

BBC Studios Limited

Annual Report and Financial Statements

Year ended 31 March 2018

Registered number 09463829

Officers and advisors

Directors

Anna Mallett

Mark Linsey

Company Secretary

Anthony Corriette

Registered office

BC3 D4 Broadcast Centre

201 Wood Lane

London

W12 7TP

Auditor

National Audit Office

157 - 197 Buckingham Palace Road

London

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Strategic Report

The Directors present their Strategic Report for the year ended 31 March 2018.

Principal activities

BBC Studios Limited (the 'Company') commenced trading as a wholly owned subsidiary of BBC Ventures Group Limited on 1 April 2017 as a result of a carve out of the BBC's production making activities. In the prior year the Company was dormant. Under the regulatory framework in place at the time, any new commercial service proposal which raised matters of strategic significance for the BBC was subject to approval from the former BBC Trust. This was granted in December 2016, following an extensive regulatory assessment and public consultation, ensuring that the new commercial activity meets the following criteria as set out in the BBC Royal Charter and Agreement:

- fit with the BBC's public purposes, as set out in its Charter;
- exhibit commercially efficiency;
- not jeopardise the good reputation of the BBC or the value of the BBC brand; and
- comply with BBC's Fair-trading Guidelines and, in particular, avoid distorting the market.

The operations of the former BBC Studios division were subsequently transferred, as a going concern, on 1 April 2017. Net assets transferred totalled £49.5m, which most significantly included: £96.5m of programme related assets; £50.9m of trade and other payables; £15.7m of trade and other receivables; and provisions of £13.7m. Existing intellectual property rights did not transfer and remain owned by BBC Public Service Broadcasting, while employees employed directly by the former BBC Studios division were subject to Transfer of Undertakings (Protection of Employment) Regulations.

Following completion the Company entered into an intercompany loan agreement with BBC Commercial Holdings Limited; made available for general corporate purposes including working capital, capital expenditure within the approved budget and any additional expenditure approved by the BBC Commercial Holdings Board. BBC Commercial Holdings is funded by way of external debt facilities. The consideration for the transferred assets was ultimately, by way of the issue of shares, equivalent to the carrying value of the net assets transferred.

The principal activity of the Company is to develop and produce programme content for the 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. The Company is able to make bold, British, creative programmes for other broadcasters, as well as playing a vital role in the BBC's future by continuing to deliver quality programmes and creating valuable intellectual property.

Post balance sheet events

On 3 April 2018 BBC Ventures Group Limited was renamed to BBC Studios Group Limited, which acts as the holding company for the Company and BBC Worldwide Limited. As a result, BBC Studios Group Limited is a global content group, embodying the very best of bold British creativity, and investing in quality content across premium genres including factual, scripted and entertainment. Its profits contribute to significant financial returns that are reinvested into the BBC for the benefit of the UK licence fee payer.

Strategic Report (continued)

Business review

The Company is a subsidiary of the BBC, creating distinctive, much-loved content across a wide range of genres. In a highly competitive market, the Company provides a stable and large-scale source of intellectual property for the BBC Group, generating value for audiences and returns for licence fee payers.

In April 2017, the Company launched as a commercial subsidiary as part of a major change to the BBC's content supply strategy. As a result it no longer has guarantees of business from the BBC, but is able to pitch programming to other commissioners in the UK and internationally for the first time. The priority this year has been to transform the business for this more competitive, market-driven environment.

The Company's strategy is to develop a more balanced portfolio of business by continuing to deliver existing programmes to the highest creative standards while investing in generating new intellectual property and diversifying its customer base beyond the BBC. To support this we have put in place a more flexible operating model, and made efficiency savings to significantly reduce the Company's cost base. We have also started to build a more commercial culture, while preserving the craft skills and editorial values that underpin everything we do.

These measures have helped deliver a successful first year of trading. The Company produced over 2,000 hours of television and radio content in 2017/18. Headline sales were £424m, and reductions in costs helped drive operating profits of £5.8m and a year end cash balance of £0.2m.

