

BBC Commercial Limited
Registered number 04463534

Annual Report and Consolidated Financial Statements
For the year ended 31 March 2023

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COMPANIES HOUSE

Officers and advisors

Directors

Gunjan Bhow (appointed 1 April 2022)
Damon Buffini (appointed 1 April 2022)
Lorraine Burgess (appointed 1 April 2022)
Tim Davie (resigned 1 April 2022)
Thomas Fussell
Mai Fyfield
Ian Griffiths (appointed 1 April 2023)
Claire Hungate (appointed 1 April 2023)
Glyn Isherwood (resigned 1 April 2022)
Mark Linsey (resigned 1 April 2022)
Stephen Morrison (resigned 24 March 2023)
Gary Newman (appointed 1 April 2023)
Peter Ranyard (resigned 1 April 2022)
Bhavneet Singh (appointed 1 April 2022)
Elan Closs Stephens (resigned 31 March 2023)
Leigh Tavaziva

Company Secretary

Anthony Corriette (appointed 1 April 2022)
Peter Ranyard (resigned 1 April 2022)

Registered Office

1 Television Centre
101 Wood Lane
London
W12 7FA

Auditor

National Audit Office
157 – 197 Buckingham Palace Road
London
SW1W 9SP

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Strategic report

The Directors present their annual report for BBC Commercial Limited (the 'Company'), together with the consolidated financial statements and auditor's report, for the year ended 31 March 2023 (the 'Group'). The Group financial statements have been prepared in accordance with UK adopted International Financial Reporting Standards ('IFRS'). The Company financial statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework for all periods presented and these can be seen on pages 96 to 102.

Principal activities of the Group

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

The Commercial Group comprises two principal businesses:

- BBC Studios Group operates two lines of business: Content Studio, and Channels and Streaming. It creates, invests, develops, produces and distributes content which sits at the heart of the BBC schedule, as well as across multiple platforms around the world, delivering better value back to the licence fee payer through support for programme funding and cash dividends.
- BBC Studioworks provides TV studio facilities, equipment, crew and post-production services from locations in the UK.

Business review

The Group monitors its business using a number of key performance indicators including revenue and EBITDA. For 2022/23 the Group recorded revenue of £2,115 million (2022: £1,718 million) and delivered an EBITDA of £240 million (2022: £226 million). The results and performance of the principal businesses of the group have been summarised below:

	2023			2022		
	Revenue £m	EBITDA/ (LBITDA) £m	EBITDA Margin %	Revenue £m	EBITDA/ (LBITDA) £m	EBITDA Margin %
BBC Studios Group*	2,090	240	11.5%	1,630	226	13.9%
BBC Studioworks	41	5	12.2%	44	8	18.2%
Other group entities*	1	(13)		60	(6)	
Group adjustments	(17)	8		(16)	(2)	
Total	2,115	240		1,718	226	

* Children's Productions Limited, included within other group entities in the prior year, was transferred to BBC Studios Group on 1 April 2022.

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

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

The Group is currently reviewing the EBITDA measure to ensure consistency with industry best practice.

Strategic report continued

BBC Studios Group

It has been another creatively and commercially successful year for BBC Studios. The business reached a significant sales milestone, breaking through £2 billion for the first time, with record EBITDA also.

Full year sales were £2,090 million (2022: £1,630 million), 28% higher than the previous year, driven by a healthy slate from the Content Studio business, which created momentum for the Group overall, and fuelling sales of BBC Studios' premium catalogue. Global long-term partnership deals, thriving brands *Bluey* and *Strictly Come Dancing*, and an increased market share for UKTV also contributed to the record year.

Content Studio highlights included the much talked-about third series of *Happy Valley* from our Production Label Lookout Point, which brought a consolidated audience of 12.8 million to the BBC, ground-breaking dinosaur landmark *Prehistoric Planet* for AppleTV+ and a debut on Disney+ for *Strictly Come Dancing*'s hit US version *Dancing with the Stars*. 39% of all BBC Studios productions are now made for third parties and the business remains the largest UK exporter of TV content.

The growth in the Content Studio business helped to achieve record EBITDA of £240 million (2022: £226 million), 6% higher than the previous year, despite inflationary pressures and the impact of the volatile advertising sector alongside declining pay TV subscription revenues.

BBC Studios targeted three key areas to further develop its culture and wider impacts: boosting the performance of its people; improving diversity and inclusion; and innovating in sustainability.

Central to BBC Studios' success and future growth is the performance and wellbeing of its people, and via a wide-ranging process of benchmarking and through focussed consultation with senior leaders, we now have a clear commitment to empower staff to do their very best work. Current financial performance shows this is bearing fruit, with 85% of staff saying they are proud to work for us in the BBC's recent engagement survey.

BBC Studios aligns to BBC Group diversity targets, with our three-year Valuing Difference initiative spearheading eight staff networks to support all protected characteristics including gender and ethnicity. Chris Packham looked *Inside Our Autistic Minds* for BBC Two, and our Documentary Unit made the critically-acclaimed *Freedom: 50 years of Pride* for Channel 4 in a collaboration with Stephen Daldry. Nearly four in five (78%) of BBC Studios staff in the UK say they 'can be their authentic selves at work'.

The business continues to decarbonise in line with science-based targets. 98% of its UK productions had BAFTA Albert carbon action plans, pioneering a range of innovative solutions from solar powered locations for the Natural History Unit, hybrid generators for coverage of the Platinum Jubilee, use of diesel-alternative hydrotreated vegetable oil (HVO) fuel on *Strictly Come Dancing* and set re-use schemes at *EastEnders* in collaboration with the local community.

Following on from the industry-wide Climate Content Pledge in 2021, BBC Studios has worked hard to increase awareness of greener choices through onscreen and beyond. Activity included the hugely popular collaboration between Minecraft Education and *Frozen Planet II*, showcased at COP27 in November 2022.

The business has ambitious growth plans, aiming to double the business from 2021/22 to 2028. This will see increasing investment in content and new digital services and supercharging commercial growth to better support the BBC Group overall.

Strategic report continued

Review of financial performance

The BBC Studios Group Executive Committee tracks its performance across two lines of business, Content Studio, and Channels and Streaming.

The segmental analysis below includes an allocation of all central costs – the Group continues to drive strong cost control.

	Revenue		EBITDA	
	2023	2022	2023	2022
	£m	£m	£m	£m
Content Studio	1,612	1,150	139	93
Channels and Streaming	535	536	102	135
Group adjustments	(57)	(56)	(1)	(2)
Total revenue	2,090	1,630	240	226

Both sales and EBITDA were at record levels for the second year running, with the Content Studio propelling BBC Studios' creative growth, as production sales rose 59%.

EBITDA was up 6% to £240 million (2022: £226 million) driven by record profits in the Content Studio, up £46 million despite increased inflationary pressures. The underlying creative and financial health of the business has allowed BBC Studios to continue to invest in growth, and largely absorb the impacts of broader macroeconomic conditions. This includes the decline in the linear TV advertising market which, together with declining pay TV subscriptions, affected profits in Channels and Streaming, with EBITDA down £33 million at £102 million. At year-end BBC Studios made a £40 million impairment against its non-current assets, principally in Channels and Streaming, reflecting an updated market outlook which contributed to the reduction in the Group's profit before taxation from £100 million in 2021/22 to £66 million in 2022/23. This is a non-cash accounting charge and has no impact on BBC Studios' returns to the BBC. The charge does not reflect operational performance, which in management's view is best judged through EBITDA, the lead performance metric for the business.

BBC Studios' free cash flow was a record £204 million (2022: £198 million), reflecting a strong EBITDA conversion of 85% and funding a £146 million dividend paid to BBC Commercial Ltd. Content investment was £177 million (2022: £191 million), helping to drive record returns to the BBC of £362 million (2022: £353 million).

Content Studio

BBC Studios' global Content Studio (formerly "Production and Distribution") encompasses content made across the Scripted, Unscripted and Kids & Family genres within BBC Studios Productions Units, Labels and production bases around the world for a wide range of global customers, as well as financing, distributing and licencing content on a global basis.

Creative Momentum

The demand for BBC Studios content grew during the year, with a significant increase in programmes made for customers outside the BBC, including major new series for Apple, Amazon, Disney+ and Netflix.

BBC Studios won 111 awards from 440 nominations, including RTS and BAFTA recognition.

Titles for the BBC included James Graham's *Sherwood* from House Productions, and *Am I Being Unreasonable?*, a twisted comedy-thriller written by and starring Daisy May Copper and Selin Hizli from Lookout Point's Boffola Pictures, both winning RTS awards and immediate recommissions.

The 25th and 26th series of *Silent Witness* from BBC Studios Drama Productions maintained a strong UK audience share, with an average of over 7m watching each series, while BBC Studios Comedy Productions' *Here We Go*, starring Alison Steadman, and Baby Cow's *The Witchfinder* with Daisy May Cooper took the two top spots for the

Strategic report continued

year's biggest new comedies in the UK. *Black Ops*, a comedy drama about undercover police officers for BBC One from BBC Studios Drama Productions, aired shortly after year end.

Frozen Planet II from BBC Studios Natural History Unit was one of the biggest factual titles of 2022 in the UK, reaching a total of 20.5 million unique viewers, while BBC Studios Factual Entertainment Productions will continue to make *Antiques Roadshow* following a tender under the BBC's contestability requirements for returning series.

Viewers around the world turned to the BBC for two significant national moments, brought to audiences by the BBC Studios Events Productions team: HM Queen Elizabeth II's Platinum Jubilee in June, followed in September by ceremonial events from across the UK Nations, including the State Funeral.

Jubilee weekend coverage reached over 30 million people, with the Platinum Party at the Palace, lighting of beacons, Trooping the Colour and a pageant. In September, an average audience of 19.9 million watched coverage of the State Funeral.

In the year, the BBC Studios Documentary Unit worked with genre-defining personalities including Chuck D for the definitive story of hip-hop history, *Fight the Power: How Hip Hop Changed the World*, featuring interviews with Ice-T, Fat Joe, Run DMC and MC Lyte for the BBC and PBS. Other collaborations included Jon Favreau for *Prehistoric Planet* from the Natural History Unit and Daisy May Cooper for a raft of comedies including the titles mentioned above and *Rain Dogs* from our Production Label Sid Gentle Films for the BBC and HBO.

Away from the BBC, BBC Studios Productions included original comedy series *Extraordinary* from Sid Gentle Films, recommissions of the successful US version of *Ghosts* for CBS from BBC Studios LA Productions, and *Anthrax Attacks* from the Science Unit for Netflix.

BBC Studios expanded or added to its partnerships with its Production Labels and Invested Indies. As well as the full acquisitions of Sid Gentle Films, Firebird Pictures and Voltage TV, it also agreed two new minority stakes with new indie Mothership Productions and the multi-award-winning home of *Small Axe*, Turbine Studios. The business sold equity holdings in Curve Media and Amazing Productions in the year.

BBC Studios also partners with a broad slate of leading and emerging third-party indie production companies, distributing key titles within the year. These included *The Following Events Are Based On a Pack Of Lies*, from SISTER, *Blue Lights* from Two Cities and Gallagher Films which aired on the BBC at year end and already commissioned for a second series. The business extended longstanding partnerships with Neal Street for the next three seasons of *Call the Midwife*, and with Red Planet Pictures for the upcoming seasons of *Death In Paradise* and *Beyond Paradise*. With new partners Clapperboard Studios and BlackBox Multimedia BBC Studios will distribute ambitious holiday thriller *The Castaways*, made for Paramount+ UK.

Reaching international audiences

Alongside its content customers and partners, BBC Studios brings cross-genre franchises and fan favourites to audiences all around the world, including *Bluey*, *Planet Earth*, *Happy Valley*, *Top Gear* and *Doctor Who*.

In October 2022, BBC Studios signed a transformational landmark distribution deal for *Doctor Who*. Russell T Davies returns as showrunner and a new Doctor in Ncuti Gatwa will premiere globally on Disney+, while BBC exclusivity in the UK is retained.

BBC Studios' unscripted favourite formats continue to find new audiences. *Dancing with the Stars* US series 31 was the first format to air live on Disney+, *Bake Off* sold to a milestone 40th country, and the latest iteration of *The Weakest Link*, now in 47 countries, was recommissioned in the US for a third series. In new titles, gameshow *1% Club* has sold to 6 countries already, showing a strong pipeline, and progress developing original formats includes two new commissions created in *Australia: The Match Makers* for SBS and *Art on the Brain* for ABC.

For scripted, *Rain Dogs* (Sid Gentle Films); *Am I Being Unreasonable* (Boffola Pictures), and *Nicole Lecky with Mood* (Bonafide) generated strong sales. Developed through BBC Studios' partnership with Lionsgate, the US format of *Ghosts* was the number two broadcast comedy in the US last year, and has been recommissioned for a third series.

Strategic report continued

In format sales, *The Office* is now in 12 countries and *Doctor Foster* is in 13, while *Luther* remake *Rudra: The Edge of Darkness* for Disney Hotstar was the most-watched Hindi web series of 2022.

Global hit *Bluey* cemented her status as an iconic children's brand, appearing as a giant, hand-painted balloon in New York's 96th Macy's Thanksgiving Day Parade. Co-commissioned by the ABC and BBC Studios from Ludo Studios and distributed by BBC Studios, the award-winning *Bluey* is now broadcasting and streaming in 60 countries, with licensed products available in over 20 countries and the first US tour for *Bluey's Big Play The Stage Show*.

Bluey's success helped to increase sales for consumer products by 10% in the year, and BBC Studios expanded its approach to brand extensions and partnerships. Its new group, Brands & Licensing, builds on BBC Studios' established expertise in consumer products. With access to the unique BBC archive, the team will work to form new partnerships for merchandise, licensing and live events around key brands in areas like education, metaverse, social video and gaming, and bringing BBC Studios-owned content to new audiences.

This is already proving successful: a tie-up with Minecraft Education on *Frozen Planet II* was downloaded in over 116 countries, breaking the record for the most downloads of an educational Minecraft 'world' in a single day. Translated into 29 languages and accompanied by lesson plans for teachers, the worlds helped to convey information about the impact of climate change on nature to millions of young people globally.

The London-based BBC Earth Experience launched just before year-end. Narrated by Sir David Attenborough, the attraction features footage from BBC Studios Natural History Unit's *Seven Worlds, One Planet* showing the importance of biodiversity and how everyone can create positive change for the planet. Sustainability considerations were at the heart of the construction and operation of the venue, and will be kept under constant review, with the ambition to reduce even further the energy and water consumption and improve waste processing.

Production on series 34 of *Top Gear* was paused following an accident involving presenter Freddie Flintoff in December 2022. BBC Studios is primarily focused on the wellbeing of all those affected, especially Freddie. A decision on restarting filming will be made in conjunction with BBC Content in due course.

Channels and Streaming

Channels and Streaming includes UK broadcaster UKTV, international BBC-branded channels operated by BBC Studios including the BritBox International joint venture with ITV plc, BBC.com, BBC AMERICA and other streaming activities.

UKTV experienced a challenging advertising market, but increased its share of commercial impacts (SOCl) once again to new record levels of 8.70% in 2022, up from 8.52% in 2021. In the calendar year, views to its free streaming service UKTV Play grew by 27%, and it added one million registered users to reach 6.45 million. The channel W launched free-to-air, propelling it to 23% share growth in 2022, and a double BAFTA win for *Dave's Big Zuu's Big Eats*.

In the year, BBC Studios grew its share of the free, ad-supported television (FAST) channel market, with 12 FAST channels in the US and nine in EMEA, providing over 6,000 unique episodes of content on leading platforms including Samsung TV Plus, Roku, Amazon Freevee and Rakuten. 2022 was a challenging year for all major content platforms in the US, but BBC America continued to deliver strong revenue and cash – with key shows including *Mood* (BBC Three) and *Frozen Planet II* (BBC One).

BritBox International increased subscribers to three million across eight international markets, including the United States, Canada, Australia, South Africa and Nordic countries, up more than 15% in the year. It is investing in original content, including a major new adaptation of Agatha Christie's classic novel *Murder is Easy*, co-commissioned with BBC One.

BBC.com and BBC Select remained on their growth trajectory, highlighting continued demand for original reporting, innovative digital storytelling and world-class coverage of major world events including the US mid-term elections and the war in Ukraine. BBC Podcast Premium ranked as one of Apple's top subscriber channels in the US in 2022, with launches in Australia and New Zealand around year end.

Strategic report continued

As the BBC pushes forward with its digital-first transformation aimed at priming the organisation for future growth, BBC Studios is investing in its digital news and factual content services, to make them even more attractive for both audiences and advertisers, and to grow the opportunities for the BBC's top-class journalism.

