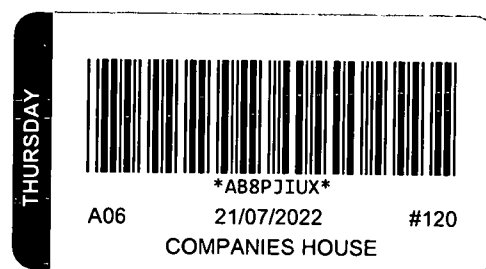


BBC Studios Distribution Limited

Registered number 01420028

Annual Report and Financial Statements

For the year ended 31 March 2022



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## Officers and advisors

### Directors

Tom Fussell

Lorraine Burgess (Appointed 1 April 2022)

Martyn Freeman (Appointed 25 April 2022)

Mark Linsey (Resigned 1 April 2022)

### Company Secretary

Anthony Corriette

### Registered office

1 Television Centre

101 Wood Lane

London

W12 7FA

### Auditor

National Audit Office

157 - 197 Buckingham Palace Road

London

SW1W 9SP

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## Strategic report

The Directors present their annual report and audited financial statements of BBC Studios Distribution Limited (the 'Company') for the year ended 31 March 2022. The Company's financial statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework for all periods presented and these can be seen on pages 14 to 33.

The Company is a wholly-owned subsidiary of BBC Studios Limited. The Company's principal activity is to invest in content and IP for global distribution and exploitation through content sales, channels and streaming services. The Company's profits contribute to significant financial returns that are reinvested into the BBC for the benefit of the UK licence fee payer.

### Principal activity

The Company generated turnover of £575m in the year end 31 March 2022 (2021: £568m). An operating profit of £75m was recorded during the year (2021: £94m) and earnings before interest, tax, depreciation and amortisation ('EBITDA') of £91m (2021: £109m).

The Company is in a net asset position with net assets of £211m (2021: £272m).

### Business review

This business review covers activities of the Company as well as its subsidiaries, because the trading performance of the Company is significantly influenced by the performance of its subsidiaries through dividends and transfer pricing arrangements. Dividends received from subsidiaries during the year were £80m (2021: £61m).

The Company generated strong content sales, reflecting continued success with key brands, including the *Planet* series, *Doctor Who* and *Top Gear*, as well as the benefits of increased investment in new titles, which included *The Outlaws*, *Pursuit of Love*, *This is Going to Hurt* and *The Mating Game*.

The international success of *Dancing with the Stars* continues, with the format winning its timeslot in eight countries around the world. The US edition shone with an average audience of 6m viewers and 7.6% share, putting it into ABC's top five entertainment shows in 2021.

Series 13 of *Doctor Who: Flux* is the number one show on BBC America, with continued strong appeal for younger audiences. *Top Gear*'s 31st series was in the top five shows on BBC-branded channels in North America.

Global hit animation *Bluey* from Ludo Studio was Disney Junior's top ratings driver of 2021 with kids aged two to five in the US, and wowed audiences in more than 60 countries. As well as picking up awards and a number one album in Australia, a tie-in with Airbnb saw the Heeler's house recreated for real life. The brand's success drove consumer products revenues up 9%.

The Company has deep and reciprocal partnerships with its global customers, supporting their businesses and audiences around the world. Global channels had a good year, with the renewal of the StarHub contract, a new deal with Singtel and Astro for BBC-branded channels in south-east Asia and a long-term renewal with Canal+ in Poland.

Direct-to-Consumer streaming services BBC Select and BBC Podcasts launched in the US, and BritBox International (the global British streaming service owned by the Company in partnership with ITV) continued to grow, with 2.4m subscribers in four countries.

BBC America is a branded linear channel in the US, jointly owned with AMC Networks as the operating partner. As well as airing the latest seasons of *Doctor Who* and *Top Gear*, a highlight for the year was the launch of the final season of BBC America original *Killing Eve*. As in the UK, linear viewership continues to decline across the US market, but a very good ad sales performance means the channel continues to deliver strong profits.

Already a key focus, putting people first became the business' overriding priority in the pandemic. Alongside protecting wellbeing, the Company worked on building leadership, developing talent and increasing both diversity of voices and a culture of inclusion, as well as operating more sustainably.

Over the last year the Company has elevated diverse voices and ensured a strong network for the recruitment of new talent into every area of the business through its three-year Diversity and Inclusion strategy, 'Valuing Difference'.

Sustainability continues to be at the heart of operations. The business remains committed to reducing its carbon emissions and has aligned to the BBC-wide Net Zero science-based targets. BBC Studios also signed the Climate Content Pledge at COP26, along with the BBC Group, committing to responsible onscreen portrayal of sustainability across all of its content.

### Looking ahead

The Company has started the 2022-23 financial year in a favourable position: amid continuing demand for high quality content, a good proportion of sales from long term multi-year carriage deals and a robust production slate, the business also has a strong balance sheet. While not immune from wider geo-political and market dynamics, where audience habits continue to shift and increasing competition, the Company is in good shape with strong prospects for growth.

It is a stated BBC priority to build commercial income, and the Company's future creative and financial success will be vital to the BBC's continuing impact in the years ahead. With this level of commercial ambition, the business has a stretching target for growth over the next five years, which should see sales increase over the period. To drive long term revenue and profit growth, the Company expects to significantly increase investment in content and services, which may in some cases depress short-term profitability.

## Strategic report continued

## Principal risks and uncertainties

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

Risk	Impact	Mitigation
<p>Protecting the brand, reputation and standards</p> <p>Risk that global audiences and customers lose confidence in the integrity of the Company and its editorial standards if fails to successfully represent the values of the BBC across all its content and services.</p> <p>Risk that a third party does not share or fails to meet our values and standards or acts unlawfully.</p> <p>Risk that we are unable to achieve improved diversity across the workforce and within the Company's content and services.</p> <p>Risk that the Company does not demonstrate industry leadership in meeting its green ambitions.</p>	<p>Reputational damage to the brand and loss of customer confidence and revenue.</p> <p>Inability to successfully meet the strategic objectives.</p>	<p>The Company is aligned to the BBC Code of Conduct. This sets out the commitments for staff to follow. Including: respecting each other, doing the right thing, acting with integrity and living up to the highest legal and ethical standards. The Code is supported by a speak up culture and a programme of training.</p> <p>Proportionate controls ensure that third parties are appropriate partners, share our values and meet legal and regulatory obligations.</p> <p>The Company is committed to driving greater inclusion across all activities, including with third parties and producers. The strategy sets clear plans and targets. Diversity and inclusion is integral to the investment and commissioning processes.</p> <p>Sustainability strategy approved and aligned to the BBC Group. Production activity is comparable to industry leaders. Clear plans are in place for international operations.</p>
<p>Looking after people</p> <p>Risk that the Company fails to protect the health, safety and wellbeing of its people, which may result in a person being harmed or suffer adverse health effects.</p> <p>Living with Covid-19 strategy adopted in the UK. However, there is ongoing risk of further disruption due to outbreaks and new variants.</p>	<p>Potential for injury, financial penalties and criminal charges.</p> <p>Reputational risk if we fail to protect staff and all others in the care the of the Company.</p> <p>Potential impact to scheduling resource availability and increased cost for production.</p>	<p>There are policies, processes, plans and governance structures in place to manage the safety of Company activities.</p> <p>The Company continues to work with the industry to ensure a consistent approach to protecting its people and output.</p>
<p>Economic and geopolitical climate</p> <p>Ongoing global economic uncertainty due to rising inflation and interest rates and the current crisis in Ukraine.</p> <p>Geopolitical instability and Environment, Social and Governance risks presents challenges to achieving the Company's growth strategy in certain countries.</p>	<p>Slowing economic growth may lead to declining revenues, impact financial performance and challenge the success of new lines of business.</p> <p>Loss of business opportunities and revenues if growth strategies in these markets cannot be fully implemented.</p>	<p>The Company is diversified across production and distribution as well as channels and streaming. It operates across many geographical regions as well as having key global customers and partnerships. Performance has remained strong and growth plans are in place to ensure the business continues to grow by launching new services.</p> <p>Measures are in place to ensure commercial interests are balanced against international purpose, meet our editorial goals and also align to our values. Also, that the Company selects appropriate partners and manages compliance and ethics risks across its operations.</p>

