

BBC Studios Distribution Limited

Registered number 01420028

Annual Report and Financial Statements

For the year ended 31 March 2021



Officers and advisors

Directors

Tom Fussell

Mark Linsey (Appointed 3 August 2020)

Tim Davie (Resigned 28 August 2020)

Company secretary

Anthony Corriette

Registered office

1 Television Centre

101 Wood Lane

London

W12 7FA

Auditor

National Audit Office

157 - 197 Buckingham Palace Road

London

SW1W 9SP

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Strategic report

The Directors present their annual report and audited financial statements for BBC Studios Distribution Limited (the 'Company'), for the year ended 31 March 2021. The Company financial statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework for all periods presented.

Principal activities

The principal activity of the Company is to invest in content and IP for global distribution and exploitation through content sales, branded services and ancillaries. The Company's profits contribute to significant financial returns that are reinvested into the BBC for the benefit of the UK licence payer.

Business review

The Company results for the year were strong with total revenue of £629.6m (2020: £662.3m) and earnings before interest, tax, depreciation and amortisation ('EBITDA') of £109.2m (2020: £76.8m). The increase in EBITDA is mostly driven by a £30.5m increase in dividends received, largely from UKTV Media Holdings Limited (UKTV). For the first 2 years of ownership the Company used UKTV profit and cash to pay down the acquisition debt, and now that is paid off, the Company is receiving dividends.

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

The business made good progress on strategic goals and ended the year in a stronger position for future growth. A focus on people, culture and wellbeing was significantly expanded to support those working for the Company through the pandemic, the business also made a donation of £0.3m to the Film and TV Charity's emergency support fund for industry freelancers.

Content Sales had its second best year ever, thanks to major customer partnerships and hard work within the business to support customers in broadcast and SVOD services affected by production delays with access to BBC Studios' back catalogue. The impact of production delays chiefly accounts for the decline in content sales revenue from record levels in the prior year.

Alongside BBC Earth's increasing popularity on YouTube, with 2.7bn video views - a 44% year on year increase - there was steady growth in availability for the Company's linear channels, with scripted channel BBC First going live in Turkey, Taiwan and Canada in the year, BBC Lifestyle launching in South Korea, and CBeebies in India.

The Company launched BBC Select, its first fully owned and operated digital streaming service, on Amazon and Apple TV+ in early 2021 with a focus on culture, politics and ideas. E-learning service BBC Maestro successfully launched in the UK, securing over half a million visitors to the site in four months. The service will launch internationally later in 2021 with 10 new courses from high profile experts in their field, including Helena Bonham Carter, Julia Donaldson, Gary Barlow and Oswald Boateng.

Premium SVOD services Discovery+ and HBO Max went live to consumers with BBC content at their core, including landmark natural history and drama series respectively. Covid-19 impacted the year's content sales markets, with BBC Studios forging a virtual presence at industry event MIPCOM and a rapid reinvention of the Company's bespoke inhouse sales conference Showcase, doubling the attendees at its virtual event.

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

To help protect its planet and people, BBC Studios launched a company-wide sustainability plan with new targets, including a minimum 50% reduction in travel. The business announced its carbon net zero ambition for 2030, after achieving carbon neutrality through reductions and offsetting.

Future outlook

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

The Company's contribution to on-screen success will continue in the year ahead. New creative deliveries from BBC Studios Productions Limited will include Sir David Attenborough-narrated Natural History Unit landmark The Green Planet, Doctor Who and Top Gear. The Company's major investments through its independent production partners for the BBC include Nicole Lecky's Superhoe (working title), Ian McGuire's The North Water and John Downer Productions Serengeti - alongside the 11th season of perennial audience favourite Call The Midwife.

Strategic report continued

Risks and uncertainties

The Company considers its key risks and uncertainties to be as follows:

Risk	Impact	Mitigation
Protecting our brand, reputation and standards		
Risk we fail to successfully represent the values of the BBC across all its content and services. Risk that global audiences and customers lose confidence in the Company and its editorial standards.	Reputational damage to the brand and the credibility of the global business. Potential loss of customer confidence and revenue.	Alignment to the BBC Code of Conduct; it sets out the commitments for staff to follow, including: respecting each other, doing the right thing, acting with integrity and living up to the highest legal and ethical standards. The Code is supported by a speak up culture and a programme of training. Control measures to ensure third parties are appropriate partners, share our values and meet legal and regulatory obligations.
Risk that a third party does not share or fails to meet our values and standards		Commitment to driving greater inclusion across all activities, including with third parties and producers. Clear strategy and targets. D&I is integral to the investment and commissioning processes.
Risk that we are unable to achieve improved diversity across the workforce and within our content or that we fail to demonstrate industry leadership in meeting our green ambitions.		Approved Green strategy. Production activity is comparable to industry leaders; plans in place for international operations.
Health, safety and security		
Risk that the company fails to protect the health, safety and wellbeing of its people and contributors which may result in a person being harmed or suffering adverse health effects.	Potential for injury, financial penalties and criminal charges.	Policies, processes, plans and governance structures in place to manage the safety of our activities.
Risk of breaching Covid-19 guidelines. Restrictions continue to present challenges across all areas of the business. Risk variants of known concern will continue to develop and prolong the pandemic	Reputational risk if we fail to protect our staff and all others in our care.	During the pandemic, the overriding priority has been to protect the health and wellbeing of individuals, with extensive support available for those facing challenges working on productions, in the field or from home for extended periods with a focus on maintaining wellbeing in a stressful and uncertain climate.
Economic and geopolitical climate		
Ongoing economic uncertainty over the speed and nature of the recovery in the UK and internationally, due to the ongoing pandemic.	Loss of business opportunities and revenues if routes to markets strategies cannot be fully implemented.	The Company is diversified across production, distribution and branded and ancillary services. It operates across many geographical regions and has key global customers and partnerships. It has been resilient during the pandemic with stronger than anticipated advertising markets
Routes to market strategy are challenged in some territories, especially where there are risk factors such as authoritarian regimes, human rights issues, a poor environment record and lack of upholding laws.	Impact on financial performance.	Measures are in place to ensure commercial interests are balanced against international purpose and meet editorial goals. Also that appropriate partners are selected and compliance risks managed in high risk territories.
Regulatory and compliance breaches		
Risk of non-compliance with increasing number of UK and international laws and regulations; many of which have an extra-territorial reach.	Civil or criminal challenge. Fines or penalties.	Frameworks exist to manage compliance risks internationally across the Company. There are clear lines of responsibility, subject matter experts, risk assessments, policies, control processes, response plans, communications, training and monitoring. Compliance reporting with regular updates to Senior Committees. Incident reporting process and corrective action taken.
The Company operates globally and in certain high-risk territories. It is also seeking to expand and launch new services. This poses further risk of exposure to new legislation and regulations.	Potential restrictions on business activities	In-house Regulatory Team supported by specialists in BBC Company.
Managing suppliers and third parties		
The Company relies on a number of third parties located across the globe to support the delivery of its content and services.	Customer dissatisfaction and potential loss of revenue if service levels are not met.	Robust technology and operations infrastructure, including broadcast and editing continuity; resilience demonstrated through the pandemic.
Failure of a key supplier could significantly impact our infrastructure, our content sales, and channels and digital services operations.	Regulatory fines if services are not operating within required parameters.	Critical third parties closely managed through contracted SLAs with escalation protocols in place.