This includes upgrades to the digital news offering with a renewed BBC.com and BBC app coming later this year, and new hires in key markets such as the US, with BBC News Chief Presenters Sumi Somaskanda and Caitriona Perry joining the Washington DC presenting team, the appointment of Paul Royall as acting executive editor and three key hires across commercial content strategy.

These efforts have already led to double-digit growth in North America in the last six months of the financial year, while outside the UK & Ireland BBC.com reached on average 123m consumers each month in 2022/23. BBC News is regarded as the most trusted international news broadcaster globally and in the US, ahead of all other single US news brands.

Outlook

BBC Studios is in a sound position for the coming year, with a strong balance sheet, an exciting, healthy pipeline for its Global Content Studio and multi-year content deals giving the business a solid basis for forecasting performance, despite the external challenges posed by inflation and a volatile advertising market.

Forthcoming titles include Sid Gentle Films' *The Ballad of Renegade Nell* for Disney+, Firebird Pictures' *Wilderness* for Amazon Prime Video, and second series for hit shows *Time*, from BBC Studios Drama Productions, and House Productions' *Sherwood*.

Ultimate Wedding Planner from BBC Studios Factual Entertainment Productions is a new format for the BBC starring Fred Sirieix, Sara Davies and Raj Somaya, while *Unique Boutique* from BBC Studios Factual Entertainment Productions for Channel 4, will see new fashion looks created for those not traditionally served by the mainstream clothing industry.

The second series of *Good Omens* from BBC Studios Comedy Productions launches on Amazon Prime Video, and *Planet Earth III* from BBC Studios' Natural History Unit delivers to the BBC in the UK and global partners.

In the coming year, as part of the BBC's strategy of delivering value for all, BBC Studios will embark on the first year of a long-range plan to achieve a step-change in global commercial ambition by doubling the size of the business from 2021/22 to 2027/28.

Built around the BBC brand, its values and its intellectual property (IP), alongside new commercial governance and an increased borrowing limit, BBC Studios aims to drive growth and better support the licence fee by investing in creative content, ideas and talent.

To do this, the business will grow its owned IP by expanding and exploiting existing and new brands, sustaining the performance of linear channels while growing direct-to-consumer digital services and investing in major customer partnerships. This will likely impact BBC Studios' reported EBITDA in the short term.

Activity to support this has already begun, including the global deal with Disney+ to increase the reach and ambition of *Doctor Who*, and in the development of the BBC's international news output.

BBC Studioworks Limited

BBC Studioworks is a wholly owned commercial subsidiary of BBC Commercial Limited, providing television studios and post production services to all the major UK broadcasters and production companies. The past year (2022/23) has seen outstanding accomplishments for the business, whilst managing the disruption caused by the ongoing closure of two studios within the business' London portfolio since September 2022.

Strategic report continued

Financial overview

Despite the challenges, BBC Studioworks achieved sales of £41 million (2022: £44 million), delivered EBITDA of £5 million (2022: £8 million) and has provided its highest ever return to BBC Commercial Limited of £6 million, double the prior year's dividend (2022: £3 million).

Strategy

BBC Studioworks made solid progress against its pan-UK expansion strategy and growth plans, as well as its core priority of strengthening its talent pipeline. The business launched its new purpose-built studio in Glasgow's Kelvin Hall. The facility has been a boost to Scotland's capacity to produce multi-genre TV productions, with over 40 episodes of television facilitated for clients, STV and Zeppotron. Applauded by Scotland's former First Minister, Nicola Sturgeon, as "a welcome addition to Scotland's existing range of studio space", the facility has created real work opportunities for local Glaswegians.

BBC Studioworks also assumed the selling of facility space of four sound stages at BBC Roath Lock Studios in Cardiff, redeveloped and operated Studio M at BBC Elstree Centre and extended its lease with Elstree Film Studios to 2029. The company also invested heavily in its core footprint via new equipment purchases and a refresh of its facilities to enhance its employee and customer experience, including a new head-office at Television Centre.

Significant focus was placed on evolving the company's workforce and skillset, with substantial investment in learning and development to enable progression, enhance culture and create a modern and efficient business.

Investment in local communities via outreach to schools and creating new entry points into the industry was prioritised, accommodating tours, workshops and over 800 hours of shadowing and training for local students. BBC Studioworks also partnered with NFTS Scotland to deliver Scotland's first Multi-Camera TV Conversion Programme, designed to strengthen existing skills and provide on-the-job training; BBC Studioworks provided paid work opportunities for each of the programme participants.

Enviably progress was made against BBC Studioworks' core sustainability goals, proudly being ranked the highest scoring studio in ALBERT's Studio Sustainability Standard; a BAFTA scheme to help studios measure and reduce the environmental impact of their facilities.

Bringing ideas to life

Over the past year the company continued to facilitate unique, high impact content for BBC Studios and multiple independent production companies. Returning productions included *The Graham Norton Show* for BBC One, *Ant & Dec's Saturday Night Takeaway* for ITV, *The Last Leg* for Channel 4 and *Never Mind the Buzzcocks* for Sky Max.

The business won a host of new productions including *Frankie Boyle's New World Order* and *The Chris and Rosie Ramsay Show* for BBC Two, *Bridge of Lies* for BBC One and *Cheat* for Netflix.

Post production credits included *EastEnders* and *Strictly Come Dancing* for the BBC, *Love Island Aftersun*, *The Games* and *The Martin Lewis Money Show* for ITV. The business also continued to provide post services to the BBC's Programme Acquisitions and BBC Persian Television.

Forward view

The multi-camera TV studios business remains a low margin sector with increasing competition. BBC Studioworks is having to face into growing market driven costs, compete with an increasingly dynamic competitive set and work with commissioning budgets that are challenged. To remain competitive BBC Studioworks is going to have to be creative in the way it manages its operations, recruits staff and partners with landlords and production teams. BBC Studioworks are considering options for the two studios which remain closed within the business' London portfolio.

To deliver growth and continued operational excellence, the business requires continued investment in new skills and talent. Strengthening its talent pipeline to ensure a diverse and inclusive workforce fit for the future will be a priority continued from 2022/23.

Whilst fully appreciating the low growth opportunities in the light entertainment genre in the UK, BBC Studioworks has clear commercial plans beyond multi-camera TV with a number of exciting initiatives set to launch in 2023/24.

Strategic report continued

UK Streamlined Energy and Carbon Reporting

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

The Group is taking the next step in its ambitious environmental sustainability plans by aligning with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. The Group wants to be seen as a leader on tackling climate change and to ensure we are advocating a transition to a low-carbon economy. The BBC Group announced its Net Zero strategy and targets from a 2019/20 baseline in October 2021, approved by the Science Based Targets initiative. For full details see the Environmental section of the BBC's Annual Report and Accounts 2022/23.

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

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

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

	tCO ₂ e	2023 tCO ₂ e/£m Revenue	Consumption (kWh)	tCO ₂ e	2022 tCO ₂ e/£m Revenue	Consumption (kWh)
BBC Studios*	2,390	1	10,567,555	4,365	3	20,981,937
BBC Studioworks Limited	1,240	30	4,875,434	1,299	30	5,445,608

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

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

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

Further reporting about the BBC Group's sustainability policies can be found in the "Environmental sustainability" report in the BBC's Annual Report and Accounts which can be found at: bbc.co.uk/aboutthebbc/reports/annualreport.

Strategic report continued

Risks and uncertainties

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

Risk	Strategic impacts	Mitigation
Macroeconomic Environment Strong market and economic headwinds are affecting trading across all our lines of business. There has been slowdown in the growth of global content spend. Streamers appetite for acquiring content is narrowing, as they shift their focus from growth to profitability. The BBC Public Service is also under funding pressure. Risk of material decline in advertising revenues due to recessionary pressures. Revenues are also being eroded due to long term structural decline in the total linear broadcast market and increased market competition due to Advertising based Video on Demand (AVOD) and hybrid services.	Increased pressure on margins which may impact financial performance and returns to the BBC Group. Commissions harder to secure and fund, impacting the business's ability to develop, secure and deliver the scale and value of pipeline and IP for long term commercial exploitation required for growth. Potential for advertising profile penalties if we are unable to meet targets for key advertising demographics in our linear broadcast business.	The business's five-year strategy reflects the current trading environment and the overall macroeconomic outlook. It also factors in significant investment to fuel IP and production growth as well as funding to scale up and expand our own advertising supported digital services. Further alignment of our production and distribution businesses into one global content studio. This will maximise value across the group with a joined-up view of market conditions and content and investment strategies.

Strategic report continued

Risk	Strategic impacts	Mitigation
People and Talent Risk that we don't have the capability and resource to successfully deliver the key areas of growth in our strategy. The production market is very competitive, due to the ability of streaming services to invest heavily and offer higher pay / rewards to secure key talent. This is leading to challenges engaging on and off-screen talent.	Inability to deliver the growth plan ambitions and the increased returns to the BBC Group. Key talent is required to attract content buyers at the best prices and to deliver a healthy pipeline and develop and grow IP. Increased costs and reduced margins on production.	The business is undertaking a significant transformational programme to support delivery of its growth plan. There is an increased focus on high performance, capabilities and ensuring people are empowered and incentivised to successfully deliver. The production business continues to review and discuss the approach to pay and incentives and talent deal terms. It also has ongoing conversations with commissioners and distribution to account for increased costs.
Geopolitics The BBC upholds its democratic principles and continues to report without fear or favour in its News and Current Affairs output. This presents risks for BBC Studios' existing operations and makes it very challenging to enter or grow the business in higher risk markets.	Financial loss due to disruption to our existing operations or our inability to execute our strategy to enter or grow in these markets. Impacts to our people and their wellbeing and as well as our ability to attract / retain talent in certain markets.	Measures in place to ensure commercial interests are balanced with our international purpose, that we select appropriate partners and have a process to evaluate and manage geopolitical risks. Detailed risk assessments exist for when specific threats are identified. Plans in place, with dawn raid procedures. Regular communications between teams to share intelligence and learnings.

Strategic report continued

Risk	Strategic impacts	Mitigation
Protecting the Brand, Reputation and Standards Risk that global audiences and customers lose confidence in the integrity of the Group and its editorial standards if it fails to successfully represent the values of the BBC across its content and services. Risk that a third party does not share or fails to meet our values and standards or acts unlawfully. Risk that we are unable to achieve improved diversity across the workforce and within the Group's content and services.	Reputational damage to the brand and loss of customer confidence. Potential for significant impact on revenues, especially if there has been a contractual breach or we are subject to fines and penalties. Inability to successfully deliver a diverse and appealing pipeline to customers and audiences leading to declines in revenues.	Code of Conduct sets out the commitments staff are expected to follow: respecting each other, doing the right thing, acting with integrity and living up to the highest legal and ethical standards. Supported by a speak up culture and a programme of training. Proportionate controls ensure that third parties we use are appropriate partners, share our values and meet legal and regulatory obligations. Greater inclusion is core across all activities, including investment and commissioning. We have clear plans, initiatives and targets which are closely monitored.
Business Continuity and Supply Chain Risk of failure / poor performance of a key supplier, especially due to the current economic climate. Risk of lack of resilience in our technology and operations (especially given volume of outsourced our outside direct control). Risk that a major project fails to deliver or that the volume of change in the organisation becomes unsustainable.	Potential impacts could be the interruption or cessation of key services and channels or a potential regulatory breach.	Global Operations team closely manages and monitors operations and major supplier contracts. Incident management and business continuity arrangements in place for managing incidents. Major projects approach balances risk with strategic benefits, setting realistic scopes, budgets and timetables. The portfolio is managed by an experienced programme management function reporting into senior management.
Cyber Security Cyber security attacks are increasing, due the rise in geo-political tensions with state-sponsored and politically driven attacks becoming more likely; The profile of the BBC group elevates our risk of also being a target.	Breaches could lead to loss of key content, financial loss, contractual breaches and significant fines and penalties from regulators. We are also likely to suffer from reputational damage, which could impact the credibility of our business and lead to lost sales.	Continued engagement with National Cyber Security Centre. BBC Security Operations Centre (SOC) continually monitors and addresses threats. SOC has taken preventative action to identify key individuals who may be subject to phishing / spoofing attacks. Penetration testing the network and resulting actions are being tracked. Vulnerabilities flagged where legacy systems still in place.

Strategic report continued

Risk	Strategic impacts	Mitigation
Legal and Regulatory Risk of failure to comply with regulatory and legal obligations across our global businesses, including wholly and partially owned invested labels or that a third party has insufficient oversight or controls. Adverse outcome of regulatory or independent review. Failure to comply with commitments or transparency requirements, or our conduct is judged to inhibit the market.	Reputational damage, fines, legal action. Restrictions on how we operate and sell into markets. Regulatory restrictions on our business activities or blocking of strategic initiatives.	Well established frameworks and monitoring in place for all relevant areas of compliance, regulation and emerging legislation. Experienced subject matter experts providing support, guidance and ensuring processes and controls are embedded across the business. Regular periods of engagement with the NAO Value for Money team and Ofcom Regulatory team.
Sustainability Risk of not delivering against the BBC Group's commitment to meet Net Zero and that we are seen as greenwashing, if our performance does not match messaging. Risk that carbon pricing, offsets and taxation may lead to increased costs. Risk of damage to assets and operations caused by climate event such as flooding.	Reduction in margins due to increased costs. Increasing challenges and costs associated with attracting and retaining talent, if we are not seen to be meeting targets. Reputational damage with customers and audiences potentially leading to lost revenues. Less access to capital or increased costs of borrowing if we are not seen as taking sufficient action by lenders.	Dedicated embedded team to support across our lines of business. Ensuring sustainability ambition and activity meets leading practice standards and aligns to industry and employee expectations. Ensuring that progress against targets is performance monitored with necessary interventions to maintain critical path. Ensuring that asset exposure to flood and high temperature risks is regularly monitored with necessary resilience built in.
Health and Safety Risk that the business fails to protect the health, safety and wellbeing of its people, which may result in a person being harmed or suffer adverse health effects.	<i>Potential for injury, financial penalties and criminal charges.</i> Reputational risk if we fail to protect staff and all others in the care the of Group.	There are policies, processes, plans and governance structures in place to manage the safety of Group activities. The Group continues to work with the industry to ensure a consistent approach to protecting its people and output. Work to strengthen the assurance framework is underway.

Strategic report continued

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

The Directors are aware of their duty under Section 172 of the Act to behave in a way which they consider, in good faith, would be most likely to promote the success of the Company as a whole and in doing so, to have regard (amongst other matters) to the factors detailed in section 172(1) of the Act. The Commercial Board (the 'Board') is responsible for the governance, assurance and oversight of the BBC's commercial subsidiaries – each of which has an executive committee responsible for the operational management of that subsidiary. The Board ensures that the strategy of the commercial subsidiaries aligns with that of the BBC Group – applying the following principles:

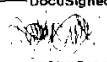
- Protect overall licence fee payer value in the BBC Group's Intellectual Property creation, management and exploitation;
- Fulfil the four commercial criteria; including ensuring fit with mission and purposes and not jeopardising the reputation of the BBC or value of the brand; and
- Grow the BBC's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

During the year consideration has been given to:

- **Employees:** Considered the dedicated plans to put people first; focused on talent development; supported the Diversity and Inclusion strategy 'Valuing Difference'.
- **Customers:** Considered the changing focus of the Group's customers, continuing to support their businesses and audiences around the world.
- **Suppliers:** Considered the response to the challenge of continuing to keep production teams safe and the need for ongoing dialogue with suppliers and clear communication.
- **Community:** Noted that a variety of charitable donations were made during the year.
- **Environment:** Following the BBC Group's Net Zero strategy, announced during the year, reviewed sustainability plans, and considered the environmental impact of the Group both through its operational activities and on-air portrayals.

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

By order of the Board,

DocuSigned by:

6FDBEF52C39649E

Anthony Corriette
Company Secretary
26 June 2023

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:

Gunjan Bhow (appointed 1 April 2022)	Glyn Isherwood (resigned 1 April 2022)
Damon Buffini (appointed 1 April 2022)	Mark Linsey (resigned 1 April 2022)
Lorraine Burgess (appointed 1 April 2022)	Stephen Morrison (resigned 24 March 2023)
Tim Davie (resigned 1 April 2022)	Gary Newman (appointed 1 April 2023)
Thomas Fussell	Peter Ranyard (resigned 1 April 2022)
Mai Fyfield	Bhavneet Singh (appointed 1 April 2022)
Ian Griffiths (appointed 1 April 2023)	Elan Closs Stephens (resigned 31 March 2023)
Claire Hungate (appointed 1 April 2023)	Leigh Tavaziva

The Commercial Board

The Board is chaired by a non-executive director of the BBC Board. At the date of this report, the Board was composed of ten directors, of which three were executives and seven were independent non-executives. Sir Damon Buffini was the Chair throughout the year. The Company Secretary is responsible for supporting and advising the Chairman and Directors on corporate governance matters. Additionally, he ensures the timely flow of information to aid effective decision making. All Directors have access to the advice and services of the Company Secretariat and through them to independent professional advice as required, at the Company's expense. Anthony Corriette held the position of Company Secretary through the year. The Chair holds regular planning meetings and calls with Management in respect of future Board meetings. At each Board meeting the Directors are presented with a comprehensive update on commercial strategy progression and detailed analysis on financial performance. Board papers are circulated via an encrypted cloud-based portal, which provides secure dissemination of information that is accessible via a range of devices.