## Strategic report continued

## Principal risks and uncertainties continued

Risk	Impact	Mitigation
<p>Regulatory and compliance breaches</p> <p>Risk of non-compliance with increasing number of UK and international laws and regulations; many of which have an extra-territorial reach.</p> <p>The Company operates globally and in certain high-risk territories. It is seeking to expand and launch new services. This poses further risk of exposure to new legislation and regulations.</p>	<p>Civil or criminal challenge.</p> <p>Fines or penalties.</p> <p>Potential restrictions on business activities.</p>	<p>Frameworks exist to manage compliance risks internationally across the Company. This includes clear lines of responsibility, subject matter experts, risk assessments, policies, control processes, response plans, communications, training and monitoring. Compliance reporting with regular updates to senior committees. Incident reporting process and corrective action taken.</p> <p>In-house Regulatory Team supported by specialists in the BBC Group.</p>
<p>Managing suppliers and third parties</p> <p>The Company relies on third parties located across the globe to support the delivery of its content and services.</p> <p>Failure of a key supplier could significantly impact our infrastructure, our content sales, and channels and digital services operations.</p>	<p>Customer dissatisfaction and potential loss of revenue if service levels are not met.</p> <p>Regulatory fines if services are not operating within required parameters.</p>	<p>Critical third parties are managed closely through contracted supplier licence agreements and are monitored against agreed targets. There is ongoing dialogue with suppliers and clear communication and escalation protocols are in place.</p> <p>Business continuity plans exist and are regularly reviewed and tested.</p>
<p>Distribution customer base and competition</p> <p>Risk that the Company's structure, strategy, content and services are not aligned to changes in the market and increased competition from a small number of global players and that it loses access to valuable rights.</p> <p>Distribution is increasingly focussed on a few top strategic customers. There is a risk the Company fails to meet their demand.</p> <p>Traditional linear broadcasters are under increasing margin pressure, due to competition for audiences, leading to reduction in subscribers and advertising revenues.</p> <p>Risk that new services such as Direct-to-Consumer products may not be successful in an unproven market.</p>	<p>Diminishing returns on content investments.</p> <p>Lower commercial returns to the BBC Group and Independent Production Companies.</p> <p>Declines in affiliate and advertising revenue in the UK and globally.</p>	<p>Customer Management approach with a remit across all lines of business in order to build, coordinate and optimise relationships with a portfolio of most valuable customers. Pricing initiatives reflect market. Actively growing business with new customers.</p> <p>The Company has set objectives to agree a view of top strategic customers and build engagement and senior level relationships. It is also seeking to establish and grow relationships with smaller customers, e.g. Advertising supported platforms and to explore emerging business models/ customers. e.g. Free advertising-supported streaming television.</p> <p>Channels and Streaming initiatives have been undertaken, such as establishing a Global Acquisitions Team for both UK and international channels. These initiatives allow operational fitness and cost savings to be achieved and derive investment value across the portfolio.</p>

## Strategic report continued

## Principal risks and uncertainties continued

Risk	Impact	Mitigation
Protecting our content and assets Risk that information security controls are compromised, leading to disruption of systems and services and the loss of sensitive or critical information. Threat is elevated due to the current geopolitical instability.	Reduced editorial or commercial value of content, services and assets. Reputational damage and loss of confidence in the Company's ability as a credible global producer and distributor.	Information Security team and Divisional Information Risk Officer appointed, with leads in each key business area. Increased vigilance, review and communications as a result of increase in threat level.
Risk from the unauthorised release of premium, high value content.	Inability to establish paid digital services.	Frameworks are in place to ensure robust controls to minimise the risk of loss. This includes policies, risk assessments, rehearsed response plans, training, ongoing monitoring and regular communications.
Intellectual property is key to the success of the Company. There is an increasing risk globally of illegal piracy of content and services.		Working with third parties to ensure they meet the Company's requirements.
Risk of loss due to financial crime, including fraud, bribery and theft or the manipulation of financial information.		The Company works with other content providers, platforms and customers to act against illegal use of brand and participates in outreach and engagement projects to combat piracy.

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

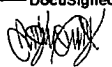
The Directors are aware of their duty under Section 172 of the Act to behave in a way which they consider, in good faith, would be most likely to promote the success of the Company, in doing so, to have regard (amongst other matters) to the factors detailed in section 172(1) of the Act. In discharging their duties under s. 172, the Directors have had regard for these factors taking them into consideration when decisions are made. This includes:

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

As a result of the governance structured embedded within the Company and the BBC Group, the matters that it is responsible for considering under Section 172 have been considered to an appropriate extent by the wider group in relation to this Company. The Directors have also considered relevant matters were appropriate.

To the extent necessary for an understanding of the development, performance and position of the entity, a further explanation of how the Company and the wider group has considered the matters set out in the Act is contained within the annual report of the BBC Group or BBC Commercial Limited, which does not form part of this report.

By order of the Board,

DocuSigned by:  
  
 6FDBEF52C39849E...  
 Anthony Corriette  
 Company Secretary

22 June 2022  
 Date:

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

## Directors' report

### Directors

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

- Tom Fussell
- Lorraine Burgess (Appointed 1 April 2022)
- Martyn Freeman (Appointed 25 April 2022)
- Mark Linsey (Resigned 1 April 2022)

The Company Secretary is Anthony Corriette.

### Financial instruments

The Company's financial risk management operations are carried out by the BBC Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the BBC Board. Information about the use of financial instruments by the wider group and its subsidiaries may be obtained from [www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport).

### Directors' interest and indemnities

The Directors had no interest in the share capital of the Company between 1 April 2021 and 31 March 2022. No rights to subscribe for any shares in or debentures of the Company were granted to the Directors or their immediate families, or exercised by them, during the financial year. The Directors were covered by Directors' and Officers' liability insurance in place throughout the financial year as appropriate, under the BBC Group scheme.

### Employee participation

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

### Diversity

Recruiting and developing a diverse workforce that is representative of contemporary British society is central to the modern BBC and to BBC Studios Distribution Limited as a subsidiary of the BBC. Creating a diverse workforce is part of the BBC's Diversity Strategy.

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

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

### Training and development

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

### Health and safety

The Company ensures that appropriate training is provided to staff in relation to health and safety. This is reinforced further by appropriate policies and procedures being in place.