On-screen, the Company's content received widespread industry recognition with more than 80 awards and 200 nominations, making it the most awarded producer in the UK. We also delivered some of the most watched programmes of the year with the *One Love Manchester* concert, *Strictly Come Dancing*, *EastEnders* and *Mrs Brown's Boys* over Christmas. The launch of *Blue Planet II* with an audience of 14m made it the biggest Natural History programme in 15 years, and the resulting anti-plastics campaign demonstrated the power of television to make an impact on society.

The Company also made good progress this year in securing business beyond the BBC, a key proof point for the new model. Commissions such as the *Fatberg Autopsy* for Channel 4, *Inside Hotel Chocolat* for Channel 5 and Cherry Healey's exploration of plastic surgery for UKTV demonstrate a wider appetite for the Company's editorial offer. This offer is strengthened by the new talent we have brought into the business, including Hannah Wyatt to head up our Factual Entertainment & Events businesses and Suzy Lamb to lead Entertainment & Music.

As a people business, it is vital that we can create an environment where people want to work and attract talent wherever it comes from. The Company has increased its focus on diversity and inclusion to improve our new talent pipeline and our representation at leadership level, with additional training for senior leaders and bespoke strategies to respond to the particular circumstances in the regions and genres where we operate. We also continue to strengthen our bases outside London, which together employ approximately 750 staff and many more freelancers at all levels across the nations and regions of the UK.

Looking ahead, the Company faces both opportunities and challenges. The first year of operating in the market has identified significant potential to take our bold, British creativity to international customers, and we are looking to increase our activity in a number of key territories. However, we face an increasingly competitive market, with large-scale consolidated players competing for talent and financing. The Company also has a unique challenge in the form of contestability, with the revenue from long-running titles vulnerable to tendering, although experience to date suggests teams are well-placed to respond to this.

Strategic Report (continued)

Business review (Continued)

After year end, the Company combined with BBC Worldwide Limited, the BBC's subsidiary focused on sales and distribution. This represents a bold step in the evolution of the BBC's content ambitions, and a critical priority for the business in 2018/19 will be to ensure the successful implementation of this strategy, which will be led by the newly formed BBC Studios Executive Committee. Alongside this we will continue to strengthen our creative portfolio and seek to win new business with broadcast and online customers, as well as supplying a full range of high quality content to the BBC.

Risk and uncertainties

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

Risk	Strategic impacts	Mitigation
Brand, reputation and standards	<p>Risk that audiences lose confidence in the integrity of our business or our content.</p> <p>Risk we fail to represent the values of the BBC to global audiences.</p>	<p>Harm to our reputation, our relationship with audiences and to the credibility of the BBC brand.</p> <p>Leadership, management and staff behaviours that promote the BBC values embedded within our company's culture. Policy framework, internal communications and HR processes inform and demonstrate appropriate behaviours.</p> <p>Commitment to delivering honest and open communications. Inductions, mandatory training and regular staff surveys to drive engagement. Editorial Policy framework supported by specialists, with experienced genre heads and deal approval frameworks.</p>
Competitive market	<p>Increasingly competitive market, with large scale consolidated players competing for talent on and off screen.</p>	<p>Failure to attract talent and deliver high quality content, leading to a reduction in revenue.</p> <p>Leadership team in place with a clear focus on developing and nurturing talent. The breadth and diversity of the business supports career development and opportunities to work on a range of content.</p>
Accessing funding	<p>Increasingly competitive market, competing for access to funding.</p>	<p>Failure to secure sufficient funds to meet editorial ambition and customer requirements.</p> <p>Management of budgets, greenlighting process, cash flow forecasting and prudent debt management ensure visibility and management of cash requirements.</p>

Strategic Report (continued)

Risk	Strategic impacts	Mitigation
Business continuity, safety and security Disruption to operations, infrastructure and loss of revenue following a major incident. General increase in global terrorism and the risk of physical threat.	Potential for injury, death and loss of infrastructure and services with disruption to business operations.	Security and safety management arrangements supported by specialists, policy frameworks, forums, communications and risk assessments. Offices and business operations covered by continuity leads and up-to-date continuity plans. Training provided for international travel safety and terrorism awareness. Launch of the global emergency notification system.

