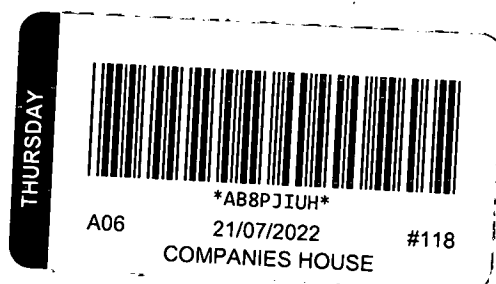


BBC Commercial Limited
(Formerly BBC Commercial Holdings Limited)

Registered number 04463534

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2022



Officers and advisors

Directors

Gunjan Bhow (appointed 1 April 2022)
Damon Buffini (appointed 1 April 2022)
Lorraine Burgess (appointed 1 April 2022)
Tim Davie (resigned 1 April 2022)
Thomas Fussell
Mai Fyfield
Glyn Isherwood (resigned 1 April 2022)
Mark Linsey (resigned 1 April 2022)
Dharmash Mistry (resigned 10 November 2021)
Stephen Morrison
Peter Ranyard (resigned 1 April 2022)
Bhavneet Singh (appointed 1 April 2022)
Elan Closs Stephens
Leigh Tavaziva

Company secretary

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

Registered office

BC2 A5, Broadcast Centre
Media Village
201 Wood Lane
London
W12 7TP

Auditor

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

Contents

4	Strategic report
21	Directors' report
25	Statement of directors' responsibilities
26	Independent auditor's report to the members of BBC Commercial Limited (formerly BBC Commercial Holdings Limited)
32	Consolidated income statement
33	Consolidated statement of comprehensive income
34	Consolidated balance sheet
35	Consolidated statement of changes in equity
36	Consolidated cash flow statement
37	Statement of Group accounting policies
56	Notes to the Group financial statements
99	Company balance sheet
100	Statement of Company accounting policies
104	Notes to the Company financial statements

Strategic Report

The Directors present their annual report for BBC Commercial Limited (the 'Company'), together with the consolidated financial statements and auditor's report, for the year ended 31 March 2022. The Group financial statements have been prepared in accordance with UK adopted International Financial Reporting Standards ('IFRS'). The Company financial statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework for all periods presented and these can be seen on pages 99 to 106.

Principal activities of the Group

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

The Commercial Group comprises two principal businesses:

- BBC Studios Group operates two lines of business: Production and Distribution, and Channels and Streaming. It creates, invests, develops, produces, commercialises and distributes content which sits at the heart of the BBC schedule, as well as across multiple platforms around the world, delivering better value back to the licence fee payer through support for programme funding and cash dividends. On 1 July 2021 the BBC Global News Group, with the exception of the international news channel, transferred into the BBC Studios Group.
- BBC Studioworks provides TV studio facilities, equipment, crew and post-production services from locations in the UK.

Other commercial companies include BBC Children's Productions Limited, which is the BBC's single biggest supplier of children's content, delivering over 197 hours of high quality programming in 2021/22. BBC's Children's Productions Limited produces the majority of the BBC's children's programming, with the first productions being made in 2016/17. BBC Children's Productions Limited has been moved into the Studios Group from the 1 April 2022.

BBC Commercial Ltd ceased to be a shareholder in BritBox UK in March 2022.

Strategic Report continued

Business review

As Production levels have recovered, and advertising markets rallied (after a year of immense global disruption in 2020/21), the Group has delivered a strong commercial performance in 2021/22. Continued transformation in the global content market, creates new challenges and opportunities. Thanks to its diversified business mix and dedicated efforts of all its staff the Group remains in a good position to capitalise on its strong foundations.

The Group monitors its business using a number of key performance indicators including revenue and EBITDA. For 2021/22 the Group recorded revenue of £1,718 million (2021: £1,384 million) and delivered an EBITDA of £226 million (2021: £144 million). The results and performance of the principal businesses of the group have been summarised below:

	2022			2021		
	Revenue	EBITDA/ (LBITDA)	EBITDA Margin	Revenue	EBITDA/ (LBITDA)	EBITDA Margin
	£m	£m	%	£m	£m	%
BBC Studios Group	1,630	226	13.9%	1,255	151	12.0%
BBC Global News Group*	20	(4)	(20.0%)	91	(9)	-9.9%
BBC Studioworks	44	8	18.2%	37	6	16.2%
Other group entities	40	(2)		18	(2)	
Group adjustments	(16)	(2)		(17)	(2)	
Total	1,718	226		1,384	144	

* On 1 July 2021 the BBC Global News Group, with the exception of the international news channel, transferred into the BBC Studios Group. The table above therefore includes 3 months of the BBC Global News Group within this segment and 9 months within the BBC Studios Group.

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

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

BBC Studios Group

BBC Studios Group achieved record sales and profits in 2021/22, despite the ongoing disruption and uncertainty caused by the Covid-19 pandemic and intense competition for talent and customers. Production sales increased by 56%, while UKTV gave a very strong performance with a record audience share in 2021, combining with a buoyant advertising market to boost its sales significantly. Content sales topped £400 million for the third consecutive year, 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*. Programmes like *Strictly*, Jimmy McGovern's award-winning *Time* and the launch of the *Earthshot Prize* got audiences talking.

Strategic Report continued

Business review continued

BBC Studios Group continued

Sales were £1,630 million (2021: £1,255 million). EBITDA was £226 million (2021: £151 million), 50% higher than 2020/21 and the first time BBC Studios Group has achieved EBITDA of over £200 million.

The business exceeded its target of £1,200 million in returns to the BBC over the first five years of the current Charter, which more than doubled to the highest ever level of £353 million (2021: £137 million), delivering significant investment in programming. BBC Studios Group's cash generation remained strong with Free Cash Flow of £198 million (2021: £201 million), resulting in a dividend of £135 million.

With a focus on putting people first, which has intensified to support BBC Studios Group employees throughout the pandemic, the culture of the business continued to transform. Global News Group joined BBC Studios Group in July 2021, with BBC Children's Productions Ltd to join in the next financial year and production moves bolstering existing bases in Salford, Bristol and Glasgow. Having served on an interim basis, Tom Fussell and Lorraine Burgess were confirmed as CEO and CFO respectively, creating a new permanent leadership team for the top of the business.

As part of its Autumn Budget, the Government announced an increase in the net borrowing limit for the BBC's commercial arm, subject to confirmation of oversight arrangements. This increase will allow BBC Studios Group, as the BBC's principal commercial subsidiary, to invest in growth initiatives and is consistent with the BBC's overall aim of building commercial income.

Production & Distribution

Production & Distribution covers all of BBC Studios Group's production activity in the UK and globally, and its scripted labels – along with content sales, co-production, consumer projects and licensing.

Creative health

BBC Studios Group production businesses around the world delivered over 2,400 hours of content and a 56% increase in sales on last year. BBC Studios is the UK's most commissioned maker of new content and most awarded producer, winning 55 awards for creativity and craft in the year from 288 nominations. 104 new commissions were won during the year, of which 26 were for third parties, including series two of *Good Omens* for Amazon.

In entertainment, *Strictly Come Dancing* was the number one show across all TV in the UK for 2021, with Rose Ayling-Ellis's moving dance tribute to the deaf community voted TV moment of the year and winning a BAFTA after year end. There were unmissable real life stories from BBC Studios Group Documentary Unit: *Life in Ten Pictures*, which took a fresh look at famous faces from Elizabeth Taylor to Tupac Shakur, while feature-length documentary *Grenfell: The Untold Story* for Channel 4, highlighted residents' safety concerns, filmed in the years before the devastating fire in a tower block in west London.

BBC Studios Group's Natural History Unit launched five-part landmark *The Green Planet*, taking a closer look at five distinct habitats on Planet Earth, while the Science Unit made *Universe with Brian Cox* which gave a new perspective on time and space.

Strategic Report continued

Business review continued

BBC Studios Group continued

Despite Covid restrictions, nearly 70 hours of premium drama were made, in addition to hundreds of hours of continuing drama. Titles included *Time* by Jimmy McGovern, Irish thriller *Smother*, which has been recommissioned for a second season, the 100th episode of *Father Brown*, and the 25th anniversary for *Silent Witness* as Amanda Burton returned to reprise her role as Sam Ryan. *Casualty* won Best Soap at the Broadcast Awards, *EastEnders* moved onto its new set enabling HD production and the business said farewell to *Holby City* after 23 years on screen.