### Disabled persons

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

### The environment

The Company does not operate in industries where there is potential for serious industrial pollution, however it recognises its responsibility to be aware of and take steps to control and minimise any damage its business might cause to the environment.

### Corporate governance

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

### Political and charitable contributions

The Company made £1k charitable donations during the year (2021: £300k). The Company did not make any political donations during the year (2021: £nil).

### Dividends

Dividends of £135m were declared and paid by the Company during the year (2021: £nil).



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Directors' report continued

Branches

The Company has two branches: Taiwan and Hong Kong.

Future developments

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

Going concern

As set out on page 18, 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

No significant events occurred after the Balance sheet date.

Auditors

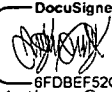
The National Audit Office served as independent external auditors for the year ended 31 March 2022 and 31 March 2021. The National Audit Office have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the board meeting where this report is approved.

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,

DocuSigned by:  
  
6FDBEF52C39649E...  
Anthony Corriette  
Company Secretary

Date: 22 June 2022

Registered address

1 Television Centre  
101 Wood Lane  
London  
W12 7FA

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## Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 Company and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis until it is inappropriate to presume that the Company will continue in business; and
- 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

## Opinion on financial statements

I have audited the financial statements of BBC Studios Distribution Limited ('the Company') for the year ended 31 March 2022 which comprise the Company's:

- Balance sheet as at 31 March 2022;
- Income statement, Statement of comprehensive Income and Statement of changes in equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. 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 in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Company'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 forecasts and sensitivities, together with consideration of the 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's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## Other information

The other information comprises information included in the 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.

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

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

I have nothing to report in this regard.

## Opinion on other matters prescribed by the Companies Act 2006

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

- the Strategic report and the Directors' report been prepared in accordance with applicable legal requirements; and
- 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.

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

## Matters on which I report by exception

In the light of the knowledge and understanding of the Company and its 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.

## Responsibilities of the Directors for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as directors determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Company'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 entity 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 (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.

## 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, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Company's accounting policies, and key performance indicators;
- inquiring of management, the BBC Group Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Company's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Company's controls relating to the Company's compliance with the Companies Act 2006, Corporation Tax, and Employee Tax; and
- discussing among the engagement team and involving 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 for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, programme accounting, posting of unusual journals, complex transactions and bias in management estimates including impairment reviews. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Company's framework of authority as well as other legal and regulatory frameworks in which the Company operates, focusing 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. The key laws and regulations I considered in this context included Companies Act 2006, Employment Law and other Tax Legislation.

In addition I have considered whether there was any evidence of non-compliance with Ofcom regulations and Russia and Belarus sanctions.

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

## Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing 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;
- enquiring of management, the BBC Group Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing 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, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- other audit procedures responsive to the risk of fraud, non-compliance with laws and regulation included the review of Board Minutes, meeting with in-house legal counsel, review and recalculation of Corporation Tax balances.

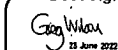
I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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](http://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 that I identify during my audit.

DocuSigned by:

A circular DocuSignature stamp containing the handwritten name 'Greg Wilson' and the date '28 June 2022'.

37201B1421E8452...

Greg Wilson (Senior Statutory Auditor)

For and on behalf of

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157 - 197 Buckingham Palace Road

Victoria

London

SW1W 9SP

28 June 2022

Income statement  
for the year ended 31 March 2022

	Note	2022 £m	2021 £m
Revenue	2	574.9	568.3
Dividends received		80.1	61.3
Total revenue		655.0	629.6
Total operating costs	3	(579.6)	(536.0)
Operating profit		75.4	93.6
Operating profit reconciled as:			
EBITDA		90.9	109.2
Depreciation and amortisation		(15.5)	(15.6)
		75.4	93.6
Impairment of subsidiary investments	12	-	(2.0)
Other gains and losses		6.4	0.2
Financing income		4.8	2.5
Financing costs		(3.0)	(6.9)
Profit before taxation		83.6	87.4
Taxation	18	1.9	0.2
Profit for the year		85.5	87.6

Statement of comprehensive income  
for the year ended 31 March 2022

	Note	2022 £m	2021 £m
Profit for the year		85.5	87.6
Items that are or may be reclassified to the Income statement in the future:			
Tax on cash flow hedges taken directly to other comprehensive income		2.9	(2.7)
Net (losses)/gains on foreign exchange cash flow hedges	21	(14.1)	14.4
Other comprehensive income for the year (net of tax)		(11.2)	11.7
Total comprehensive income for the year		74.3	99.3

Balance sheet  
as at 31 March 2022

	Note	2022 £m	2021 £m
Non-current assets			
Distribution rights	8	203.1	173.4
Other intangible assets	9	33.9	36.9
Tangible fixed assets	10	12.5	12.4
Right-of-use assets	11	43.6	46.0
Investments	12	302.5	271.0
Deferred tax assets	18	18.2	9.9
Trade and other receivables	14	0.8	3.8
		614.6	553.4
Current assets			
Programme rights and other stock	13	27.6	24.2
Current tax receivable		19.6	11.4
Trade and other receivables	14	277.5	284.7
Cash at bank and in hand		54.3	0.4
		379.0	320.7
Current liabilities			
Provisions for liabilities	17	(43.5)	(22.5)
Lease liabilities		(2.8)	(3.0)
Trade and other payables	16	(681.9)	(337.8)
		(728.2)	(363.3)
Net current liabilities		(349.2)	(42.6)
Total asset less current liabilities		265.4	510.8
Non-current liabilities			
Provisions for liabilities	17	(1.2)	(2.7)
Lease liabilities		(41.5)	(43.5)
Deferred tax liabilities	18	-	(1.3)
Trade and other payables	16	(11.8)	(191.7)
		(54.5)	(239.2)
Net assets		210.9	271.6
Capital and reserves			
Called up share capital	19	0.2	0.2
Hedging reserve		(7.8)	3.4
Retained earnings		218.5	268.0
Shareholder's funds		210.9	271.6

The financial statements of BBC Studios Distribution Limited, registered number 01420028, were approved by the Directors and authorised for issue on 22 June 2022, and signed on their behalf by:

DocuSigned by:

*Lorraine Burgess*  
 287FC65B1D0A454...  
 Lorraine Burgess  
 Chief Financial Officer



Statement of changes in equity  
for the year ended 31 March 2022

	Note	Share capital £m	Hedging reserve £m	Retained earnings £m	Total equity £m
At 31 March 2020		0.2	(8.3)	180.4	172.3
Profit for the financial year		-	-	87.6	87.6
Recognition and transfer of cash flow hedges	21	-	14.4	-	14.4
Deferred tax on cash flow hedges		-	(2.7)	-	(2.7)
Total comprehensive income for the year		-	11.7	87.6	99.3
Equity dividends paid	20	-	-	-	-
At 31 March 2021		0.2	3.4	268.0	271.6
Profit for the financial year		-	-	85.5	85.5
Recognition and transfer of cash flow hedges	21	-	(14.1)	-	(14.1)
Deferred tax on cash flow hedges		-	2.9	-	2.9
Total comprehensive income for the year		-	(11.2)	85.5	74.3
Equity dividends paid	20	-	-	(135.0)	(135.0)
At 31 March 2022		0.2	(7.8)	218.5	210.9

## Notes to the financial statements

## 1 Principal accounting policies

BBC Studios Distribution Limited (the 'Company') is a company domiciled and incorporated in the United Kingdom, and its registered address is 1 Television Centre, 101 Wood Lane, London, W12 7FA.

