

BBC Studios Productions Limited

Registered number 09463829

Annual Report and Financial Statements

For the year ended 31 March 2020

SATURDAY



S9DFHVP6

SPE

12/09/2020

#8

COMPANIES HOUSE

Officers and advisors

Directors

Thomas Fussell
Francis Ralph Lee

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

Contents

- 4 Strategic Report
- 7 Directors' Report
- 10 Statement of Directors' Responsibilities
- 11 Independent Auditor's Report to the members of BBC Studios Productions Limited
- 14 Income Statement
- 15 Balance Sheet
- 16 Statement of Changes in Equity
- 17 Notes to the Financial Statements

Strategic Report

The Directors present their annual report and audited financial statements for BBC Studios Productions Limited (the 'Company') for the year ended 31 March 2020. The Company's financial statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework for all periods presented and these can be seen on pages 14 to 30.

Principal activities

The principal activity of the Company is to develop and produce programme content for the British Broadcasting Corporation (BBC), playing a vital role in delivering quality output and creating valuable intellectual property, as well as competing in the open market for commissions across a broad range of genres.

Business review

BBC Studios Productions is a subsidiary of BBC Studios Limited, the trading performance of which is managed across two lines of business: Branded Services and Production & Distribution.

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

BBC Studios Productions Limited is the BBC's primary supplier of content, making close to 2000 hours of high quality programming every year developed and produced from its 10 hubs across the UK. Its titles include award-winning series like *Strictly Come Dancing* and *This Country*, as well as long running series like *EastEnders*, *Horizon* and *Casualty*. The programme range spans Factual, Factual Entertainment & Events, Entertainment & Music, Scripted and Digital, representing all facets of the UK.

The Company is continuing to perform well with an EBITDA of £14.1m (2019: £21.5m) and activity has increased in securing commissions for delivery in future years. 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.

During the year the business focused on the creative refresh of its key brands and as a result *Top Gear*, the *Planet* series and *EastEnders* have gone from strength to strength, and the pipeline for new business is strong for both third parties and the BBC. For the BBC, the Company made acclaimed dramas *Silent Witness*, *Our Girl* and *Doctor Who*.

The world-class Natural History Unit delivered a number of outstanding titles, including *Seven Worlds, One Planet* and the Comedy Unit have delivered the hugely successful *Mister Winner*; *Ladhood*; *Trying*; *This Country* and *Famalam*. A range of thought provoking titles have been delivered by the Science Unit, including *Horizon*; *8 Days: The Untold Story of Apollo 11*; *Stargazing USA Apollo at 50*; *Trust Me, I'm a Doctor*; *Truth about Takeaways* and *Truth about Cosmetic Surgery*.

The Documentary Unit produced Louis Theroux's latest series in addition to *Why Can't I Sleep* and *Inside the Bat Cave*; while the Factual Entertainment & Events team covered the 75th anniversary of D-Day, and produced *The One Show* and *Top Gear*. Entertainment & Music continued to deliver a number of key titles including; *Strictly Come Dancing*, *Glastonbury*, *Sport Relief* and *When Graham met Elton*.

BBC Studios Productions Limited was also successful in delivering work for new customers. During the year, *Trying* was produced for Apple, whilst also delivering factual content, *Fierce Queens*, for new platform Quibi, *A Secret Evening with Kylie* for Channel 4, *Inside the Duchy* was broadcast on ITV and *We Hunt Together* for UKTV.

New commissions won in the year included *The New World* for NBCU, *Mission Ocean X* for Nat Geo and *Edens* for BBC AMERICA; as well as *Sister Boniface* for BritBox; *Universe* for BBC Two; and *The Story of Tea* for Migu.

BBC Studios Productions Limited

Registered number 09463829

31 March 2020

Strategic Report (continued)

Business review (continued)

In terms of awards BBC Studios Productions secured 72 awards over the course of the year and has received 202 nominations. Winning productions during the year include *EastEnders*, *Killed by My Debt*, *Louis Theroux Altered States*, *This Country* and *The Royal British Legion Festival of Remembrance*.