In comedy, BBC Studios Group delivered a second series of *Trying* for Apple TV+, series two of *Ladhood* and Diane Morgan's *Mandy* for BBC Three and series six of the four-times BAFTA award-winning *Inside No. 9* for BBC Two.

Elsewhere, the Digital Originals team made new format *Gassed Up* for BBC Three, where rapper and self-confessed petrolhead Mist subjected celebrity guests to a series of ambitious challenges, and *Hot Property* saw young singletons check out the homes and friends of potential suitors as part of a strong pipeline of content aimed at younger audiences.

BBC Studios Group's scripted labels (wholly, or majority owned) had a successful year. Short-form comedy drama *Cheaters* from Clerkenwell Films aired on BBC One and *The Witchfinder* with Daisy May Cooper, made by Baby Cow for BBC Two, was its biggest new comedy launch in seven years. Lookout Point made the second series of fan favourite *Gentleman Jack* with Suranne Jones which aired on BBC One and HBO shortly after year end. BBC Studios Group increased its stake in House Productions, maker of *Sherwood* and the Kate Atkinson adaptation *Life After Life*, to 100%. The business sold its equity holdings in Mighty and 72 Films in the year.

For indies where BBC Studios Group owns a minority stake, Moonage's adaptation of Nancy Mitford's *The Pursuit of Love* rated well on Sunday nights for BBC One and across the rest of the world on Amazon. Expectation's *Alma's Not Normal*, made for BBC Two, won Broadcast and BAFTA TV Craft Awards.

In unscripted, BBC Studios Group's first look indie partners had a good year, with the three-parter *Uprising* with Steve McQueen, a Rogan, Turbine and Lammas Park production, winning an RTS award. Rogan also made *Freddie Mercury: The Final Act* for BBC Two, which garnered RTS, BAFTA and Rockie nominations. The *Earthshot Prize* inaugural live event, hosted by Sir David Attenborough and Prince William, produced by BBC Studios alongside Silverback Films who made the series for BBC One, picked up an RTS award.

Reaching international audiences

Content sales of £402 million were in excess of £400 million for the third straight year, but down 7% due to the impact of pauses in production activity in 2020.

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.

Strategic Report continued

Business review continued

BBC Studios Group continued

Global hit animation *Bluey* from Ludo Studio was Disney Junior's top ratings driver in 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 sales up 9%. A sales and distribution deal to outsource the management of BBC Studios Groups' physical catalogue was signed with Spirit Entertainment just before year end.

The business had some successful co-production deals, including the biggest new UK comedy of 2021, *The Outlaws*, written by and starring Stephen Merchant, with series two already shot. Channel 4's *Stath Lets Flats* with Jamie Demetriou made it onto HBO Max and a reformat is in the pipeline with Fox in the US. HBO also came on board to co-produce Cash Carraway's *Rain Dogs*, starring Daisy May Cooper.

Internationally BBC Studios Productions' scripted formats have proved popular. The partnership with Lionsgate in the US has resulted in successful remakes of British comedies – *Ghosts* for CBS and Paramount + which was the year's biggest comedy launch and *Welcome to Flatch*, inspired by *This Country* which aired on Hulu in March. Elsewhere, local versions of popular dramas enjoyed success across many markets including *Luther* (*Rudra – The Edge of Darkness*) in India on Hotstar, which was its most-watched drama ever in the first month of launch; *The Split* in Turkey and Italy; *Uncle* in South Korea and *Doctor Foster* (*The Broken Marriage Vow*) in the Philippines.

Channels and Streaming (formerly Branded Services)

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

The UKTV channel network had an excellent year, with its record share of commercial impacts (SOCl) ensuring that it outperformed the market, driving audience share and record levels of profit (up 105%) as the advertising market made a quicker than expected pandemic recovery. The network's channels performed very well, with Drama, Gold and Alibi increasing their share by 11%, 7% and 5% respectively in the 2021 calendar year, and Dave upping its share of 16-34 year olds by 14%.

Audiences responded enthusiastically to an investment in new programmes, with six out of the top ten network shows being original content. *Annika*, starring Nicola Walker, was UKTV's most successful show of 2021 and Alibi's top performing title of all time. Other original titles included *Meet the Richardsons* (Dave), *Secrets of the London Underground* (Yesterday) and *Hornby: A Model World* (Yesterday).

Streaming service UKTV Play added 1 million registered users in 2021 as the business invested in its video on demand (VOD) strategy, upgrading technology, adding staff and carrying out audience research. Just before year end, W went free to air, offering an immediate boost to its audience, and the network acquired a new Freeview programme guide slot, enabling Drama+1 to move to a more prominent position.

BBC Studios Group 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.

Strategic Report continued

Business review continued

BBC Studios Group continued

Direct-to-consumer streaming services BBC Select and BBC Podcasts launched in the US, and BritBox International (the global British streaming service owned by BBC Studios Group in partnership with ITV) continued to grow, with 2.4 million 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.

As part of the Group strategy to build commercial income, in July 2021 BBC Global News Group joined the business, bringing the BBC's commercial news operations into BBC Studios Group and opening up further opportunities to develop its news services for international audiences. Editorial control and operation of the BBC World News channel became part of the Public Service news operation, with its international advertising and distribution provided by BBC Global News Group.

The BBC.com website and brand made a strong recovery back to pre-covid-19 levels, as advertising sales bounced back quickly in many regions - particularly Europe, Middle East & Africa and North America, and the team signed a major licensing deal with Meta for news and sports content outside the UK. Major news events in Afghanistan and Ukraine resulted in record breaking engagement with the BBC News website, as audiences sought trusted, impartial and authoritative journalism. Audiences continue to increase for the premium video destination BBC Reel, with growth of 9% on last year.

BBC.com invested in talent in the year, reflecting the increased appetite for digital news content. Jennie Baird was appointed into the newly created role of MD and EVP of Digital News and Streaming, Katty Kay returned to the BBC as Presenter-at-Large, BBC Studios Group, and US Special Correspondent for BBC News, and the BBC announced plans to double the size of its digital journalism team in the US and Canada.

Culture

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

Talent development across the business stepped up a gear to help people learn and thrive in their roles, with a review identifying over 50 future leaders with high potential who could benefit from career fast-tracking over the coming year. The popular ScriptWorks and TalentWorks programmes focused on scripted and digital talent respectively, while the Assistant Producer Accelerator Programme was extended in January, now providing work placements in factual entertainment, natural history, entertainment and music, documentaries and science for nearly 30 young people.

Over the last year BBC Studios Group 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'. The business has made progress against its workforce diversity targets, and has formed a Diversity & Inclusion Council chaired by Production CEO Ralph Lee to check and challenge inclusion work.

Strategic Report continued

Business review continued

BBC Studios Group continued

A team of nine Global Inclusion Advocates were appointed across BBC Studios Group internationally to set up staff affinity networks across all diverse communities. New employment based partnerships have been formed with Evenbreak, Leonard Cheshire and the National Autistic Society for disability and Black Young Professionals around improving ethnic diversity and Inclusive Leadership workshops have been delivered to all managers across the globe (over 600 in total).

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. Productions continue to measure and reduce their emissions, with 99% carbon footprinted and 98% creating an carbon action plan in 2021/22. Teams also innovate, such as for the Earthshot Prize, which delivered an outstanding RTS award-winning global event for less than five tonnes of carbon emissions. We continue to exceed our travel targets and upgrade lighting to LEDs in TVC, plus all except two of BBC Studios UK sites procured 100% renewable electricity tariffs which are supported by Renewable Energy Guarantees of Origin (REGOs).

BBC Studios Group 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, as illustrated by sustainability soap storylines run across *EastEnders*, *Casualty* and *Doctors* during COP26. Programmes such as *The Green Planet*, *Dynasties*, *Greta Thunberg: A Year to Change the World*, *Climate Change: The Facts* and *Cook Clever Waste Less* raised awareness of important climate issues, and sustainable behaviour is portrayed in other programming, with storylines and segments across high-rating BBC One properties including *Doctor Who* and *The One Show*.

Review of financial performance

Financially, both sales and EBITDA reached record levels this year. Sales were up £375 million on 2020/21, driven by an increase of 56% in production sales, after production activity resumed following the shutdowns of 2020. EBITDA was up £75 million, through strong margins on production sales and the highest ever profits for UKTV, up £49 million on the prior year.

Content investment increased by 67% to record levels and the cash position remained strong with the business well positioned for future growth. Net debt at year end, excluding leases, was £135 million (2021: £15 million) and free cash flow £198 million (2021: £201 million).

