.6)	-	-	(9.6)	-	-	-	-
Borrowings from parent company	(85.3)	-	-	(85.3)	-	-	-	-
Total financial liabilities	**(454.7)**	**(13.8)**	-	**(468.5)**	-	**(1.4)**	**(12.4)**	**(13.8)**

28 Financial Instruments *continued*

Fair value hierarchy and valuation techniques *continued*

	Carrying value				For those carried at fair value			
2018	Amortised cost £m	Fair value through profit/loss £m	Fair value through OCI £m	**Total** £m	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Cash and cash equivalents	45.3	-	-	45.3	-	-	-	-
Trade and other receivables	416.0	-	-	416.0	-	-	-	-
Unquoted equities	0.6	-	-	0.6	-	-	0.6	0.6
Derivative financial assets:								
Forward foreign currency contracts	-	1.3	1.2	2.5	2.5	-	-	2.5
Total financial assets	**461.9**	**1.3**	**1.2**	**464.4**	**2.5**	**-**	**0.6**	**3.1**
Trade and other payables	(392.2)	-	-	(392.2)	-	-	-	-
Non-controlling interest put options	-	(25.2)	-	(25.2)	-	-	(25.2)	(25.2)
Derivative financial liabilities:								
Forward foreign currency contracts	-	(0.3)	(1.7)	(2.0)	-	(2.0)	-	(2.0)
Embedded derivatives	-	(0.6)	-	(0.6)	-	-	(0.6)	(0.6)
Bank loans and overdrafts	(0.9)	-	-	(0.9)	-	-	-	-
Borrowings from parent company	(171.0)	-	-	(171.0)	-	-	-	-
Total financial liabilities	**(564.1)**	**(26.1)**	**(1.7)**	**(591.9)**	**-**	**(2.0)**	**(25.8)**	**(27.8)**

Notes to the Group financial statements continued

28 Financial Instruments continued

***Fair value hierarchy and valuation techniques** continued*

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.

Level 3 financial instruments

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

	2019		2018	
	Financial assets £m	**Financial liabilities £m**	Financial assets £m	Financial liabilities £m
At 1 April	**0.6**	**(25.8)**	7.9	(9.0)
Settlements and payments	**-**	**-**	-	1.7
Unwinding of discount recorded within finance expense	**-**	**(2.4)**	-	(0.6)
Disposal of available for sale asset	**-**	**-**	(7.3)	-
Additions	**-**	**-**	-	(21.8)
IFRS 9 cumulative catch up	**(0.6)**	**0.6**	-	-
Change in fair value recorded in other gains and losses	**-**	**15.2**	-	3.9
At 31 March	**0.0**	**(12.4)**	0.6	(25.8)

The IFRS 9 cumulative catch up adjustment to opening reserves has a net impact of nil. Under IAS 39 unquoted equities were measured at cost and are now measured at fair value under IFRS 9. The change in value of £0.6 million between the balance at 31 March 2018 under IAS 39 and 1 April 2019 under IFRS 9 has been released as a debit to the opening reserves. Embedded derivatives relating to financial asset host contracts are no longer separated under IFRS 9 and instead the contract is measured entirely under amortised cost. The change in value of £0.6 million between the balance at 31 March 2018 under IAS 39 and 1 April 2019 under IFRS 9 has been released as a credit to the opening reserves.

29 Borrowing facilities

Facility	Interest rate	Total available 31 March 2019 £m	Drawn down at 31 March 2019 £m	Total available 31 March 2018 £m	Drawn down at 31 March 2018 £m	Expiry or review date
Multicurrency loan facility with the immediate parent, BBC Comercial Holdings Limited	Interest at a rate broadly reflects the cost of funding to BBC Commercial Holdings including any applicable margin; currently this is 2% (2018: 2%)	**300.0**	**85.3**	270.0	171.0	30 September 2020
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.	**2.0**	**-**	2.0	-	Reviewed annually
Bank loan	3 month GBP LIBOR + 1.75%	**8.8**	**1.1**	-	-	15 November 2021
Bank loan	3 month GBP LIBOR + 1%	**2.6**	**2.3**	8.6	0.9	31 August 2019
Bank loan	3 month GBP LIBOR + 1%	**6.2**	**6.2**	-	-	31 October 2019

30 Parent undertaking and controlling party

The Group's immediate parent is BBC Commercial Holdings Limited, which is in turn 100% owned by the ultimate parent undertaking and controlling party, the British Broadcasting Corporation ('BBC'), which is incorporated in the United Kingdom by Royal Charter. The largest group in which the results of the Group are consolidated is that headed by the BBC. The consolidated accounts of the BBC may be obtained online at www.bbc.co.uk/annualreport.