By order of the Board,

ORIGINAL VERSION SIGNED BY ANTHONY CORRIETTE

Anthony Corriette
Company Secretary

19 June 2018

Registered Address
BC3 D4 Broadcast Centre
201 Wood Lane
London
W12 7TP

BBC Studios Limited
Registered number 09463829
31 March 2018

Directors' Report

The Directors present their report and the audited Financial Statements of the Company for the year ended 31 March 2018.

Directors

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

- Anna Mallett (appointed 20 December 2016)
- Mark Linsey (appointed 20 December 2016)
- Tony Hall (appointed 20 December 2016, resigned 18 September 2017)
- Anne Bulford (appointed 20 December 2016, resigned 18 September 2017)

Results and dividends

The Company made a profit of £4.0m during the year (2017: £nil). The Directors do not recommend the payment of a dividend (2017: £nil).

Political and charitable contributions

The Company made no political donations or contributions to charity during the period.

Financial instruments

The Company financial risk management operations are carried out by a BBC Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the BBC Board. All treasury activity is routinely reported and is subject to review by management.

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 the 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. The company is focussed on training and development with new training initiatives launched during the year and a particular focus on additional training for the leadership team.

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, which includes specific training in response to hazards in a production environment. This is reinforced further by appropriate policies and procedures being in place.

Directors' Report (continued)

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.

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 but the BBC Group voluntarily complies where appropriate. Disclosure of how the BBC complies may be obtained from www.bbc.co.uk/annualreport.

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.

Insurance indemnities

The Company maintains liability insurance for its Directors which is renewed on an annual basis.

Post balance sheet events

As discussed in note 17 and within the Strategic Report the name of the immediate parent of the Company was changed from BBC Ventures Group Limited to BBC Studios Group Limited on 3 April 2018.

Auditors

In accordance with the Royal Charter, the Comptroller and Auditor General has been appointed as Auditor of the Company from 1 April 2017.

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

ORIGINAL VERSION SIGNED BY ANTHONY CORRIETTE

Anthony Corriette
Company Secretary

19 June 2018

BC3 D4 Broadcast Centre
201 Wood Lane
London
W12 7TP

BBC Studios Limited
Registered number 09463829
31 March 2018

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 Limited

Opinion on Financial Statements

I have audited the Financial Statements of BBC Studios Limited for the year ended 31 March 2018 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 2018 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 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.

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).

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.

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

Auditor's responsibilities for the audit of the Financial Statements (continued)

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

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

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

Other Information

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

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- in light of the knowledge and understanding of the 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.

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

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.

ORIGINAL VERSION SIGNED BY STEPHEN SMITH

Stephen Smith (Senior Statutory Auditor)

19 June 2018

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 2018

	Note	2018 £'000	2017 £'000
Revenue		424,268	-
Cost of sales		(411,641)	-
Gross profit		12,627	-
Administrative expenses		(6,823)	-
Operating profit	3	5,804	-
Finance costs	6	(726)	-
Profit before taxation		5,078	-
Taxation	7	(1,085)	-
Profit for the year		3,993	-

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 18 to 29 form part of the Financial Statements.