The BBC Studios Group Executive Committee tracks its performance across two lines of business, Production and Distribution, and Channels and Streaming (formerly Branded Services).

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

	Revenue		EBITDA	
	2022	2021	2022	2021
	£m	£m	£m	£m
Production and Distribution	1,150	929	93	66
Channels and Streaming	536	383	135	85
Group adjustments	(56)	(57)	(2)	-
Total revenue	1,630	1,255	226	151

Strategic Report continued

Business review continued

BBC Studios Group continued

Looking ahead

BBC Studios Group has begun 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 has strong cash reserves and balance sheet. While not immune from wider geo-political and market dynamics, where audience habits continue to shift and increasing competition, BBC Studios Group is a business in good shape with strong prospects for growth.

In addition to coverage of the Queen's Platinum Jubilee in June 2022, major content deliveries in the current year are expected to include *Prehistoric Planet* for Apple TV+, series two of *Good Omens* with Michael Sheen and David Tennant on Amazon Prime Video and BBC One's *Here We Go*, produced by BBC Studios Comedy, with an all-star cast including Alison Steadman, following a successful pilot under the title *Pandemonium* in 2020. BBC Studios Groups' scripted labels have a busy year ahead, with series three of *Happy Valley* for the BBC coming from Lookout Point, and dark comedy *The Birth Of Daniel F Harris* for Channel 4, made by Clerkenwell Films.

Internationally, BBC Studios Group is distributing Steven Moffat's four-part drama *Inside Man*, made by Hartswood Films for the BBC and Netflix, and James Graham's six-part drama *Sherwood*, made for BBC One by BBC Studios Group label House Productions, about a series of murders in a Nottinghamshire mining village, and featuring an all-star cast including Joanne Froggatt and Stephen Tompkinson.

2022/23 will also be the first year for BBC Studios Kids & Family, (including BBC Children's Productions Ltd), as a commercial production unit, and the first full year of BBC Global News Group as an integrated part of BBC Studios Global Distribution.

It is a stated BBC priority to build commercial income, and BBC Studios Group's future creative and financial success will be vital to the BBC's continuing impact in the years ahead. With this new level of commercial ambition, new governance arrangements through the BBC Commercial Board, and additional borrowing capacity, the business has a stretching target for international growth over the next five years. To drive long term revenue and profit growth, BBC Studios Group expects to significantly increase investment in content and services, which in some cases may depress short-term profitability.

BBC Studioworks Limited

BBC Studioworks is a wholly owned commercial subsidiary of the BBC, providing television studios and post production services to all the major UK broadcasters and production companies. The last financial year was an extraordinary period which saw the business achieve its best commercial performance of the past decade.

Financial overview

Sales exceeded expectations at £44 million, an increase of 16% year-on-year, delivering EBITDA of £8 million. This robust financial performance means BBC Studioworks is providing its highest ever return back to the BBC of £3 million.

Strategic Report continued

Business review continued

BBC Studioworks Limited continued

Strategy

While attention was naturally placed on covid recovery, with emphasis on the welfare of its employees and clients, BBC Studioworks made solid progress against its strategic priorities with a multi-million pound investment across its footprint and its people.

The business announced its expansion across the UK, becoming the operator of a new multi-camera TV studio in Kelvin Hall, Glasgow, opening in autumn 2022. This marks stage one of its ambitions to open additional studios across the country and further drive commercial income. Kelvin Hall will support the development of a skilled and diverse Scottish workforce, boosting local jobs, and is in direct response to growing industry demand to make more TV shows in Scotland.

Significant focus was placed on evolving the company's workforce and skillset, with substantial investment in learning and development to enable progression, enhance culture and create a modern and efficient business. To inspire and develop the next generation of talent, BBC Studioworks invested in local communities via outreach to schools. It worked in partnership with Rise and The Prince's Trust to deliver live broadcasting workshops to help make the TV production industry more accessible, and a mentoring scheme in collaboration with ScreenSkills and Elstree Screen Arts provided much-needed support for school leavers from underrepresented groups.

The company also invested heavily in its core footprint via new equipment purchases and a refresh of its facilities to enhance its employee and customer experience.

Acute attention was paid as to how it can provide solutions to reduce the negative environmental impacts arising from TV production. As a result, the business has increased its ambition and action by launching its sustainability strategy outlining its aim to be net zero by 2030. Good progress has been made against its core sustainability goals which include reducing carbon footprint by 80% over the next three years and using 100% renewable energy across its footprint by 2024.

Bringing ideas to life

Over the past year the company continued to facilitate unique, high impact content for BBC Studios Group and multiple independent production companies. Returning productions included *Strictly Come Dancing* and *The Graham Norton Show* for BBC One, *Saturday Night Takeaway*, *Good Morning Britain*, *This Morning* and *The Jonathan Ross Show* for ITV, *The Last Leg* for Channel 4 and *A League of Their Own* for Sky Max.

The business won a host of new productions including *Ant and Dec's Limitless Win* for ITV, *Would I Lie to You?* for BBC One, *Never Mind The Buzzcocks* for Sky Max and *Question Team* for Dave, and continued to provide services to BBC's *EastEnders*, *Holby City*, Programme Acquisitions and Persian Television.

The post production team edited a number of productions including *Strictly Come Dancing*, *It Takes Two* and *The Goes Wrong Show* for the BBC, *The Martin Lewis Money Show* and *Saturday Night Takeaway* for ITV and *The Russell Howard Hour* for Sky Max.

Strategic Report continued

Business review continued

BBC Studioworks Limited continued

Forward view

BBC Studioworks begins the new financial year in a solid position, but the industry is facing a skills crisis which is a real and long-term threat. To deliver its growth ambitions and continued operational excellence, the business requires new skills and talent. Strengthening its talent pipeline to ensure a diverse and inclusive workforce fit for the future will be a core priority into 2022/23 and beyond.

With the inexorable rise in streaming still driving demand for UK studio space, the company continues to operate in an increasingly competitive market. This backdrop will shape future plans as the business assesses where additional growth will come from and focuses on driving commercial income through best-in-class customer service and further expansion across the UK.

UK Streamlined Energy and Carbon Reporting

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

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

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

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

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

	2022			2021		
	tCO ₂ e	tCO ₂ e/£m Revenue	Consumption (kWh)	tCO ₂ e	tCO ₂ e/£m Revenue	Consumption (kWh)
BBC Studios*	4,365	3	20,981,937	7,376	6	24,967,771
BBC Studioworks Limited	1,299	30	5,445,608	1,389	38	6,266,319

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

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

Strategic Report continued

UK Streamlined Energy and Carbon Reporting continued

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

Risk and uncertainties

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

Risk	Strategic impacts	Mitigation
Protecting the brand, reputation and standards		
Risk that global audiences and customers lose confidence in the integrity of the Group and its editorial standards if it fails to successfully represent the values of the BBC across all its content and services.	Reputational damage to the brand and loss of customer confidence and revenue. Inability to successfully meet the strategic objectives.	The Group 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.
Risk that a third party does not share or fails to meet our values and standards or acts unlawfully.		Proportionate controls ensure that third parties are appropriate partners, share our values and meet legal and regulatory obligations.
Risk that we are unable to achieve improved diversity across the workforce and within the Group's content and services.		The Group is committed to driving greater inclusion across all activities, including with third parties and producers. The strategy sets clear plans and targets. D&I is integral to the investment and commissioning processes.
Risk that the Group does not demonstrate industry leadership in meeting its green ambitions.		Sustainability strategy approved and aligned to the BBC Group. Production activity is comparable to industry leaders. Clear plans are in place for international operations.

Strategic Report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Looking after people Risk that the Group fails to protect the health, safety and wellbeing of its people, which may result in a person being harmed or suffer adverse health effects.	Potential for injury, financial penalties and criminal charges. Reputational risk if we fail to protect staff and all others in the care the of Group.	There are policies, processes, plans and governance structures in place to manage the safety of Group activities. The Group continues to work with the industry to ensure a consistent approach to protecting its people and output.
Living with Covid-19 strategy adopted in the UK. However, there is ongoing risk of further disruption due to outbreaks and new variants.	Potential impact to scheduling resource availability and increased cost for Production.	

Economic and geopolitical climate

Ongoing global economic uncertainty due to rising inflation and interest rates and the current crisis in Ukraine.	Slowing economic growth may lead to declining revenues, impact financial performance and challenge the success of new lines of business.	The Group is diversified across production, distribution and branded and ancillary services. 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.
Geopolitical instability and Environment, Social and Governance (ESG) risks presents challenges to achieving the group's growth strategy in certain countries.	Loss of business opportunities and revenues if growth strategies in these markets cannot be fully implemented.	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 Group selects appropriate partners and manages compliance and ethics risks across its operations.