31 Related party transactions

The related party transactions of the Group have been presented in accordance with IAS 24 Related Party Disclosures. Related parties of BBC Studios Limited include its subsidiary, joint venture and associate 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 and fellow subsidiary undertakings within the BBC Group are reported in notes 18 and 20 respectively. In addition to the above, the Group also received less than £100,000 of income from BBC Children in Need (2018: less than £100,000 of income), which is the level of rounding used in these financial statements.

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

	2019	2018
	£m	£m
Royalties and other programme related fees	**(15.1)**	(16.9)
Dividends proposed	**(65.3)**	(109.1)
Other income	**360.4**	353.8
Other expense	**(46.9)**	(40.3)
Total	**233.1**	187.5

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

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

Name of related party	**Income 2019 £m**	**Expenditure 2019 £m**	**Dividends received 2019 £m**	Income 2018 £m	Expenditure 2018 £m	Dividends received 2018 £m
Joint ventures:						
UKTV Media Holdings Limited	**52.6**	**-**	**14.5**	54.8	-	30.0
Other joint ventures	**8.0**	**-**	**0.4**	3.4	3.4	0.1
Associates:						
New Video Channel America LLC	**29.6**	**(2.8)**	**11.4**	29.0	(5.9)	7.7
Other associates	**2.6**	**(9.8)**	**0.6**	2.4	(27.1)	1.5
Total	**92.8**	**(12.6)**	**26.9**	89.6	(29.6)	39.3

31 Related party transactions continued

The following amounts were outstanding at the balance sheet date:

Name of related party	Receivables 2019 £m	Payables 2019 £m	Net balance 2019 £m	Receivables 2018 £m	Payables 2018 £m	Net balance 2018 £m
Joint ventures:						
UKTV Media Holdings Limited	**35.1**	**(9.7)**	**25.4**	19.5	-	19.5
Other joint ventures	**3.0**	**(0.1)**	**2.9**	3.4	-	3.4
Associates:						
New Video Channel America LLC	**2.1**	**(1.3)**	**0.8**	2.5	(1.2)	1.3
Other associates	**7.2**	**-**	**7.2**	8.9	-	8.9
Total	**47.4**	**(11.1)**	**36.3**	34.3	(1.2)	33.1

At 31 March 2019, the Group also had an outstanding balance of £1.0 million (2018: £1.0 million) payable to a joint venture of the Group's ultimate parent in respect of group relief. This balance is included within other payables.

32 Interests in joint ventures, associates and subsidiaries

32a Significant joint ventures and their activities

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

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

32b 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

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

32 Interests in joint ventures, associates and subsidiaries continued

32c Subsidiary undertakings

BBC Studios Limited owns 100% of the issued share capital of the following companies, which are incorporated in Great Britain and registered in England and Wales. Where indicated below (*) the subsidiary 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
BBC Studios Distribution Limited	1 Television Centre, 101 Wood Lane,	100
BBC Studios Productions Limited	London W12 7FA	100