Risk and uncertainties

The BBC Studios Productions Limited Board considers its key risks and uncertainties to be as follows:

Risk	Strategic impacts	Mitigation
Brand, reputation and standards		
Audiences lose confidence in the integrity of the business or its content and editorial values. Failure to represent the values of the BBC to global audiences, or improve workforce diversity, representation and gender pay balance.	Harm to our reputation, our relationship with audiences and to the credibility of the BBC brand.	Trust and transparency are at the heart of BBC values. The Code of Conduct applies to all and sets out the commitments and expectations we expect everyone to follow. This includes respecting each other, doing the right thing and living up to the highest standards.
Protecting assets		
Risk that information security controls could be compromised with systems disrupted and loss of critical / sensitive information. Risk of fraud, theft or manipulation of financial information.	Reduced editorial or commercial value from disclosed assets and piracy, financial loss and potential fines from regulatory bodies.	Frameworks in place to ensure robust controls to minimise risk of loss. This includes risk assessment, policies, response plans, communications, training and ongoing monitoring. Working with third parties to ensure they meet Company requirements.
Business continuity, safety and security		
Coronavirus has significantly increased the inherent health and safety risk to staff, contributors and visitors. The pandemic also poses significant challenges and risks to the safety of our buildings, our finances and our technology, which are being monitored and managed on a real time basis.	Potential for injury, death and loss of infrastructure and services with disruption to business operations. Reputational risk if we fail to protect our staff and all others in our care.	The over-riding priority for the Company is to protect the health and wellbeing of its people and families, with extensive support available for those working from home and juggling childcare, and a focus on maintaining wellbeing in a stressful and uncertain climate.
Competitive production market		
Increasingly competitive market, with large scale consolidated players competing for talent on and off screen.	Failure to attract talent and deliver high quality content, leading to a reduction in revenue.	A number of significant deals have been agreed, either deepening existing partnerships or marking the beginning of new, high growth relationships, which take a long-term and strategic approach to financing and developing high quality content for audiences around the world.
Risk of decline in the commissioning market as a result of the coronavirus pandemic.		
Risk production restarts will be challenging, fragmented and costly and subject to further spikes of infection.		

Strategic Report (continued)

Risk and uncertainties (continued)

Risk	Strategic impacts	Mitigation
Economic climate and trading Coronavirus is expected to have a significant impact on the Company's trading performance in 2020/21, due to reduced production activity.	Adverse impact on cash flows and reported financial results.	The Company has reacted swiftly, identifying and implementing mitigations to remain within financial parameters. Work is ongoing to minimise the overall financial impact through careful planning and reduction of discretionary spend to safeguard cash and profit where possible. The effects are likely to be significant, however, and the duration of the crisis will be key to the extent of this.
Regulatory and compliance Potential for non-compliance laws, especially regulatory changes.	Civil or criminal challenge. Financial penalties. Reputational damage.	Robust, enforced framework including mandatory training programmes, policies, regular reporting and specialist committees. Group wide Code of Conduct. Oversight by senior management and Compliance and Risk Committee.

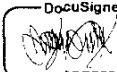
Section 172 statement

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

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

The way in which the Directors have had regard for these matters is detailed within the Strategic Report.

By order of the Board

DocuSigned by:

6FD8EF52C39649E

Anthony Corriette
Company Secretary
1 September 2020

BBC Studios Productions Limited
Registered number 09463829
31 March 2020

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, were as follows:

- Thomas Fussell
- Francis Ralph Lee

Results and dividends

The Company made a profit after tax of £18.2m during the year (2019: £22.0m). Dividends of £6.0m were declared by the Company during the year (2019: £2.8m).

Financial instruments

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

The operations of Group Treasury are explained in the BBC Group financial statements.

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.

Employee participation

The Company participates in a range of approaches to ensure employee participation and involvement. Employee feedback, thoughts and views are measured and tracked through a variety of methods including the pan-BBC survey. Output data from this survey is used to develop detailed action plans. The Company also has a number 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.

Directors' Report (continued)

Health and safety

The Company ensures that appropriate training is provided to staff in relation to health and safety, which includes specific training in response to hazards in a production environment. This is reinforced further by appropriate policies and procedures being in place.