The Board meets at least six times per year, with further meetings being held in between when required. During the year, the Board held six scheduled meetings; attendance at these is set out below:

Director	Board meetings
Damon Buffini	6/6
Gunjan Bhow	6/6
Lorraine Burgess	6/6
Thomas Fussell	6/6
Mai Fyfield	6/6
Ian Griffiths*	-
Claire Hungate*	-
Gary Newman*	-
Bhavneet Singh	6/6
Leigh Tavaziva	6/6
Former Director	
Tim Davie	-
Glyn Isherwood	-
Mark Linsey	-
Stephen Morrison	6/6
Peter Ranyard	-
Elan Closs Stephens	5/6

* Ian Griffiths, Claire Hungate and Gary Newman's appointment as a Director of the Company commenced on 1 April 2023.

Directors' report continued

In April 2022, the commercial governance and oversight function, formerly known as BBC Commercial Holdings Limited, became BBC Commercial Limited. It widened its non-executive input particularly to include those with senior-level global and digital backgrounds. In 2022, non-executives were on the Board were Damon Buffini, Gunjan Bhow, formerly of Walgreens Boots Alliance and The Walt Disney Studios, and Bhav Singh, founder and CEO of digital learning group Sandbox & Co, formerly of Pearson and ViacomCBS. They joined existing non-executive director and ex-Sky executive Mai Fyfield.

In March 2023, Steve Morrison and long-time BBC Board (and BBC Trust) member Dame Elan Closs Stephens stepped down from the Board having completed their maximum terms in office. They both leave with the Board's thanks and gratitude for all their hard work. At the start of April 2023, the Board welcomed Claire Hungate, previously CEO of Warner Bros TV Production UK and now President and COO of esports organisation Team Liquid, along with former Chairman and CEO of Fox Television Group Gary Newman and former ITV and Kantar CFO Ian Griffiths.

Including adhoc meetings, the Board met 12 times during the year. Board members considered regular updates on financial and business performance, reviewing forecast results and debating proposed budgets and targets for the coming year. The NAO, as the external auditor, compiled audit planning and completion reports and related documentation for Board consideration, and the BBC group audit and risk committee carried out its annual session on control and governance issues, which was attended by Studios' senior management.

Performance across BBC Commercial Group has been strong, despite economic and market conditions, consequently, directors are confident that there is a sound basis for further growth.

BBC Studios had record sales of £2 billion and EBITDA of £240 million which points to continuing global demand for its high-quality content. BBC Studios' storytelling won awards and brought people together, from *Frozen Planet II*, which reached 20.5 million unique viewers in the UK across its first run on BBC One, RTS-winning drama *Sherwood* and *Dancing with the Stars*, extending to 61 territories worldwide.

The Board gave detailed consideration to a long-term strategy plan to drive growth at BBC Studios, which now aims to double its business from 2021/22 to 2027/28. The Board discussed BBC Studios' strategy for growing and acquiring intellectual property and brands; its targets for investment across content services, in particular those in digital including News, and talent, as well as tactics to maximise performance of linear channels. Directors approved additions to the BBC Studios suite of Production Labels and Invested Indies across both the scripted and unscripted genres, as well as divestments to the portfolio.

During the year under review, BBC Studioworks achieved sales of £41 million and EBITDA of £5 million. It won new business from productions across the creative sector and launched its new purpose-built studio in Glasgow's Kelvin Hall. Directors considered plans to invest in new equipment and facilities for future growth, as well as approving the addition of four UK sound stages to its sales portfolio. The business operates in a very competitive marketplace, but has solid growth plans in place to build its talent and operations.

Financial instruments

The Group's financial risk management operations are carried out by the BBC Group Treasury function, within parameters defined formally within the policies and procedures annually agreed by the BBC Board. Information about the use of financial instruments by the Company and its subsidiaries is given in note G5 to the financial statements.

Directors' interests and indemnities

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

Directors' report continued

Employee participation

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

Diversity

Recruiting and developing a diverse workforce that is representative of contemporary British society is central to the modern BBC and to the Group 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 Group organises comprehensive in-house and external training programmes, covering job-specific skill enhancement, IT software tuition and management development.

Health and safety

Responsibility for health and safety across the Group is delegated to the boards of the subsidiary companies.

Disabled persons

Disabled persons are fully and fairly considered for vacancies arising within the Group and are given equal opportunities in relation to training, career development and promotion. Existing employees who become disabled are retained in employment wherever possible, after the provision of any necessary rehabilitation or training.

The environment

The Group does not operate in industries where there is potential for serious industrial pollution, however it recognises its responsibility to be aware of and take steps to control and minimise any damage its business might cause to the environment. More information is given in the UK Streamlined Energy and Carbon Reporting report on page 11.

Corporate governance

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

Political and charitable contributions

The Group made £1,539,500 charitable donations during the period (2022: £16,500). The Group did not make any political donations during either the current or prior year.

Directors' report continued

Dividends

Dividends of £198 million were declared but not paid by the Group during the year (2022: £148 million declared and paid).

Future developments

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

Going concern

As set out on page 34, the Directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be adopted in the preparation of the accounts.

Post balance sheet events

In June 2023, the BBC was informed by its supplier IBM that their contractor, Zellis, had been affected by a vulnerability in third-party software it uses which led to a data breach affecting the BBC. Zellis manage the payroll process for the BBC and therefore hold personal data about BBC employees and individuals engaged by the BBC on a PAYE basis. The Group has been working closely with the supplier to investigate the extent of the breach and support affected individuals. The matter has also been reported to the Information Commissioner's Office, and we will continue to keep it updated.

There have been no other significant events affecting the Group since the year end.

Auditors

The National Audit Office served as independent external auditors for the year ended 31 March 2023 and 31 March 2022. The National Audit Office have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the board meeting where this report is approved.

Statement as to disclosure of information to auditors

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

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

By order of the Board,


Anthony Corriette
Company Secretary
26 June 2023

Registered Address

1 Television Centre
101 Wood Lane
London
W12 7FA

Statement of directors' responsibilities

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

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

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

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

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

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

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

Opinion on financial statements

I have audited the financial statements of BBC Commercial Limited (the "Company") and its Group for the year ended 31 March 2023.

The financial statements comprise:

- The Consolidated income statement for the year then ended;
- The Consolidated statement of comprehensive income for the year then ended;
- The Consolidated and the Company balance sheets as at 31 March 2023;
- The Consolidated statement of changes in equity for the year then ended;
- The Consolidated cash flow statement for the year then ended;
- the related notes including the significant Group accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and the UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Company financial statements 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 and its Group's affairs as at 31 March 2023 and its *Group's profit for the year then ended; and*
- of the Group have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- of the Company have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

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

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

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

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Company and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included review of managements self-assessment of going concern, managements forecasts and the underlying assumptions, together with consideration of borrowing facilities available.

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

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

Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which I report by exception

In the light of the knowledge and understanding of the Company and its Group and its/their environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- Preparing Company and Group financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- ensuring such internal controls are in place as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing the Annual Report, in accordance with the Companies Act 2006; and
- assessing the Company and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

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

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Company and its Group's accounting policies, and key performance indicators.
- inquired of management, the BBC Director of Quality Risk and Assurance and those charged with governance, including obtaining and reviewing supporting documentation relating to the Company and its Group's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Company and its Group's controls relating to compliance with the Companies Act 2006, Corporation Taxation and Employment Taxation;
- inquired of management, the BBC Director of Quality Risk and Assurance and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations; and
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including significant component audit teams and the relevant internal and external specialists, including IT, Taxation and Corporate Finance specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Company and its Group's for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and Programme accounting. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Company and its Group's framework of authority and other legal and regulatory frameworks in which the Company and its Group operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Company and its Group. The key laws and regulations I considered in this context included Companies Act 2006, employment law and tax legislation.

I considered whether there was any evidence of non-compliance with relevant laws and regulations and the appropriateness of refinements to the Group's revenue recognition approach in the productions businesses.

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

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the BBC Commercial Board, the BBC Group Audit and Risk Committee, the BBC Commercial Company Secretary and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, where appropriate I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I reviewed the Production businesses technical accounting paper and relevant documentation justifying the refinement to revenue recognition in respect of 'work for hire' contracts.

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

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

Other auditor's responsibilities

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 I identify during my audit.

DocuSigned by:
37201B1421E8452

Greg Wilson (Senior Statutory Auditor)

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London, SW1W 9SP

28 June 2023

Consolidated income statement

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Revenue	B1	2,115	1,718
Total operating costs	B5	(2,048)	(1,641)
Share of profit of associates and joint ventures	E6	12	25
Operating profit		79	102
<i>Operating profit reconciled as:</i>			
EBITDA		240	226
Production tax credits	C5.2	(57)	(59)
Depreciation, amortisation and impairment*	B4	(104)	(65)
		79	102
Gains on disposals	C2	9	8
Other gains and losses	C3	(21)	(13)
Financing income	C4.1	10	9
Financing costs	C4.2	(11)	(6)
Profit before taxation		66	100
Taxation	C5.1	32	25
Profit for the year		98	125
Attributable to:			
Equity shareholder of the parent company		98	121
Non-controlling interests		-	4
Profit for the year		98	125

* Excluding amortisation relating to distribution rights.

Consolidated statement of comprehensive income

For the year ended 31 March 2023

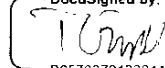
	2023	2022
	£m	£m
Profit for the year	98	125
Items that may be reclassified to the income statement in the future:		
Deferred tax on financial instruments included within other comprehensive income	(3)	3
Exchange differences on translation of foreign operations	12	11
Put-options released	-	3
Recognition and transfer of cash flow hedges	13	(14)
<i>Other comprehensive income for the year (net of tax)</i>	22	3
Total comprehensive income for the year	120	128
Attributable to:		
Equity holders of the parent company	120	124
Non-controlling interests	-	4
Total comprehensive income for the year	120	128

Consolidated balance sheet

As at 31 March 2023

	Note	2023 £m	2022 £m
Non-current assets			
Goodwill	E2	40	47
Distribution rights	E3	117	116
Other intangibles	E4	206	210
Property, plant and equipment	F5	43	38
Right-of-use assets	F1	106	104
Interests in associates and joint ventures	E6	161	197
Trade and other receivables	H1.2	1	20
Investments		6	4
Derivative financial instruments	G5.2	13	4
Deferred tax assets	C5.5	25	22
		718	762
Current assets			
Programme related assets and other inventories	E1	416	441
Trade and other receivables	H1.3	553	507
Contract assets	H1.1	31	2
Current tax assets	C5.4	57	78
Derivative financial instruments	G5.2	9	-
Cash and cash equivalents	G2	262	144
		1,328	1,172
Current liabilities			
Trade and other payables	H2.2	(735)	(449)
Contract liabilities	H2.1	(206)	(370)
Borrowings	G3	(8)	(12)
Lease obligations	F2	(18)	(17)
Provisions	H4	(25)	(51)
Derivatives financial instruments	G5.2	(12)	(4)
Current tax liabilities	C5.6	(7)	(13)
		(1,011)	(916)
Non-current liabilities			
Trade and other payables	H2.3	(39)	(25)
Contract liabilities	H2.1	(101)	(27)
Borrowings	G3	(170)	(170)
Lease obligations	F2	(93)	(92)
Provisions	H4	(3)	(3)
Derivative financial instruments	G5.2	(9)	(6)
Deferred tax liabilities	C5.5	(31)	(28)
		(446)	(351)
Net assets		589	667
Attributable to equity shareholders of the parent company			
Share capital	I2	-	-
Retained earnings	I5	536	649
Hedging reserve	I5	2	(8)
Translation reserve	I5	49	37
Other reserve	I5	-	(13)
		587	665
Non-controlling interests		2	2
Total equity		589	667

The financial statements of BBC Commercial Limited, registered number 04463534, were approved by the directors and authorised for issue on 26 June 2023 and signed on their behalf by:

DocuSigned by:

 B257037913324AD

26 June 2023

Thomas Fussell

Director

BBC Commercial Limited
 31 March 2023

Consolidated statement of changes in equity

For the year ended 31 March 2023

	Share capital £m	Retained earnings £m	hedging reserve £m	translation reserve £m	Other reserves £m	Total £m	Non- controlling interests £m	Total £m
At 31 March 2021	-	674	3	26	(18)	685	2	687
Profit for the year	-	121	-	-	-	121	4	125
Currency translation (note 15)	-	-	-	11	-	11	-	11
Put options released	-	-	-	-	3	3	-	3
Unwinding of discount put options	-	(2)	-	-	2	-	-	-
Deferred tax on financial instruments	-	-	3	-	-	3	-	3
Cash flow hedges (note 15)	-	-	(14)	-	-	(14)	-	(14)
Total comprehensive income/(loss) for the year	-	119	(11)	11	5	124	4	128
Dividends declared and paid in year (note 13)	-	(144)	-	-	-	(144)	(4)	(148)
At 31 March 2022	-	649	(8)	37	(13)	665	2	667
Profit for the year	-	98	-	-	-	98	-	98
Currency translation (note 15)	-	-	-	12	-	12	-	12
Put options released	-	-	-	-	-	-	-	-
Unwinding of discount put options	-	(13)	-	-	13	-	-	-
Deferred tax on financial instruments	-	-	(3)	-	-	(3)	-	(3)
Cash flow hedges (note 15)	-	-	13	-	-	13	-	13
Total comprehensive income for the year	-	85	10	12	13	120	-	120
Dividends declared in year (note 13)	-	(198)	-	-	-	(198)	-	(198)
At 31 March 2023	-	536	2	49	-	587	2	589

Consolidated cash flow statement

For the year ended 31 March 2023

	Note	2023 £m	2022 £m
Operating activities			
Group profit before tax		66	100
Depreciation, amortisation and impairment		339	201
Loss/(gain) on derivatives associated with loans		1	(3)
Loss on other derivatives		5	4
Loss on disposal of fixed asset		9	10
Share of profits in associates and joint ventures	E6	(12)	(25)
Gain on sale and termination of operations	C2	-	(1)
Gain on disposal/deemed disposal of associate	C2	(9)	(7)
Other gains and losses	C3	(3)	10
Financing income (excluding fair value swaps)	C4.1	(10)	(6)
Financing costs (excluding fair value swaps)	C4.2	10	6
Decrease/(increase) in inventories		30	(104)
Increase in debtors		(41)	(13)
Increase in creditors		4	183
(Decrease)/increase in provisions		(26)	21
Cash generated from operations		363	376
Tax Received/(paid)		50	(20)
Net cash from operations		413	356
Investing activities			
Financing income	C4.1	7	1
Dividends received from associates and joint ventures	E6	31	15
Proceeds from disposal of associates and joint ventures		6	2
Acquisition of investment		(16)	1
Acquisition of subsidiary net of cash acquired		(10)	(64)
Acquisition of interests in associates and joint ventures		(29)	(4)
Purchases of intangible assets		(238)	(195)
Purchases of property, plant and equipment		(14)	(10)
Dividends paid to non-controlling interests		-	(4)
Net cash used in investing activities		(263)	(258)
Financing activities			
Financing costs		(8)	(4)
Proceeds from increase in borrowings		1	5
Repayments of borrowings		(5)	(1)
Payment of lease liabilities		(19)	(17)
Equity dividends paid	I3	-	(144)
Net cash used in financing activities		(31)	(161)
Net increase/(decrease) in cash and cash equivalents		119	(63)
Cash and cash equivalents at beginning of the year		144	206
Effect of foreign exchange rate changes on cash and bank overdrafts		(1)	1
Cash and cash equivalents at the end of the year		262	144

Notes to the Group financial statements

The structure of these financial statements has been revised this year to further improve understanding. Accounting risks and judgements have been clearly highlighted in each section, explanations added to explain complex terms and the policies have been incorporated against the relevant notes as denoted by the book symbol:



The notes have been re-organised as follows:

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Notes to the Group financial statements

A. How the Group's financial statements are prepared

This section includes the Group's policies on how the financial statements have been prepared and what standards have been adopted during the year. Other accounting policies are captured in each of the following sections alongside the relevant notes.

Risk – Consolidation

The Group is complex consisting of many entities from across the world, some with different year end dates, functional currencies and accounting policies. Trade occurs between members which also requires identification for elimination on consolidation. The consolidation of such a large organisation therefore holds a degree of inherent risk of misstatement.