Indirectly owned subsidiaries	Registered Address	Holding of ordinary
BBC Grafton House Productions Limited		100
BBC Comedy Productions Limited		100
BBC Natural History and Factual Productions Limited		100
BBC Natural History Giant Screen Limited		100
Mortimer Productions Limited		100
2 Entertain Limited		100
2 Entertain Management Limited (company number 05087003)*		100
2 Entertain Video Limited		100
BBC Video Limited (company number 04840888)*		100
MCI Music Publishing Limited (company number 02994545)*		100
Demon Music Group Limited (company number 01622224)*		100
Crimson Productions Limited (company number 02270191)*		100
F-Beat Records Limited		100
Demon Records Limited		100
BBC Earth MD (WWD) Limited		100
BBC Earth Productions (Life) Limited (company number 05705186)*		100
BBC Earth Productions Limited (company number 07787231)*		100
BBC Earth Productions (Giant Films) Limited (company number 08413155)*	1 Television Centre, 101 Wood Lane,	100
Earth Film Productions Limited (company number 09142155)*	London, United Kingdom, W12 7FA	100
BBC Magazines Holdings Limited (company number 05699560)*		100
BBC Studios Corporate Services Limited		100
BBC Studios Investments Limited (company number 02701369)*		100
BBC Studios Drama Productions Limited (company number 08305652)*		100
Tonto Films and Television Limited (company number 05221185)*		100
BBC Studios Channel Investments Limited (company number 03309240)*		100
UK Programme Distribution Limited		93
BEEB Rights Limited		88
Baby Cow Productions Limited		70
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
BBC Earth Productions (Africa) Limited (company number 07451708)*		100
Baby Cow Animation (Warren) Limited		100

32 Interests in joint ventures, associates and subsidiaries continued

32c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holdings of ordinary shares %
Baby Cow Animation (Wussywat) Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA	100
Baby Cow Animation Limited		100
Baby Cow Films (Zoe) Limited		100
The Last Holiday Limited		100
Sid Gentle Films Limited	Charles House, 5-11 Regent Street, London, SW1Y 4LR	51
Sid Gentle Films (Corfu) Limited		100
Sid Gentle Films (Gaiman) Limited		100
Sid Gentle Films (KE2) Limited		100
Sid Gentle Films (Killing Eve) Limited		100
Sid Gentle Films (OLIVE) Limited		100
Sid Gentle Films (SS-GB) Limited		100
Sid Gentle Films (TD4) Limited		100
Sid Gentle Films (The Durrells) Limited		100
Lookout Point Limited	Hammer House, 113 - 117 Wardour Street, London, United Kingdom, W1F 0UN	100
A suitable Company Limited		100
AMP 1 Limited		100
Evergreen Television Limited		100
LOOKOUT POINT (LES MISERABLES) Limited		100
LOOKOUT POINT (SHIBDEN) Limited		100
Lookout Point Acquisition Limited		100
Off Stone Productions Limited		100
Lookout Point (The Collection) Limited		100
BBC Studios Canada Limited	409 King Street West, 5th Floor, Toronto, ON, M5V 1K1, Canada	100
BBC Studios PTE Limited	3 Anson Road, #17-03 Springleaf Tower, Singapore 079909	100
BBC Studios Japan Limited	Tokyo Club Bldg., 10F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013, Japan	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) Ltd	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

32 Interests in joint ventures, associates and subsidiaries continued

32c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holdings of ordinary shares %
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 Production, 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 Ltd	Level 1, 35-51 Mitchell Street, McMahons Point NSW 2060, Australia	100
BBC Studios Australia Pty Ltd		100
BBC Studios Productions Australia Pty Ltd		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
BBC Studios India Private Limited	Construction House A Wing, 401- 4th Floor, Off Linking Road, 24th Road, Khar (W), Mumbai 400 052 India	100
BBC Studios Africa (Pty) Ltd	Office 003H3 Ground Floor, 10 Melrose Boulevard, Melrose Arch, Melrose North 2196, SA	100
BBC Studios Intermediadora de Programadora Estrangeira Ltda	Rua Ferreira de Araujo, 741, Andar 1, Pinheiros, São Paulo SP 05.428-002 Brazil	100
BBC Studios Polska Sp. z o.o.	Pl. Bankowy 1, 00-139 Warszawa, Poland	100
BBC Studios Mexico, S.A. de C.V.	Avenida Paseo de la Reforma No 115, Piso 4 Lomas de Chapultepec, Distrito Federal 11000 Mexico	100
BBC Worldwide Channels Mexico S.A de C.V		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) Ltd	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	100