Balance Sheet

as at 31 March 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	8	5	-
Property, plant and equipment	9	1,480	-
Deferred tax asset	7c	10	
		1,495	-
Current assets			
Inventory	10	77,018	-
Trade and other receivables	11	64,807	-
Cash and cash equivalents		225	-
		142,050	-
Creditors: amounts falling due within one year			
Trade and other payables	12	(86,842)	-
Provisions	13	(2,049)	-
Current tax liabilities		(1,121)	-
		(90,012)	-
Net assets		53,533	-
Capital and reserves			
Share capital	15	50	-
Retained earnings		53,483	-
Shareholders' Funds		53,533	-

The Financial Statements were approved and authorised for issue by the board on 19 June 2018 and were signed on its behalf by:

ORIGINAL VERSION SIGNED BY ANNA MALLETT

Anna Mallett
Director
19 June 2018

The notes on pages 18 to 29 form part of the Financial Statements.

Statement of Changes in Equity
for the year ended 31 March 2018

	Note	Share capital £'000	Retained earnings £'000	Total £'000
At 31 March 2016		-	-	-
Profit for the year		-	-	-
At 31 March 2017		-	-	-
Issue of shares during period	15	49,540	-	49,540
Capital restructuring		(49,490)	49,490	-
Profit for the year		-	3,993	3,993
At 31 March 2018	50	53,483	53,533	

Share capital as at 31 March 2017 was £1.

The notes on pages 18 to 29 form part of the Financial Statements.

Notes to the Financial Statements

for the year ended 31 March 2018

1 Statement of compliance with FRS 101

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101).

The Company's Financial Statements are presented in Sterling and all values are rounded to the nearest pound except where otherwise indicated.

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 the BBC Commercial Holdings. The group accounts of the BBC are available to the public and can be obtained as set out in note 16.

The principal accounting policies adopted by the Company are set out in note 2.

2 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. As at 31 March 2018, the main source of debt funding was an unsecured credit facility with BBC Commercial Holdings Limited (BBCCH) of £65million expiring in September 2020. This facility attracts interest at a rate which broadly reflects the cost of funding to BBCCH including any applicable margin. This is currently 2%. Although current economic conditions continue to create uncertainty, the Company's forecasts and projections show that the Company should be able to operate within the level of current reserves and borrowings. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of no less than 12 months from the date of signing these Financial Statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Annual Report and Financial Statements.

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, returns, VAT and other sales-related taxes. Revenue is recognised when the significant transfer of risks and rewards has occurred.

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

- Primary commissioning income including investment income. Revenue is recognised on delivery of the programme in accordance with the nature of the contract with the customer.
- Secondary rights revenue earned by the Company is recognised on receipt or on an accruals basis where sufficient reliable information is available.

Financial instruments

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

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.

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

Lease payments

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

Intangible fixed assets

Other intangible assets

Purchased intangible assets are capitalised at cost. After initial recognition, all intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on assets with finite lives on a straight line basis over the asset's useful life and disclosed within total operating costs in the income statement.

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:
 - Computer equipment – 3 to 5 years
 - Production equipment - 3 to 10 years
 - Other – 3 to 10 years
- Furniture and fittings – 3 to 10 years

Trade and other debtors

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

Inventories

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 2018 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturity of less than three months.

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

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. 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.

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 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 IAS 18 *Revenue* and, in particular, whether the Company had transferred the significant risks and rewards of the goods/services to the customer.

Adoption of new and revised accounting standards

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2018 have had a material impact on the Company.

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

3 Operating profit

Operating profit is stated after charging:

	Note	2018 £'000	2017 £'000
Staff costs	5	78,973	-
Rentals on operating leases and similar arrangements		16,169	
Inventory recognised as an expense		1,519	-
Depreciation of property, plant and equipment	9	596	-
Audit fees payable to the National Audit Office		250	-
Loss on disposal of fixed assets		60	-
Amortisation of intangible fixed assets	8	39	-

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 set out in note 2.

4 Profit on ordinary activities before interest and tax

The Company made a profit of £4.0m (2017: £nil) for the period to 31 March 2018.

5 Staff numbers and costs

5a Persons employed

The average monthly number of persons (including Directors) employed by the company during the year was 1,601 (2017: nil). Within the averages, 138 (2017: nil) part-time employees have been included at their full-time equivalent of 95 (2017: nil). In addition, the company employed an average full-time equivalent of 234 (2017: nil) persons on a casual basis.