Strategic report continued**Risk and uncertainties continued**

Risk	Impact	Mitigation
Distribution customer base and competition		
Risk that the Company's structure, strategy, content and services are not aligned to changes in the market and increased competition from a small number of global players, and that it loses access to valuable rights.	Diminishing returns on content investments.	Customer Management approach with a remit across all lines of business in order to build, coordinate and optimise relationships. Actively growing business with new customers.
Distribution is increasingly focussed on a few top strategic customers. Risk that their demand is not being met.	Lower commercial returns to BBC Group and Independent Production Companies.	Branded Services initiatives to enable operational fitness and cost savings and to derive investment value across the portfolio.
Traditional linear broadcasters under increasing margin pressure leading to a reduction in subscribers and advertising revenues.	Declines in affiliate and advertising revenue in the UK and globally.	The Direct to Consumer proposition provides a credible strategic response to changes in the market and presents significant future growth opportunities for the Group.
Protecting our content and assets		
Risk that information security controls are compromised, leading to disruption of systems and services and the loss of sensitive or critical information.	Reduced editorial or commercial value of content, services and assets.	Frameworks in place to ensure robust controls to minimise the risk of loss. This includes policies, risk assessments, rehearsed response plans, training, ongoing monitoring and regular communications. Working with third parties to ensure they meet Company's requirements.
Risk from the unauthorised release of premium, high value content.	Reputational damage and loss of confidence in company's ability as a credible global producer and distributor.	Working closely with other content providers, platforms and customers to act against illegal use of brand and participates in outreach and engagement projects to combat piracy.
Increasing risk globally of illegal piracy of content and services.	Inability to establish paid digital services.	
Risk of loss due to financial crime, including fraud, bribery and theft or the manipulation of financial information.		

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

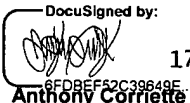
The Directors are aware of their duty under Section 172 of the Act to act in a way which they consider, in good faith, would be most likely to promote the success of the Company, in doing so, to have regard (amongst other matters) to the factors detailed in section 172(1) of the Act. As a result of the governance structure embedded within the Company and the wider Group, the matters that it is responsible for considering under the Act have been considered to an appropriate extent by the Group in relation to this Company. The Directors have also considered relevant matters where appropriate. The BBC Studios Executive Committee is responsible for providing leadership to the Company – including setting its creative strategy and delivering commercial outcomes. This is achieved whilst promoting and protecting the BBC brand and reputation worldwide, according to the commercial criteria as set out in the Charter and Agreement.

The Directors have a responsibility towards people and the planet. Consideration was given to steps to improve diversity and inclusion across the Company's content and teams. The business launched a dedicated plan to put people first, improve culture and develop talent, and a package of wellbeing measures across mental and physical health was accelerated to help teams and individuals thrive in the unprecedented circumstances precipitated by lockdown. To help protect its planet and people, the Company launched a company-wide sustainability plan with new targets, including a minimum 50% reduction in travel. The business announced its carbon net zero ambition for 2030, after achieving carbon neutrality through reductions and offsetting.

To the extent necessary for an understanding of the development, performance and position of the entity, a further explanation of how the Company and the wider Group has considered the matters set out in the Act is set out in the BBC Commercial Holdings Ltd Annual Report and Accounts, which does not form part of this report.

By order of the Board,

DocuSigned by:


Anthony Corriente

17 June 2021

Company Secretary

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 (Resigned 28 August 2020)
- Tom Fussell
- Mark Linsey (Appointed 3 August 2020)

Financial instruments

The Company's financial risk management operations are carried out by the BBC Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the BBC Board. Disclosure of how the BBC complies may be obtained from www.bbc.co.uk/annualreport.

Directors' interests and indemnities

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

Employee participation

The Company 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 staff surveys, which are subsequently used to develop detailed action plans. The Company 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 the Company as a subsidiary of the BBC. Creating a diverse workforce is part of the BBC's Diversity Strategy.

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

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

Training and development

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

Health and safety

The Company ensures that appropriate training is provided to staff in relation to health and safety. This is reinforced further by appropriate policies and procedures being in place. This is further detailed in the Future Outlook section of the Strategic Report on page 4.

Disabled persons

Disabled persons are fully and fairly considered for vacancies arising within the Company 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 Company 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. Streamlined Energy and Carbon Reporting for the Company can be found within the consolidated accounts of the Company's intermediate parent, BBC Commercial Holdings Limited.

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 the Company 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 Company made a charitable contribution of £0.3m (2020: £0.5m). The Company made no political donations during the year.

Branches

The Company has two branches; BBC Studios Distribution Limited Taiwan Branch and BBC Studios Distribution Limited Hong Kong Branch.

Directors' report continued

Dividends

No dividends were declared by the Company during the year (2020: £64.5m).

Future developments

See the Strategic report for details on the future developments of the Company.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 of the notes to the financial statements.

Post balance sheet events

It has been announced that the Company will acquire an 100% share of BBC Global News Limited on 1 July 2021. BBC Global News Limited was previously consolidated under the Company's intermediate parent BBC Commercial Holdings Limited and consolidated in the BBC Commercial Holdings Limited group for this financial period.

Auditor

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

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,

DocuSigned by:

6FDBEF52C39649E...
Anthony Corriette
Company Secretary
17 June 2021

Registered address

1 Television Centre
101 Wood Lane
London
W12 7FA

Statement of directors' responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice, comprising FRS 101 "Reduced Disclosure Framework" and applicable law).

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 Company and of the profit or loss for that period. In preparing the 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 Company will continue in business;
- state whether applicable UK Accounting Standards, comprising FRS 101, 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 Company and to prevent and detect fraud and other irregularities.

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

Opinion on Financial Statements

I have audited the financial statements of BBC Studios Distribution Limited for the year ended 31 March 2021 which comprise the income statement, the statement of comprehensive income, the balance sheet, 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 2021 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- 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) and applicable law. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

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

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

Conclusions relating to going concern

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

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

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

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

Other Information

The other information comprises information included in the Strategic and Director's report but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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 BBC Studios Distribution Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report to the members of BBC Studios Distribution 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).

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

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

My procedures included the following:

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

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

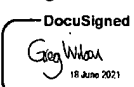
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- assessing the design and implementation of controls related to the significant risks identified above including testing the appropriateness of balances recognised for significant revenue generating contracts and reviewing the appropriateness of assumptions used for the amortisation policy of distribution rights applied in year and in the calculation of the year-end talent royalty accrual.