Notes to the Group financial statements continued

33 Post balance sheet events

On 11 June 2019, the UKTV group, a joint venture previously owned by BBC Studios Distribution Limited and Southbank Media Limited (see note 17), was demerged and had its ownership restructured. The three leisure-themed channels were separated from the group, and BBC Studios obtained 100% ownership and control of UKTV Holdings Limited and its remaining seven entertainment channels, as well as UKTV Play and the UKTV brand. The principal reason for this acquisition was that these channels are closely aligned to the Group's own content strategy and supply. The total cash payment due from BBC Studios of £173 million is payable over two years. This includes a cash consideration of £106 million in relation to the channels acquisition, and the assumption of £67 million of debt, previously financed by the joint venture counterparty. This acquisition was financed through existing borrowing facilities. As outlined in note 17, for the year ended 31 March 2019, UKTV had total revenues of £332 million and profit of £53 million, and had gross assets of £266 million and net assets of £94 million. Owing to the timing of the transaction occurring close to the date of signing of the 2019 financial statements, full acquisition accounting has not yet been completed, including calculation of goodwill on acquisition and potential recognition of other intangible assets. Full acquisition accounting information is expected to be provided in the financial statements for the year ending 31 March 2020.

Company financial statements

Balance sheet

as at 31 March 2019

	Note	Company 2019 £m	Company 2018 £m
Fixed assets			
Investment in subsidiaries	A	**166.8**	166.8
		166.8	166.8
Total assets less current liabilities, being net assets		**166.8**	166.8
Represented by			
Share capital	B	**0.1**	0.1
Retained earnings	B	**166.7**	166.7
Total equity shareholder's funds		**166.8**	166.8

The financial statements were approved by the directors on 18 June 2019 and signed on their behalf by:

Tom Fussell
Director

BBC Studios Limited
Registered number 04463546

Statement of Company 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's business activities, together with the factors likely to affect its future development, its financial position and, financial risk management objectives are described in the Strategic report on page 4. The Company has sufficient financial resources to continue in operation for the foreseeable future and although the Company is not immune from the effects of the current economic environment, the Directors believe that the Company is well-placed to manage those risks effectively. As a result the going concern basis has been adopted in the preparation of these Financial Statements.

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 Studios Limited has not been presented. The Company's profit after taxation for the financial year was £65.3 million (2018: £71.4 million). The Company did not have any other comprehensive income and consequently no statement of other comprehensive income has been presented either.

Statement of accounting policies continued

Investment in subsidiaries

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

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

BBC Studioworks Limited was transferred at net book value to the Company's parent, BBC Commercial Holdings Limited, during the prior year.

Taxation

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

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

Cash and cash equivalents

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

Dividend income

Dividends are recognised in the year in which they are declared, once any eligibility events have occurred.

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 the 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 expired.

Statement of accounting policies continued

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.

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 £166.8 million (2018: £166.8 million) with no impairment loss recognised in 2019 or 2018.

Notes to the Company financial statements

A Investment in subsidiary undertakings

	Company 2019 £m	Company 2018 £m
Cost		
At 1 April	**166.8**	172.8
Additions	-	49.5
Disposals	-	(55.5)
At 31 March	**166.8**	166.8
Provision for impairment		
At 1 April	-	(17.8)
Disposals	-	17.8
At 31 March	-	-
Net book value	**166.8**	166.8

During the prior year, shares were acquired in BBC Studios Productions Limited, whilst BBC Studioworks Limited was transferred from BBC Studios Limited to BBC Commercial Holdings Limited at net book value.

BBC Studios 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	Registered address	Nature of business
BBC Studios Distribution Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA	Acquisition, development, exploitation and licence and sale of media and publishing intellectual property.
BBC Studios Productions Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA	Development and production of programme content

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

The movement in reserves during the year was as follows:

Company	Share capital £m	Retained earnings £m	**Total £m**
At 1 April 2018	0.1	166.7	**166.8**
Profit for the financial year	-	65.3	**65.3**
Dividends declared in year	-	(65.3)	**(65.3)**
At 31 March 2019	**0.1**	**166.7**	**166.8**

C Auditor's remuneration

The audit fee of £85,000 was borne by another Group company (2018: £2,000 incurred by the Company).