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

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

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

## Basis of preparation

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

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

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

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

The accounting policies which follow, set out those policies which apply in preparing the financial statements for the year ended 31 March 2022.

## Non-statutory financial performance measures

The Company believes that 'EBITDA' is an additional non-statutory measure of financial performance that provides additional guidance to help understand the performance of the business on a comparable basis year on year.

EBITDA is defined as operating profit plus production tax credits, excluding depreciation and amortisation with the exception of amortisation relating to distribution rights or programming. Depreciation and amortisation include any impairments or write-downs of assets (tangible or intangible).

## Going concern

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

At the Balance sheet date, the Company's primary source of funding is drawing from the £375m (2021: £350m) sterling loan facility with BBC Commercial Limited expiring in December 2022. As at the year-end the Company had drawn down £191.9m of the facilities available (2021: £147.7m).

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate with the levels of its existing facilities for a period of no less than 12 months from the date of signing these financial statements.

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

## Investments

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

## Acquisitions

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

## Notes to the financial statements continued

## 1 Principal accounting policies continued

## Foreign currency

The Company's presentational and functional currency is pounds sterling.

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

## Distribution rights

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

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

Amortisation of distribution rights is charged to the Income statement in line with the recoupment of the initial investment distribution advance made to acquire those rights. This recoupment is achieved through the revenue generated from those rights, and in all cases over no more than three years. Where the carrying value of any individual set of rights exceeds management's best estimate of future exploitation revenues, accelerated amortisation is recorded in the Income statement immediately.

## Other intangible assets

*Internally-generated intangible assets: development expenditure*

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

*Amortisation*

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

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

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

## Revenue

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

Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer. A performance obligation must meet one of the three criteria in IFRS 15 to meet 'over time' recognition. The default category, if none of these criteria are met, is 'point in time' recognition. Refer to the Company's revenue streams below for which category the revenue recognition generally meets.

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

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

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

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

*Content and format sales*

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

*Production income*

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

## Notes to the financial statements continued

## 1 Principal accounting policies continued

*Subscription fees*

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

*Advertising revenue*

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

*Consumer products*

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

*Royalties*

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

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

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

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

The Company has taken advantage of the practical exemptions:

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

*Leases*

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

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

This predominantly includes land and buildings as well as a range of specialised broadcast equipment.

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

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

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

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

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

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

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

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

## Notes to the financial statements continued

## 1 Principal accounting policies continued

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

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

## Tangible fixed assets

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

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

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

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

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

## Impairment of assets

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

## Programme rights and other stock

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

## Financial instruments

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

## Provisions

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

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

## Pension costs

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

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

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

## Hedge accounting

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

The Company designates certain derivatives as cash flow hedges by documenting the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions. Where the hedge is deemed to have been effective, the effective portion of any changes in the fair value of the derivatives that are designated in the hedge are recognised in the Statement of 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.

## Notes to the financial statements continued

## 1 Principal accounting policies continued

Any ineffective portion of the hedge is recognised immediately in the Income statement.

## Use of estimates and judgements

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

*Revenue recognition*

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

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

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

*Fair value of financial instruments*

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

*Impairment of financial assets*

Financial assets are assessed at each Balance sheet date to determine whether there is any objective evidence of impairment. Judgement is required when considering the factors in determining whether there is objective evidence of impairment; which include significant financial difficulty of the counterparty and breach of contract. Individually significant financial assets are tested for impairment on an individual basis such as subsidiary investments. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The Company exercises judgement to determine the estimated future cash flows and terminal growth rate. See note 12 for details on impairment of investments. All impairment losses are recognised in the Income statement.

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

The Company has further reviewed the amounts provided against receivables for expected credit losses, taking into 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.

*Deferred tax*

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

*Distribution rights and programme rights*

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

*Provisions*

Judgements are employed in determining if a past event has given rise to a present obligation that will result in probable payment by the Company that can be measured reliably. Estimation techniques are used, following the review of such events, if it is determined that a provision is required. Such techniques are used in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Company. This can be complex and when there is a wide range of possible outcomes, a weighted-probability is used. The BBC reassesses whether there has been a change in this liability based on the facts and circumstances at each Balance sheet date. Any provisions that are payable over a number of years are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

*Rights creditors*

Rights creditors arise from obligations to pay rights holders for the exploitation of content. These rights holders include third party profit participants; contributors; talent unions; and collecting societies. An element of the rights creditors is subject to judgement when the information is not yet available to calculate the rate payable. In these cases, the rate is estimated based on a historical three year average for comparable content.

## Changes in accounting policies

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

## 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:

- Covid-19-Related Rent Concessions (Amendment to IFRS 16); and
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

They have been applied since 1 April 2021 and have not had a significant impact on the results or financial position of the Company.

## Notes to the financial statements continued

## 2 Revenue

## Geographical location of revenue

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

	2022 £m	2021 £m
External sales:		
UK	228.6	230.4
America	155.3	114.9
Australia	2.1	5.8
Rest of world	188.9	217.2
Total	574.9	568.3

The allocation of sales to geographic segments is based upon the business region in which the sales are generated. No individual country within the rest of world category is more than 3% of total sales.

## Disaggregation of revenue

In the following table, revenue is disaggregated by revenue streams:

	2022 £m	2021 £m
Revenue streams:		
Channels and Streaming (formally Branded Services)	99.2	91.8
Production and Distribution	475.7	476.5
Total	574.9	568.3

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

## Contract balances

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

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

	Contract liabilities £m
At 31 March 2020	(99.1)
Decrease due to revenue recognised in the period	60.7
Increase due to cash received in advance and not recognised as revenue during the year	(22.2)
At 31 March 2021	(60.6)
Decrease due to revenue recognised in the period	39.6
Increase due to cash received in advance and not recognised as revenue during the year	(46.2)
At 31 March 2022	(67.2)

	2022 £m	2021 £m
Current	(66.0)	(46.0)
Non-current	(1.2)	(14.6)
Total	(67.2)	(60.6)

The Company has no contract assets as at 31 March 2022 and 31 March 2021.

## 3 Operating costs

Operating profit is stated after charging depreciation and amortisation of £15.5m (2021: £15.6m). Inventory consumed of £18.5m (2021: £25.6m) is included within costs of sales. Exchange rate differences of £0.4m (2021: £3.5m) and provisions relating to onerous contracts that resulted in a non-cash accounting provision of £26.0m (2021: £10.3m) are included within administration expenses. The following table provides analysis of total operating costs by activity:

	2022 £m	2021 £m
Cost of sales	399.0	424.7
Distribution costs	59.6	51.6
Administration expenses	121.0	59.7
Total	579.6	536.0

## Notes to the financial statements continued

## 4 Auditor's remuneration

The National Audit Office (NAO) served as independent external auditors for the Company for the years ended 31 March 2022 and 31 March 2021. The NAO did not receive fees for any other services.