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

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

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

Greg Wilson (Senior Statutory Auditor)

DocuSigned by:
 18 June 2021
 3720181421E8452
 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 Distribution Limited

Annual Report and Financial Statements
Year ended 31 March 2021Income statement
for the year ended 31 March 2021

	Note	2021 £m	2020 £m
Revenue	2	568.3	631.5
Dividends received		61.3	30.8
Total revenue		629.6	662.3
Total operating costs	3	(536.0)	(598.2)
Operating profit		93.6	64.1
Operating profit reconciled as:			
EBITDA		109.2	76.8
Depreciation and amortisation		(15.6)	(12.7)
		93.6	64.1
Impairment of subsidiary investments	12	(2.0)	(1.1)
Impairment of goodwill		-	-
Other gains and losses		0.2	0.2
Financing income		2.5	1.1
Financing costs		(6.9)	(5.4)
Profit before taxation		87.4	58.9
Taxation	18	0.2	(16.0)
Profit for the year		87.6	42.9

**Statement of comprehensive income
for the year ended 31 March 2021**

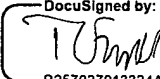
	Note	2021 £m	2020 £m
Profit for the year		87.6	42.9
Items that are or may be reclassified to the income statement in the future:			
Tax on cash flow hedges taken directly to other comprehensive income		(2.7)	0.1
Net gains/(losses) on foreign exchange cash flow hedges	21	14.5	(9.5)
Other comprehensive income for the year (net of tax)		11.8	(9.4)
Total comprehensive income for the year		99.4	33.5

BBC Studios Distribution Limited

Annual Report and Financial Statements
Year ended 31 March 2021**Balance sheet**
as at 31 March 2021

	Note	2021 £m	2020 £m
Non-current assets			
Distribution rights	8	173.4	199.8
Other intangible assets	9	36.9	39.5
Tangible fixed assets	10	12.4	14.7
Right of use assets	11	46.0	47.1
Investments	12	271.0	266.6
Deferred tax assets	18	9.9	9.8
Trade and other receivables	14	3.8	22.6
		553.4	600.1
Current assets			
Programme rights and other stock	13	24.2	25.8
Current tax receivable		11.4	5.0
Trade and other receivables	14	284.7	369.2
Cash at bank and in hand		0.4	2.4
		320.7	402.4
Current liabilities			
Provisions for liabilities	17	(22.5)	(11.7)
Lease liabilities		(3.0)	(2.8)
Trade and other payables	16	(337.8)	(454.0)
		(363.3)	(468.5)
Net current liabilities		(42.6)	(66.1)
Total asset less current liabilities		510.8	534.0
Non-current liabilities			
Provisions for liabilities	17	(2.7)	(3.7)
Lease liabilities		(43.5)	(44.4)
Deferred tax liabilities	18	(1.3)	-
Trade and other payables	16	(191.7)	(313.6)
		(239.2)	(361.7)
Net assets		271.6	172.3
Capital and reserves			
Called up share capital	19	0.2	0.2
Hedging reserve	21	3.4	(8.3)
Retained earnings		268.0	180.4
Shareholder's funds		271.6	172.3

These financial statements on pages 12 to 15 of BBC Studios Distribution Limited, registered number 1420028, including the notes on pages 16 to 32, were approved by the Board of Directors and authorised for issue and signed on its behalf by:

DocuSigned by:

 B257037913324AD...
Tom Fussell

Chief Financial Officer
 17 June 2021

**Statement of changes in equity
for the year ended 31 March 2021**

	Note	Share capital £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 31 March 2019		0.2	1.1	202.0	203.3
Profit for the financial year		-	-	42.9	42.9
Recognition and transfer of cash flow hedges	21	-	(9.5)	-	(9.5)
Tax on items taken directly to equity	21	-	0.1	-	0.1
Total comprehensive income for the year		-	(9.4)	42.9	33.5
Equity dividends paid	20	-	-	(64.5)	(64.5)
At 31 March 2020		0.2	(8.3)	180.4	172.3
Profit for the financial year		-	-	87.6	87.6
Recognition and transfer of cash flow hedges	21	-	14.4	-	14.4
Tax on items taken directly to equity	21	-	(2.7)	-	(2.7)
Total comprehensive income for the year		-	11.7	87.6	99.3
Equity dividends paid	20	-	-	-	-
At 31 March 2021		0.2	3.4	268.0	271.6

Notes to the financial statements

1. Principal accounting policies

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

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

Basis of preparation

The separate financial statements of the Company are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006. The financial statements are prepared under the historical cost convention modified to include the revaluation of investments and derivative financial assets and liabilities measured at fair value through profit or loss.

The results and financial position of the company are expressed in pounds sterling to the nearest £100,000, which is the functional currency of the Company, and the presentation currency for these financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations, equivalent disclosures have been included in the consolidated financial statements of the BBC Studios Group;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (e) the requirements of paragraphs 10(d), 10(f), 16, 38(a)-(d), 40(a)-(d), 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (h) the requirements of paragraph 17 and 18a of IAS 24 Related Party Disclosures;
- (i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (j) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- (k) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from contracts with customers'; and
- (l) the requirements of paragraph 58 of IFRS 16 'Leases'.

The accounting policies which follow, set out those policies which apply in preparing the financial statements for the year ended 31 March 2021.

Non-statutory financial performance measures

The Company believes that 'EBITDA' is an additional non-statutory measure of financial performance that provides 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).

Going concern

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

The Directors remain satisfied with the Company's funding and liquidity position.

At the balance sheet date, the Company's primary source of funding is drawing from its £350.0m multicurrency net loan facility with BBC Commercial Holdings Limited expiring in December 2022. As at the year-end the Company had drawn down £147.7m of the facilities available (2020: £223.8m).

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate with the levels of its existing facilities for a period of no less than 18 months from the date of signing these financial statements. The Directors have reviewed sensitivities in respect of potential downside scenarios and impacts in respect of the Coronavirus pandemic. This included mitigating actions should they be required, such as the reduction of discretionary spend, careful cost management and a reduction in dividend. Consideration was also given to whether the Company has sufficient cash and borrowing facilities to meet short term needs.

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

Investments

Fixed asset investments in subsidiaries, joint ventures and associates are shown at cost less any provision for impairment.

Acquisitions

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

Notes to the financial statements continued

1. Principal accounting policies continued

Foreign currency

The Company's presentational and functional currency is sterling.

Transactions in foreign currencies are translated into sterling at an average exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the balance sheet date at the rate of exchange ruling at that date. Foreign exchange differences which arise from the settlement of such transactions and the translation at year-end exchange rates are recognised in the income statement.

Distribution rights

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

Distribution rights acquired by the Company are either purchased, generated internally or licensed following the payment of an advance on royalties. Where the Company 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 in line with the recoupment of the initial investment distribution advance made to acquire those rights. This recoupment is achieved through the revenue generated from those rights, and in all cases over no more than three years.

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

Other intangible assets

Internally-generated intangible assets: development expenditure

An internally-generated intangible asset arising from the Company'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 or development activities that does not meet the aforementioned criteria is recognised as an expense in the period in which it is incurred.

Amortisation

Intangible assets with finite lives are amortised over their useful lives using the straight-line method. Amortisation expense is recorded within total operating costs in the income statement. The useful lives used for intangible assets are as follows:

- Software (including internally-generated software) 1-5 years

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

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 Company to make judgements in assessing when the triggers for revenue recognition have been met, particularly whether the Company 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 Company'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 required criteria of IFRS 15 must be met to meet the definition of a 'right to access' licence. The majority of the Company'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 Company expects to be entitled and has rights to under the contract is allocated to the identified performance obligations. Most of the Company'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 Company expects to be entitled to in exchange for goods or services transferred. This is generally done in proportion to the stand-alone selling prices.

The Company'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 Company's performance obligations have been satisfied. For content sales the performance obligation will generally be to deliver the associated programme to the customer, therefore revenue is recognised 'episodically' - on delivery of each episode. For format sales, there are two performance obligations - to provide the format 'bible' and in some cases production assistance. Revenue is allocated to each of these performance obligations based on stand-alone selling prices and recognition at the two separate 'points in time'. The payment terms are over the term of the contract.

Production income

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

Notes to the financial statements continued

1. Principal accounting policies continued

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 Company 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 earned. Therefore, royalty income is recognised at a 'point in time'. The payment terms are over the term of the contract.