Managing suppliers and third parties

The Group relies on third parties located across the globe to support the delivery of its content and services.	Customer dissatisfaction and potential loss of revenue if service levels are not met.	Critical third parties are managed closely through contracted Service Level Agreements and are monitored against agreed targets. There is ongoing dialogue with suppliers and clear communication and escalation protocols are in place.
Failure of a key supplier could significantly impact our infrastructure, our content sales, and channels and digital services operations.	Regulatory fines if services are not operating within required parameters.	Business continuity plans exist and are regularly reviewed and tested.

Strategic Report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Market competition in Production <p>Intense market competition for creative talent, driven by the shift of power to large international players away from traditional broadcasters. These companies can influence pricing of content and are increasingly demanding a greater share of commercial rights.</p> <p>Major customer spend is moving from acquisitions to creating original content and IP effectively eliminating the need for traditional producers.</p>	<p>Inability to deliver a creatively and commercially successful creative pipeline.</p> <p>Failure to win commissions, leading to a reduction in revenues.</p> <p>Pressure on margins due to increased costs not being offset by increasing fees.</p> <p>Inability to grow valuable new IP.</p>	<p>The Group continues to attract talent into key creative roles and is constantly reviewing what makes it an attractive proposition. Creative talent continues to develop and deliver successful content and formats.</p> <p>The Group closely manages its top customer portfolio across all lines of business in order to understand demand and inform the creative pipeline direction.</p> <p>The Group has brought together creative and commercial decision making into four distinct genres. This creates one content portfolio and strategy designed to support the business's ambitions and growth plans and widen the availability of creative talent.</p> <p>In order to expand its production talent portfolio and grow new IP, the group is targeting investments and acquisitions in priority content.</p>
Regulatory and compliance breaches <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 Group 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 Group. 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 BBC Group.</p>

Strategic Report continued

Risk and uncertainties continued

Risk	Strategic impacts	Mitigation
Distribution customer base and competition		
Risk that the Group's structure, strategy, content and services are not aligned to changes in the market and increased competition from a small number of global players and that it loses access to valuable rights.	Diminishing returns on content investments. Lower commercial returns to BBC Group and Independent Production Companies. Decline in affiliate and advertising revenue in the UK and globally.	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. The Studios Group 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 ad-supported streaming TV services.
Traditional linear broadcasters are under increasing margin pressure, due to competition for audiences, leading to reduction in subscribers and advertising revenues.		Channels & Streaming initiatives 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.
Risk that new services such as direct-to-consumer products may not be successful in an unproven market.		The Group's direct-to-consumer strategy has been defined as is being executed, to provide a credible response to both changes in the market and audiences behaviours. The delivery of new services presents significant opportunities for the Group in terms of growing the commercial value of the brand and understanding audiences and creating new customer relationships.

Strategic Report continued

Risk and uncertainties continued

Risk	Strategic impacts	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 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. 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. Working with third parties to ensure they meet Group's requirements.
Risk from the unauthorised release of premium, high value content.	Inability to establish paid digital services.	
Intellectual property is key to the success of the Group. There is an increasing risk globally of illegal piracy of content and services.		The Group 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.
Risk of loss due to financial crime, including fraud, bribery and theft or the manipulation of financial information.		

Strategic Report continued

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

The Directors are aware of their duty under Section 172 of the Act to act in a way which they consider, in good faith, would be most likely to promote the success of the Company, in doing so, to have regard (amongst other matters) to the factors detailed in section 172(1) of the Act. The Commercial Board ("the Board") is responsible for the governance, assurance and oversight of the BBC's commercial subsidiaries - each of which has an executive committee responsible for the operational management of that subsidiary. The Board is chaired by a non-executive member of the BBC Board, and comprises members of the BBC Board, Directors across the commercial parts of the BBC and two independent Directors. The Board, which meets formally approximately eight times a year, ensures that the strategy of the commercial subsidiary align with that of the BBC Group - applying the following principles:

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

During the year consideration has been given to:

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

Strategic Report continued

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

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

By order of the Board,

DocuSigned by:

6FDBEF52C39649E...
Anthony Corriette
Company Secretary
22 June 2022

Registered Address
BC2 A5, Broadcast Centre
Media Village
201 Wood Lane
London
W12 7TP

Directors' report

BBC Commercial Holdings Limited changed its name to BBC Commercial Limited on 1 April 2022.

Directors

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

Elan Closs Stephens	Glyn Isherwood (resigned 1 April 2022)
Gunjan Bhow (appointed 1 April 2022)	Mark Linsey (resigned 1 April 2022)
Damon Buffini (appointed 1 April 2022)	Dharmash Mistry (resigned 10 November 2021)
Lorraine Burgess (appointed 1 April 2022)	Stephen Morrison
Tim Davie (resigned 1 April 2022)	Peter Ranyard (resigned 1 April 2022)
Thomas Fussell	Bhavneet Singh (appointed 1 April 2022)
Mai Fyfield	Leigh Tavaziva

Anthony Corriette was appointed as company secretary on 1 April 2022, on the resignation of Peter Ranyard in that role on the same date.

On 1 April 2022 the Company changed its name from BBC Commercial Holdings Limited to BBC Commercial Limited.

The Board met eight times during the year, and also conducted business offline as necessary. New appointments (as set out above) have expanded the non-executive expertise of the Board.

During the year the board considered regular updates on financial and business performance, as well as reviewing forecast results and debating the budget and targets for the coming year. They received the audit planning and completion reports from the NAO, as the external auditor, and focused on control and governance issues in our annual joint session with the Audit and Risk Committee. The board have been incredibly pleased to see the level of performance against targets that has been achieved this year, in both BBC Studios and Studioworks. Both areas have seen high levels of revenue and record levels of EBITDA and returns to the BBC. In a production environment still recovering from Covid-19, these results reflect the quality and dedication of all those working for, as well as the first-class management of, both companies.

The board spent significant time this year on key strategic issues and have had a focus on reviewing and challenging the developing growth plans for BBC Studios and BBC Studioworks. During the year the board monitored the transfer of teams from Global News Limited into BBC Studios and also the proposed transfer – now successfully completed – of BBC Children's Productions Limited. These were important moves that bring more of the UK's incredible creative talents into a single organisation.

Financial instruments

The Group's financial risk management operations are carried out by the BBC Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the BBC Board. Information about the use of financial instruments by the Company and its subsidiaries is given in note 30 to the financial statements.

Directors' report continued

Directors' interests and indemnities

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

Employee participation

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

Diversity

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

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

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

Training and development

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

Health and safety

Responsibility for health and safety across the BBC Group is delegated to the boards of each of the Company's subsidiaries.

Directors' report continued

Disabled persons

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

The environment

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

Corporate governance

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

Political and charitable contributions

The Group made £16,500 charitable donations during the period. The Group did not make any political donations during the prior year.

Dividends

Dividends of £148 million were declared by the Group during the year (2021: £75 million).

Future developments

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

Going concern

As set out on page 38, 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

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

Auditors

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

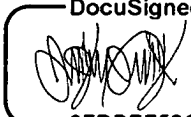
Directors' report continued

Statement as to disclosure of information to auditors

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

- so far as the Director is aware, there is no relevant audit information of which the Company's 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

22 June 2022

Registered Address

BC2 A5
Media Village
Broadcast Centre
201 Wood Lane
London
W12 7TP

Statement of directors' responsibilities

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

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

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

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

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

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

Independent auditor's report to the members of BBC Commercial Limited (formerly BBC Commercial Holdings Limited)

Opinion on financial statements

I have audited the financial statements of BBC Commercial Limited (formerly BBC Commercial Holdings Limited) (the "Company") and its Group for the year ended 31 March 2022 which comprise:

- The Consolidated and Company Balance Sheets as at 31 March 2022;
- The Consolidated Income Statement for the year then ended;
- The Consolidated Statement of Comprehensive Income for the year then ended;
- The Consolidated Cash Flow Statement for the year then ended;
- The Consolidated Statement of Changes in Equity for the year then ended; and
- The related notes including the Statement of Group and Company significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and the UK adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of the Company and its Group's affairs as at 31 March 2022 and its Groups profit for the year then ended; and
- of the Group have been properly prepared in accordance with UK adopted international accounting standards; and
- of the Company have been properly prepared in accordance with the 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 and Regularity 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 and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Conclusions relating to going concern

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

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included review of managements forecasts, the underlying forecast assumptions 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 and its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises 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 Commercial Limited continued

Matters on which I report by exception

In the light of the knowledge and understanding of the Company and its Group 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
- a corporate governance statement has not been prepared by the parent; 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 and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditors 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.