Incorporation

BBC Commercial Limited (the 'Company') is domiciled and incorporated in the United Kingdom, and its registered address is 1 Television Centre, 101 Wood Lane, London, W12 7FA. The consolidated financial statements of the Company for the year ended 31 March 2023 comprise the Company and its subsidiary undertakings (together the 'Group') and the Group's interest in joint ventures and associated undertakings.

Basis of preparation

These consolidated financial statements for the Group have been prepared in accordance with UK adopted IFRS and the Companies Act 2006.

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

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

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

Non-statutory financial performance measures

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

base from which to link through to cash flow measures.

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

The Group is currently reviewing the EBITDA measure to ensure consistency with industry best practice.

Use of estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates that affect the reported performance and position of the Group, or areas where assumptions or estimates are significant to the consolidated financial statements.

It also requires management to exercise judgement in applying the Group's accounting policies. These areas involve a higher degree of judgement or complexity and are therefore drawn out at the front of each note.

In summary, the most significant estimates and judgement areas are:

- income recognition (note B);
- acquisitions (note C);
- property, plant and equipment (note E);
- right-of-use assets (note F);
- derivative financial assets and liabilities (note G); and
- provisions and accruals (note H).

Risks relevant to the disclosures made are also highlighted at the start of each section and cross-referenced across the financial statements accordingly.

Notes to the Group financial statements

A. How the Group's financial statements are prepared continued

Use of estimates and judgements continued

The significant risks areas identified are:

-  Income recognition (note B)
-  Programme accounting (note E)
-  Amortisation of distribution rights (note E)
-  Impairments (note B)

Going concern

The Board remains satisfied with the Group's funding and liquidity position. At the balance sheet date, the Group's primary source of funding was a £170 million facility with UK banks. The Group also has access to a further £210 million facility with a group of international banks until March 2026 which has been extended to a £310 million facility post year end on the same terms. As at the year-end the Group had drawn down £170 million of these principle facilities available (2022: £170 million). A further £8 million (2022: £12 million) was also drawn on short-term bank loans to fund certain programmes under production. The Group has to comply with both interest cover and leverage covenants. There have been no defaults or breaches of covenants during the year and none are expected during the period under review for going concern. Covenants are also in place that could require a repayment of the loan facilities and loan notes as follows:

- BBC ceasing to control the Group;
- A loss of the Charter or Agreement that has a material adverse effect on the Group; or
- If any material company ceases to be licensed to use the BBC trademark and such a loss has a material adverse effect.

There have been no such events this year and none are expected for the foreseeable future.

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

concern basis in preparing the annual report and accounts.

Basis of consolidation

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

Subsidiaries and non-controlling interests

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

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

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

Notes to the Group financial statements continued

A. How the Group's financial statements are prepared continued

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

Foreign currencies

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

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

Notes to the Group financial statements continued

A. How the Group's financial statements are prepared continued

Adoption of new and revised accounting standards

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

- Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations). The amendment replaced a reference for the Framework for the Preparation and Presentation of Financial Statements, issued in 1989 with a reference to the Conceptual Framework for Financial Reporting, issued in March 2018 without significantly changing its requirements. In addition, an exception to the recognition principle of IFRS 3 to identify the liabilities assumed in a business combination and an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). This amendment prohibits a company from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced whilst making that item of property, plant and equipment available for its intended use, for example during a necessary testing or commissioning period.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). Clarifying which costs should be considered in assessing whether a contract is onerous.
- Annual Improvements 2018 – 2020. Includes amendments made to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

These have been applied since 1 April 2022 and have not had a significant impact on the results or financial position of the Group.

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 UK).

- Classification of Liabilities as Current and Disclosure of Accounting Policies (Amendments to IAS 1). This amendment clarifies how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.
- Definition of Accounting Estimate (Amendments to IAS 8). The amendment introduces the definition of accounting estimates and helps entities distinguish changes in accounting estimates from changes in accounting policies.
- Deferred Tax related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12). This amendment requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Insurance Contracts (Amendments to IFRS 17). This amendment sets out the requirements for a company reporting information about insurance contracts it issues and reinsurance contracts it holds.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practical Statement 2). The amendment requires that an entity discloses its material accounting policies instead of its significant accounting policies.

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

Notes to the Group financial statements continued

B. The Group's operations, income and expenditure

The notes in this section provide information on the performance in the year of the Group.

Risk – Revenue recognition

There is a risk that revenue is not recognised correctly in line with financial reporting standards.

The Group mitigates this risk by ensuring good financial controls are in place, and regularly reviewing material areas or complex judgements with regards to revenue recognition.

Revenue recognition can be complex with a number of different revenue streams including sale of content to global broadcasters, subscription income and income from the sale of physical and digital products. The complexity of individual contractual terms may require the Group to make judgements in assessing when the criteria for recognising income have been satisfied, particularly whether the Group has sufficiently fulfilled its obligations under the contract to allow income to be recognised.

Risk – Impairments

Each asset held is assessed for impairment where required. The approach taken will vary by asset and requires management judgement.

B1 Revenue

Income from contracts with customers

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

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

IFRS 15 provides more comprehensive guidance for contracts to licence intellectual property, or contracts where licence of intellectual property is a significant component. Each performance obligation

is identified and evaluated as to whether it represents a right to access the content (revenue recognised over time) or represents a right to use the content (revenue recognised at a point in time), and all three of the criteria referred to above must be met to meet the definition of a 'right to access' licence. The majority of the Group's contracts to licence intellectual property have defaulted to a 'right to use' licence and recognised at a 'point in time'.

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

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

Production income

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

Notes to the Group financial statements continued

B. The Group's operations, income and expenditure continued

B1 Revenue continued

Income from contracts with customers continued

Content and format sales

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

Advertising revenue

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

Subscription fees

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

revenue are recognised pro-rata straight line over the contract life, in line with 'over time' recognition. The payment terms are quarterly in arrears.

Consumer products

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

Royalties

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

Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

Other income

Other income arises from activities such as the sale of goods, provision of services and granting of licences. Income is measured after deductions for value added tax, any other sales taxes, trade discounts and sales between Group companies.

The recognition point varies depending on the nature of the revenue stream.

		2023	2022
	Note	£m	£m
Contract revenue	B2.1	2,113	1,715
Rent and associated revenue		1	1
Other revenue		1	2
Total revenue		2,115	1,718

Notes to the Group financial statements continued

B. The Group's operations, income and expenditure continued

B2.1 Income from contracts with customers

	Note	2023 £m	2022 £m
Revenue streams			
Production income		1,009	699
Content and format sales		452	344
Royalties		58	60
Advertising revenue		295	305
Subscription fees		208	226
Consumer products		91	81
Total contract revenue		2,113	1,715
Timing of goods and services			
Point in time		1,803	1,468
Over time		310	247
Total revenue	B1	2,113	1,715

This table details the Group's external sources of contract income and the timing of how the income is received.

B2.2 Transaction price allocated to the remaining performance obligations

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

	2024 £m	2025 £m	2026 £m	Beyond £m
Production income	772	631	727	666
Content and format sales	112	99	79	37
Royalties	22	25	25	28
Advertising revenue	212	230	228	440
Subscription fees	136	90	7	4
Other contract revenue	14	15	16	33
	1,268	1,090	1,082	1,208

This table details the amounts still due under contracts that have not yet been fulfilled. This therefore gives an indication of when that income is expected to be recognised in the future.

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

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

Notes to the Group financial statements continued

B. The Group's operations, income and expenditure continued

B2.3 Contract costs

The cost of fulfilling contracts do not result in the recognition of a separate asset because:

- such costs are included in the carrying amount of inventory/distribution rights for contracts involving the sale of goods; and
- for service contracts, revenue is recognised over time by reference to the stage of completion meaning that control of the asset is transferred to the customer on a continuing basis as work is carried out. Consequently, no asset for work in progress is recognised.

The Group has taken advantage of the practical exemptions:

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

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

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

B3 Geographical location of non-current assets and income

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

	2023 £m	2022 £m
Non-current assets excluding deferred tax and derivative financial instruments:		
UK	513	527
America	152	191
Australia	10	13
Rest of world	5	5
	680	736
Additions included in non-current assets	310	263
External revenue:		
UK	939	828
America	710	378
Australia	85	86
Rest of world	381	426
	2,115	1,718

Notes to the Group financial statements continued

B. The Group's operations, income and expenditure continued

B3 Geographical location of non-current assets and income continued

Non-current assets are the Group's long-term investments where the full value will not be realised within an accounting year.

The allocation of income and non-current assets to geographical segments is based upon the business region in which the income is generated/assets reside.

No individual country within the rest of world category is more than 3% of total sales.

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

B4 Total operating costs

The accounting policies for the sections below are detailed within their respective balance sheet notes.

Total operating costs have been arrived at after charging the following items:

	Note	2023 £m	2022 £m
Intangible fixed assets and property, plant and equipment			
Depreciation - owned assets	E5	7	7
Depreciation - right-of-use assets	F1	17	15
Amortisation of intangible fixed assets	E4	40	41
Amortisation of distribution rights	E3	213	136
Impairment of investments in associates and joint ventures		30	2
Impairment of investments		2	-
Impairment intangible fixed assets	E2	8	-
Inventories			
Write-downs		6	1
Other operating costs			
Expenses relating to short term leases		9	11
Expenses relating to leases of low value assets, excluding short term leases		4	-
Impairment of trade receivables	H1.4	2	1
Staff costs	D2	332	267

Notes to the Group financial statements continued

B. The Group's operations, income and expenditure continued

B4 Total operating costs continued

The National Audit Office served as independent external auditors for the year ended 31 March 2023 and 31 March 2022.

The audit fee was £120,050 (2022: £94,000) for the audit of the Company's annual accounts. Fees payable for services provided across the Group are shown below.

No additional services were provided by the National Audit Office during 2022/23 or 2021/22.

	2023 £m	2022 £m
Audit services with the National Audit Office	2.0	1.6
Total audit services	2.0	1.6
Tax services with other auditors	0.3	0.1
Total non-audit services with other auditors	0.3	0.1
Total fees paid	2.3	1.7

B5 Analysis of total operating costs by activity

	2023 £m	2022 £m
Cost of sales	1,608	1,266
Distribution costs	142	162
Administration expenses	298	213
	2,048	1,641

Administration expenses include exchange rate differences and impairments.

Notes to the Group financial statements continued

C. Other profit and loss items

This section provides information relating to the following areas of the income statement:

Acquisitions and disposals

The Group operates within a competitive market, and in order to ensure it remains competitive and innovative within the market place, commercial decisions are made to sometimes acquire other commercial operations or disposal of its existing assets and investments.

Other gains and losses

The Group generates gains and losses which are unrelated to its normal course of business. These gains and losses are associated with the reclassification of certain financial assets which are separately disclosed.

Net financing costs

The Group incurs interest and other costs associated with the borrowing of funds which largely relate to our bank borrowings, leases and the unwinding of discount applied to its longer term payables. Financing income is largely generated by the Group on the cash it holds in the bank, including its investments returns during the year and the unwinding of discounts applied to its longer term receivables. Also included in net financing costs is the fair value movement of financial instruments used to manage the risk of interest rate fluctuations. Depending on market movements, these fair value changes could be classified as either income or expense in the year.

Taxation

The Group is taxed in accordance with tax legislation.

All identified assets and liabilities included within an acquisition are recognised at fair value as at the acquisition date. Fair value is determined by what could be exchanged between knowledgeable, willing parties in an arm's length transaction. Judgement is required in determining the valuation method for each identifiable asset and liability, which is specific for each category based on the most appropriate valuation method – including the cost, income and market approaches. Judgement is also required when assessing the appropriate economic useful lives for assets acquired.

Net finance costs is the difference between the expected return on assets and the interest liabilities. For long term receivables (where the right to receive consideration exceeds one year) and long term payables (where the obligation to pay consideration exceeds one year) an effective interest rate is used to discount future cash flows over the life of the contract back to its present value. Judgement is required in determining the value of the effective interest rate.

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

Notes to the Group financial statements continued

C. Other profit and loss items continued

C1 Acquisitions

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Subsequent adjustments to the fair values of net assets acquired are made within 12 months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition. Transaction costs that the Group incurs in connection with a business combination, such as

legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred. On acquisition, the Group recognises any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of net assets. When control is obtained in successive share purchases (a 'step acquisition') it is accounted for using the acquisition method at the acquisition date. The previously held interest is remeasured to fair value at the acquisition date and a gain or loss recognised in the income statement.

Acquisitions

All identified assets and liabilities included within an acquisition are recognised at fair value as at the acquisition date.

Firebird Pictures Limited

BBC Studios Distribution Limited previously held a 25% share in Firebird Pictures Limited and on 20th September 2022 purchased an additional stake. This took the shareholding to 100%, thus Firebird Limited became a wholly owned subsidiary of BBC Studios Distribution. The initial investment was revalued at acquisition for a fair value of £6 million compared to a carrying amount of £2 million. As at 31 March 2023, Firebird Films Limited is fully consolidated, recognising goodwill of £0.3 million and removing the amount held as an associate investment of £2 million.

C2 Gains on disposal

	Note	2023 £m	2022 £m
Gain on deemed disposal of associates	15	4	6
Gain on disposal of interests in associates and joint ventures		5	1
Other gains		-	1
Total Gains on disposals		9	8

Deemed disposal gains and losses were driven by the Group increasing its investment leading to the reclassification to that of a subsidiary. The entity would therefore be consolidated as such and hence a deemed disposal recognised for the equity investment previously held.

Notes to the Group financial statements continued

C. Other profit and loss items continued

C3 Other gains and losses

The Group generates gains and losses which are unrelated to its normal course of business. These gains and losses are associated with the revaluation of certain financial instruments (derivatives held outside of the Group's hedging programme and put options over non-controlling interests) and intangible assets held by investments.

	2023 £m	2022 £m
Change in fair value of derivative financial instruments	(2)	(3)
Change in fair value of put options over non-controlling interests	-	(10)
Gain in exercising put option	3	-
Other gains and losses	(22)	-
Total other gains and losses	(21)	(13)

A derivative is an asset or liability that derives its value from another asset or liability and is to be settled at a future date. The underlying asset/liability can be any other product such as foreign currency, interest rate, share, index or commodity. The Group primarily holds forward currency contracts (to fix a future exchange rate) and interest rate swaps (to fix future interest rates charges). The value of derivatives are derived from fluctuations in the underlying asset/liability.

A put option issued by the Group provides the holder the rights, but not the obligation, to require the Group to buy shares at a future date and price determined by the option agreement.

C4 Net financing costs

Set out below is an analysis of the financing income and expenses incurred in the year. These amounts include interest relating to lease liabilities (see note F2) and fair value gains on interest rate swaps (see note G5).

C4.1 Financing income

	2023 £m	2022 £m
Bank interest receivable	7	1
Unwinding of discount receivable	3	5
Fair value gains on interest rate swaps classified as fair value through profit/loss	-	3
Total financing income	10	9

C4.2 Financing costs

	2023 £m	2022 £m
Interest on bank loans	(8)	(4)
Fair value loss on interest rate swaps classified as fair value through profit/loss	(1)	-
Interest on lease liabilities	(2)	(2)
Total financing costs	(11)	(6)

Notes to the Group financial statements continued

C. Other profit and loss items continued

C5 Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the

temporary difference will not reverse in the foreseeable future.

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

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

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

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

Notes to the Group financial statements continued

C. Other profit and loss items continued

C5.1 Recognised in the income statement

	Note	2023 £m	2022 £m
Current tax			
UK corporation tax		(26)	(28)
Group relief receivable		(7)	(2)
Double tax relief		(5)	(5)
Adjustments in respect of prior years		(8)	(11)
UK current taxation		(46)	(46)
Foreign tax		17	25
Total current tax		(29)	(21)
Deferred tax			
Origination and reversal of temporary differences		(6)	4
Change in tax rate		(1)	(8)
Adjustments in respect of prior years		4	-
Total deferred tax	C5.5	(3)	(4)
Total credit for the year		(32)	(25)

Corporation tax is calculated at 19% (2022: 19%) of the estimated assessable UK profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

C5.2 Reconciliation of taxation credit

	2023 £m	2022 £m
Group profit before taxation	66	100
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	13	19
Effects of		
Disallowed expenditure (includes goodwill impairment)	7	25
High-end television tax relief	(57)	(59)
Tax differential on wholly owned overseas earnings	10	9
Other differences		
Tax rate change	(1)	(8)
Adjustments in respect of prior years	(4)	(11)
Total tax credit for the year	(32)	(25)

Notes to the Group financial statements continued

C. Other profit and loss items continued

C5.3 Factors that may affect future tax charges

The UK corporation tax rate is 19%.

The Chancellor announced on 3 March 2021 that the current Corporation Tax rate of 19% would increase to 25%, with effect from 1 April 2023. This was substantively enacted on 24 May 2021 and therefore the deferred tax liabilities arising have been recognised using a rate of 25%.