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

The cost of fulfilling contracts 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 Company has taken advantage of the practical exemptions:

- Not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

Lease payments

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements continued

1. Principal accounting policies continued

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

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

Tangible fixed assets

Tangible fixed assets are stated at cost after any provision for impairment, less accumulated depreciation.

Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is charged so as to write off the cost of assets to their residual value, over their expected useful lives using the straight-line method. Depreciation commences from the date an asset is brought into service.

The useful lives for depreciation purposes for the principal categories of assets are:

• Leasehold improvements	Unexpired lease term
• Plant and machinery	3 to 8 years
• Fixtures and fittings	3 to 7 years

Impairment of fixed assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets (including distribution rights) to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, an impairment loss is recognised in the income statement for the amount by which an asset's carrying amount exceeds its recoverable amount. Where an asset does not generate cash flows that are independent of other assets, the Company estimates the recoverable amount of the Cash Generating Unit to which the asset belongs.

Programme rights and stocks

Stocks, comprising of merchandise, are stated at the lower of cost and net realisable value. Programme rights for broadcasting refer to the programme rights acquired for the future broadcast on one of the Company's television channels. The carrying amount is stated at cost less accumulated amortisation, and after writing off the costs of programme rights that are considered irrecoverable.

Financial instruments

Financial assets and liabilities are initially recognised as either fair value through profit or loss, loans and receivables, available for sale financial assets or held to maturity investments. These are measured at fair value less any directly attributable transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Policies applied by the Company in respect of financial instruments are consistent with those applied by the BBC Studios Group, the Company has therefore adopted the FRS 101 paragraph 8(d) disclosure exemptions.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation arising from past events and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions, other than those for deferred tax, that are payable over a number of years are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the BBC Studios Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Pension costs

Contributions to defined contribution pension schemes are charged to the income statement as they fall due.

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

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

Hedge accounting

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

The Company 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.

Notes to the financial statements continued**1. Principal 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 company'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 company considers the revenue recognition criteria set out in IFRS 15 *Revenue from contracts with customers* and, in particular, whether the company had transferred the significant risks and rewards of the goods/services to the customer.

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

The complexity of individual contractual terms may require the Company to make judgements in assessing whether the Company is acting as a principle or agent which determines whether gross or net revenue is recognised.

Fair value of financial instruments

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

Impairment of financial assets

Financial assets are assessed at each balance sheet date to determine whether there is any objective evidence of impairment. Judgement is required when considering the factors in determining whether there is objective evidence of impairment; which include significant financial difficulty of the counterparty and breach of contract. Individually significant financial assets are tested for impairment on an individual basis such as subsidiary investments. 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. The Company exercises judgement to determine the estimated future cash flows and terminal growth rate. See note 12 for details on impairment of investments. All impairment losses are recognised in the income statement.

The Company 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 three 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 Company's view of economic and industry wide conditions over the expected lives of the receivables.

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

Deferred tax

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

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

In 20/21, all titles have been aligned to an estimated useful life of no more than three years, resulting in an increase in expenses of £7.2m in the year.

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 company 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 company. This can be complex, especially when there is a wide range of possible outcomes. The Company 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 a historical three year average for comparable content.

Changes in Accounting policies

The Company has consistently applied the accounting policies to all periods in these financial statements.

Notes to the financial statements continued

2. Revenue

Geographical location of revenue

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

	2021	2020
	£m	£m
External sales:		
UK	230.4	224.0
America	114.9	143.0
Australia	5.8	13.5
Rest of world	217.2	251.0
Total	568.3	631.5

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.

Disaggregation of revenue

In the following table, revenue is disaggregated by revenue streams as described in the principal accounting policies.

	2021	2020
	£m	£m
Revenue streams:		
Branded Services	91.8	106.2
Production and Distribution	476.5	525.3
Total	568.3	631.5

The two above revenue streams include the company's main sources of contract revenue which are content and format sales, production income, subscription fees, advertising revenue, consumer products, and royalties.

Contract balances

Contract assets (accrued income) primarily relates to the Company's right to consideration for work completed but not billed at the reporting date. Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service.

The following table provides analysis on significant changes to contract liabilities during the year.

	Contract liabilities
	£m
Balance transferred from deferred income following adoption of IFRS 15	(99.9)
Decrease due to revenue recognised in the period	68.5
Increase due to cash received in advance and not recognised as revenue during the year	(67.7)
At 31 March 2020	(99.1)
Decrease due to revenue recognised in the period	60.7
Increase due to cash received in advance and not recognised as revenue during the year	(22.2)
At 31 March 2021	(60.6)

	2021	2020
	£m	£m
Current	(46.0)	(80.5)
Non-current	(14.6)	(18.6)
	(60.6)	(99.1)

The Company has no contract assets as at 31 March 2021 and 31 March 2020.

Notes to the financial statements continued

3. Total operating costs

Operating profit is stated after charging depreciation and amortisation (£15.6m). Inventory consumed (£25.6m) is included within costs of sales. Exchange rate differences (£3.5m) is included within administration expenses.

Analysis of total operating costs by activity

	2021	2020*
	£m	£m
Cost of sales	424.7	447.3
Distribution costs	51.6	63.0
Administration expenses	59.7	87.9
Total	536.0	598.2

* The comparatives have been restated to better reflect the Cost of sales and Administration expenses split.

4. Auditor's remuneration

	2021	2020
	£m	£m
For the audit of BBC Studios Distribution Limited's annual accounts	0.8	0.6
Total fees paid	0.8	0.6

The National Audit Office (NAO) served as independent external auditors for the Company for the years ended 31 March 2021 and 31 March 2020. The NAO did not receive fees for any other services.

5. Staff costs

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

	2021	2020*
	Number	Number
Average monthly persons employed	881	856

Within the averages above, 81(2020:100) part-time employees have been included at their full-time equivalent of 60 (2020: 74).

The Company also employed an average full-time equivalent of 48 (2020: 21) persons on a casual basis.

The aggregate remuneration recognised in the Company income statement in respect for all employees, including casual staff, comprised:

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

	2021	2020
	£m	£m
Salaries and wages	52.6	59.9
Social security costs	6.7	6.6
Other pension costs	8.8	8.5
Total	68.1	75.0

6. Key management personnel compensation

Directors remuneration is as follows:

	Date appointed to Board	Date resigned from Board	Salary	Benefits	Pension	Performance Related	Total
2021			£'000	£'000	£'000	£'000	£'000
Tim Davie	1 November 2012	28 August 2020	167	1	22	-	190
Tom Fussell (highest paid director)	3 May 2016		368	2	-	46	416
Mark Linsey	3 August 2020		235	2	37	35	309
Total directors			770	5	59	81	915

The Company has made no contributions to money purchase schemes for its Directors in the year (2020: nil).

Tim Davie is a member of the BBC defined benefit pension scheme and had accrued entitlements of £22,000 (2020: £21,000) under the scheme at the end of the year. The defined benefit pension reflects 31.4% employer contributions.