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 parent, BBC Commercial Holdings Limited.

Corporate governance

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

Political and charitable contributions

The Company made no political donations or contributions to charity during the period (2019: £nil).

Future developments

See the Strategic Report for detail 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 the statement of accounting policies in the financial statements.

Post balance sheet events

As discussed in note 16, there were no events subsequent to the balance sheet date which require disclosure within the financial statements.

Auditors

In accordance with the BBC Royal Charter, the Comptroller and Auditor General served as independent external auditor for the year ended 31 March 2020 and 31 March 2019. The National Audit Office have expressed their willingness to continue in office.

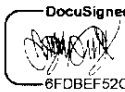
Directors' Report (continued)

Statement as to disclosure of information to Auditors

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

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

By order of the Board

DocuSigned by:

6FDBEF52C39649E..

Anthony Corriette
Company Secretary

1 September 2020

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 the 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 (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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- 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 the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the members of BBC Studios Productions Limited

Opinion on financial statements

I have audited the financial statements of BBC Studios Productions Limited for the year ended 31 March 2020 which comprise the income statement, 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 2020 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). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of BBC Studios Productions Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the members of BBC Studios Productions Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BBC Studios Productions Limited's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of BBC Studios Productions Limited's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on BBC Studios Productions Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause BBC Studios Productions Limited to cease to continue as a going concern.

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

Other Information

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

Independent Auditor's Report to the members of BBC Studios Productions Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

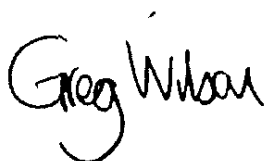
In my opinion:

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

Matters on which I report by exception

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

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



Greg Wilson

Senior Statutory Auditor

2 September 2020

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Income Statement

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Revenue		377,369	412,234
Cost of sales		(322,883)	(359,752)
Gross profit		54,486	52,482
Administrative expenses		(42,196)	(31,503)
Operating profit	2	12,290	20,979
Operating profit reconciled as:			
EBITDA		14,077	21,527
Depreciation and amortisation		(1,787)	(548)
Net financing income	5	8,706	4,888
Profit before taxation		20,996	25,867
Taxation	6	(2,759)	(3,910)
Profit for the year		18,237	21,957

All amounts above are derived from continuing activities.

There are no recognised gains or losses other than those shown above and therefore no separate statement of other comprehensive income is presented.

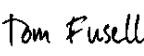
The notes on pages 17 to 30 form part of the financial statements.

Balance Sheet

as at 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Intangible assets		36	3
Property, plant and equipment	7	4,207	1,205
Investments		1,540	-
Deferred tax asset	6c	116	87
		5,899	1,295
Current assets			
Inventory	8	47,080	55,356
Trade and other receivables	9	137,283	98,812
		184,363	154,168
Current liabilities			
Trade and other payables	10	(56,148)	(44,471)
Borrowings		(2,608)	(356)
Contract liabilities	1	(23,239)	(31,781)
Provisions	11	(1,787)	(1,084)
Current tax liabilities	6d	(1,702)	(5,081)
		(85,484)	(82,773)
Non-current liabilities			
Trade and other payables		(551)	-
Borrowings		(664)	-
Contract liabilities	1	(18,636)	-
		(19,851)	-
Net assets		84,927	72,690
Capital and reserves			
Share capital	12	50	50
Retained earnings		84,877	72,640
Shareholders' Funds		84,927	72,690

The financial statements of BBC Studios Productions Limited, registered number 09463829 were approved by the Directors and authorised for issue on 1 September 2020 and were signed on their behalf by:

DocuSigned by:

 44B54F0705E949D...

Thomas Fussell
 Director
 1 September 2020

Statement of Changes in Equity

for the year ended 31 March 2020

	Note	Share capital £'000	Retained earnings £'000	Total £'000
At 31 March 2018		50	53,483	53,533
Dividends declared and paid in year	14	-	(2,800)	(2,800)
Profit for the year		-	21,957	21,957
At 31 March 2019		50	72,640	72,690
Dividends declared and paid in year	14	-	(6,000)	(6,000)
Profit for the year		-	18,237	18,237
At 31 March 2020	13	50	84,877	84,927

Notes to the Financial Statements

for the year ended 31 March 2020

Statement of compliance with FRS 101

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101).