	2022 £m	2021 £m
For the audit of BBC Studios Distribution Limited's annual accounts	0.8	0.8

## 5 Staff costs

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

	2022 Number	2021 Number
Average monthly persons employed	956	881

Within the averages above, 78 (2021: 81) part-time employees have been included at their full-time equivalent of 50 (2021: 60). The Company also employed an average full-time equivalent of 64 (2021: 48) persons on a casual basis.

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

	2022 £m	2021 £m
Salaries and wages	57.6	52.6
Social security costs	6.1	6.7
Other pension costs	10.2	8.8
Total	73.9	68.1

## 6 Directors' remuneration

Directors remuneration is as follows:

	2022 £'000	2021 £'000
Salary	777	770
Performance related	388	81
Pension	40	59
Other benefits	4	5
Total Directors' remuneration	1,209	915

The highest paid Director's remuneration is as follows:

	2022 £'000	2021 £'000
Salary	421	368
Performance related	210	46
Other benefits	1	2
Total Directors' remuneration	632	416

The Company has made no contributions to money purchase schemes for its Directors in the year (2021: nil).

## 7 Leases

	2022 £m	2021 £m
Interest expense on lease liabilities	0.9	0.9
Total cash outflow relating to leases	3.0	3.0

## 8 Distribution rights

	£m
Cost	
At 31 March 2021	1,575.6
Additions	176.0
Disposals	(27.7)
At 31 March 2022	1,723.9
Amortisation and impairment	
At 31 March 2021	1,402.2
Charge for the year	142.7
Disposals	(24.1)
At 31 March 2022	1,520.8
Net book value at 31 March 2022	203.1
Net book value at 31 March 2021	173.4



## Notes to the financial statements continued

## 9 Other intangible assets

	£m
Cost	
At 31 March 2021	71.5
Additions	8.6
At 31 March 2022	80.1
Amortisation	
At 31 March 2021	34.6
Charge for the year	11.6
At 31 March 2022	46.2
Net book value at 31 March 2022	33.9
Net book value at 31 March 2021	36.9

## 10 Tangible fixed assets

	Leasehold improvements £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost				
At 31 March 2021	13.2	11.1	3.2	27.5
Additions	1.6	0.4	0.8	2.8
Disposals	(1.6)	-	(0.1)	(1.7)
At 31 March 2022	13.2	11.5	3.9	28.6
Depreciation				
At 31 March 2021	3.4	9.5	2.2	15.1
Charge for the year	0.5	0.4	0.5	1.4
Disposals	(0.4)	-	-	(0.4)
At 31 March 2022	3.5	9.9	2.7	16.1
Net book value at 31 March 2022	9.7	1.6	1.2	12.5
Net book value at 31 March 2021	9.8	1.6	1.0	12.4

## 11 Right-of-use assets

	£m
Cost	
At 31 March 2021	50.6
Additions	-
At 31 March 2022	50.6
Depreciation	
At 31 March 2021	4.6
Charge for the year	2.4
At 31 March 2022	7.0
Net book value at 31 March 2022	43.6
Net book value at 31 March 2021	46.0

## Notes to the financial statements continued

## 12 Investments

	Subsidiaries £m	Joint ventures £m	Associates £m	Other investments £m	Total £m
<b>Cost</b>					
At 31 March 2021	323.7	0.4	25.1	1.3	350.5
Additions	31.9	-	-	-	31.9
Disposals	-	-	(2.3)	-	(2.3)
Reclassified from associates	2.1	-	(2.1)	-	-
At 31 March 2022	357.7	0.4	20.7	1.3	380.1
<b>Provisions for impairment</b>					
At 31 March 2021	70.9	0.4	6.9	1.3	79.5
Charge for the year	-	-	-	-	-
Disposals	-	-	(1.9)	-	(1.9)
At 31 March 2022	70.9	0.4	5.0	1.3	77.6
<b>Net book value at 31 March 2022</b>	<b>286.8</b>	<b>-</b>	<b>15.7</b>	<b>-</b>	<b>302.5</b>
<b>Net book value at 31 March 2021</b>	<b>252.8</b>	<b>-</b>	<b>18.2</b>	<b>-</b>	<b>271.0</b>

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

*2 entertain Limited*

The acquisition of 2 entertain Limited occurred on 6 August 2009, when the previously owned joint venture became a subsidiary of the Company. For the purpose of the impairment test, the investment's value-in-use was calculated using the cash flow projections for the entity and its subsidiary, 2 entertain Video Limited. These projections cover a five year period after which cash flows have been extrapolated using an expected long term growth rate of 0% (2021: -22%). A discount rate of 7% (2021: 8.9%) has been applied to the cash flows. The main assumption on which the forecast cash flows are based is the trends in the global DVD market which is declining. Despite the decline in the global DVD market, management made the decision not to impair the investment balance in 2 entertain Limited (2021: no impairment) due to headroom from net assets.

*BBC Studios Australia Holdings Pty Limited*

BBC Studios Australia Holdings Pty Limited was incorporated on 19 September 2007 and is a wholly-owned subsidiary of the Company. For the purpose of the impairment test, the investment's value-in-use was calculated using the cash flow projections for the entity and its subsidiary, BBC Studios Australia Pty Limited. These projections cover a five-year period, after which cash flows have been extrapolated using an expected long term growth rate of -3% (2021: 1%). A discount rate of 7.4% (2021: 8.4%) has been applied to the cash flows. The forecasted cash flows are predominantly based on the expected activity in BBC Studios Australia Pty Limited, which is a trading entity primarily involved in the licencing of programmes to broadcasters, production, and ownership and control of subscription TV broadcasting services. As a result of the contracted terms in 2019-20 and headroom from net assets, management made the decision not to impair the investment balance in BBC Studios Australia Holdings in 2019-20, 2020-21 or 2021-22.

*2021-22 Subsidiary Acquisition - House Production Limited*

BBC Studios Distribution Limited previously held a 25% share in House Productions Limited and on 13 December 2021 purchased the remaining stake. This took the shareholding to 100%, thus House Productions Limited became a wholly owned subsidiary of BBC Studios Distribution Limited. The initial investment was revalued at acquisition for a fair value of £8 million compared to a carrying amount of £2 million.

*2021-22 Subsidiary Acquisition - Global News Limited*

BBC Studios Distribution Limited purchased the shares of BBC Global News from BBC Commercial Holdings for £5m on 3 July 2021, which was the carrying value of the investment in BBC Commercial Holding's books. As the acquisition was of an entity under common control, this transaction was outside of scope of IFRS 3, and acquisition accounting was not applied. GNL's share capital at the time of acquisition was £35 million.