5b Staff costs (including Directors)

	2018 £'000	2017 £'000
Salaries and wages	66,270	-
Social security costs	7,807	-
Pension costs	4,732	-
Restructuring costs	164	-
Total staff costs	78,973	-

5c Director's remuneration

The Directors' emoluments were as follows:

	2018 £'000	2017 £'000
Aggregate emoluments	794	-

Post-employment benefits are accruing for two (2017: nil) Directors under a defined benefit scheme.

The Company did not trade during the prior year and accordingly no costs relating to Directors' remuneration were incurred by the Company.

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

5c Director's remuneration (continued)

Highest paid Director

The highest paid Director's emoluments were as follows:

	2018 £'000	2017 £'000
Emoluments	340	-
Defined benefit pension scheme:		
- accrued pension at the end of the year	50	-
- accrued lump sum at the end of the year	-	-
Performance related	136	-

The Company did not trade during the prior year and accordingly no costs relating to Directors' remuneration were incurred by the Company.

6 Finance costs

	2018 £'000	2017 £'000
Interest on loans	726	-
Total financing costs	726	-

7 Taxation

7a Analysis of charges for the period

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

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax	1,095	-
Total current tax	1,095	-
Deferred tax		
Origination and reversal of temporary differences	(11)	-
Tax rate reduction	1	-
Total deferred tax	(10)	-
Total tax charge for the year	1,085	-

7b Factors affecting the tax charge

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	5,078	-
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19%	965	-
Effects of:		
Other disallowable expenditure	119	-
Tax rate reduction	1	-
Total tax charge for the year	1,085	-

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

7c 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%.

	2018	2017
	£'000	£'000
Deferred tax provision		
Deferred tax credit	(10)	-
Provision at end of year	(10)	-

	2018	2017
	£'000	£'000
Deferred tax asset		
Fixed asset temporary differences	(10)	-
Total deferred tax asset	(10)	-

Notes to the Financial Statements (continued)
for the year ended 31 March 2018

8 Intangible fixed assets

	Other intangibles £'000	Total £'000
Cost		
At 1 April 2016	-	-
Additions	-	-
At 31 March 2017	-	-
Additions	44	44
At 31 March 2018	44	44
Amortisation and impairment		
At 1 April 2016	-	-
Charge for the year	-	-
At 31 March 2017	-	-
Charge for the year	39	39
At 31 March 2018	39	39
Net book value		
At 31 March 2018	5	5
At 31 March 2017	-	-

Intangible asset amortisation is directly related to programme expenditure and is capitalised as work in progress. Amounts held in work in progress are released to the income statement in line with the revenue recognition policy set out in note 2.

Additions in the year relate to assets transferred to the Company from the former BBC Studios division of BBC Public Service Broadcasting.

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

9 Property, plant and equipment

	Plant and machinery £'000	Assets under construction £'000	Total £'000
Cost			
At 1 April 2016	-	-	-
Additions	-	-	-
At 31 March 2017	-	-	-
Additions	1,545	591	2,136
Transfers	591	(591)	-
Disposals	(161)	-	(161)
At 31 March 2018	1,975	-	1,975
Depreciation			
At 1 April 2016	-	-	-
Charge for the year	-	-	-
At 31 March 2017	-	-	-
Charge for the year	596	-	596
Disposals	(101)	-	(101)
At 31 March 2018	495	-	495
Net book value			
At 31 March 2018	1,480	-	1,480
At 31 March 2017	-	-	-

Tangible asset depreciation is directly related to programme expenditure and is capitalised as work in progress. Amounts held in work in progress are released to the income statement in line with the revenue recognition policy set out in note 2.

Additions in the year include £1.4m relating to assets transferred to the Company from the former BBC Studios division of BBC Public Service Broadcasting.