The Company's financial statements are presented in Sterling and all values are expressed in pounds sterling to the nearest £1,000 unless otherwise stated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of BBC Studios Limited. The group accounts of the BBC are available to the public and can be obtained as set out in note 15.

Accounting policies

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

Basis of accounting

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

Basis of preparation

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

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

- IFRS 7 Financial instruments
- IFRS 13 Fair value measurement
- IAS 1 Presentation of financial statements
- IAS 7 Statement of cash flows
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 24 Related party disclosures
- IAS 36 Impairment of assets

Going concern

The Board remains satisfied with the Company's funding and liquidity position. 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 that are provided by the Company's intermediate parent, BBC Commercial Holdings, for a period of no less than 12 months from the date of signing these financial statements. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

Accounting policies (continued)

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.

The Company's main sources of revenue and its policies for the recognition of such revenue are summarised as follows

- Primary commissioning income 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.
- Secondary rights revenue earned by the Company is recognised on receipt or on an accruals basis where sufficient reliable information is available.

Inventory

Work in progress relates to the costs of programmes in the course of production which were not delivered to the programme commissioner by 31 March 2020 and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the assets to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion. Revenue and cost of sales are recognised in line with meeting contractual obligations in accordance with IFRS 15.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profits for the year.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to offset current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

BBC Studios Productions Limited

Registered number 09463829

31 March 2020

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

Accounting policies (continued)

Financial instruments

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

Trade and other receivables

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

A provision for impairment of trade and other receivables is recognised based on the simplified approach using the lifetime expected credit losses. During this process the probability of non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade and other receivables and contract assets.

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 fair 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 the 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 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 Company allocates the consideration in the contract to each lease component on the basis of their relevant stand alone prices.

As a lessee

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 shorter of the lease term and its useful life (on the same basis as owned assets). The right of use asset is periodically reduced by impairment losses and adjustments for certain measurements of the lease liability.

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

Accounting policies (continued)

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 dependent 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 reasonably certain not to terminate early.

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

When the lease liability is remeasured, a corresponding entry is made to the carrying amount of the right of use of asset or, if reduced to zero, recorded in the income statement.

Right of use assets that do not meet the definition of investment property are presented in "property, plant and equipment" and lease liabilities are presented in borrowings in the balance sheet.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation

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

- Plant and machinery:
 - Production equipment - 3 to 10 years
 - Other – 3 to 10 years
- Furniture and fittings – 3 to 10 years

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation arising from past events, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions, other than 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.

Retirement benefit plans

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

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

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

Termination benefits

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

Other employee benefits

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

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

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

Accounting policies (continued)

Dividends on shares presented within equity

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

Adoption of new and revised accounting standards

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

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

They have been applied since 1 April 2019 and have not had a significant impact on the results or financial position of the Company.

New standards and interpretations not yet adopted

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

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

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

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

1 Revenue

Contract balances

Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service. The following table provides analysis on significant changes to contract liabilities during the year:

	2020 £'000	2019 £'000
At 1 April 2019	(31,781)	-
Balance transferred from deferred income following adoption of IFRS 15	-	(50,087)
Decrease due to revenue recognised in the period	30,172	44,206
Increase due to cash received in advance and not recognised as revenue during the year	(40,266)	(25,900)
At 1 April 2020	(41,875)	(31,781)
Presented within:		
Current	(23,239)	(31,781)
Non-current	(18,636)	-
At 1 April 2020	(41,875)	(31,781)

Contract costs

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

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

2 Operating profit

Operating profit is stated after charging/(crediting);

	Note	2020 £'000	2019 £'000
Staff costs	4	83,000	77,944
Rentals on operating leases and similar arrangements		-	17,246
Inventory recognised as an expense		5,058	1,088
Depreciation of owned assets	7a	477	544
Depreciation of leased assets	7b	1,308	-
Expenses relating to short term leases		8,694	-
Expenses relating to leases of low value assets, excluding short term leases		363	-
Audit fees payable to the National Audit Office		178	155
(Profit)/loss on disposal of fixed assets		-	(54)
Amortisation of intangible fixed assets		2	4

Operating costs directly related to programme expenditure are capitalised within work in progress. Amounts held in work in progress are released to the income statement in line with the revenue recognition policy.