In the UK Government's Spring Finance Bill 2023, legislation introducing a 15% global minimum corporate income tax rate was included, to have effect from 2024 in line with the OECD's Pillar Two model framework.

The detail of the measures and how they are to be accounted for are still being finalised and so it is not possible to accurately quantify the impact for the BBC at this stage.

However, it is not expected that the legislation will have a material impact on the Group tax charge as the jurisdictions in which the Group operates are either not material for the purposes of the legislation or pay effective rates of tax over 15%.

The BBC has applied the mandatory exception to the requirements in IAS 12 that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes.

C5.4 Current tax asset

The current tax assets totalling £57 million (2022: £78 million) includes £57 million (2022: £59 million) due in respect of film tax credits outstanding on high-end drama, comedy, natural history and factual productions.

C5.5 Deferred tax assets/(liabilities)

	Note	Accelerated capital allowances £m	Provisions £m	Financial instruments £m	Joint ventures and associates £m	Programme rights £m	Other £m	Net deferred tax asset/(liability) £m
At 1 April 2022		8	18	-	(21)	(7)	(4)	(6)
Credit/(charge) to income statement	C5.1	(4)	(12)	2	-	-	17	3
Charge to reserves		-	-	(3)	-	-	-	(3)
At 31 March 2023		4	6	(1)	(21)	(7)	13	(6)
Presented within:								
								2023 £m
								2022 £m
Non-current assets								25
Non-current liabilities								(31)
Total deferred tax								(6)

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of taxable or deductible temporary differences, the carry forward of unused losses, and/or the carry forward of unused tax credits.

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, where the tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Notes to the Group financial statements continued

C. Other profit and loss items continued

C5.5 Deferred tax assets/(liabilities) continued

Deferred tax assets in respect of tax losses carried forward are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised deferred tax assets arising on capital losses totalling £137 million (2022: £137 million). These assets have not been recognised on the basis that there is insufficient certainty that capital gains will arise against which the Group can utilise these losses.

The Group also has an unrecognised deferred tax asset on non-trade loan relationship amounting to £14 million in the prior year. These assets have now been used.

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

C5.6 Current tax liabilities

The current tax liabilities in the year of £7 million (2022: £13 million) were due in overseas jurisdictions.

D. What the Group spends on its people

This section details employee numbers (excluding freelancers and agency staff), staff costs and transactions with members of the Board who served during the year.

D1 Persons employed

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

	2023 Number	2022 Number
Average full-time equivalent persons employed	3,943	3,391

Within the averages above, 324 (2022: 269) part-time employees have been included at their full-time equivalent of 235 (2022: 192).

In addition, the Group employed an average full-time equivalent of 592 (2022: 627) persons on a casual basis.

Notes to the Group financial statements continued

D. What the Group spends on its people

D2 Employee remuneration

Retirement benefits

Employees of the Group also participate in defined benefit schemes operated by the Group's ultimate parent, the BBC. The defined benefit schemes, closed to new entrants, provide benefits based on pensionable pay. The assets of the BBC's main pension scheme, the BBC Pension Scheme, to which the minority 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 actuarial valuations which take a longer-term view of the assets required to fund the scheme's liabilities. Accounting valuations of the scheme are performed annually by PricewaterhouseCoopers LLP, consulting actuaries. Formal actuarial valuations are 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 Group for the accounting period.

Termination benefits

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

Other employment 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.

	2023 £m	2022 £m
Salaries and wages	275	214
Social security costs	31	26
Pension costs	26	27
Total staff costs	332	267

D3 Key management personnel compensation

Key management personnel are those people who have authority and responsibility for planning, directing and controlling the activities of the Group. The Board of Directors for BBC Commercial Limited have been identified as the key management for this Group based on their responsibilities and influence for spending money and overseeing the Group's services and operations.

Only six of the nine (2022: five of ten) key management individuals who served during the year receive remuneration by the Commercial Group in respect of their professional services or duties to this Group. The disclosures in this note refer to these individuals.

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

Notes to the Group financial statements continued

D. What the Group spends on its people continued

D3 Key management personnel compensation continued

Key management personnel compensation is as follows:

	2023 £m	2022 £m
Emoluments	0.8	0.8
Performance related	0.6	0.4
Total key management personnel compensation	1.4	1.2

Retirement benefits accrue to key management under the following schemes:

	2023 Number	2022 Number
Defined benefit schemes	-	2

The highest paid director's emoluments were as follows:

	2023 £'000	2022 £'000
Emoluments	450	421
Performance related	388	210
Other benefits	-	1
Total highest paid director's compensation	838	632

Directors remuneration is presented on an accruals basis and does not correspond to cash payments in year. Payment of any performance related remuneration is subject to the achievement of performance targets. Two-thirds of the performance related remuneration is paid shortly after the end of the financial year 2022/23, with one-third deferred for up to three years.

Notes to the Group financial statements continued

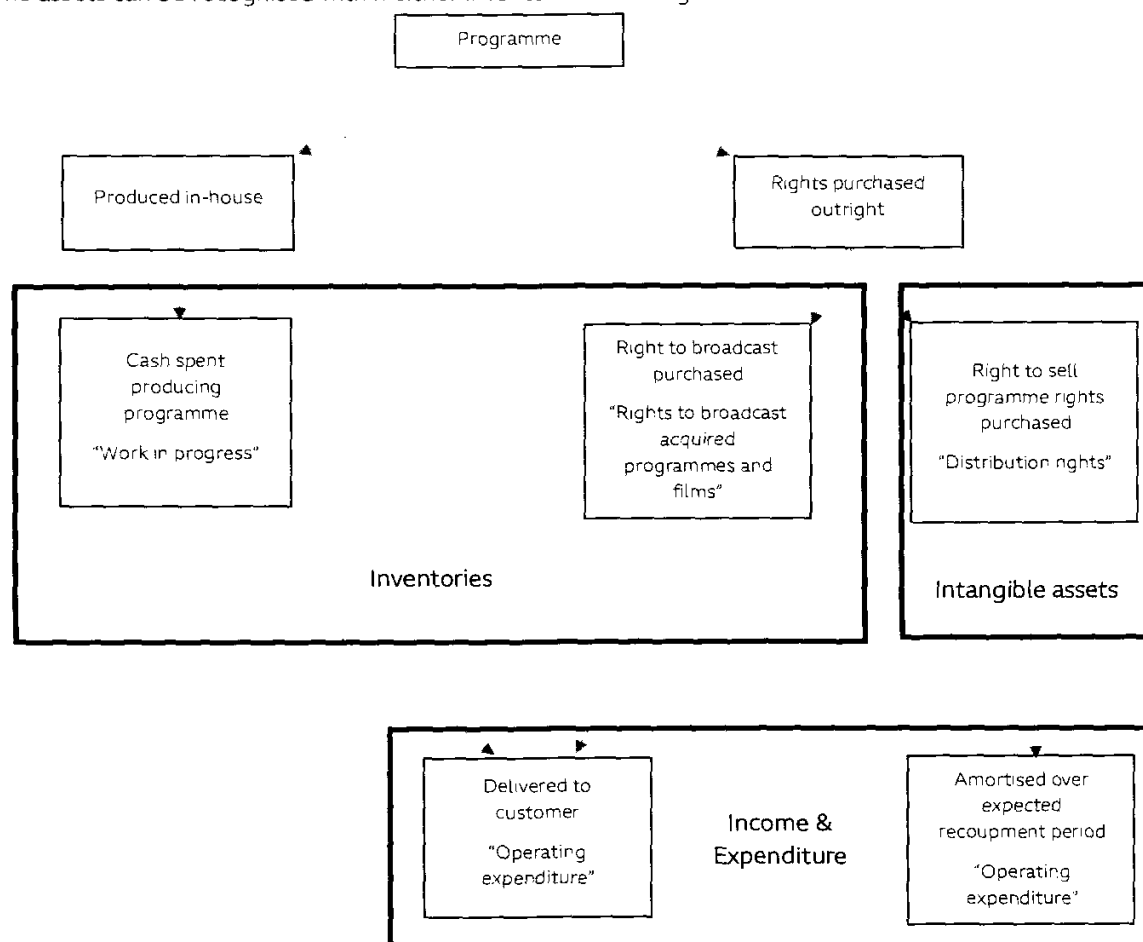
E. The assets owned by the Group

This section sets out the owned assets the Group intends to continue to use, those to be disposed of and any disposals made during the year. See section F for leased (right-of-use) assets held.

Owned assets can be broadly split into the following sections:

Programme-related assets

Programme assets can be recognised within either inventories or intangible assets as follows:



Risk – Programme assets

There is a risk the accounting for programme assets held on the balance sheet may result in a misstatement due to the significant amount of judgements used in the accounting valuation methodologies.

Notes to the Group financial statements continued

E. The assets owned by the Group continued

Judgement is required when calculating the carrying value of programme assets (including distribution rights), most significantly when calculating:

- the estimated average marketable life of distribution rights when setting the amortisation profile over these assets.
- the assessment of impairment over the carrying value of all programme assets (inventories and distribution rights).

Intangible assets

Intangible assets mainly include goodwill, programme rights (see above), software and carrier agreements.

Risk – Amortisation of distribution rights

The amortisation profile of distribution rights is judgemental. There is a risk the accounting for programme rights held for distribution and amortisation charges through the income statement could therefore be misstated.

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

Property-related assets

Property, plant and equipment, furniture and fittings and assets under construction.

Investments

Balances held to represent the Group's interest in associates and joint ventures, and the results of any sales of operations that have occurred.

The Group owns numerous investments in other entities and their classification as either subsidiary, associate or joint ventures requires judgement over the control held and consequently how they are accounted for and the valuation attributable to them.

Notes to the Group financial statements continued

E. The assets owned by the Group continued



Impairment: non-financial assets

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

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

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

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

E1 Programme-related assets and other inventories



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



Other inventories, comprising CDs, DVDs, raw materials and work in progress are stated at the

lower of cost (determined on a first-in-first-out basis) and net realisable value.



Work in progress relates to the costs of programmes in the course of production which were not delivered to the programme commissioner by 31 March 2023 and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the assets to their present location and condition. Work in progress is recognised at net realisable value representing the estimated selling price less all estimated costs of completion.

	2023 £m	2022 £m
Work in progress	297	329
Rights to broadcast acquired programmes and films	116	109
Finished goods and goods for resale	3	3
Total programme related assets and other inventories	416	441

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E2 Goodwill

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

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

operating reserve, as was permitted by UK GAAP at the time.

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

Goodwill is considered to have an indefinite useful economic life but is tested annually for impairment and is therefore measured at cost less any accumulated impairment losses. For the purposes of impairment testing the goodwill is allocated to cash-generating units on the basis of those expected to benefit from the relevant business combination.

	2023 £m	2022 £m
Cost		
At 1 April	73	60
Additions	1	13
At 31 March	74	73
Amortisation and impairment		
At 1 April	26	26
Impairment	8	-
At 31 March	34	26
Net book value	40	47

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

	2023 £m	2022 £m
Production companies	32	38
Australian channels business	8	9
At 31 March	40	47

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E2 Goodwill continued

Production companies

The additions to goodwill arose as a result of the acquisition of Firebird Pictures and Voltage TV Productions in the current financial year.

The cash flow projections used in determining value in use for both CGUs are based on the current business plans approved by management, which cover a five year period after which cash flows have been extrapolated using an expected long term growth rate of 1.0% (2022: 1.0%).

A discount rate of 11.8% (2022: 7.2%) has been applied to the cash flows.

Australian channel business

Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of five years (2022: five years) and a discount rate of 11.4% (2022: 7.4%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of -2.0% (2022: -3.0%).

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

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

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E3 Programme rights for distribution

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

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

Amortisation including impairment is charged to the income statement to match the estimated future

economic benefit, currently 3 years on a 70:20:10 profile. This is calculated as the higher of an estimated recoupment profile based on the average historic performance of the overall distribution rights portfolio or the actual recoupment of the specific initial distribution advance.

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

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

	2023 £m	2022 £m
Cost		
At 1 April	1,680	1,536
Additions	215	177
Disposals	(7)	(33)
At 31 March	1,888	1,680
Amortisation and impairment		
At 1 April	1,564	1,454
Charge for the year	213	136
Disposals	(6)	(26)
At 31 March	1,771	1,564
Net book value at 31 March	117	116

Amortisation is the reduction reflected in the carrying value of the asset as a consequence of the regular use of that asset by the organisation.

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E4 Other intangible assets

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

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

Amortisation is charged on assets with finite lives on a systematic basis over the asset's useful life and disclosed within total operating costs in the income statement.

The useful lives and amortisation methods are as follows:

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

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

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E4 Other intangible assets continued

	Customer Relationships £m	Software £m	Other Intangibles £m	Total £m
Cost				
At 1 April 2021	68	99	179	346
Additions*	-	13	17	30
Disposals	(2)	-	(1)	(3)
At 31 March 2022	66	112	195	373
Additions*	-	22	20	42
Disposals	(3)	(2)	(25)	(30)
At 31 March 2023	63	132	190	385
Amortisation and impairment				
At 1 April 2021	28	58	37	123
Charge for the year	12	18	11	41
Disposals	-	-	(1)	(1)
At 31 March 2022	40	76	47	163
Charge for the year	6	16	18	40
Disposals	(3)	(2)	(19)	(24)
At 31 March 2023	43	90	46	179
Net book value				
At 31 March 2023	20	42	144	206
At 31 March 2022	26	36	148	210

* Additions to other intangibles relate to licences and trademarks.

Customer relationships refer to intangible assets that arise from entity acquisitions (e.g. UKTV), which bring a number of carriage agreements with channel networks. These agreements can be secured for a fixed amount of time and are therefore amortised over the individual contract terms on a straight-line basis.

Other intangibles primarily includes intangible assets that arise from entity acquisitions, such as Electronic Programme Guide (EPG) slots, as well as brands and trademarks.

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E5 Property, plant and equipment

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

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

Depreciation

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

Land and buildings:

Freeland land	Not depreciated
Freehold buildings	50 years

Freehold building improvements	10 to 50 years
Long leasehold buildings	Shorter of 50 years or life of lease
Long leasehold building improvements	10 to 50 years

Plant and machinery:

Computer equipment	3 to 5 years
Electrical and mechanical infrastructure	10 to 25 years
Other	3 to 10 years

Furniture and fittings: 3 to 10 years

	Land and buildings* £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2021	18	53	23	-	94
Additions	2	1	1	6	10
Transfers	-	1	-	(1)	-
Disposals	(1)	-	-	-	(1)
Exchange differences	-	1	(1)	-	-
At 31 March 2022	19	56	23	5	103
Additions	2	1	1	10	14
Transfers	-	9	3	(12)	-
Disposals	(2)	(2)	-	-	(4)
At 31 March 2023	19	64	27	3	113
Depreciation and impairment					
At 1 April 2021	8	36	13	-	57
Charge for the year	1	4	2	-	7
Exchange movements	-	1	-	-	1
At 31 March 2022	9	41	15	-	65
Charge for the year	1	4	2	-	7
Disposals	-	(2)	-	-	(2)
At 31 March 2023	10	43	17	-	70
Net book value					
At 31 March 2023	9	21	10	3	43
At 31 March 2022	10	15	8	5	38

* Land and buildings are not separable and therefore reported collectively

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E6 Interests in associates and joint ventures

 Investments in associates and joint ventures are initially recognised at cost. The carrying amount is increased or decreased in subsequent periods to recognise the share of total comprehensive income.

The Group accounts for its share of the results and net assets of its associates and joint ventures using information as of 31 March with the exception of Children's Character Books Limited, Woodlands Books Limited, Educational Publishers LLP and JV Programmes LLC which have been included using

information from unaudited accounts drawn up to 31 December. The impact of these non-coterminous year ends is not considered material.

Where the Group's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

	2023 £m	2022 £m
Interest in associates	111	152
Interest in joint ventures	50	45
Total interest in associates and joint ventures	161	197
Share of profit of associates	15	16
Share of profit of joint ventures	(3)	9
Total share of results of associates and joint ventures	12	25

An associate is an entity that the Group has significant influence over, but that does not meet the definition of a joint venture or subsidiary. Significant influence is the power to participate in the financial and operating decisions of an entity but is not control or joint control over those policies.

A joint venture is where the Group has joint control over an entity with another partner(s).

Details of significant associates and joint ventures along with principal subsidiary undertakings, including their activities, are provided in note I1.