	Date appointed to Board	Salary	Benefits	Pension	Performance Related	Total
2020		£'000	£'000	£'000	£'000	£'000
Tim Davie (highest paid director)	1 November 2012	400	2	40	200	642
Tom Fussell	3 May 2016	325	2	-	162	489
Total directors		725	4	40	362	1,131

Notes to the financial statements continued

7. Leases

	£m
Interest expense on lease liabilities	0.9
Expenditure on short term leases exempt from recognition	0.1
Total cash outflow relating to leases	3.0

8. Distribution rights

	£m
Cost	
At 31 March 2020	1,420.2
Additions	151.3
Disposals	(0.4)
Transfers between asset categories	4.5
At 31 March 2021	1,575.6
Amortisation and Impairment	
At 31 March 2020	1,220.4
Charge for the year	177.7
Disposals	(0.4)
Transfers between asset categories	4.5
At 31 March 2021	1,402.2
Net book value at 31 March 2021	173.4
Net book value at 31 March 2020	199.8

9. Other intangible assets

	£m
Cost	
At 31 March 2020	64.4
Additions	7.4
Disposals	(0.3)
At 31 March 2021	71.5
Amortisation	
At 31 March 2020	24.9
Charge for the year	10.0
Disposals	(0.3)
At 31 March 2021	34.6
Net book value at 31 March 2021	36.9
Net book value at 31 March 2020	39.5

Notes to the financial statements continued

10. Tangible fixed assets

	Leasehold improvements £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost				
At 31 March 2020	14.9	10.7	2.9	28.5
Additions	-	0.5	0.5	1.0
Disposals	(1.7)	(0.1)	(0.2)	(2.0)
At 31 March 2021	13.2	11.1	3.2	27.5
Depreciation				
At 31 March 2020	3.0	8.9	1.9	13.8
Charge for the year	2.1	0.7	0.5	3.3
Disposals	(1.7)	(0.1)	(0.2)	(2.0)
At 31 March 2021	3.4	9.5	2.2	15.1
Net book value at 31 March 2021	9.8	1.6	1.0	12.4
Net book value at 31 March 2020	11.9	1.8	1.0	14.7

11. Right of use assets

	Land and buildings £m
Cost	
At 31 March 2020	49.4
Additions	1.2
At 31 March 2021	50.6
Depreciation	
At 31 March 2020	2.3
Charge for the year	2.3
At 31 March 2021	4.6
Net book value at 31 March 2021	46.0
Net book value at 31 March 2020	47.1

Notes to the financial statements continued

12. Investments

	Subsidiaries £m	Joint ventures £m	Associates £m	Other investments £m	Total £m
Cost					
At 1 April 2019	206.6	0.4	33.3	3.3	243.6
Additions	100.4	-	-	-	100.4
Prior period reclasses	2.0	0.1	-	(2.0)	0.1
At 31 March 2020	309.0	0.5	33.3	1.3	344.1
Provisions for impairment					
At 1 April 2019	70.9	0.4	3.8	1.3	76.4
Charge for the year	-	-	1.1	-	1.1
At 31 March 2020	70.9	0.4	4.9	1.3	77.5
Net book value at 31 March 2020	238.1	0.1	28.4	0.0	266.6
Cost					
At 1 April 2020	309.0	0.5	33.3	1.3	344.1
Additions	9.9	-	-	-	9.9
Disposals	-	(0.1)	(3.4)	-	(3.5)
Reclassified from associates	4.8	-	(4.8)	-	-
At 31 March 2021	323.7	0.4	25.1	1.3	350.5
Provisions for impairment					
At 1 April 2020	70.9	0.4	4.9	1.3	77.5
Charge for the year	-	-	2.0	-	2.0
At 31 March 2021	70.9	0.4	6.9	1.3	79.5
Net book value at 31 March 2021	252.8	-	18.2	0.0	271.0

The recoverable amounts of the Cash Generating Units (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.

2 entertain Limited

The acquisition of 2 entertain Limited occurred on 6 August 2009, when the previously owned joint venture became a subsidiary of the Company. For the purpose of the impairment test, the investment's value-in-use was calculated using the cash flow projections for the entity and its subsidiary, 2 entertain Video Limited. These projections cover a five year period after which cash flows have been extrapolated using an expected long term growth rate of -22% (2020: -42%). A discount rate of 8.9% (2020: 9.6%) 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 which is declining. Despite the decline in the global DVD market, management made the decision not to impair the investment balance in 2 entertain Limited (2020: no impairment) due to headroom from net assets.

BBC Studios Australia Holdings Pty Limited

BBC Studios Australia Holdings Pty Limited was incorporated on 19 September 2007 and is a wholly-owned subsidiary of the Company. For the purpose of the impairment test, the investment's value-in-use was calculated using the cash flow projections for the entity and its subsidiary, BBC Studios Australia Pty Limited. These projections cover a five-year period, after which cash flows have been extrapolated using an expected long term growth rate of 1% (2020: 1%). A discount rate of 8.4% (2020: 8.7%) has been applied to the cash flows. The forecasted cash flows are predominantly based on the expected activity in BBC Studios Australia Pty Limited, which is a trading entity primarily involved in the licensing of programmes to broadcasters, production, and ownership and control of subscription TV broadcasting services. As a result of the recently contracted terms in 19/20, management made the decision not to impair the investment balance in BBC Studios Australia Holdings by in 19/20 or 20/21.

Subsidiary Acquisition - Clerkenwell Films Limited

BBC Studios Distribution Limited previously held a 48.1% share in Clerkenwell Films Limited and on 8th January 2021 were required to purchase an additional stake under a put option. This took the shareholding to 100%, thus Clerkenwell Films Limited became a wholly owned subsidiary of BBC Studios Distribution. The initial investment was revalued at acquisition for a fair value of £4.8 million compared to a carrying amount of £5.9 million.

Notes to the financial statements continued

12. Investments continued

Principal Subsidiary Undertakings	Ref.	Country of incorporation or establishment	Principal activity	Ownership interest
2. Entertain Limited	1, +	United Kingdom	Holding company	100.0%
Baby Cow Productions Limited	1, +	United Kingdom	Content production	75.0%
BBC Studios Americas Incorporated	3, +	USA	Holding company	100.0%
BBC Studios Australia Holdings Pty Limited	4, +	Australia	Holding company	100.0%
BBC Studios Canada Limited	5, +	Canada	Programme distributor	100.0%
BBC Studios France	6, +	France	Programme distributor	100.0%
BBC Studios Germany GmbH	7, +	Germany	Programme distributor	100.0%
BBC Worldwide Holdings BV	8, +	Netherlands	Holding Company	100.0%
BBC Studios Japan Limited	9, +	Japan	Programme distributor	100.0%
Rapid Blue Pty Limited	10, +	South Africa	Content production	70.0%
Sid Gentle Films Limited	2, +	United Kingdom	Content production	51.0%
Tonko Films and Television Limited	1, +	United Kingdom	Content production	100.0%
UK Programme Distribution Limited *	1, +	United Kingdom	Programme distributor	100.0%
BBC Studios Channel Investments Limited	1, +	United Kingdom	Holding company	100.0%
Lookout Point Limited	25, +	United Kingdom	Content production	92.4%
UKTV Media Holdings Limited	24, +	United Kingdom	Holding company	100.0%