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

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 and its Group's accounting policies, key performance indicators and performance incentives.
- 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 and its Group'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 and its Group's controls relating to the Company's compliance with the Companies Act 2006, Employee Taxation and Corporation Tax.
- discussing among the engagement team including significant component audit teams 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 and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, manual talent accounting, programme accounting (including the valuation of programme stock at UKTV), 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 and Group's framework of authority as well as other legal and regulatory frameworks in which the Company and Group 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 and its Group. The key laws and regulations I considered in this context included Companies Act 2006, employment law and tax Legislation.

In addition, I considered whether there was any evidence of non-compliance with OFCOM regulations and/or Russia/Belarus sanctions.

Independent auditor's report to the members of BBC Commercial 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, meeting with the Company Secretary, 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 significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

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:

28 June 2022
37201B1421E8452...
Greg Wilson (Senior Statutory Auditor)
28 June 2022

for and on behalf of the
Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

Consolidated income statement

for the year ended 31 March 2022

		2022	2021
	Note	£m	£m
Revenue	1a	1,718	1,384
Total operating costs	1c	(1,641)	(1,399)
Share of profit of associates and joint ventures	16	25	25
Operating profit		102	10
Operating profit reconciled as:			
EBITDA	1	226	144
Production tax credits	9e	(59)	(30)
Depreciation, amortisation and impairment*	3	(65)	(104)
		102	10
Gains/(losses) on disposals	4	8	(1)
Other gains and losses	5	(13)	(2)
Financing income	8a	9	4
Financing costs	8b	(6)	(12)
Profit/(loss) before taxation		100	(1)
Taxation	9a	25	22
Profit for the year		125	21
Attributable to:			
Equity shareholder of the parent company		121	19
Non-controlling interests		4	2
Profit for the year		125	21

* Excluding amortisation relating to distribution rights.

The profit for the year arose entirely from continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 March 2022

	2022	2021
	£m	£m
Profit for the year	125	21
Items that may be reclassified to the income statement in the future:		
Deferred tax on financial instruments included within other comprehensive income	3	(3)
Exchange differences on translation of foreign operations	11	(19)
Put-options released	3	9
Recognition and transfer of cash flow hedges	(14)	14
Other comprehensive income for the year (net of tax)	3	1
Total comprehensive income for the year	128	22
Attributable to:		
Equity holders of the parent company	124	20
*Non-controlling interests	4	2
Total comprehensive income for the year	128	22

Consolidated balance sheet

as at 31 March 2022

	Note	2022 £m	2021 £m
Non-current assets			
Goodwill	12	47	34
Distribution rights	13	116	82
Other intangibles	14	210	223
Property, plant and equipment	15a	38	37
Right-of-use assets	15b	104	90
Interests in associates and joint ventures	16	197	174
Trade and other receivables	18a	20	35
Investments		4	4
Derivative financial instruments	30	4	1
Deferred tax assets	9d	22	14
		762	694
Current assets			
Programme related assets and other inventories	17	441	306
Trade and other receivables	18b	507	457
Contract assets	2b	2	4
Current tax assets	9e	78	46
Derivative financial instruments	30	-	8
Cash and cash equivalents	22	144	206
		1,172	1,027
Current liabilities			
Trade and other payables	20a	(449)	(405)
Contract liabilities	2b	(370)	(215)
Borrowings	23	(12)	(1)
Lease obligations	24	(17)	(12)
Provisions	25	(51)	(24)
Derivatives financial instruments	30	(4)	-
Current tax liabilities	9f	(13)	(11)
		(916)	(668)
Non-current liabilities			
Trade and other payables	20b	(25)	(48)
Contract liabilities	2b	(27)	(36)
Borrowings	23	(170)	(170)
Lease obligations	24	(92)	(80)
Provisions	25	(3)	(3)
Derivative financial instruments	30	(6)	-
Deferred tax liabilities	9d	(28)	(29)
		(351)	(366)
Net assets		667	687
Attributable to equity shareholders of the parent company			
Share capital	26	-	-
Retained earnings	27	649	674
Hedging reserve	27	(8)	3
Translation reserve	27	37	26
Other reserve	27	(13)	(18)
		665	685
Non-controlling interests		2	2
Total equity		667	687

The financial statements of BBC Commercial Limited (formerly BBC Commercial Holdings Limited), registered number 04463534, were approved by the directors and authorised for issue on 22 June 2022 and signed on their behalf by:

DocuSigned by:



10AA5992AD6B426...
Leigh Tavariza

Director

Consolidated statement of changes in equity

for the year ended 31 March 2022

	Share capital	Retained earnings	Hedging reserve	Translation reserve	Other reserve	Total	Non-controlling interests	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2020	-	728	(8)	45	(27)	738	2	740
Profit for the year	-	19	-	-	-	19	2	21
Currency translation (note 27)	-	-	-	(19)	-	(19)	-	(19)
Put options exercised	-	-	-	-	9	9	-	9
Deferred tax on financial instruments	-	-	(3)	-	-	(3)	-	(3)
Cash flow hedges (note 27)	-	-	14	-	-	14	-	14
Total comprehensive income for the year	-	19	11	(19)	9	20	2	22
Dividends declared in year (note 10)	-	(73)	-	-	-	(73)	(2)	(75)
At 31 March 2021	-	674	3	26	(18)	685	2	687
Profit for the year	-	121	-	-	-	121	4	125
Currency translation (note 27)	-	-	-	11	-	11	-	11
Put options released	-	-	-	-	3	3	-	3
Unwinding of discount put options	-	(2)	-	-	2	-	-	-
Deferred tax on financial instruments	-	-	3	-	-	3	-	3
Cash flow hedges (note 27)	-	-	(14)	-	-	(14)	-	(14)
Total comprehensive income/(loss) for the year	-	119	(11)	11	5	124	4	128
Dividends declared in year (note 10)	-	(144)	-	-	-	(144)	(4)	(148)
At 31 March 2022	-	649	(8)	37	(13)	665	2	667

Consolidated cash flow statement

for the year ended 31 March 2022

		2022	2021
	Note	£m	£m
Operating activities			
Cash generated from operations	28	376	322
Receipt of tax credits		24	31
Tax paid		(44)	(34)
Net cash from operations		356	319
Investing activities			
Financing income	8a	1	1
Dividends received from associates and joint ventures	16	15	11
Proceeds from disposal of associates and joint ventures		2	3
Acquisition of investment		1	-
Acquisition of subsidiary net of cash acquired		(64)	(55)
Acquisition of interests in associates and joint ventures		(4)	(3)
Purchases of intangible assets		(195)	(158)
Purchases of property, plant and equipment		(10)	(8)
Dividends paid to non-controlling interests		(4)	(2)
Net cash used in investing activities		(258)	(211)
Financing activities			
Financing costs		(4)	(6)
Proceeds from increase in borrowings		5	171
Repayments of borrowings		(1)	(205)
Proceeds from settlement of interest rate swaps		-	33
Payment of lease liabilities		(17)	(14)
Equity dividends paid	10	(144)	(73)
Net cash used in financing activities		(161)	(94)
Net (decrease)/increase in cash and cash equivalents		(63)	14
Cash and cash equivalents at beginning of the year		206	194
Effect of foreign exchange rate changes on cash and bank overdrafts		1	(2)
Cash and cash equivalents at the end of the year		144	206

Statement of Group accounting policies

BBC Commercial Limited (the 'Company') is a company domiciled and incorporated in the United Kingdom, and its registered address is BC2 A5, Broadcast Centre, 201 Wood Lane, London, W12 7TP. The consolidated financial statements of the Company for the year ended 31 March 2022 comprise the Company and its subsidiary undertakings (together the 'Group') and the Group's interest in joint ventures and associated undertakings.