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

	Associates 2023 £m	Joint Ventures 2023 £m	Total 2023 £m	Associates 2022 £m	Joint Ventures 2022 £m	Total 2022 £m
At 1 April	152	45	197	149	25	174
Additions	7	22	29	-	4	4
Disposals	(3)	-	(3)	(3)	-	(3)
Share of results	15	(3)	12	16	9	25
Share of losses reclassified to provisions	-	-	-	-	6	6
Adjustment to provision for unrealised profits	1	(6)	(5)	-	(1)	(1)
Dividends receivable	(31)	-	(31)	(15)	-	(15)
Foreign exchange translation gains	10	2	12	7	2	9
Impairment	(40)	(10)	(50)	(2)	-	(2)
At 31 March	111	50	161	152	45	197

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E6 Interests in associates and joint ventures continued

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

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

Investments in associates

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

New Video Channel America, LLC (NVCA)

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

The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected long term growth rate of -5.0% (2022: -5.0%).

A discount rate of 11.7% (2022: 7.5%) has been applied to the cash flows.

As a result of the changes in this market, management made the decision to impair the value of the Group's share in the channel by £36 million (2022: £2 million) as a result of the annual impairment review. The remaining investment balance of £98 million (2022: £136 million) reflects confidence in the channel's future profitability.

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E6 Interests in associates and joint ventures continued

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

	NVCA 2023 £m	NVCA 2022 £m
Non-current assets	114	164
Current assets	95	106
Current liabilities	(10)	(21)
Non-current liabilities	(2)	(4)
Net assets of NVCA	197	245
Group's interest in NVCA	98	138
Income	126	129
(Loss)/profit after tax	(43)	32
Share attributable to other parties	21	(16)
Group's share of results of NVCA	(22)	16

Investments in joint ventures

There were no material joint ventures in the current year.

Notes to the Group financial statements continued

F. Leasing activities

This section sets out the Group's leasing arrangements. Disclosures have also been made on lease related activity such as lease expenses recognised directly within the income statement.

Judgement is required when assessing whether a contract contains a lease, the timing of recognition under IFRS 16 Leases for assets under construction and the appropriate discount rates, etc to be applied where this is not implicit within the contract.



Lease payments

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

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

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

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

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

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

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

Lease remeasurement

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

Short-term leases

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

Notes to the Group financial statements continued

F. Leasing activities continued

F1 Right-of-use assets

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

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

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 April 2021	104	4	108
Additions	29	-	29
Disposals	-	(1)	(1)
At 1 April 2022	133	3	136
Additions	9	-	9
Change in contract	10	1	11
Disposals	(5)	(2)	(7)
At 31 March 2023	147	2	149
Depreciation and impairment			
At 31 March 2021	16	2	18
Charge for the year	14	1	15
Disposals	-	(1)	(1)
At 31 March 2022	30	2	32
Charge for the year	16	1	17
Disposals	(4)	(2)	(6)
At 31 March 2023	42	1	43
Net book value			
At 31 March 2023	105	1	106
At 31 March 2022	103	1	104

Notes to the Group financial statements continued

F. Leasing activities continued

F2 Obligations under leases

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

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

- fixed payments;
- variable payments dependant on an index rate, measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option or lease payments in an optional renewal period that the Group is reasonable certain to exercise, and early termination penalties of a lease unless the Group is reasonable certain not to terminate early.

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

	2023 £m	2022 £m
Lease obligations due within one year	18	17
Lease obligations due after more than one year	93	92
Total lease obligations	111	109

The aging of obligations under leases is as follows:

	2023 £m	2022 £m
Within one year	18	17
Between one and five years	47	45
Over five years	46	47
Total obligations under leases	111	109

F3 Lease expenses recognised in the income statement

	2023 £m	2022 £m
Interest on obligations under leases	2	2
Depreciation on leased assets	17	15
Expenses relating to short term leases	9	11
Expenses relating to leases of low value assets, excluding short term leases	4	-
Total lease expenses	32	28

Notes to the Group financial statements continued

G. Financing the Group

This section contains the notes to the balance sheet that detail the funding of the Group as well as information on the financial instruments held.

A financial instrument is a contract that results in one entity recording a financial asset (a contractual right to receive financial assets, e.g. cash) in their accounts and another entity recording a financial liability (a contractual obligation to deliver financial assets to another entity).

Certain financial instruments (derivatives and interest rate swaps) are carried on the balance sheet at fair value, with changes in fair value reflected in the income statement. Fair values are estimated by reference to published price quotations.

Financial assets are assessed at each balance sheet date to determine whether there is any objective evidence of impairment. Judgement is required when considering the factors in determining whether there is objective evidence of impairment; which include significant financial difficulty of the counterparty and breach of contract.

G1 Net debt

Net debt comprises the following:

	Note	2023 £m	2022 £m
Cash and cash equivalents	G2	262	144
Borrowings		(178)	(182)
Lease obligations		(111)	(109)
Derivatives associated with borrowings		2	3
Total net debt		(25)	(144)

G2 Cash and cash equivalents

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

The Group retains significant cash amounts and cash equivalent balances in instant access accounts in

order to manage the variation in cash flows required for its operations.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits earn interest at the respective short-term deposit rates.

	2023 £m	2022 £m
Cash at bank available on demand and cash in hand	55	31
Short-term deposits	207	113
Total cash and cash equivalents	262	144

Notes to the Group financial statements continued

G. Financing the Group continued

G3 Borrowings

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

to the cost of those assets, until such time as the assets are ready for their intended use.

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

	2023 £m	2022 £m
Bank loans due within one year	8	12
Bank loans due after more than one year	170	170
Total borrowings	178	182

Notes to the Group financial statements continued

G. Financing the Group continued

G4 Borrowing facilities

Facility	Interest rate	Total available 31 March 2023 £m	Drawn down at 31 March 2023 £m	Total available 31 March 2022 £m	Drawn down at 31 March 2022 £m	Expiry or review date
BBC Commercial Limited						
Revolving credit facility agreement	SONIA plus agreed credit adjustment spread of 0.1193% plus the relevant margin: 0.45% up to 1/3 utilisation, 0.6% between 1/3 and 2/3 and 0.75% over 2/3.	210	-	210	-	March 2026***
Overdraft or money market lines*	Bank base rate plus 1.5%	2	-	2	-	Reviewed annually
Uncommitted money market lines	Interest rate is determined when traded with the bank	20	-	20	-	Reviewed annually
Fixed term loan	SONIA + 1.25%	170	170	170	170	June 2025**
BBC Studios Distribution Limited						
Overdraft	Bank base rate plus 1% if drawn down in sterling. Bank currency overdraft rate plus a 1% margin if drawn down in other currencies.	3	-	3	-	Reviewed annually
Bank loan	3 month GBP SONIA + 1.5%	6	6	4	4	July 2023
Bank loan	3 month GBP SONIA + 1.5%	4	1	4	4	June 2023
Bank loan	3 month GBP SONIA + 1.0%	1	-	3	3	July 2023
Bank loan	3 month GBP SONIA + 1.5%	2	1	1	1	April 2023
Bank loan	3 month GBP SONIA + 1.5%	2	-	-	-	October 2023

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

** The Group has exercised its final extension option in year, taking the maturity through to June 2025. A series of interest rate swaps have been entered to fix the interest rate on this facility to 5.84% from June 2023 to maturity.

*** The Group has secured a further extension of this facility on the same terms, including a £100 million increase.

There have been no defaults or breaches of covenants on the facilities above during the year (2022: none).

Notes to the Group financial statements continued

G. Financing the Group continued

G5 Financial instruments

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

Amortised cost

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

Fair value through profit/loss

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

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

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

- Interest rate swaps, caps and collars: The fair value is the estimated amount that the Group would receive or pay to terminate the swap, cap or collar at the balance sheet date, taking into account current interest rates, the current creditworthiness of swap, cap or collar counterparties and the creditworthiness of the Group.
- Foreign currency forward contract rates: The fair value of forward foreign exchange contracts is determined by using the

difference between the contract exchange rate and the quoted forward exchange rate at the reporting date from third parties.

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

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

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

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

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

Notes to the Group financial statements continued

G. Financing the Group continued

G5 Financial instruments continued

Fair value through other comprehensive income

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

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

The Group designates certain derivatives as cash flow hedges by documenting the relationship between the hedging instrument and the hedged item, along with

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

Impairment of financial assets

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. All impairment losses are recognised in the income statement.

Derivatives are complex financial instruments that are usually used to manage risk. Derivative contracts are entered into for a fixed period of time and their value changes during that period in relation to changes in a variable, such as an interest rate, commodity price, credit rating or foreign exchange rate.

The Group uses the following derivatives contracts:

Forward foreign currency contracts are entered into to fix future currency payments/receipts to a set exchange rate. These could be to cover expected future payments, receipts or specific contracts.

Interest rate swaps allow the Group to fix variable interest rates on borrowings to a fixed rate.

These instruments allow the Group to manage its liquidity requirements more effectively as the amounts to be paid/received become known.

The following terminology is used throughout this section:

Credit risk: the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

Fair value: the fair value of an asset is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

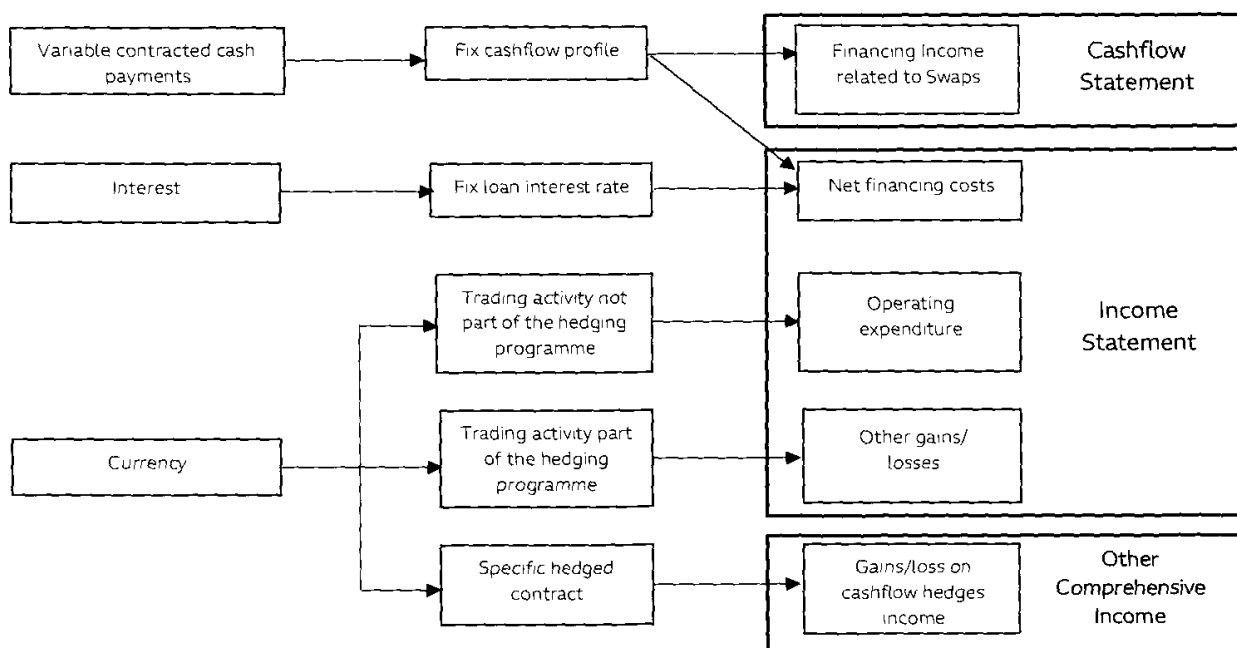
Foreign currency transactions: as these financial statements are prepared in sterling, the Group's foreign currency transactions and balances must be translated at appropriate exchange rates, into sterling. This means that variations in exchange rates can cause the valuation of investments to fluctuate, even when there has been no change in the health of the underlying business.

Notes to the Group financial statements continued

G. Financing the Group continued

G5 Financial instruments continued

Derivatives are all valued at fair value and movements thereof are recognised as follows:



G5.1 Financial risk management

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

The BBC Group Treasury function uses financial instruments to raise finance and to manage financial risk arising from the BBC's operations in accordance with its objectives, which are:

- to ensure the business of the BBC Group, both Public Service and commercial, is funded in the most efficient manner and remains compliant with borrowing ceilings;
- to protect the value of the Group's assets, liabilities and cash flows from the effects of adverse interest rates and foreign exchange fluctuations; and
- to maximise the return on surplus funds, whilst ensuring sufficient cash is retained to meet foreseeable liquidity requirements.

The Group takes a risk averse approach to the management of interest rate fluctuations and foreign currency trading and has implemented a clear economic hedging policy to minimise volatility in the financial results. A small number of the forward foreign currency contracts entered into by the Group were designated as hedging instruments in effective cash flow hedges. Hedge accounting is only applied where there is appropriate designation and documentation.

Notes to the Group financial statements continued

G. Financing the Group continued

G5.1 Financial risk management

The Group is exposed to the following areas of risk arising from financial instruments:

<i>Risk</i>	<i>Exposure arising from</i>	<i>Measurement</i>	<i>Management</i>
Market risk – currency risk	Transactions and balances denominated in foreign currencies	Cash flow forecasting	Forward foreign currency contracts
Market risk – interest risk	Long term borrowings at variable rates	Projected borrowing requirements	Interest rate swaps, caps and collars
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Monitoring cash flow forecasts and covenant compliance
Credit risk	Counterparty default on contractual obligations	Credit ratings and ageing analysis	Assessment of financial reliability, collateral and other credit enhancements

Currency risk

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

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

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

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

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

At 31 March 2023, the Group had entered into a net commitment to sell foreign currencies amounting to £693 million (2022: £564 million) that mature in the period through to 2025 in order to fix the sterling cost of commitments through this period (mainly euros and US dollars).

Notes to the Group financial statements continued

G. Financing the Group continued

G5.1 Financial risk management continued

Based on the net forward contracts outstanding at 31 March 2023, if the pound had moved adversely by 5% with all other variables being constant, the profit or loss impact would have been a loss of £10 million (2022: loss of £2 million) and the comprehensive income impact would have been a loss of £40 million (2022: loss of £22 million).

Net gains (before tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in hedge relationships at 31 March 2023 were £13 million (2022: £14 million net losses). These amounts are recognised in the income statement in the period when the hedged forecast transaction impacts the income statement.

The ineffective portion recognised in operating costs arising from such hedges was immaterial in both the current and prior year.

Interest rate risk

The Group has borrowed using its revolving credit facilities at floating rates of interest and then used interest rate swaps, caps and collars to manage the Group's exposure to interest rate fluctuations and provide greater certainty of cash flows. Interest rate swaps, caps and collars are entered into based on projected borrowing requirements, therefore differences will occur between the notional amount of the swaps, caps and collars and the actual borrowing requirements. By taking out the interest rate swaps, caps and collars the Group has mitigated underlying exposure to interest rate fluctuations and hence no sensitivity analysis has been presented.

Sterling fixed rate borrowings are achieved by entering into interest rate swap transactions; all outstanding swaps mature by the end of June 2024. In total, £170 million (2022: £170 million) of swaps were entered into. The coverage matches (2022: matches) the current level of bank loans of £170 million (2022: £170 million).

Other price risk of financial assets

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is subject to limits on its borrowings set by the Secretary of State in accordance with the Agreement between the BBC and Department of Culture Media and Sport. At 31 March 2023 the operating net debt limit in place was £600 million (2022: £350 million) and an additional £200 million (2022: £200 million) for leases.

The borrowing limit will increase to £650 million on 1 April 2025 and then £750 million on 1 April 2026 for operating debt. An additional £200 million will continue to be specifically for leases.

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

The Group bank loans are subject to debt covenants based on the Group's earnings before interest and taxation. The covenants are in respect of net borrowings and net interest coverage. The Group is active in the monitoring of its debt covenants which have been met at 31 March 2023.

Notes to the Group financial statements continued

G. Financing the Group continued

G5.1 Financial risk management continued

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

	Carrying value £m	Total £m	Contractual cash flows		
			Less than one year £m	Between one and five years £m	Over five years £m
2023					
Non-derivative financial liabilities					
Trade and other payables	(580)	(580)	(541)	(39)	-
Bank loans and overdrafts	(178)	(200)	(18)	(182)	-
Lease obligations	(111)	(120)	(17)	(47)	(56)
Derivative financial liabilities					
Forward foreign currency contracts - fair value through profit/loss	(6)	(6)	(6)	-	-
Forward foreign currency contracts - fair value through other comprehensive income	(15)	(15)	(15)	-	-
2022					
Non-derivative financial liabilities					
Trade and other payables	(323)	(326)	(279)	(47)	-
Bank loans and overdrafts	(182)	(193)	(15)	(178)	-
Lease obligations	(109)	(117)	(16)	(45)	(56)
Derivative financial liabilities					
Forward foreign currency contracts - fair value through profit/loss	(1)	(1)	(1)	-	-
Forward foreign currency contracts - fair value through other comprehensive income	(9)	(9)	(9)	-	-

Credit risk

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

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

Notes to the Group financial statements continued

G. Financing the Group continued

G5.1 Financial risk management continued

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

Capital management

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

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

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

Notes to the Group financial statements continued

G. Financing the Group continued

G5.2 Fair value of financial instruments

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

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

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

No transfers between these categories have occurred during the period.