	Name	Country of incorporation or establishment	Ref.	Voting rights %	Name	Country of incorporation or establishment	Ref.	Voting rights %
Subsidiary undertakings	2 Entertain Limited	United Kingdom	1, +	100%	AMP 1 Limited	United Kingdom	25	92%
	2 entertain Management Limited	United Kingdom	1	100%	Baby Cow Animation (Warren) Limited	United Kingdom	1	75%
	2 entertain Video Limited	United Kingdom	1	100%	Baby Cow Animation (Wussywat) Limited	United Kingdom	1	75%
	2004370 Inc.	Canada	11	100%	Baby Cow Animation Limited	United Kingdom	1	75%
	A Suitable Company Limited	United Kingdom	25	92%	Baby Cow Films Limited	United Kingdom	1	75%
	Adjacent Productions, LLC	USA	23	100%	Baby Cow Manchester Limited	United Kingdom	1	75%
	Alan Partridge Limited	United Kingdom	1	75%	Baby Cow Productions (Chivalry) Limited	United Kingdom	1	75%

## Notes to the financial statements continued

## 12 Investments continued

	Name	Country of incorporation or establishment	Ref.	Voting rights %	Name	Country of incorporation or establishment	Ref.	Voting rights %
Subsidiary undertakings	Baby Cow Productions (Hunderby) Limited	United Kingdom	1	75%	BBC Studios Intermediadora de Programadora Estrangeira Brazil Ltda		15, +	100%
	Baby Cow Productions (Partridge) Limited	United Kingdom	1	75%	BBC Studios Investments Limited	United Kingdom	1, +	100%
	Baby Cow Productions (Red Dwarf) Limited	United Kingdom	1	75%	BBC Studios Japan Limited	Japan	9, +	100%
	Baby Cow Productions (Witchfinder) Limited	United Kingdom	1	75%	BBC Studios Mexico S.A. de C.V.	Mexico	14, +	100%
	Baby Cow Productions Limited	United Kingdom	1, +	75%	BBC Studios Polska Sp. z o.o	Poland	17, +	100%
	Bad Wolf Productions LLC	USA	23	100%	BBC Studios Productions (Africa) Pty Limited	South Africa	18, +	100%
	BBC Earth MD (WWD) Limited	United Kingdom	1, +	100%	BBC Studios Productions Australia Pty Limited	Australia	4	100%
	BBC Earth Productions (Africa) Limited	United Kingdom	1, +	100%	BBC Studios Productions Nordics ApS	Denmark	19, +	100%
	BBC Earth Productions (Giant Films) Limited	United Kingdom	1	100%	BBC Studios Reality Productions LLC	USA	23	100%
	BBC Earth Productions (Life) Limited	United Kingdom	1, +	100%	BBC Studios Singapore PTE Limited	Singapore	13, +	100%
	BBC Earth Productions Limited	United Kingdom	1, +	100%	BBC Video Limited	United Kingdom	1	100%
	BBC Global News India Private Limited	India	29	100%	BBC World Distribution Limited	United Kingdom	1	100%
	BBC Global News Japan Limited	Japan	9	100%	BBC Worldwide Channels Mexico S.A. de C.V.	Mexico	14, +	100%
	BBC Global News Limited	United Kingdom	1, +	100%	BBC Worldwide Holdings B.V.	Netherlands	8, +	100%
	BBC Global News Singapore Private Limited	Singapore	13	100%	BBC.com Limited	United Kingdom	1	100%
	BBC Global News US LLC	United States	30	100%	BBC.com US, Incorporated	USA	20, +	100%
	BBC Magazines Holdings Limited	United Kingdom	1, +	100%	Beeb Rights Limited*	United Kingdom	1, +	88%
	BBC Studios Africa (Pty) Limited	Africa	12	100%	Canadian AP Ventures Company ULC	Canada	27	50%
	BBC Studios Americas (401) k Plan - Trustees	USA	3	100%	Clerkenwell Films Limited	United Kingdom	1, +	100%
	BBC Studios Americas Incorporated	USA	3, +	100%	Craft Channel Host Limited	United Kingdom	24	100%
	BBC Studios Americas Investments Incorporated	USA	20	100%	Crimson Productions Limited	United Kingdom	1	100%
	BBC Studios Australia BB Pty Limited	Australia	4, +	100%	Demon Music Group Limited	United Kingdom	1	100%
	BBC Studios Australia Holdings Pty Limited	Australia	4, +	100%	Demon Records Limited	United Kingdom	1	100%
	BBC Studios Australia Pty Limited	Australia	4	100%	Devil's Peak Distribution Limited	United Kingdom	1	92%
	BBC Studios Canada Limited	Canada	5, +	100%	Earth Film Productions Limited	United Kingdom	1	100%
	BBC Studios Channel Investments (Ontario) Limited	Canada	5	100%	Erste Weltweit Medien GmbH	Germany	7, +	100%
	BBC Studios Channel Investments Limited	United Kingdom	1, +	100%	Evergreen Television Limited	United Kingdom	25	92%
	BBC Studios Corporate Services Limited	United Kingdom	1, +	100%	F-Beat Records Limited	United Kingdom	1	100%
	BBC Studios Drama Productions Limited	United Kingdom	1, +	100%	Global Hybrid Productions LLC	USA	23	100%
	BBC Studios France	France	6, +	100%	House Conclave Limited	United Kingdom	1	100%
	BBC Studios Germany GmbH	Germany	7, +	100%	House LAL Limited	United Kingdom	1	100%
	BBC Studios India Private Limited	India	16, +	100%	House Pictures Limited	United Kingdom	1	100%

## Notes to the financial statements continued

## • 12 Investments continued

	Name	Country of incorporation or establishment	Ref.	Voting rights %	Name	Country of incorporation or establishment	Ref.	Voting rights %
Subsidiary undertakings	House Productions Limited	United Kingdom	1, +	100%	Sid Gentle Films (Corfu) Limited	United Kingdom	2	51%
	House Ref Limited	United Kingdom	1	100%	Sid Gentle Films (Costello Jones) Limited	United Kingdom	2	51%
	House Sherwood Limited	United Kingdom	1	100%	Sid Gentle Films (Extraordinary) Limited	United Kingdom	2	51%
	House Six Four Limited	United Kingdom	1	100%	Sid Gentle Films (Gaiman) Limited	United Kingdom	2	51%
	House Trig Limited	United Kingdom	1	100%	Sid Gentle Films (KE2) Limited	United Kingdom	2	51%
	House Starve Acre Limited	United Kingdom	1	100%	Sid Gentle Films (KE3) Limited	United Kingdom	2	51%
	Lime Grove Productions LLC	USA	23	100%	Sid Gentle Films (KE4) Limited	United Kingdom	2	51%
	Lookout Point (DP) Production Limited	United Kingdom	25	92%	Sid Gentle Films (Killing Eve) Limited	United Kingdom	2	51%
	Lookout Point (FUMP) Limited	United Kingdom	25	92%	Sid Gentle Films (Ragdoll) Limited	United Kingdom	2	51%
	LOOKOUT POINT (LES MISERABLES) Limited	United Kingdom	25	92%	Sid Gentle Films (SS-GB) Limited	United Kingdom	2	51%
	Lookout Point (LTS) Limited	United Kingdom	25	92%	Sid Gentle Films (TD4) Limited	United Kingdom	2	51%
	LOOKOUT POINT (SHIBDEN) Limited	United Kingdom	25	92%	Sid Gentle Films (The Durrells) Limited	United Kingdom	2	51%
	Lookout Point (T&T) Limited	United Kingdom	25	92%	Sid Gentle Films Limited	United Kingdom	2, +	51%
	Lookout Point (The Collection) Limited	United Kingdom	25	92%	Sid Wild Films Limited	United Kingdom	2	51%
	Lookout Point Acquisition Limited	United Kingdom	25	92%	Studios Competition Productions LLC	USA	23	100%
	Lookout Point Limited	United Kingdom	25, +	92%	Sun Never Sets Productions LLC	USA	23	100%
	Lookout Point Management Limited	United Kingdom	25	92%	TFW Productions Limited	United Kingdom	1	100%
	Lost Child Limited	United Kingdom	1	75%	The Last Holiday Limited	United Kingdom	1	75%
	MCI Music Publishing Limited	United Kingdom	1	100%	The Office Production Pty Ltd	Australia	4	100%
	Off Stone Productions Limited	United Kingdom	25	92%	Tonto Films and Television Limited	United Kingdom	1, +	100%
	Philomena Lee Limited	United Kingdom	1	75%	Two+Two=5 Ltd (100%)	United Kingdom	1	100%
	Programadora Estangeira Limited	Brazil	15, +	100%	UK Programme Distribution Limited	United Kingdom	1, +	100%
	Quite Funny Films Limited	United Kingdom	1, +	100%	UKTV Media Holdings Limited	United Kingdom	24, +	100%
	Quite Persuasive Films Limited	United Kingdom	1, +	100%	UKTV Media Limited	United Kingdom	24	100%
	Quite Scary Films Limited	United Kingdom	1, +	100%	White Hart Lane Productions Limited	United Kingdom	25	92%
	Rapid Blue Africa Limited	Nigeria	22	70%	WNT Productions LLC	USA	23	100%
	Rapid Blue Pty Limited	South Africa	10, +	100%	Worldwide Channels Europe B.V.	Netherlands	28, +	100%
	Recall TV Limited	United Kingdom	1, +	100%	Worldwide Knowledge (Beijing) Business Consulting Company Limited	China	21	100%