3 Profit on ordinary activities before interest and tax

The Company made an operating profit of £12.3 million (2019: £21.0m) and a profit before tax of £21.0m (2019: £25.9m) for the year ending 31 March 2020.

BBC Studios Productions Limited

Registered number 09463829

31 March 2020

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

4 Staff numbers and costs**4a Persons employed**

The average monthly number of persons (including Directors) employed by the Company during the year was 1,145 (2019: 1,269). Within the averages, 125 (2019: 135) part-time employees have been included at their full-time equivalent of 88 (2019: 94). The Company also employed an average full-time equivalent of 417 (2019: 289) persons on a casual basis.

4b Staff costs (including Directors)	2020	2019
	£'000	£'000
Salaries and wages	65,265	65,169
Social security costs	8,690	8,201
Pension costs	7,154	3,931
Restructuring costs	1,891	643
Total staff costs	83,000	77,944

4c Directors' remuneration

The Directors' emoluments were as follows:

	2020	2019
	£'000	£'000
Aggregate emoluments	381	776
Pension contributions	32	81
Total Directors' remuneration	413	857

Amounts exclude any charges borne by the Company and recharged to other companies.

The defined benefit pension included in the above reflects 31.4% employer contribution in 2019/20. Post-employment benefits are accruing for one (2019: two) Director under a defined benefit scheme.

The remuneration for the highest paid Director (including pension contributions), borne and paid for by the Company, during the year was £413k (2019: £425k).

5 Net financing income

	2020	2019
	£'000	£'000
Dividends received	7,000	5,000
Interest received/(paid) on loans	1,706	(112)
Total financing income	8,706	4,888

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

6 Taxation**6a Analysis of charges for the period**

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

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax	2,707	4,040
Adjustments in respect of previous years	17	(53)
Foreign Tax	64	-
Total current tax	2,788	3,987
Deferred tax		
Origination and reversal of temporary differences	(8)	(38)
Tax rate reduction	(10)	3
Adjustment in respect of prior years	(11)	(42)
Total deferred tax	(29)	(77)
Total tax charge for the year	2,759	3,910

6b Factors affecting the tax charge

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	20,996	25,867
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19%	3,989	4,915
Effects of:		
Other disallowable expenditure	40	33
Non-taxable income - dividends from subsidiaries	(1,330)	(950)
Tax differential re overseas earnings	64	-
Prior Year Adjustments		
Current Tax	17	(53)
Deferred tax	(11)	(42)
Temporary differences:		
Depreciation in excess of capital allowances	8	42
Origination and reversal of temporary differences	(8)	(38)
Tax rate reduction	(10)	3
Total tax charge for the year	2,759	3,910

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

6c 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 19%.

	2020	2019
	£'000	£'000
Deferred tax provision		
Provision at start of year	(87)	(10)
Deferred tax credit	(29)	(77)
Provision at end of year	(116)	(87)

	2020	2019
	£'000	£'000
Deferred tax asset		
Accelerated capital allowances	(109)	(87)
Other temporary differences	(7)	-
Total deferred tax asset	(116)	(87)

6d Current tax liabilities

The current tax liability totalling £1.7m (2019: £5.1m) relates to corporation tax due to HMRC.