	Carrying value				Fair value hierarchy for those carried at fair value or at amortised cost where fair value differs			
	Amortised cost £m	Fair value through profit/loss £m	Fair value through other comprehensive income £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2023								
Cash and cash equivalents	262	-	-	262				
Trade and other receivables	256	-	-	256				
<i>Derivative financial assets:</i>								
Forward foreign currency contracts	-	-	20	20	20	-	-	20
Interest rate swaps	-	2	-	2	-	2	-	2
Other investments	6	-	-	6	-	-	6	6
Total financial assets	524	2	20	546	20	2	6	28
Bank loans and overdrafts	(178)	-	-	(178)				
Lease obligations	(111)	-	-	(111)	-	-	(111)	(111)
Trade and other payables	(580)	-	-	(580)	-	-	-	-
<i>Derivative financial liabilities:</i>								
Forward foreign currency contracts	-	(6)	(15)	(21)	(21)	-	-	(21)
Total financial liabilities	(869)	(6)	(15)	(890)	(21)	-	(111)	(132)

Notes to the Group financial statements continued

G. Financing the Group continued

G5.2 Fair value of financial instruments continued

	Carrying value				Fair value hierarchy for those carried at fair value or at amortised cost where fair value differs			
	Amortised cost £m	Fair value through profit/loss £m	Fair value through other comprehensive income £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2022								
Cash and cash equivalents	144	-	-	144				
Trade and other receivables	244	-	-	244				
Derivative financial assets:								
Forward foreign currency contracts	-	-	1	1	1	-	-	1
Interest rate swaps	-	3	-	3	-	3	-	3
Other investments	4	-	-	4	-	-	4	4
Total financial assets	392	3	1	396	1	3	4	8
Bank loans and overdrafts	(182)	-	-	(182)				
Lease obligations	(109)	-	-	(109)	-	-	(109)	(109)
Trade and other payables	(304)	(19)	-	(323)	-	-	(19)	(19)
Derivative financial liabilities:								
Forward foreign currency contracts	-	(1)	(9)	(10)	(10)	-	-	(10)
Total financial liabilities	(595)	(20)	(9)	(624)	(10)	-	(128)	(138)

Due to their short-term nature; the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables, is approximately equal to their fair value.

Derivative financial assets/(liabilities) are presented in the balance sheet as follows:

	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
2023					
Forward foreign currency contracts	1	9	(12)	(9)	1
Interest rate swaps	2	-	-	-	2
Total derivative financial assets/(liabilities)	13	9	(12)	(9)	1
2022					
Forward foreign currency contracts	1	-	(4)	(6)	(9)
Interest rate swaps	3	-	-	-	3
Total derivative financial assets/(liabilities)	4	-	(4)	(6)	(6)

Notes to the Group financial statements continued

G. Financing the Group continued

G5.2 Fair value of financial instruments continued

Level 3 financial instruments

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

	2023		2022	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	£m	£m	£m	£m
At 1 April	4	(128)	4	(105)
Payments and settlements	-	38	-	21
Unwinding of discount recorded within finance expense	-	(2)	-	(2)
Additions	2	(4)	-	(31)
Change in fair value recorded in other gains and losses	-	-	-	(10)
Change in fair value	-	(15)	-	(1)
At 31 March	6	(111)	4	(128)

H. Receivables and payables

This section contains the receivable and payable related notes to the balance sheet, such as contract balances, trade and other receivables and payables, any expected credit losses associated with these balances and any provision or contingent liabilities that the Group may owe in the future. Also included are details on balances/transactions with related parties and any commitments the Group is expecting to settle in future years.

Judgement is required when determining the recoverability (likelihood receiving payment) of a contract asset or trade and other receivable. Changes in the credit quality of the receivable together with future considerations around the current state of the UK and overseas economies and any industry-specific issues are all subjective.

Judgements are employed in determining if a past event has given rise to a present obligation that will result in probable payment by the Group that can be measured reliably. Estimation techniques used can be very complex, especially when there is a wide range of possible outcomes.

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

Notes to the Group financial statements continued

H. Receivables and payables continued

Work in progress accruals arise where a performance obligation has been satisfied but all associated expenditure has yet to be incurred. Judgement is required in estimating the outstanding expenditure required to fulfil the contract.

H1 Trade and other receivables and contract assets



Trade receivables are recognised initially at transaction price and subsequently at amounts considered recoverable (amortised cost). Estimates are used in determining the level of receivables that will not be collected. These estimates include factors such as historical experience, the current state of the UK and overseas economies and industry specifics. A

provision for impairment of trade and other receivables is recognised based on the simplified approach using the lifetime expected credit losses.

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

H1.1 Contract assets

	2023 £m	2022 £m
At 1 April	2	4
Decrease due to balance transferred to trade receivables	(2)	(4)
New contract assets	31	2
At 31 March	31	2
Presented within:		
Current	31	2
	31	2

Contract assets (accrued income) primarily relate to the Group's right to consideration for work completed but not billed at the reporting date.

H1.2 Trade and other receivables due after more than one year

	2023 £m	2022 £m
Trade receivables	1	20
Total trade and other receivables due after more than one year	1	20

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

Notes to the Group financial statements continued

H. Receivables and payables continued

H1.3 Trade and other receivables due within one year

	2023 £m	2022 £m
Trade receivables	162	157
Accrued income	262	251
Prepayments	32	27
Amounts owed by parent undertaking	18	33
Amounts owed by associates and joint ventures	46	15
Other receivables	33	24
Total trade and other receivables due within one year	553	507

H1.4 Expected credit losses



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

The Group uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers. Loss rates are based on actual credit loss experience which are adjusted to reflect

differences between customer base during the period over which the historical data has been collected, as well as any forward looking information regarding the Group's view of economic and industry wide conditions over the expected lives of the receivables.

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

Included in the Group's contract assets and trade and other receivables at 31 March 2023 are balances of £27 million (2022: £29 million) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

	2023 £m	2022 £m
Up to 3 months	17	21
3 to 6 months	5	3
Over 6 months	5	5
Total balance past due	27	29

Notes to the Group financial statements continued

H. Receivables and payables continued

H1.4 Expected credit losses continued

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

	2023 £m	2022 £m
Balance at the beginning of the year	4	5
Charge for the year	2	1
Amounts recovered during the year	(1)	(2)
Balance at the end of the year	5	4

Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the income statement.

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

H2 Trade and other payables and contract liabilities



Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

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

H2.1 Contract liabilities

	2023 £m	2022 £m
At 1 April	(397)	(251)
Decrease due to revenue recognised in the period	360	181
Increase due to cash received in advance and not recognised as revenue during the year	(270)	(327)
At 31 March	(307)	(397)
Presented within:		
Current	(206)	(370)
Non-current	(101)	(27)
	(307)	(397)

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

Notes to the Group financial statements continued

H. Receivables and payables continued

H2.2 Trade and other payables due within one year

	2023 £m	2022 £m
Rights creditors	127	161
Accruals	143	107
Trade payables	74	57
Salaries and wages creditors	48	39
Amounts owed to parent company	256	40
Amounts owed to associates and joint ventures	10	5
Other payables	77	40
Total trade and other payables due within one year	735	449

Rights creditors refers to liabilities relating to the rights to broadcast programmes and are expensed in line with the expected transmission profile.

H2.3 Trade and other payables due after more than one year

	2023 £m	2022 £m
Rights creditors	-	3
Other payables	39	22
Total trade and other payables due after more than one year	39	25

H3 Related party transactions

The related party transactions of the Group have been presented in accordance with IAS 24 Related Party Disclosures. Related parties of BBC Commercial Limited include its subsidiary, associate and joint venture undertakings, its parent undertaking and fellow subsidiaries and key management personnel of the Group and their close family members.

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note. Amounts owed by and to the BBC Public Service and fellow subsidiary undertakings within the BBC Group are reported here. In addition to the above, Group also received £140,000 of income from BBC Children in Need (2022: £107,000 of income).

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

	Parent company		Other BBC Subsidiaries	
	2023 £m	2022 £m	2023 £m	2022 £m
Investment in BBC programme rights	(32)	(20)	-	-
Dividends declared	(198)	(144)	-	-
Other income	357	383	-	-
Other expense	(83)	(91)	(2)	-
	44	128	(2)	-

Notes to the Group financial statements continued

H. Receivables and payables continued

H3 Related party transactions continued

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

	2023 £m	2022 £m
Revenue settled in year	348	350
Revenue not yet settled (before any write offs)	12	33
Total revenue received from BBC Public Service	360	383
Removal of contributions to cost and other Income Statement timing differences	(3)	-
Total reportable revenue received from BBC Public Service	357	383

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

	2023 £m	2022 £m
In year spend paid	(61)	(81)
In year spend not yet paid	(54)	(33)
Total spend with BBC Public Service	(115)	(114)
Removal of contributions to cost and other Income Statement timing differences	-	3
Total reportable revenue received by BBC Public Service	(115)	(111)

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

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

Name of related party	Income 2023 £m	Expenditure 2023 £m	Dividends received 2023 £m	Income 2022 £m	Expenditure 2022 £m	Dividends received 2022 £m
Associates:						
New Video Channel America LLC	22	(6)	30	27	(4)	15
Other associates	-	(2)	1	-	(6)	-
Joint ventures:						
Other joint ventures	62	(11)	-	14	8	-
	84	(19)	31	41	(2)	15

Notes to the Group financial statements continued

H. Receivables and payables continued

H3 Related party transactions continued

The following amounts were outstanding at the balance sheet date:

Name of related party	Receivables	Payables	Net	Receivables	Payables	Net
	2023	2023	balance	2022	2022	balance
	£m	£m	£m	£m	£m	£m
Associates:						
New Video Channel America LLC	4	(7)	(3)	7	(3)	4
Other associates	-	-	-	-	(2)	(2)
Joint ventures:						
Other joint ventures	42	(3)	39	8	-	8
	46	(10)	36	15	(5)	10

H4 Provisions and contingent liabilities



The Group recognises a provision if a past event has given rise to a present obligation that will result in a probable payment that can be measured reliably. Estimation techniques are used, following the review of such events, if it is determined that a provision is required. Such techniques are used in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the group. This can be

complex, and when there is a wide range of possible outcomes, a weighted calculation is used. The Group reassesses whether there has been a change in this liability based on the facts and circumstances at each balance sheet date. Any provisions that are payable over a number of years (other than deferred tax) are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

	At 1 April 2022 £m	Charge for the year for the year £m	Utilised during the year during the year £m	Released during the year £m	At 31 March 2023 £m
Restructuring	3	5	(3)	-	5
Property	3	-	(1)	(1)	1
Legal	35	2	(27)	(8)	2
Other	13	13	(6)	-	20
Total	54	20	(37)	(9)	28
Included in current liabilities	51				25
Included in non-current liabilities	3				3
Total	54				28

Notes to the Group financial statements continued

H. Receivables and payables continued

H4 Provisions and contingent liabilities continued

Restructuring

Restructuring provisions are determined by the probable costs relating to reorganisations, relocations and redundancies across the Group.

Property

The Group has obligations to restore leased properties to their original condition at the end of the lease term. Property provisions are made for the cost of such restoration works as determined by the properties' discounted net present value or the market value of the gross square footage.

Legal

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

Other

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

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

Contingent liabilities

From 14 – 16 February 2023 the Indian Income Tax Department conducted a tax survey on the BBC's Indian operations in Mumbai and Delhi. This involved tax surveys carried out at the offices of BBC Global News India Private Limited, BBC Global News Limited and BBC Studios India Private Limited. The BBC has co-operated in full, and will continue to do so, with all requests made to it including document and information requests, supported by its external legal and tax advisers. As matters are ongoing and have not yet concluded, it is not possible at this stage to identify if in any or all instances a liability exists and/or to quantify any such liability with reasonable certainty.

Contingent liabilities are liabilities that may occur depending on the outcome of an uncertain future event such as the outcome of a pending lawsuit. Contingent liabilities are not accounted for in the financial statements because, unlike provisions, they are not sufficiently certain or cannot be estimated reliably.

Notes to the Group financial statements continued

H. Receivables and payables continued

H5 Long-term commitments not reflected in the balance sheet – contracts placed for future expenditure

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

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

	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after five years £m	Total £m
2023				
Programme rights for distribution	68	22	-	90
Other commitments	60	73	3	136
2022				
Programme rights for distribution	140	39	-	179
Other commitments	13	8	-	21

Included in other commitments is £14 million (2022: £1 million) to associates and £55 million (2022: £8 million) due to joint ventures.

I. Group structure and other disclosures

This section details the Group's interests held in associates, joint ventures and subsidiaries, along with the Group's share capital, reserves and details on post balance sheet events.

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

I1 Interests in associates, joint ventures and subsidiaries

The Group holds (directly and indirectly) interests in the associates, joint ventures and subsidiaries listed below which, except where otherwise stated, are incorporated in Great Britain and registered in England and Wales.

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

11.1 Significant associates and their activities

The Group holds interests in the following significant associates:

Name of entity	Place of incorporation and principle place of business	Holding of issued ordinary shares %	Activity
New Video Channel America LLC*	United States	50.1	TV channel operator
3sixtymedia Limited**	England and Wales	10.0	Production

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

** The Group holds 10% holding of the total share capital of 3sixtymedia Limited but 20% of the Class A ordinary shares which gives it significant influence.

11.2 Significant joint ventures and their activities

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

11.3 Subsidiary undertakings

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

The following companies are exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A as a result of the guarantee issued by BBC Commercial Limited:

Demon Music Group Limited	BBC Studios Productions (Clifton) Limited
BBC Children's Productions Limited	BBC Comedy Productions Limited
BBC World Distribution Limited	BBC Grafton House Productions Limited
Nice and Accurate Productions Limited	BBC Natural History and Factual Productions Limited
UK Programme Distribution Limited	Zentertain Limited
	Zentertain Video Limited

Directly owned subsidiaries (all 100% owned unless stated otherwise)

Registered address

BBC Global News Holdings Limited	1 Television Centre, 101 Wood Lane, London, W12 7FA
BBC Studios Limited	
BBC Studioworks Limited	Neptune House, BBC Elstree Centre, Clarendon Road, Borehamwood, Hertfordshire, WD6 1JF

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

Indirectly owned subsidiaries (all 100% owned unless stated otherwise)

Registered address

BBC Studios Production Limited	1 Television Centre, 101 Wood Lane, London, W12 7FA
BBC Studios Distribution Limited	
BBC Grafton House Productions Limited	
BBC Children's Productions Limited	
Nice and Accurate Productions Limited	
BBC Natural History and Factual Productions Limited	
BBC Natural History Giant Screen Limited	
BBC Studios Productions (Clifton) Limited	
BBC Comedy Productions Limited	
BBC Studios Productions (Kidnapped) Limited	
BBC Studios Productions (Time2) Limited	
Mortimer Productions Limited	
2 entertain Limited	
2 entertain Management limited	
2 entertain Video Limited	
BBC Video Limited	
MCI Music Publishing Limited	
Demon Music Group Limited	
Crimson Productions Limited	
F-Beat Records Limited	
Demon Records Limited	
Devil's Peak Distribution Limited (92% owned)	
Clerkenwell Films Limited	
Uncle Steve Limited	
BBC Earth Productions (Africa) Limited	
BBC Earth MD (WWD) Limited	
BBC Earth Productions (Life) Limited	
BBC Earth Productions Limited	
BBC Earth Productions (Giant Films) Limited	
Earth Film Productions Limited	
BBC Magazines Holdings Limited	
BBC Studios Corporate Services Limited	
BBC Studios Investments Limited	
BBC Studios Drama Productions Limited	
Tonto Films and Television Limited	
BBC Studios Channel Investments Limited	
UK Programme Distribution Limited	
BEEB Rights Limited (88% owned)*	

* The Group holds 88.4% of issued share capital but the non-controlling shareholders have no right to distributions.