Other Subsidiary undertakings	Ref.	Country of incorporation or establishment	Ownership interest
2. entertain Management Limited	1	United Kingdom	100.0%
2. entertain Video Limited	1	United Kingdom	100.0%
2004370 Inc.	11	Canada	100.0%
Adiscent Productions, LLC	23	USA	100.0%
Asian Partridge Limited	1, -	United Kingdom	100.0%
Baby Cow Animation (Warner) Limited	1, -	United Kingdom	100.0%
Baby Cow Animation (Waruspan) Limited	1, -	United Kingdom	100.0%
Baby Cow Animation Limited	1, -	United Kingdom	100.0%
Baby Cow Films Limited	1, -	United Kingdom	100.0%
Baby Cow Manchester Limited	1, -	United Kingdom	100.0%
Baby Cow Productions (Parade) Limited	1, -	United Kingdom	100.0%
Baby Cow Productions (Parade) Limited	1, -	United Kingdom	100.0%
Baby Cow Productions (Red Dawn) Limited	1, -	United Kingdom	100.0%
Baby Cow Productions (Whitman) Limited	1, -	United Kingdom	100.0%
BBC Video Limited	1	United Kingdom	100.0%
BBC Studios (Africa) (Pty) Limited	12	Africa	100.0%
BBC Studios America (401) X Plan Trustees	3	USA	100.0%
BBC Studios Productions Australia Pty Limited	4	Australia	100.0%
BBC Studios Australia Pty Limited	4	Australia	100.0%
BBC Studios Singapore PTE Limited	13, +	Singapore	100.0%
BBC Worldwide Channels Mexico S.A de C.V	14, +	Mexico	100.0%
BBC Studios Corporate Services Limited	1, +	United Kingdom	100.0%
BBC Studios Intermexidora de Programadora Estargira Limited	15, +	Brazil	100.0%
BBC Studios Investments Limited	1, +	United Kingdom	100.0%
BBC Studios India Private Limited	16	India	100.0%
BBC Studios Mexico S.A de C.V	14, +	Mexico	100.0%
Bad Wolf Productions LLC	23	USA	100.0%
BBC Earm MD (OWN) Limited	1, +	United Kingdom	100.0%
BBC Earm Productions (Giant Films) Limited	1, +	United Kingdom	100.0%
BBC Earm Productions (Lilo) Limited	1, +	United Kingdom	100.0%
BBC Earm Productions Limited	1, +	United Kingdom	100.0%
BBC Magazine Holdings Limited	1, +	United Kingdom	100.0%
Damon Music Group Limited	1	United Kingdom	100.0%
Damon Records Limited	1	United Kingdom	100.0%
Eden Film Productions Limited	1	United Kingdom	100.0%
Eden Records Limited	1	United Kingdom	100.0%
F. Baw Records Limited	1	United Kingdom	100.0%
Global Hybrid Productions LLC	23	USA	100.0%
Lime Grove Productions LLC	23	USA	100.0%
Lost Child Limited	1, -	United Kingdom	100.0%
Chakamell Films Limited	1, +	United Kingdom	100.0%
BBC Studios Australia 99 Pty Limited	4, +	Australia	100.0%
MCJ Music Publishing Limited	1, -	United Kingdom	100.0%
Moore Boy (UK) Limited	1, -	United Kingdom	50.0%
Philbrena Lee Limited	1, -	United Kingdom	100.0%
A Suitable Company Limited	25, -	United Kingdom	100.0%
AMP 1 Limited	25, -	United Kingdom	100.0%
Evergreen Television Limited	25, -	United Kingdom	100.0%

Other Subsidiary undertakings	Ref.	Country of incorporation or establishment	Ownership interest
LOOKOUT POINT (LES MISERABLES) Limited	25, -	United Kingdom	100.0%
LOOKOUT POINT (SHIBDEN) Limited	25, -	United Kingdom	100.0%
Lookout Point (The Collection) Limited	26, -	United Kingdom	100.0%
Lookout Point Acquisition Limited	25, -	United Kingdom	100.0%
Lookout Point (L15) Limited	25, -	United Kingdom	100.0%
Off Shore Productions Limited	25, -	United Kingdom	100.0%
BBC Studios Polska	17, +	Poland	100.0%
BBC Studios Productions (Africa) (Pty) Limited	18, +	Africa	100.0%
BBC Studios Drama Productions Limited	1, +	United Kingdom	100.0%
BBC Studios Productions Nordic AS	18, +	Denmark	100.0%
BBC Studios Really Productions LLC	23	USA	100.0%
BBC.com US, Incorporated	20, +	USA	100.0%
Beob Rights Limited**	1, +	United Kingdom	100.0%
Carnon Productions Limited	1	United Kingdom	100.0%
Rapid Blue Africa Limited	22, -	Nigeria	100.0%
Sid Gentle Films (Cebu) Limited	2, -	United Kingdom	100.0%
Sid Gentle Films (Ghana) Limited	2, -	United Kingdom	100.0%
Sid Gentle Films (Killing Evo) Limited	2, -	United Kingdom	100.0%
Sid Gentle Films (SES-GB) Limited	2, -	United Kingdom	100.0%
Sid Gentle Films (The Dumbs) Limited	2, -	United Kingdom	100.0%
Sun Never Sets Productions LLC	27	USA	100.0%
The Last Holiday Limited	1, -	United Kingdom	100.0%
BBC Studios Americas Investments Incorporated	20	USA	100.0%
BBC Studios Channel Investments (Ontario) Limited	5	Canada	100.0%
Studios Competition Productions LLC	23	USA	100.0%
Worldwide Knowledge (Beijing) Business	21	China	100.0%
Consulting Company Limited	2, -	United Kingdom	100.0%
Sid Gentle Films (Ragdoll) Limited	2, -	United Kingdom	100.0%
Sid Gentle Films (TDJ) Limited	2, -	United Kingdom	100.0%
Sid Gentle Films (KE2) Limited	2, -	United Kingdom	100.0%
Sid Gentle Films (KE3) Limited	2, -	United Kingdom	100.0%
Sid Gentle Films (KE4) Limited	2, -	United Kingdom	100.0%
UKTV Media Limited	24	United Kingdom	100.0%
BBC Earm Productions (Africa) Limited	1	United Kingdom	100.0%
Cart Channel Host Limited	24	United Kingdom	100.0%
VNI Productions LLC	23	USA	100.0%
Worldwide Knowledge (Beijing) B.V.	22, +	Netherlands	100.0%
Quire Pivacy Films Limited	28	United Kingdom	100.0%
Quire Pivacy Films Limited	28	United Kingdom	100.0%
Quire Story Films Limited	1	United Kingdom	100.0%
Recall TV Limited	1, -	United Kingdom	100.0%
TFV Productions Limited	1	United Kingdom	100.0%
Sid Gentle Films (Extraordinary) Limited	2, -	United Kingdom	100.0%
White Hart Lane Productions Limited	25, -	United Kingdom	100.0%

Notes to the financial statements continued

12. Investments continued

	Ref.	Country of incorporation or establishment	Ownership interest		Ref.	Country of incorporation or establishment	Ownership interest
Associates				Joint Ventures			
72 Films Limited	+	United Kingdom	15.0%	BB Rights, LLC		USA	50.0%
Amazing Productions Limited	+	United Kingdom	25.0%	Britbox, LLC		USA	50.0%
Burning Bright Productions Limited	+	United Kingdom	25.0%	JV Programs LLC		USA	50.0%
Children's Character Books Limited	+	United Kingdom	25.0%	Sub-Zero Events Limited	+	United Kingdom	50.0%
Curve Media Limited	+	United Kingdom	25.0%	Britbox International Limited	+	United Kingdom	50.0%
Educational Publishers LLP	+	United Kingdom	15.0%	Jasper Broadcasting Incorporated		Canada	50.0%
Expectation Entertainment Limited	+	United Kingdom	22.6%	Majorca Productions Ltd		United Kingdom	50.0%
Firebird Pictures Limited	+	United Kingdom	25.0%	Ginger Snap TV Limited		United Kingdom	50.0%
House Productions Limited	+	United Kingdom	25.0%	Investments			
Mighty Productions Limited	+	United Kingdom	25.0%	MSM-Worldwide Factual Media Private Limited	+	United Kingdom	26.0%
Moonage Pictures Limited	+	United Kingdom	15.0%	NC Internet Limited	+	United Kingdom	10.0%
New Video Channel America LLC***		USA	50.1%	Cuba Pictures Limited	+	United Kingdom	0.5%
Red Planet Pictures (Entertainment) Limited	+	United Kingdom	22.7%				
Various Artists Limited	+	United Kingdom	20.0%				
Woodlands Books Limited	+	United Kingdom	15.0%				

+ Held directly by BBC Studios Distribution Limited

- BBC Studios Distribution Limited holds less than 100% of the issued share capital of the parent entity.