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

10 Inventory

	2018 £'000	2017 £'000
Work in progress	77,018	-
Total inventory	77,018	-

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 2018. Amounts held in work in progress are released to the income statement in line with the revenue recognition policy set out in note 2. During 2017/18, £411.6 million was released to the income statement from work in progress, along with an associated revenue of £412.3 million.

11 Trade and other receivables

	2018 £'000	2017 £'000
Amounts due within one year:		
Intercompany receivables	59,321	-
Trade receivables	1,702	-
VAT	1,499	-
Other receivables	2,285	-
Total receivables	64,807	-

12 Trade and other payables

	2018 £'000	2017 £'000
Amounts due within one year:		
Intercompany payables	49,171	-
Trade payables	23,509	-
Accruals and deferred income	8,067	-
Other payables	3,591	-
Taxation and social security	2,504	-
Total payables	86,842	-

13 Provisions

	2018 £'000	2017 £'000
Amounts due within one year:		
Provision for restructuring costs	1,302	-
Other provisions	747	-
Total provisions	2,049	-

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

14 Pensions

Defined benefit schemes:

The Company accounts for the BBC Pension Scheme as if it were a defined contribution scheme. This is because it is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The pension cost for this scheme therefore represents contributions payable by the Company to the scheme and the costs amounted to £3.9 million in the year (2017: nil).

Defined contribution schemes:

The BBC also operates its own defined contribution pension schemes. The pension cost represents contributions payable by the Company to the funds and this amounted to £1.1 million in the year (2017: nil).

Information about the scheme deficit that may affect the amount of future contributions, including the basis used to determine that deficit and the implications, can be found in notes C7 and C8 of the BBC Annual Report and Accounts.

15 Share capital

	2018	2017
	£'000	£'000
Allotted, called up and fully paid:		
50,000 Ordinary shares of £1 each	50	-
	50	-

Share capital as at 31 March 2017 was £1.

Shares in the Company were issued to BBC Ventures Group Limited in April 2017. A special resolution was subsequently passed in October 2017 to reduce the authorised share capital for BBC Studios Limited to £50,000. The following share movements took place during the year:

Date of issue		£
27 February 2015	Issue of initial ordinary share capital	1
11 October 2017	Issue of shares to BBC Ventures Group Ltd	49,539,932
11 October 2017	Cancellation of shares held in the name of BBC Ventures Group	(49,489,933)
		50,000

16 Ultimate controlling party

The Company's ultimate parent undertaking and controlling party is the British Broadcasting Corporation which is incorporated in the United Kingdom by Royal Charter. 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 the British Broadcasting Corporation, Broadcasting House, London, W1A 1AA.

17 Post-balance sheet events

On 3 April 2018 BBC Ventures Group Limited was renamed to BBC Studios Group Limited, which acts as the holding company for BBC Studios Limited and BBC Worldwide Limited. As a result, BBC Studios Group is a global content group, embodying the very best of bold British creativity, and investing in quality content across premium genres including factual, scripted and entertainment. Its profits contribute to significant financial returns that are reinvested into the BBC for the benefit of the UK licence fee payer.

BBC Studios Limited

Registered number 09463829

31 March 2018

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

18 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:

Directly owned subsidiaries	Registered address	Investment value £	Holding of ordinary shares %
BBC Grafton House Productions Limited	Bc2 A5 Broadcast Centre,	2	100
BBC Comedy Productions Limited	201 Wood Lane, London, United Kingdom, W12 7TP	2	100
BBC Natural History and Factual Productions Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA	2	100
Mortimer Productions Limited*		1	100

*Mortimer Productions Limited was acquired by the Company on 7 February 2018

19 Operating leases

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

	2018 £'000	2017 £'000
Within one year	11,890	-
In two to five years	7,670	-
After five years	-	-
Total operating lease commitments	19,560	-

The majority of operating leases relate to production and broadcasting equipment.

20 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.