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

7 Property, plant and equipment

7a Owned assets

	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost			
At 1 April 2018	1,975	-	1,975
Additions	-	346	346
Transfers	294	(294)	-
Disposals	(121)	-	(121)
At 31 March 2019	2,148	52	2,200
Additions	-	1,592	1,592
Transfers	1,030	(1,014)	16
Disposals	(447)	-	(447)
At 31 March 2020	2,731	630	3,361
Depreciation			
At 1 April 2018	495	-	495
Charge for the year	544	-	544
Disposals	(44)	-	(44)
At 31 March 2019	995	-	995
Charge for the year	477	-	477
Disposals	(284)	-	(284)
At 31 March 2020	1,188	-	1,188
Net book value			
At 31 March 2020	1,543	630	2,173
At 31 March 2019	1,153	52	1,205

7b Right of use assets

	Land and Buildings £'000	Plant and machinery £'000	Vehicles £'000	Total £'000
At 1 April 2019	1,351	794	101	2,246
Additions	684	526	101	1,311
Disposals	(179)	-	(36)	(215)
Less: Charge for the year	772	435	101	1,308
At 31 March 2020	1,084	885	65	2,034

Notes to the Financial Statements (continued)
for the year ended 31 March 2020

8 Inventory

	2020	2019
	£'000	£'000
Work in progress	47,080	55,356
Total inventory	47,080	55,356

The work in progress balance comprises the cost of programmes in the course of production that were not delivered to the commissioner by 31 March 2020. Amounts held in work in progress are released to the income statement in line with the revenue recognition policy. During 2019/20, £322.9m (2019: £359.8m) was released to the income statement from work in progress, along with an associated revenue of £350.5m (2019: £393.5m).

9 Trade and other receivables

	2020	2019
	£'000	£'000
Amounts due within one year:		
Intercompany receivables	130,107	92,156
Trade receivables	4,333	3,627
VAT	1,643	1,416
Other receivables	1,200	1,613
Total receivables	137,283	98,812

10 Trade and other payables

	2020	Restated 2019
	£'000	£'000
Amounts due within one year:		
Intercompany payables	17,996	9,129
Trade payables	3,287	3,623
Accruals and deferred income	26,213	24,190
Other payables	5,417	5,163
Taxation and social security	3,235	2,366
Total payables	56,148	44,471

Prior year figures have been restated to better reflect the classification between accruals and deferred income and payables.

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

11 Provisions

	At 1 April 2019 £'000	Charge for the year £'000	Utilised during the year £'000	Released during the year £'000	At 31 March 2020 £'000
Amounts due within one year:					
Provision for restructuring costs	749	1,571	(599)	-	1,721
Other provisions	335	85	(275)	(79)	66
Total provisions	1,084	1,656	(874)	(79)	1,787

12 Share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid:		
50,000 Ordinary shares of £1 each	50	50
Total share capital	50	50

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

13 Reserves

The retained earnings reserve reflects the combination of results from operations in the current and previous years. Share capital represents the total value of shares issued to the company's parent company.

14 Dividends

	2020 £'000	2019 £'000
Dividends payable on ordinary equity shares		
Dividends were paid/proposed as follows:	6,000	2,800
Total dividends	6,000	2,800

The dividend per share is £0.12 (2019: £0.06) and this was the final dividend.

15 Ultimate controlling party

The Company's ultimate parent undertaking and controlling party is the British Broadcasting Corporation (BBC) which is incorporated in the United Kingdom by Royal Charter. The Company's immediate parent and controlling party is BBC Studios Limited, a company registered in England and Wales. The results of the Company are consolidated within BBC Commercial Holdings Limited and the British Broadcasting Corporation. Copies of the financial statements of the BBC can be obtained from www.bbc.co.uk/annualreport.

Notes to the Financial Statements (continued)

for the year ended 31 March 2020

16 Post-balance sheet events

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

17 Subsidiary undertakings

The Company owns 100% of the issued share capital of the following companies recognised at cost, which are incorporated in Great Britain and registered in England and Wales:

	Investment value £	Holding of ordinary shares %
Directly owned subsidiaries		
BBC Grafton House Productions Limited	2	100
BBC Comedy Productions Limited	2	100
BBC Natural History and Factual Productions Limited	2	100
Mortimer Productions Limited	1	100
BBC Natural History Giant Screen Limited	1	100
BBC Studios Productions (Clifton) Limited*	1	100

*incorporated on 13 May 2019

Registered address of subsidiaries: 1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA.

In addition to the above, the Company also holds other investments, recognised on the balance sheet at fair value.

18 Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. There were no other material transactions with related parties during the current or prior year. Transactions with related parties are made on an arm's length basis.