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

Basis of preparation

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

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

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

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

Non-statutory financial performance measures

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

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

Statement of Group accounting policies continued

Going concern

The Board remains satisfied with the Group's funding and liquidity position. At the balance sheet date, the Group's primary source of funding was a £170 million facility with UK banks. The Group also has access to a further £210 million facility with a group of international banks until March 2026. As at the year-end the Group had drawn down £170 million of these principle facilities available (2021: £170 million). A further £12 million (2021: £1 million) was also drawn on short-term bank loans to fund certain programmes under production. The Group has to comply with both interest cover and leverage covenants. There have been no defaults or breaches of covenants during the year and none are expected during the period under review for going concern. Covenants are also in place that could require a repayment of the loan facilities and loan notes as follows:

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

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

The Group's response to the coronavirus pandemic and the continuing recovery has been to focus on the safety of staff and the continuation of operations and output, ensuring value for our audiences. However the uncertainty over the economic recovery has led BBC management to continue with the increased financial stress testing and sensitivity analysis in the financial planning that has been used to support the 2021/22 Going Concern assumption.

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

Statement of Group accounting policies continued

Basis of consolidation

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

Subsidiaries and non-controlling interests

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

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

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

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

Statement of Group accounting policies continued

Associates and joint ventures

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

The Group accounts for its share of the results and net assets of its associates and joint ventures using information as of 31 March with the exception of Children's Character Books Limited, Woodlands Books Limited, Educational Publishers LLP and JV Programmes LLC which have been included using information from unaudited accounts drawn up to 31 December. The impact of these non-coterminous year ends is not considered material.

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

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.

Segmental analysis

In accordance with IFRS 8 *Operating Segments*, the Group's operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Commercial Board. The Commercial Board comprises non-executive and executive directors and is responsible for making strategic decisions.

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 Group to make judgements in assessing when the triggers for revenue recognition have been met, particularly whether the Group has sufficiently fulfilled its obligations under the contract to allow revenue to be recognised.

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

Statement of Group accounting policies continued

Revenue continued

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

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

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

- *Content and format sales*

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

- *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.

- *Subscription fees*

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

- *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.

Statement of Group accounting policies continued

Revenue continued

- *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 do 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 Group has taken advantage of the practical exemptions:

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

Foreign currencies

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

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

Statement of Group accounting policies continued

Lease payments

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

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

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

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

As a lessee

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

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

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

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

- fixed payments;
- variable payments dependant on an index 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 Group is reasonable certain to exercise, and early termination penalties of a lease unless the Group is reasonable certain not to terminate early.

Statement of Group accounting policies continued

Lease payments continued

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

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

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

Right of use assets are presented in "property, plant and equipment" and lease liabilities are presented in borrowings in the statement of financial position.

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

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

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

Borrowing costs

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

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

Statement of Group accounting policies continued

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Statement of Group accounting policies continued

Intangible fixed assets

Programme rights for distribution

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

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

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

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

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

Business combinations and goodwill

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

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

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

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

Statement of Group accounting policies continued

Intangible fixed assets continued

Other intangible assets

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

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

Amortisation

With the exception of goodwill, which is not amortised, amortisation is charged on assets with finite lives on a systematic basis over the asset's useful life and disclosed within total operating costs in the income statement.

The useful lives and amortisation methods are as follows:

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

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

Impairment of assets

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

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

Statement of Group accounting policies continued

Intangible fixed assets continued

Impairment of assets continued

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

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

Property, plant and equipment

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

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

Depreciation

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

- Land and buildings
 - Freehold land – not depreciated
 - Freehold buildings – 50 years
 - Freehold building improvements – 10 to 50 years
 - Long leasehold buildings – shorter of 50 years or life of lease
 - Long leasehold building improvements – 10 to 50 years
- Plant and machinery
 - Computer equipment – 3 to 5 years
 - Electrical and mechanical infrastructure – 10 to 25 years
 - Other – 3 to 10 years
- Furniture and fittings – 3 to 10 years

Statement of Group accounting policies continued

Programme rights and other inventories

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

Other inventories, comprising CDs, DVDs, raw materials and work in progress are stated at the lower of cost (determined on a first-in-first-out basis) and net realisable value.

Work in progress relates to the costs of programmes in the course of production which were not delivered to the programme commissioner by 31 March 2022 and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the assets to their present location and condition. Work in progress is recognised at net realisable value representing the estimated selling price less all estimated costs of completion.

Financial instruments

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

Amortised cost

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

- *Trade and other receivables and contract assets*

Trade receivables are recognised initially at transaction price and subsequently at amounts considered recoverable (amortised cost). Estimates are used in determining the level of receivables that will not be collected. These estimates include factors such as historical experience, the current state of the UK and overseas economies and industry specifics. A provision for impairment of trade and other receivables is recognised based on the simplified approach using the lifetime expected credit losses.

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

- *Contract liabilities*

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

Statement of Group accounting policies continued

Financial instruments continued

Amortised cost continued

- *Cash and cash equivalents*

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

Fair value through profit/loss

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

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

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

- *Interest rate swaps, caps and collars*

The fair value is the estimated amount that the Group would receive or pay to terminate the swap, cap or collar at the balance sheet date, taking into account current interest rates, the current creditworthiness of swap, cap or collar counterparties and the creditworthiness of the Group.

- *Foreign currency forward contract rates*

The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date from third parties.

- *Embedded derivatives*

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

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

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

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

Statement of Group accounting policies continued

Financial instruments continued

Fair value through profit/loss continued

- *Other investments*

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

Fair value through other comprehensive income

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

- *Hedge accounting*

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

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

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 Group that can be measured reliably. Estimation techniques are used, following the review of such events, if it is determined that a provision is required. Such techniques are used in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the group. This can be complex, and when there is a wide range of possible outcomes, a weighted calculation is used. The Group reassesses whether there has been a change in this liability based on the facts and circumstances at each balance sheet date. Any provisions that are payable over a number of years (other than deferred tax) are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

Provisions relating to onerous contracts resulted in a non-cash accounting provision of £26 million being recognised in the year.

Statement of Group accounting policies continued

Retirement benefit plans

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

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

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

Termination benefits

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

Other employee benefits

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

Dividends on shares presented within equity

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

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

Revenue recognition

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

Statement of Group accounting policies continued

Use of estimates and judgements continued

Revenue recognition continued

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

Carrying value of goodwill

The determination of whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate that reflects current market assessments of the risks specific to the asset and the time value of money, in order to calculate present value. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting. If different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements. Please refer to note 12 for further details.

Basis of consolidation

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

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

Statement of Group accounting policies continued

Use of estimates and judgements continued

Impairment of financial assets continued

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

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

Deferred tax

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

The assessment of the appropriate profile over which to recognise the amortisation of distribution rights and programme rights involves a certain degree of judgement. Amortisation is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life.

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. There is an element of the rights creditors which is subject to judgement where the information is not yet available to calculate the rate payable. In these cases, the rate is estimated based on the best information available.

Accruals

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

Leases

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

Statement of Group accounting policies continued

Adoption of new and revised accounting standards

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

- Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- 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 Group.

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

- Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements 2018 – 2020
- Classification of Liabilities as Current and Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax related to assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Insurance Contracts (Amendments to IFRS 17)

The directors do not expect that the adoption of the standards and interpretations above would have a material impact on the financial statements of the Company nor the Group in future periods.

The Group has consistently applied the accounting policies to all periods presented.

Notes to the financial statements

1 Segmental reporting

The Commercial Board, the Group's chief operating decision maker (CODM), has determined the reportable segments based upon the reports it regularly reviews and uses to make strategic decisions and allocate resources.

Segmental information provided to the Board is based on the Group's primary revenue sources. The reportable segments are:

- BBC Studios Group - Generates revenue from exploiting the various assets of the BBC, for example by licencing programme formats, selling international rights, merchandising and production facilities. Revenue is also generated through subscription fees from the broadcast of the Group's channels on pay television platforms and from the production of programme content across factual, drama, comedy and entertainment genres;
- BBC Global News Group – The Group generates its revenue through the commercial exploitation of global news through the BBC World News television channel and bbc.com website. Revenue is also generated through video news on demand available to channel operators and through mobile devices. On 1 July 2021 the BBC Global News Group, with the exception of the international news channel, transferred into the BBC Studios Group; and
- BBC Studioworks - Generates revenue through the provision of equipment, facilities and services for use in programme production.

The results of the parent Company and other commercial entities are reported to the Board at the same time as other segments.

Group adjustments reflect eliminations required for trading activity between the segments detailed above.

Inter segment pricing is determined on an arms length price.

Information regarding reportable segment assets and liabilities is not reported to the Board.