* BBC Studios Distribution Limited holds 92.7% of the issued share capital but the non-controlling shareholders have no right to distributions.

** BBC Studios Distribution Limited holds 88.4% of issued share capital but the non-controlling shareholders have no right to distributions.

*** BBC Studios Distribution Limited holds 50.1% of the issued share capital but has limited power over the operational activities and therefore accounts for its interest as an associate.

On 13 May 2021, Lookout Point Limited, a principal subsidiary undertaking of the Company, purchased a 25% holding in Boffola Pictures Limited.

Address reference

- (1) 1 Television Centre, 101 Wood Lane, London, W12 7FA, United Kingdom
- (2) Charles House, 5-11 Regent Street, London, SW1Y 4LR, United Kingdom
- (3) 1120 Avenue of the Americas, 5th Floor, New York 10036-6700, United States
- (4) Level 1, 35-51 Mitchell Street, McMahon's Point 2060, Sydney, Australia
- (5) 145 King Street West, Suite 740, Toronto ON M5H 1J8, Canada
- (6) 18-20 Quai du Point du Jour, Bat. A, Boulogne-Billancourt 92100, France
- (7) Kaiser-Wilhelm-Ring 17-21, Köln 50672, Germany
- (8) Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands
- (9) Tokyo Club Building, Floor 10, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo, 100-0013, Japan
- (10) 263 Oak Avenue, Ferndale, Randburg, Johannesburg, 2194, South Africa
- (11) 66 Wellington Street West 470, Toronto Dominion Bank Tower, Toronto M5K 1E6, Canada
- (12) Office 003H3 Ground Floor, 10 Melrose Boulevard, Melrose Arch, Melrose North 2196, South Africa
- (13) 3 Anson Road, #17-03 Springleaf Tower, Singapore 079909, Singapore
- (14) Calle Andres Bello 10 Piso 10, Chapultepec Polanco, Delg. Miguel Hidalgo, Ciudad de Mexico CP 11560, Mexico
- (15) Rue Ferreira de Araujo, 741 Andar 1, Pinheiros, Sao Paulo SP 05.428-002, Brazil
- (16) Windsor, unit No 502, 5th Floor, Off CST Road, Kalina, Santacruz East MUMBAI, 400 098, India
- (17) Pl. Bankowy 1, 00-139, Warsaw, Poland
- (18) 24 18th Street, Menlo Park 0081, Mazars House, 5 St Davids Place, Parktown 2193, South Africa
- (19) Mosedalvej 14, Valby, 2500, Denmark
- (20) Corporation Trust Centre, 1209 Orange Street, Wilmington, 19801, United States
- (21) Unit 7, Floor 9, West Tower, Genesis Building, 8 Xinyuan South Road, Chaoyang District, 100027, China
- (22) 7 Sowemimo Street, GRA Ikeja, Lagos, Nigeria
- (23) 10351 Santa Monica Boulevard, Los Angeles 90025, United States
- (24) 10 Hammersmith Grove, London, W6 7AP, United Kingdom
- (25) Hammer House, 113 - 117 Wardour Street, London, W1F 0UN, United Kingdom
- (26) 4 Davenport Road, Rugby, CV22 6NS, United Kingdom
- (27) 800-1959 Upper Water Street, Halifax, B3J 2N2, Canada
- (28) Worldwide Channels Europe B.V., Weesperplein 4b, 1018 XA Amsterdam, Netherlands
- (29) 2nd Floor Waverley House, 7-12 Noel Street, London W1F 8GQ, United Kingdom

Notes to the financial statements continued

13. Programme rights and other stock

	2021 £m	2020 £m
Programme rights for broadcasting	24.2	23.8
Programmes in the course of production	-	2.0
Total	24.2	25.8

14. Trade and other receivables

	2021 £m	2020 £m
Amounts falling due within one year:		
Trade receivables	57.3	148.1
Prepayments and accrued income	137.9	134.0
Amounts owed by subsidiary undertakings	70.1	67.7
Amounts owed by fellow subsidiary undertakings	7.8	-
Amounts owed by joint ventures and associates	3.0	5.5
Derivative financial instruments	6.6	4.0
Other receivables	2.0	9.9
	284.7	369.2
Amounts falling due after more than one year:		
Trade receivables	3.2	20.6
Amounts owed by joint ventures and associates	-	2.0
Derivative financial instruments	0.6	-
	3.8	22.6
Total	288.5	391.8

15. Expected credit losses

Included in the Company's contract assets and trade and other receivables at 31 March 2021 are balances of £19.5m (2020: £33.0m) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

	2021 £m	2020 £m
Up to 3 months	12.0	18.5
3 to 6 months	2.8	6.3
Over 6 months	4.7	8.2
Total	19.5	33.0

In determining the recoverability (likelihood of receiving payment) of a trade and other receivable the Company 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.

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 £4.4m at 31 March 2021 (2020: £3.3m).

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

	2021 £m	2020 £m
Balance at the beginning of the year	3.3	6.0
Charge for the year	2.3	1.8
Amounts recovered during the year	(1.2)	(4.2)
Amounts written off as uncollectable	-	(0.3)
Total	4.4	3.3

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

The 2021 £2.3m charge for the year relates to specific customer provisions.

Notes to the financial statements continued

16. Trade and other payables

	2021 £m	2020 £m
Amounts falling due within one year:		
Bank loans and overdraft	38.1	16.7
Trade payables	30.2	30.9
Rights creditors	96.3	127.1
Accruals	26.7	37.3
Contract liabilities	46.0	80.5
Amounts owed to ultimate parent undertaking	14.8	21.0
Amounts owed to intermediate parent undertaking	-	1.6
Amounts owed to subsidiary undertakings	1.9	24.8
Amounts owed to fellow subsidiary undertakings	14.9	34.2
Derivative financial instruments	0.3	11.4
Other payables including other taxes and social security	68.6	68.5
	337.8	454.0
Amounts falling due after more than one year:		
Rights creditors	27.3	21.0
Accruals	2.1	50.1
Contract liabilities	14.6	18.6
Loan owed to intermediate parent undertaking	147.7	223.8
Derivative financial instruments	-	0.2
	191.7	313.6
Total	529.5	767.6

The Company and some of its subsidiaries operate a cash pooling arrangement. All the cash balances within the pool belong to the legal entity to which they relate, although the Company has access to all funds and each cash pool participant is jointly and severally liable for any overdraft balance.