## Notes to the financial statements continued

## 12 Investments continued

	Name	Country of incorporation or establishment	Ref.	Voting rights %
Joint venture undertakings	BB Rights, LLC	USA		50%
	Britbox Australia	Australia		50%
	Britbox International Limited	United Kingdom	+	50%
	Britbox, LLC	USA		50%
	House Element Wonder Limited	United Kingdom		50%
	Jasper Broadcasting Incorporated	Canada		50%
	JV Programs LLC	USA		50%
	Majorca Productions Ltd	United Kingdom	+	50%
	MSM-Worldwide Factual Media Private Limited	India	+	26%
	Sub-Zero Events Limited	United Kingdom	+	50%
Associate undertakings	Amazing Productions Limited	United Kingdom	+	25%
	Children's Character Books Limited	United Kingdom	+	25%
	Curve Media Limited	United Kingdom	+	25%
	Educational Publishers LLP	United Kingdom	+	15%
	Expectation Entertainment Limited	United Kingdom	+	23%
	Firebird Pictures Limited	United Kingdom	+	25%
	Ginger Snaps TV Limited	United Kingdom		26%
	Jasper Broadcasting Incorporated***	Canada		20%
	Moonage Pictures Limited	United Kingdom	+	15%
	Moone Boy (UK) Limited	United Kingdom		38%
	NC Internet Limited	United Kingdom	+	10%
	New Video Channel America LLC**	USA		50%
	Various Artists Limited	United Kingdom	+	20%
	Woodlands Books Limited	United Kingdom	+	15%

## Address reference

- (1) 1 Television Centre, 101 Wood Lane, London, W12 7FA, United Kingdom  
(2) Charles House, 5-11 Regent Street, London, SW1Y 4LR, United Kingdom  
(3) 1120 Avenue of the Americas, 5th Floor, New York 10036-6700, United States  
(4) Level 1, 35-51 Mitchell Street, McMahon's Point 2060, Sydney, Australia  
(5) 145 King Street West, Suite 740, Toronto ON M5H 1J8, Canada  
(6) 18-20 Quai du Point du Jour, Bat. A, Boulogne-Billancourt 92100, France  
(7) Kaiser-Wilhelm-Ring 17-21, Köln 50672, Germany  
(8) Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands  
(9) Tokyo Club Building, Floor 10, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo, 100-0013, Japan  
(10) 263 Oak Avenue, Ferndale, Randburg, Johannesburg, 2194, South Africa  
(11) 66 Wellington Street West 470, Toronto Dominion Bank Tower, Toronto M5K 1E6, Canada  
(12) Office 003H3 Ground Floor, 10 Melrose Boulevard, Melrose Arch, Melrose North 2196, South Africa  
(13) 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore, 049315, Singapore  
(14) Calle Andres Bello 10 Piso 10, Chapultepec Polanco, Del. Miguel Hidalgo, Ciudad de Mexico CP 11560, Mexico  
(15) Rue Ferreira de Araujo, 741 Andar 1, Pinheiros, Sao Paulo SP 05.428-002, Brazil  
(16) Windsor, unit No 502, 5th Floor, Off CST Road, Kalina, Santacruz East MUMBAI, 400 098, India  
(17) PL. Bankowy 1, 00-139, Warsaw, Poland  
(18) 24 18th Street, Menlo Park 0081, Mazars House, 5 St Davids Place, Parktown 2193, South Africa  
(19) Hauser Plads 20, sal 5 1127, København K, Hovedstaden, Denmark  
(20) Corporation Trust Centre, 1209 Orange Street, Wilmington, 19801, United States  
(21) Unit 7, Floor 9, West Tower, Genesis Building, 8 Xinyuan South Road, Chaoyang District, 100027, China  
(22) 7 Sowemimo Street, GRA Ikeja, Lagos, Nigeria  
(23) 10351 Santa Monica Boulevard, Los Angeles 90025, United States  
(24) 10 Hammersmith Grove, London, W6 7AP, United Kingdom  
(25) Hammer House, 113 - 117 Wardour Street, London, W1F 0UN, United Kingdom  
(26) 800-1959 Upper Water Street, Halifax, B3J 2N2, Canada  
(27) 3rd Floor Waverley House, 7-12 Noel Street, London W1F 8GQ, United Kingdom  
(28) Worldwide Channels Europe B.V., Weesperplein 4b, 1018 XA Amsterdam, Netherlands  
(29) Unit No. 301, 3rd Floor, Sothorn Park, Plot No D-2, Saket District, New Delhi, 110017, India  
(30) Corporation Service Company, 80 State Street, Albany, New York, United States

## Symbol reference

+ Held directly by BBC Studios Distribution Limited

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

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

\*\*\* BBC Studios Distribution Limited holds 50% of the issued shares but only 20% of the voting shares of the company

## Notes to the financial statements continued

## 13 Programme rights and other stock

	2022	2021
	£m	£m
Programme rights for broadcasting	27.6	24.2
<b>Total</b>	<b>27.6</b>	<b>24.2</b>

## 14 Trade and other receivables

	2022	2021
	£m	£m
Amounts falling due within one year:		
Trade receivables	62.6	57.3
Prepayments and accrued income	140.6	137.9
Amounts owed by subsidiary undertakings	69.8	70.1
Amounts owed by fellow subsidiary undertakings	-	7.8
Amounts owed by joint ventures and associates	3.7	3.0
Derivative financial instruments	0.3	6.6
Other receivables	0.5	2.0
	277.5	284.7
Amounts falling due after more than one year:		
Trade receivables	0.5	3.2
Derivative financial instruments	0.3	0.6
	0.8	3.8
<b>Total</b>	<b>278.3</b>	<b>288.5</b>

## 15 Expected credit losses

Included in the Company's contract assets and trade and other receivables at 31 March 2022 are balances of £16.1m (2021: £19.5m) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

	2022	2021
	£m	£m
Up to 3 months	12.1	12.0
3 to 6 months	3.1	2.8
Over 6 months	0.9	4.7
<b>Total</b>	<b>16.1</b>	<b>19.5</b>

In determining the recoverability (likelihood of receiving payment) of a trade and other receivable the Company considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Receivables are provided for based on the probability of expected credit losses for each receivable.

Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the Income statement. The impairment provision stands at £3.8m at 31 March 2022 (2021: £4.4m).

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

	2022	2021
	£m	£m
Balance at the beginning of the year	4.4	3.3
Charge for the year	1.7	2.3
Amounts recovered during the year	(2.3)	(1.2)
<b>Total</b>	<b>3.8</b>	<b>4.4</b>

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

The £1.7m (2021: £2.3m) charge for the year relates to specific customer provisions.

## Notes to the financial statements continued

## 16 Trade and other payables

	2022 £m	2021 £m
Amounts falling due within one year:		
Bank loans and overdraft	136.0	38.1
Loan owed to intermediate parent undertaking	191.9	-
Trade payables	34.3	30.2
Rights creditors	151.0	96.3
Accruals	38.9	26.7
Contract liabilities	66.0	46.0
Amounts owed to ultimate parent undertaking	11.6	14.8
Amounts owed to subsidiary undertakings	-	1.9
Amounts owed to fellow subsidiary undertakings	16.5	14.9
Derivative financial instruments	3.3	0.3
Other payables including other taxes and social security	32.4	68.6
	681.9	337.8
Amounts falling due after more than one year:		
Trade Payables	1.0	-
Rights creditors	3.2	27.3
Accruals	0.7	2.1
Contract liabilities	1.2	14.6
Loan owed to intermediate parent undertaking	-	147.7
Derivative financial instruments	5.7	-
	11.8	191.7
<b>Total</b>	<b>693.7</b>	<b>529.5</b>

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

## 17 Provisions

	Property related £m	Onerous contracts £m	Other provisions £m	Total £m
At 31 March 2021	1.1	10.3	13.8	25.2
Provided during the year	-	26.0	2.6	28.6
Released in the year	(0.1)	-	(1.5)	(1.6)
Utilised in the year	-	(5.9)	(2.1)	(8.0)
Exchange differences	-	-	0.5	0.5
At 31 March 2022	1.0	30.4	13.3	44.7

	2022 £m	2021 £m
Current	43.5	22.5
Non-current	1.2	2.7
<b>Total</b>	<b>44.7</b>	<b>25.2</b>

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

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

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

## Notes to the financial statements continued

## 18 Taxation

## Analysis of (credit)/charge for the period

The (credit)/charge for the year, based on the UK corporate tax rate of 19% (2021: 19%) comprises:

	2022 £m	2021 £m
Current tax:		
UK Corporate Tax	4.7	6.9
Double Tax Relief	(4.7)	(5.1)
Adjustment in respect of prior years	(1.9)	(8.9)
Foreign Tax	6.7	8.4
Total current tax	4.8	1.3
Deferred tax:		
Origination and reversal of temporary differences	(3.6)	(0.8)
Adjustment due to changes in UK corporate tax rate	(3.1)	-
Adjustment in respect of prior years	-	(0.7)
Total deferred tax	(6.7)	(1.5)
Total (credit)/charge for the year	(1.9)	(0.2)

## Factors affecting the tax (credit)/charge:

	2022 £m	2021 £m
Profit on ordinary activities before tax	83.6	87.4
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2021: 19%)	15.9	16.6
Effects of:		
Non-taxable income - dividends received	(15.3)	(11.6)
Tax differential on overseas earnings	2.0	3.3
Adjustment in respect of prior years	(1.9)	(9.6)
Adjustment due to changes in UK corporate tax rate	(3.1)	-
Impairment of investments	-	0.4
Other disallowable expenditure	0.5	0.7
Total tax (credit)/charge for the year	(1.9)	(0.2)

## Deferred tax analysis

In accordance with IAS 12, Income Tax, the Company provides for all deferred tax liabilities in full and deferred tax assets where they are expected to be realised in the foreseeable future at a rate of 25%.

	2022 £m	2021 £m
Deferred tax provision		
Provision at start of year	(8.6)	(9.8)
Deferred tax credit	(6.7)	(1.6)
Charged to reserves	(2.9)	2.8
Provision at end of year	(18.2)	(8.6)
Deferred tax (asset)/liability		
Accelerated capital allowances	(5.7)	(5.1)
Other temporary differences	(11.3)	(4.8)
Financial instruments	(1.2)	1.3
Provision at end of year	(18.2)	(8.6)

## Factors that may affect future tax charges

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%.

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



## Notes to the financial statements continued

## 19 Share capital

	2022 £m	2021 £m
Issued and fully paid		
250,000 Ordinary shares of £1 each	0.2	0.2

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

## 20 Dividends

	2022 £m	2021 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividends for the current year of £540 per share (2021: £nil per share)	135.0	-

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

## 21 Reserves

## 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, profits of £5.5 million were removed from the hedging reserve and recognised in revenue in the Income statement (2021: losses of £4.0 million).

The movement in the hedge reserve was recognised in the Statement of comprehensive income under net losses on foreign exchange cash flow hedges of £14.1m (2021: gains of £14.4m).

## 22 Commitments and contingent liabilities

	2022 £m	2021 £m
Distribution rights	144.1	116.3
Programme rights for broadcast	1.5	1.6
Other commitments	13.5	26.0
Total unrecognised commitments	159.1	143.9

The Company has given guarantees in relation to the BBC Commercial Limited revolving credit facility agreement which has drawn down £nil (2021: £nil) as at 31 March 2022. In addition, the Company has given guarantees in relation to the BBC Commercial Limited fixed term loan which as at 31 March 2022 was £170m (2021: £170m).

Included in other commitments is £nil to Associates (2021: £0.9m). There were no contingent liabilities in the current or prior year.

## 23 Related party transactions

The consolidated accounts of the BBC Group in which the Company is consolidated for the year ended 31 March 2022 contain related party disclosures. Consequently, the Company has taken advantage of the exemption under FRS 101 (IAS 24 Related Party Disclosures) not to disclose transactions with other members of the BBC Group. The value of transactions conducted with non wholly-owned subsidiaries and with other related parties was as follows:

Name of related party	Relationship	Income 2022 £m	Expense 2022 £m	Dividend received 2022 £m	Income 2021 £m	Expense 2021 £m	Dividend received 2021 £m
Other joint ventures	Joint Venture	2.9	-	-	-	-	-
New Video Channel America LLC	Associate	26.5	-	-	17.0	-	-
Other associates	Associate	0.1	(4.1)	0.4	1.0	(17.2)	-
Total		29.5	(4.1)	0.4	18.0	(17.2)	-

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

Name of related party	Relationship	Receiv- ables 2022 £m	Payables 2022 £m	Net balance 2022 £m	Receiv- ables 2021 £m	Payables 2021 £m	Net balance 2021 £m
Other joint ventures	Joint Venture	1.9	-	1.9	-	-	-
New Video Channel America LLC	Associate	1.8	-	1.8	1.7	-	1.7
Other associates	Associate	-	-	-	1.3	-	1.3
Total		3.7	-	3.7	3.0	-	3.0