Notes to the financial statements continued

1 Segmental reporting continued

1a Analysis of revenue and operating profit/(loss) by activity

2022	Note	BBC Studios Group £m	BBC Global News Group** £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Contract revenue	2a	1,627	20	44	40	(16)	1,715
Rent and associated revenue		1	-	-	-	-	1
Other revenue		2	-	-	-	-	2
Total revenue		1,630	20	44	40	(16)	1,718
Depreciation and amortisation	3a	(195)	-	(5)	-	1	(199)
Other operating (costs)/income		(1,346)	(24)	(36)	(50)	14	(1,442)
Share of profit of associates and joint ventures	16	25	-	-	-	-	25
Operating profit/(loss)		114	(4)	3	(10)	(1)	102
Analysed as:							
EBITDA/(LBITDA)		226	(4)	8	(2)	(2)	226
Production tax credits		(51)	-	-	(8)	-	(59)
Depreciation, amortisation* and impairment		(61)	-	(5)	-	1	(65)
Operating profit/(loss)		114	(4)	3	(10)	(1)	102

* Excluding amortisation relating to distribution rights.

** On 1 July 2021 the BBC Global News Group, with the exception of the international news channel, transferred into the BBC Studios Group. The table above, and those that follow, therefore includes 3 months of the BBC Global News Group within this segment and 9 months within the BBC Studios Group.

2021	Note	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Total revenue	2a	1,255	91	37	18	(17)	1,384
Depreciation and amortisation	3a	(233)	(2)	(5)	-	3	(237)
Other operating (costs)/income		(1,020)	(100)	(31)	(26)	15	(1,162)
Share of profit of associates and joint ventures	16	25	-	-	-	-	25
Operating profit/(loss)		27	(11)	1	(8)	1	10
Analysed as:							
EBITDA/(LBITDA)		151	(9)	6	(2)	(2)	144
Production tax credits		(24)	-	-	(6)	-	(30)
Depreciation and amortisation* and impairment		(100)	(2)	(5)	-	3	(104)
Operating profit/(loss)		27	(11)	1	(8)	1	10

* Excluding amortisation relating to distribution rights.

Notes to the financial statements continued

1 Segmental reporting continued

1b Geographical location of revenue and non-current assets

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

	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
2022						
Non-current assets excluding deferred tax and derivative financial instruments:						
UK	509	-	29	301	(312)	527
America	191	-	-	-	-	191
Australia	13	-	-	-	-	13
Rest of world	5	-	-	-	-	5
	718	-	29	301	(312)	736
Additions included in non-current assets	259	-	4	-	-	263
External revenue:						
UK	760	-	44	40	(16)	828
America	374	4	-	-	-	378
Australia	86	-	-	-	-	86
Rest of world	410	16	-	-	-	426
	1,630	20	44	40	(16)	1,718

The allocation of sales to geographical 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.

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

	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
2021						
Non-current assets excluding deferred tax and derivative financial instruments:						
UK	470	2	30	306	(318)	490
America	167	-	-	-	-	167
Australia	14	-	-	-	-	14
Rest of world	7	1	-	-	-	8
	658	3	30	306	(318)	679
Additions included in non-current assets	200	1	5	-	(14)	192
External revenue:						
UK	546	-	37	18	(17)	584
America	275	27	-	-	-	302
Australia	64	2	-	-	-	66
Rest of world	370	62	-	-	-	432
	1,255	91	37	18	(17)	1,384

The allocation of revenue to geographic segments is based upon the business region in which the sales are generated.

Notes to the financial statements continued

1 Segmental reporting continued

1c Analysis of total operating costs by activity

	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
2022						
Cost of sales	1,180	14	37	48	(13)	1,266
Distribution costs	162	-	-	-	-	162
Administration expenses	199	10	4	2	(2)	213
	1,541	24	41	50	(15)	1,641

	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
2021						
Cost of sales	883	90	32	23	(16)	1,012
Distribution costs	100	-	-	-	-	100
Administration expenses	270	12	4	3	(2)	287
	1,253	102	36	26	(18)	1,399

Administration expenses include exchange rate differences and provisions relating to onerous contracts that resulted in a non-cash accounting provision of £26 million being recognised in the current year. Also included in the BBC Studios Group administration expenses is the impairment charge on NVCA (see note 16 for further details) in the prior year.

Notes to the financial statements continued

2 Revenue

2a Disaggregation of revenue

In the following table, revenue is disaggregated by reportable segment, revenue streams, and timing of revenue recognition. See note 1b for a geographical split of total revenue. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 1 *Segmental Reporting*).

2022	Note	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Revenue streams							
Content and format sales		344	-	-	-	-	344
Production income		630	-	44	40	(15)	699
Royalties		60	-	-	-	-	60
Advertising revenue		294	12	-	-	(1)	305
Subscription fees		218	8	-	-	-	226
Consumer products		81	-	-	-	-	81
Total contract revenue		1,627	20	44	40	(16)	1,715
Timing of goods and services							
Point in time		1,409	20	-	40	(1)	1,468
Over time		218	-	44	-	(15)	247
Total revenue	1a	1,627	20	44	40	(16)	1,715

2021	Note	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Group adjustments £m	Group £m
Revenue streams							
Content and format sales		358	-	-	-	-	358
Production income		391	-	37	18	(14)	432
Royalties		40	-	-	-	-	40
Advertising revenue		171	47	-	-	(3)	215
Subscription fees		215	44	-	-	-	259
Consumer products		80	-	-	-	-	80
Total contract revenue		1,255	91	37	18	(17)	1,384
Timing of goods and services							
Point in time		1,040	91	-	18	(5)	1,144
Over time		215	-	37	-	(12)	240
Total revenue	1a	1,255	91	37	18	(17)	1,384

Notes to the financial statements continued

2 Revenue continued**2b Contract balances**

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

	Contract Assets		Contract Liabilities	
	2022 £m	2021 £m	2022 £m	2021 £m
At 1 April	4	5	(251)	(199)
Decrease due to balance transferred to trade receivables	(4)	(5)	-	-
Decrease due to revenue recognised in the period	-	-	181	123
New contract assets	2	4	-	-
Increase due to cash received in advance and not recognised as revenue during the year	-	-	(327)	(175)
At 31 March	2	4	(397)	(251)
Presented within:				
Current	2	4	(370)	(215)
Non-current	-	-	(27)	(36)
	2	4	(397)	(251)

2c Transaction price allocated to the remaining performance obligations

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

	2023 £m	2024 £m	2025 £m	Beyond £m
Content and format sales	107	34	22	27
Production income	559	101	92	120
Royalties	6	4	4	1
Advertising revenue	233	220	217	624
Subscription fees	91	48	20	11
	996	407	355	783

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

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

2d Contract costs

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

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

Notes to the financial statements continued

3 Total operating costs**3a Total operating costs**

Operating costs is stated after charging/(crediting):

		2022	2021
	Note	£m	£m
Intangible fixed assets and property, plant and equipment			
Depreciation - owned assets	15a	7	9
Depreciation - right-of-use assets	15b	15	11
Amortisation of intangible fixed assets	14	41	37
Amortisation of distribution rights	13	136	180
Impairment of investments in associates and joint ventures	16	2	45
Impairment of investments		-	2
Inventories			
Write-downs		1	12
Other operating costs			
Expenses relating to short term leases		11	7
Net exchange differences on settled transactions		-	14
Impairment of trade receivables	19	1	1
Staff costs	6b	267	241

3b Auditor's remuneration

The National Audit Office served as independent external auditors for the year ended 31 March 2022 and 31 March 2021.

The audit fee was £94,000 (2021: £92,000) for the audit of the Company's annual accounts. Fees payable for services provided across the Group are shown below.

	2022	2021
	£m	£m
Audit services with the National Audit Office	1.6	1.6
Audit services with other auditors	-	0.1
Total audit services	1.6	1.7
Tax services with other auditors	0.1	0.3
Total non-audit services with other auditors	0.1	0.3
Total fees paid	1.7	2.0

Notes to the financial statements continued

4 Gains/(losses) on disposals

	Note	2022 £m	2021 £m
Gain/(loss) on deemed disposal of associates	11	6	(2)
Gain on disposal of interests in associates and joint ventures		1	1
Other gains		1	-
Total Gains/(losses) on disposals		8	(1)

5 Other gains and losses

	2022 £m	2021 £m
Change in fair value of derivative financial instruments	(3)	4
Change in fair value of put options over non-controlling interests	(10)	(4)
Change in earn-out payments due in respect of prior acquisitions	-	(2)
Total other gains and losses	(13)	(2)

6 Staff numbers and costs**6a Persons employed**

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

	2022 Number	2021 Number
BBC Studios Group*	3,159	2,723
BBC Global News Group*	90	392
BBC Studioworks	142	127
Total staff numbers	3,391	3,242

* On 1 July 2021 the BBC Global News Group, with the exception of the international news channel, transferred into the BBC Studios Group. The table above, and those that follow, therefore includes 3 months of the BBC Global News Group within this segment and 9 months within the BBC Studios Group.