17. Provisions for liabilities

	Property related £m	Onerous contracts £m	Other provisions £m	Total £m
At 31 March 2019	1.0	-	15.2	16.2
Provided during the year	0.1	-	2.3	2.4
Released in the year	-	-	(3.2)	(3.2)
At 31 March 2020	1.1	-	14.3	15.4
Provided during the year	-	10.3	3.4	13.7
Released in the year	-	-	(1.1)	(1.1)
Utilised in the year	-	-	(1.9)	(1.9)
Exchange Adjustments & Transfers	-	-	(0.9)	(0.9)
At 31 March 2021	1.1	10.3	13.8	25.2

Property-related provisions include onerous leases in respect of properties held under non-cancellable leases, when the expected benefits to be derived by the Company 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.

Provisions for onerous contracts are recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Other provisions primarily comprise legal and restructuring costs. No further disclosures have been made due to commercial sensitivity.

Further deferred contingent consideration may be payable in connection with acquisitions made by the Company. No provision has been made where the likelihood and magnitude of additional payments cannot be assessed with reasonable certainty.

Provisions are analysed between current and non-current as follows:

	2021 £m	2020 £m
Current	22.5	11.7
Non-current	2.7	3.7
	25.2	15.4

Notes to the financial statements continued

18. Taxation

Analysis of charge for the period

The charge for the year, based on a rate of corporation tax of 19% (2020: 19%) comprises:

	2021	2020
	£m	£m
Current tax:		
Group Relief Payment	-	4.2
UK Corporation Tax	6.9	5.0
Double Tax Relief	(5.1)	(3.5)
Adjustments in respect of previous years	(8.9)	4.6
Foreign Tax	8.4	7.1
Total current tax	1.3	17.4
Deferred tax:		
Origination and reversal of temporary differences	(0.8)	(1.2)
Tax rate reduction	-	(1.0)
Adjustment in respect of prior years	(0.7)	0.8
Total deferred tax	(1.5)	(1.4)
Total charge for the year	(0.2)	16.0

Factors affecting the tax charge

	2021	2020
	£m	£m
Profit on ordinary activities before tax	87.4	58.9
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020: 19%)	16.6	11.2
Effects of:		
Other disallowable expenditure	0.7	2.7
Non-taxable income - dividends from JV's	(11.6)	(5.8)
Tax differential re overseas earnings	3.3	3.5
Investment write-offs	0.4	-
	(7.2)	0.4
Prior year adjustments:		
Current tax	(8.9)	4.5
Deferred tax	(0.7)	0.8
	(9.6)	5.3
Temporary differences:		
Depreciation less than capital allowances	-	(0.6)
Other temporary differences	-	(0.3)
Origination and reversal of temporary differences	-	-
	-	(0.9)
Current tax charge for the year	(0.2)	16.0

Deferred tax analysis

In accordance with IAS 12, Income Tax, the company provides for all deferred tax liabilities in full and deferred tax assets where they are expected to be realised in the foreseeable future at a rate of 17%.

	2021	2020
	£m	£m
Deferred tax provision		
Provision at start of year	(9.8)	(8.3)
Deferred tax credit	(1.6)	(1.4)
Charged to reserves	2.8	(0.1)
Provision at end of year	(8.6)	(9.8)
Deferred tax (asset)/liability		
Accelerated capital allowances	(5.1)	(4.9)
Other temporary differences	(4.8)	(3.5)
Financial instruments	1.3	(1.4)
Provision at end of year	(8.6)	(9.8)

Notes to the financial statements continued**18. Taxation continued****Factors that may affect future tax charges**

The UK corporation tax rate continues to be 19%.

The Chancellor announced on 3 March 2021 that the current Corporation Tax rate of 19% would increase to 25%, with effect from 1 April 2023. The change has not yet been substantively enacted, and as such the company's deferred tax asset as at 31 March 2021 has been calculated based on the rate of 19%. The effect on the deferred tax provision of the increase in Corporation Tax rate is estimated to be an additional deferred tax asset of £2.7m.

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 company continues to actively monitor any developments and evaluate their potential impact. The company does not expect the future tax rate to be materially impacted by these changes to the international tax landscape.

19. Called up share capital

	2021	2020
	£m	£m
Issued and fully paid		
250,000 Ordinary shares of £1 each	0.2	0.2

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

20. Dividends

	2021	2020
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
Interim dividends for the current year of £nil per share (2020: £258.00 per share)	-	64.5
	-	64.5

21. Reserves**Hedging Reserves**

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 £4.0m were removed from the hedging reserves and recognised in revenue in the income statement (2020: losses of £3.5m).

The movement in the hedge reserve was recognised in other comprehensive income under net gains on foreign exchange cash flow hedges of £14.5m (2020: loss of £9.5m).

Notes to the financial statements continued

22. Commitments and contingent liabilities

Contracts placed for future capital expenditure not provided are as follows:

	2021 £m	2020 £m
Capital commitments		
Tangible fixed assets	-	1.0
	-	1.0
Other financial commitments		
Distribution rights	116.3	131.0
Programme rights for broadcast	1.6	0.4
Other commitments	26.0	15.6
	143.9	147.0
Total unrecognised commitments	143.9	148.0

The Company has given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement. At 31 March 2021, total amounts drawn down under this facility were £nil (2020: £nil). In addition the Company has given guarantees in relation to a loan in the name of BBC Commercial Holdings Limited which at year end was £170m. At 31 March 2021, the total amount of this debt was £170m.

Included in other commitments is £0.9m to Associates.

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

23. Related party transactions

The Company's consolidated financial statements for the year ended 31 March 2021 contain related party disclosures. Consequently, the Company has taken advantage of the exemption under FRS 101 (IAS 24 Related Party Disclosures) not to disclose transactions with other members of the BBC Group. The value of transactions conducted with non wholly-owned subsidiaries and with other related parties was as follows:

Name of related party	Relationship	Income 2021 £m	Expense 2021 £m	Dividends received 2021 £m	Income 2020 £m	Expense 2020 £m	Dividends received 2020 £m
		£m	£m	£m	£m	£m	£m
UKTV Media Holdings Limited	Joint Venture*	-	-	-	10.8	-	-
Other joint ventures	Joint Venture	-	-	-	0.2	-	-
New Video Channel America LLC	Associate	17.0	-	-	26.4	-	-
Other associates	Associate	1.0	(17.2)	-	0.9	(11.4)	-
Total		18.0	(17.2)	-	38.3	(11.4)	-

*UKTV Media Holdings Limited was a joint venture until 4 June 2019 when it became a subsidiary.

The following amounts were outstanding with related parties at the balance sheet date:

Name of related party	Relationship	Receivables 2021 £m	Payables 2021 £m	Net balance 2021 £m	Receivables 2020 £m	Payables 2020 £m	Net balance 2020 £m
		£m	£m	£m	£m	£m	£m
Other joint ventures	Joint Venture	-	-	-	0.1	-	0.1
New Video Channel America LLC	Associate	1.7	-	1.7	4.0	-	4.0
Other associates	Associate	1.3	-	1.3	3.4	-	3.4
Total		3.0	-	3.0	7.5	-	7.5

At 31 March 2021, the Company had no outstanding balances (2020: £1.0m) payable to a joint venture of the Company's ultimate parent in respect of group relief. This balance was included within other payables.

24. Post balance sheet events

It has been announced that the Company will acquire a 100% share of BBC Global News Limited on 1 July 2021. BBC Global News Limited was previously consolidated under the Company's intermediate parent BBC Commercial Holdings Limited and consolidated in the BBC Commercial Holdings Limited group for this financial period.