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

11.3 Subsidiary undertakings continued

Indirectly owned subsidiaries (all 100% owned unless stated otherwise)

Registered address

Baby Cow Productions Limited (75% owned)	1 Television Centre, 101 Wood Lane, London,
Baby Cow Manchester Limited (75% owned)	W12 7FA
Baby Cow Productions (Changing Ends) Limited (75% owned)	
Baby Cow Productions (Chivalry) Limited (75% owned)	
Baby Cow Productions (Hunderby) Limited (75% owned)	
Baby Cow Productions (Partridge) Limited (75% owned)	
Baby Cow Productions (Red Dwarf) Limited (75% owned)	
Baby Cow Films Limited (75% owned)	
Alan Partridge Limited (75% owned)	
Baby Cow Animation (Warren) Limited (75% owned)	
Baby Cow Animation (Wussywat) Limited (75% owned)	
Baby Cow Productions (Witchfinder) Limited (75% owned)	
Baby Cow Animation Limited (75% owned)	
Lost Child Limited (75% owned)	
The Last Holiday Limited (75% owned)	
BBC.com Limited	
BBC World Distribution Limited	
House Productions Limited	
House Element Wonder Limited (50% owned)	
House Conclave Limited	
House LAL Limited	
House Pictures Limited	
House Ref Limited	
House Sherwood Limited	
House Six Four Limited	
House Trig Limited	
House Bird Limited	
House Sherwood2 Limited	
House Starve Acre Limited	
Quite Persuasive Films Limited	
Quite Funny Films Limited	
Quite Scary Films Limited	
Recall TV Limited	
TFW Productions Limited	
Two+Two=5 Limited	
Philomena Lee Limited (75% owned)	

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

11.3 Subsidiary undertakings continued

Indirectly owned subsidiaries (all 100% owned unless stated otherwise)

Registered address

Sid Gentle Films Limited	1 Television Centre, 101 Wood Lane, London, W12 7FA
Sid Gentle Films (Corfu) Limited	
Sid Gentle Films (Gaiman) Limited	
Sid Gentle Films (KE2) Limited	
Sid Gentle Films (Killing Eve) Limited	
Sid Gentle Films (Ragdoll) Limited	
<i>Sid Gentle Films (KE3) Limited</i>	
Sid Gentle Films (KE4) Limited	
Sid Gentle Films (SS-GB) Limited	
Sid Gentle Films (TD4) Limited	
Sid Gentle Films (The Durrells) Limited	
Sid Gentle Films (Costello Jones) Limited	
Sid Gentle Films (Extraordinary) Limited	
Sid Gentle Films (extraordinary 2) Limited	
Sid Wild Films Limited	
<i>As Yet Unnamed Limited</i>	
Consent Productions Limited	
Firebird Pictures Limited	
Mitragious Limited	
Small Pier Productions limited	
Voltage TV Productions Limited	
EHV Films Limited	
Wilder (UK) Productions Limited	
UKTV Media Holdings Limited	10 Hammersmith Grove, London, W6 7AP
UKTV Media Limited	
Lookout Point Limited (92% owned)	Hammer House, 113 - 117 Wardour Street, London, United Kingdom, W1F 0UN
A Suitable Company Limited (92% owned)	
AMP 1 Limited (92% owned)	
Evergreen Television Limited (92% owned)	
Lookout Point (Les Miserables) Limited (92% owned)	
Lookout Point (Shibden) Limited (92% owned)	
Lookout Point (LT5) Limited (92% owned)	
Lookout Point Acquisition Limited (92% owned)	
Lookout Point (DP) Production Limited (92% owned)	
Lookout Point (FUMP) Limited (92% owned)	
Lookout Point Management Limited (92% owned)	
Lookout Point (T&T) Limited (92% owned)	
Off Stone Productions Limited (92% owned)	
Lookout Point (The Collection) Limited (92% owned)	
Lookout Point (HV3) Limited (92% owned)	
White Hart Lane Productions Limited (92% owned)	

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

11.3 Subsidiary undertakings continued

Indirectly owned subsidiaries (all 100% owned unless stated otherwise)

	Registered address
BBC Studios Canada Limited	145 King Street West, Suite 740, Toronto ON M5H 1JH, Canada
BBC Studios Productions (Clifton) Canada Inc	40 King Street West, Suite 2100, Toronto ON M5H 3C2, Canada
BBC Studios Singapore Private Limited	12-08/08 Shaw Tower, 100 Beach Road, Singapore 189702, Singapore
BBC Studios Japan Limited	Tokyo Club Bldg., 10F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013, Japan
BBC Studios Productions Nordics ApS	Mosedalvej 14, 2500 Valby, Denmark
BBC.com US, Inc	c/o Corporation Trust Centre, 1209 Orange Street, Wilmington 19801, United States, New Castle, Delaware 19801
BBC Studios France	18-20 Quai du Point du Jour, Bat. A, 92100 Boulogne-Billancourt, France
BBC Studios Channel Investments (Ontario) Limited	Toronto Dominion Bank Tower, Toronto Dominion Center, Toronto, ON M5K 1E6, Canada
BBC Studios Americas Inc BBC Studios Americas (401) k Plan - Trustees	1120 Avenue of the Americas, 5th Floor, New York, NY 10036-6700, United States
Adjacent Productions, LLC Bad Wolf Productions LLC BBC Studios Reality Productions LLC Global Hybrid Productions LLC Lime Grove Productions LLC Sun Never Sets Productions LLC WNT Productions LLC Studios Competition Productions LLC	10351 Santa Monica Boulevard, Los Angeles, CA 90025, United States
BBC Studios Americas Investments Inc	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington 19801, United States
BBC Studios Australia Holdings Pty Limited BBC Studios Australia Pty Limited BBC Studios Australia BB Pty Limited BBC Studios Productions Australia Pty Limited	Level 1, 35-51 Mitchell Street, McMahons Point NSW 2060, Australia
BBC Studios Germany GmbH Erste Weltweit Medien GmbH	Kaiser-Wilhelm-Ring 17-21, 50672 Köln, Germany
BBC Worldwide Holdings B.V.	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

11.3 Subsidiary undertakings continued

Indirectly owned subsidiaries (all 100% owned unless stated otherwise)

	Registered address
BBC Studios Benelux B.V.	BBC Studios Benelux B.V. Weesperplein 4b, 1018 XA Amsterdam, Netherlands
BBC Studios India Private Limited	Construction House A Wing, 401 - 4th Floor, Off Linking Road, 24th Road, Khar (W), Mumbai 400 052 India
BBC Studios Africa (Pty) Limited	Office 003H3 Ground Floor, 10 Melrose Boulevard, Melrose Arch, Melrose North 2196, SA
BBC Studios Intermediadora de Programadora Estrangeira Ltd	Rua Ferreira de Araujo, 741, Andar 1, Pinheiros, São Paulo, SP 05.428-002 Brazil
BBC Studios Polska Sp. Z.o.o.	Pl. Bankowy 1, 00-139 Warszawa, Poland
BBC Studios Mexico S.A. de C.V.	Calle Andres Bello 10 Piso 10, Chapultepec Polanco, Delg. Miguel Hidalgo, Ciudad de Mexico CP 11560, Mexico
Worldwide Knowledge (Beijing) Business Consulting Company Limited	Unit 7, Floor 9, West Tower, Genesis Building, 8 Xinyuan South Road, Chaoyang District, Beijing 100027
BBC Studios Productions (Africa) (Pty) Limited	24 18th Street, Menlo Park 0081, Maxars House, 5 ST Davids Place, Parktown 2193, SA
Rapid Blue Africa Limited	7 Sowemimo Street, GRA Ikeja, Lagos, Nigeria
Rapid Blue Pty Limited	263 Oak Avenue, Ferndale, Randburg, 2194, South Africa
Rapid Blue Formats Limited (38% owned)	1 Bamako Street, Omole Phase 1, Ojodu, Lagos, Nigeria
Rapid Blue Production Nigeria Limited (99% owned)	1 Hotspots Drive, Via Kudirat Abiola Road, Oregun, Lagos, Nigeria
BBC Global News Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA
BBC Global News (Japan) Limited	Tokyo Club Bldg., 3-2-6, Kasumigaseki, Chiyoda-ku, Tokyo, 100-0013, Japan
BBC Global News (Singapore) Private Limited	#12-08/08 Shaw Tower, 100 Beach Road Singapore 189702, Singapore
BBC Global News (India) Private Limited	Unit No. 301, 3rd Floor, D-2, Southern Park, District Centre, Saket, New Delhi, 110017
BBC Global News US LLC	Corporation Service Company, 80 State Street, Albany, New York, 12207-2543
The Office Production Pty Limited	Level 1, 35-51 Mitchell Street, McMahon's Point 2060, Sydney, Australia

Notes to the Group financial statements continued

1. Group structure and other disclosures continued

12 Share capital

	2023 £'000	2022 £'000
Issued, allotted, called up and fully paid		
At 1 April and 31 March	50	50

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

13 Equity dividends

 Dividends are recognised through equity in the period in which they are declared. Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are

appropriately authorised and are no longer at the discretion of the Group. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

	2023 £m	2022 £m
Dividends payable on ordinary equity shares		
Dividends were proposed and paid, unless stated otherwise, as follows:		
March 2023 of 395,800p per share (unpaid)	198	-
March 2022 of 288,000p per share	-	144
Total dividends	198	144

14 Parent undertaking and controlling party

The Company's parent undertaking and controlling party is the British Broadcasting Corporation (BBC) which is incorporated in the United Kingdom by Royal Charter. The largest Group in which the results of the Company are consolidated is that headed by the BBC. Copies of the financial statements of the BBC can be obtained from www.bbc.co.uk/annualreport.

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

I5 Reserves

Retained earnings

The retained earnings reserve reflects accumulated profits to date.

Hedging reserve

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, losses of £17 million were removed from the hedging reserve and recognised in revenue in the income statement (2022: losses of £6 million).

Translation reserve

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

Other reserve

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

I6 Post balance sheet events

In June 2023, the BBC was informed by its supplier IBM that their contractor, Zellis, had been affected by a vulnerability in third-party software it uses which led to a data breach affecting the BBC. Zellis manage the payroll process for the BBC and therefore hold personal data about BBC employees and individuals engaged by the BBC on a PAYE basis. The Group has been working closely with the supplier to investigate the extent of the breach and support affected individuals. The matter has also been reported to the Information Commissioner's Office, and we will continue to keep it updated.

There have been no other significant events affecting the Group since the year end.

Company financial statements

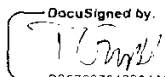
As at 31 March 2023

Balance Sheet

As at 31 March 2023

	Note	Company 2023 £m	Company 2022 £m
Fixed assets			
Investment in subsidiaries	2	291	301
Derivative financial instruments		-	3
		291	304
Current assets			
Receivables			
- due within one year	3	374	251
Derivative financial instruments		2	-
Cash and cash equivalents		207	113
		583	364
Creditors: amounts falling due within one year			
Trade and other payables	4.1	(355)	(118)
Current tax liabilities	4.1	-	(5)
		(355)	(123)
Net current assets		228	241
Total assets less current liabilities		519	545
Creditors: amounts falling due after more than one year			
Borrowings	4.2	(170)	(170)
Deferred tax liabilities	4.2	-	(1)
		(170)	(171)
Net assets		349	374
Represented by			
Share capital	5	-	-
Retained earnings	5	349	374
Total equity shareholder's funds		349	374

The financial statements of BBC Commercial Limited, registered number 04463534, were approved by the directors and authorised for issue on 26 June 2023 and signed on their behalf by:

DocuSigned by:

 B257037913324AD
 Thomas Fussell
 Director

26 June 2023

Notes to the Company financial statements

1. How the Company's accounts are prepared

This section includes the Company's policies on how the financial statements have been prepared and those policies where no further notes are presented. Other accounting policies are captured in each of the following sections alongside the relevant notes. All policies have been applied consistently throughout the year and in the preceding year except where stated.

Basis of accounting

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

Basis of preparation

The Company's financial statements have been prepared on the going concern basis. The Board remains satisfied with the Company's funding and liquidity position. At the balance sheet date, the Company's primary source of funding is a £170 million facility with UK banks. The Company also has access to a further £210 million facility with a group of international banks until March 2025 which has been extended to a £310 million facility post year end on the same terms to follow that until 2026. As at the year-end the Company had drawn down £170 million of the facilities available (2022: £170 million). The financial covenants associated with the facilities are unchanged. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility for a period of no less than 12 months from the date of signing these accounts. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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

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

- IFRS 2 Share based payments
- IFRS 3 Business combinations
- IFRS 5 Non-current assets held for sale and discontinued operations
- IFRS 7 Financial instruments
- IFRS 13 Fair value measurement
- IAS 1 Presentation of financial statements
- IAS 7 Statement of cashflows
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 24 Related party disclosures
- IAS 36 Impairment of assets

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account reflecting the results of BBC Commercial Limited has not been presented. The Company's profit after taxation for the financial year was £173 million (2022: £141 million profit). The Company did not have any other comprehensive income and consequently no statement of other comprehensive income has been presented.

Foreign currencies

Transactions in foreign currencies are translated into the functional currency of the Company at an average exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling on that date.

Taxation

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

Notes to the Company financial statements continued

1. How the Company's accounts are prepared continued

Taxation continued

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

Finance costs

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months (short-term deposits). Cash at bank earns interest at floating rates based on daily bank deposit rates.

The entity retains significant cash amounts and cash equivalent balances in instant access accounts in order to manage the variation in cash flows required for its operations.

Short-term deposits are entered depending on the immediate cash requirements of the Company and earn interest at the respective short term deposit rates.

Financial instruments

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

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

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

Notes to the Company financial statements continued

2. Investment in subsidiary undertakings

Determining whether the Company's investments in subsidiaries have been impaired required estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present value.

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

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

	Company 2023 £m	Company 2022 £m
Cost		
At 1 April	303	344
Disposal	-	(41)
At 31 March	303	303
Impairment		
At 1 April	(2)	(38)
Disposal	-	36
Impairment	(10)	-
At 31 March	(12)	(2)
Net book value	291	301

The investment in Studioworks Limited was impaired during the year.

The Company transferred its investment in BBC Children's Productions Limited to BBC Studios Limited during the year and its investment in BBC Global News Limited to BBC Studios Limited during the prior year.

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

Name of entity	Place of incorporation and principle place of business	Nature of business
BBC Global News Holdings Limited	England and Wales	Dormant
Studioworks Limited	England and Wales	Programme making
BBC Studios Limited	England and Wales	Holding company

Notes to the Company financial statements continued

3. Receivables

 Receivables recognised at transaction price less an allowance for estimated impairment. The allowance is based on objective evidence that the Company will not be able to recover all amounts due,

through a review of all accounts and prior experience collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the profit and loss account.

	Company 2023 £m	Company 2022 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	374	251
Total receivables due within one year	374	251

4. Payables

 Interest bearing loans and overdrafts are recognised initially at fair value, less transaction costs. Such borrowings are subsequently stated at amortised cost; any difference between the proceeds

(net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

4.1 Amounts falling due within one year

	Company 2023 £m	Company 2022 £m
Amounts owed to parent undertaking	198	-
Amounts owed to fellow subsidiaries	157	118
Corporation tax	-	5
Total amounts falling due within one year	355	123

4.2 Amounts falling due after more than one year

	Company 2023 £m	Company 2022 £m
Borrowings	170	170
Deferred tax liability	-	1
Total amounts falling due after more than one year	170	171

Notes to the Company financial statements continued

4. Payables continued

4.3 Maturity of borrowings

The Company arranges its borrowings to meet forecast cash flows such that it has access to sufficient funds to meet its commitments. The maturity profile of the Company's financial liabilities, other than short-term creditors, at 31 March was:

	Bank loans £m	Total £m
2023		
Within two and five years	170	170
	170	170
2022		
Within two and five years	170	170
	170	170

4.4 Borrowing facilities

Facility	Interest rate	Total available 31 March 2023 £m	Drawn down at 31 March 2023 £m	Total available 31 March 2022 £m	Drawn down at 31 March 2022 £m	Expiry or review date
Multicurrency, revolving credit facility agreement for loans	SONIA plus agreed credit adjustment spread of 0.1193% plus the relevant margin: 0.45% up to 1/3 utilisation, 0.6% between 1/3 and 2/3 and 0.75% over 2/3.	210	-	210	-	March 2026***
Overdraft or money market lines*	Bank base rate plus 1.5%	2	-	2	-	Reviewed annually
Uncommitted money market lines	Interest rate is determined when traded with the bank	20	-	-	-	Reviewed annually
Fixed term loan	SONIA + 1.25%	170	170	170	170	June 2025**

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

** The Company has exercised its final extension option in year, taking the maturity through to June 2025. A series of interest rate swaps have been entered into to fix the interest rate on this facility to 5.84% from June 2023 to maturity.

*** The Company has secured a further extension of this facility on the same terms, including a £100 million increase.

There have been no defaults or breaches of covenants on the facilities above during the year (2022: none).

Notes to the Company financial statements continued

5. Reconciliation of movements in equity shareholder's funds and results

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.

The movement in reserves during the year was as follows:

Company	Share capital £'000	Retained earnings £m
At 1 April 2022	50	374
Profit for the financial year	-	173
Dividends declared in year	-	(198)
At 31 March 2023	50	349

6. Auditor's remuneration

The audit fee of £120,050 was incurred by the Company (2022: £94,000).

7. Post balance sheet events

There have been no significant events affecting the Company since the year end.