Within the averages above, 269 (2021: 281) part-time employees have been included at their full-time equivalent of 192 (2021: 200).

In addition, the Group employed an average full-time equivalent of 627 (2021: 428) persons on a casual basis.

6b Staff costs (including directors)

	2022 £m	2021 £m
Salaries and wages	214	195
Social security costs	26	23
Pension costs	27	23
Total staff costs	267	241

Notes to the financial statements continued

7 Key management personnel compensation

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

Only five of the ten (2021: six of thirteen) key management individuals who served during the year receive remuneration by the Commercial Group in respect of their professional services or duties to this Group. The disclosures in this note refer to these individuals.

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

Key management personnel compensation is as follows:

	2022	2021
	£m	£m
Emoluments	0.8	0.8
Defined benefit pension scheme contributions	-	0.1
Performance related	0.4	0.1
Total key management personnel compensation	1.2	1.0

Retirement benefits accrue to key management under the following schemes:

	2022	2021
	Number	Number
Defined benefit schemes	2	2

The highest paid director's emoluments were as follows:

	2022	2021
	£'000	£'000
Emoluments	421	368
Performance related	210	46
Other benefits	1	2
Total highest paid director's emoluments	632	416

Notes to the financial statements continued

8 Net financing costs**8a Financing income**

	2022	2021
	£m	£m
Bank interest receivable	1	1
Unwinding of discount receivable	5	2
Fair value gains on interest rate swaps classified as fair value through profit/loss	3	1
Total financing income	9	4

8b Financing costs

	2022	2021
	£m	£m
Interest on bank loans	(4)	(7)
Unwinding of discount payable	-	(3)
Interest on lease liabilities	(2)	(2)
Total financing costs	(6)	(12)

9 Taxation**9a Taxation recognised in the income statement**

	Note	2022	2021
		£m	£m
Current tax			
UK corporation tax		(28)	(11)
Group relief receivable		(2)	(6)
Double tax relief		(5)	(5)
Adjustments in respect of prior years		(11)	(9)
UK current taxation		(46)	(31)
Foreign tax		25	20
Total current tax		(21)	(11)
Deferred tax			
Origination and reversal of temporary differences		4	(10)
Reduction in tax rate		(8)	-
Adjustments in respect of prior years		-	(1)
Total deferred tax	9d	(4)	(11)
Total credit for the year		(25)	(22)

Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable UK profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the financial statements continued

9 Taxation continued

9b Reconciliation of effective tax rate

The effective rate of tax for the year ended 31 March 2022 was different from the standard rate of tax in the UK of 19% (2020: 19%) as a result of the following:

	2022	2021
	£m	£m
Group profit/(loss) before taxation	100	(1)
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	19	-
Effects of		
Disallowed expenditure (includes goodwill impairment)	25	13
High-end television tax relief	(59)	(30)
Tax differential on wholly owned overseas earnings	9	5
Other differences		
Tax rate change	(8)	-
Adjustments in respect of prior years	(11)	(10)
Total tax credit for the year	(25)	(22)

9c Factors that may affect future tax charges

The UK corporation tax rate is 19%.

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

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 Group continues to actively monitor any developments and evaluate their potential impact. The Group 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

9 Taxation continued

9d Analysis of deferred tax balance

	Note	Accelerated capital allowances £m	Provisions £m	Financial instruments £m	Joint ventures and associates £m	Programme rights £m	Other £m	Net deferred tax asset/ (liability) £m
At 1 April 2021		5	11	(2)	(21)	(7)	(1)	(15)
Credit/(charge) to income statement	9a	2	7	(1)	-	-	(4)	4
Charge to reserves		-	-	3	-	-	-	3
Exchange movements		1	-	-	-	-	1	2
At 31 March 2022		8	18	-	(21)	(7)	(4)	(6)

	2022 £m	2021 £m
Presented within:		
Non-current assets	22	14
Non-current liabilities	(28)	(29)
Total deferred tax	(6)	(15)

Deferred tax assets in respect of tax losses carried forward are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised deferred tax assets arising on capital losses totalling £137 million (2021: £137 million). These assets have not been recognised on the basis that there is insufficient certainty that capital gains will arise against which the Group can utilise these losses.

The BBC also has an unrecognised deferred tax asset on non-trade loan relationship amounting to £14 million (2021: £14 million). These assets have not been recognised on the basis that there is insufficient certainty that future gains or losses will arise against which the Group can utilise these losses.

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

9e Current tax asset

The current tax assets totalling £78 million (2021: £46 million) includes £59 million (2021: £30 million) due in respect of film tax credits outstanding on high-end drama, comedy, natural history and factual productions.

9f Current tax liabilities

The current tax liabilities totalling £13 million (2021: £11 million) are due in both UK and overseas jurisdictions.

Notes to the financial statements continued

10 Equity Dividends

	2022	2021
	£m	£m
Dividends payable on ordinary equity shares		
Dividends were proposed and paid as follows:		
March 2022 of 288,000p per share	144	-
March 2021 of 146,000p per share	-	73
Total dividends	144	73

11 Acquisitions**House Production Limited**

BBC Studios Distribution Limited previously held a 25% share in House Productions Limited and on 13th 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 on acquisition at a fair value of £8 million compared to a carrying amount of £2 million. As at 31 March 2022, House Productions Limited is fully consolidated, recognising goodwill of £13 million and removing the amount held as an associate investment of £2 million.

Notes to the financial statements continued

12 Goodwill

	2022 £m	2021 £m
Cost		
At 1 April	60	55
Additions	13	5
At 31 March	73	60
Amortisation and impairment		
At 1 April and 31 March	26	26
Net book value	47	34

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

	2022 £m	2021 £m
Independent production companies	38	25
Australian channels business	9	9
At 31 March	47	34

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

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

Independent production companies

The goodwill balance arose as a result of the acquisition of House Productions Limited in the current financial year, Clerkenwell Films Limited in the prior financial year, and Sid Gentle Films Limited and Lookout Point Limited in 2018.

The cash flow projections used in determining value in use for both CGUs are based on the current business plans approved by management, which cover a five year period after which cash flows have been extrapolated using an expected long term growth rate of 1.0% (2021: 1.0%).

A discount rate of 7.2% (2021: 8.3%) has been applied to the cash flows.

Notes to the financial statements continued

12 Goodwill continued*Australian channels business*

The goodwill in this CGU arose as a result of the acquisition of UK.TV on 1 July 2008. Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of five years (2021: five years) and a discount rate of 7.4% (2021: 8.4%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of -3.0% (2021: 1.0%).

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

The increase in goodwill is due to the Australian dollar strengthening against the British pound.

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

13 Distribution rights

	2022 £m	2021 £m
Cost		
At 1 April	1,536	1,402
Additions	177	136
Disposals	(33)	(2)
At 31 March	1,680	1,536
Amortisation and impairment		
At 1 April	1,454	1,276
Charge for the year	136	180
Disposals	(26)	(2)
At 31 March	1,564	1,454
Net book value at 31 March	116	82

Notes to the financial statements continued

14 Other intangible assets

	Customer Relationships £m	Software £m	Other Intangibles £m	Total £m
Cost				
At 1 April 2020	66	87	152	305
Additions*	2	12	11	25
Prior period reclass	-	-	16	16
At 31 March 2021	68	99	179	346
Additions	-	13	17	30
Disposals	(2)	-	(1)	(3)
At 31 March 2022	66	112	195	373
Amortisation and impairment				
At 1 April 2020	16	44	8	68
Charge for the year	12	13	12	37
Prior period reclass	-	-	16	16
Exchange differences	-	1	1	2
At 31 March 2021	28	58	37	123
Charge for the year	12	18	11	41
Disposals	-	-	(1)	(1)
At 31 March 2022	40	76	47	163
Net book value				
At 31 March 2022	26	36	148	210
At 31 March 2021	40	41	142	223

* Additions to other intangibles relate to licences and trademarks.

Notes to the financial statements continued

15 Property, plant and equipment

15a Owned assets

	Land and buildings*	Plant and machinery	Furniture and fittings	Assets under construction	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2020	20	60	21	1	102
Additions	-	1	2	5	8
Transfers	-	6	-	(6)	-
Disposals	(2)	(14)	-	-	(16)
At 31 March 2021	18	53	23	-	94
Additions	2	1	1	6	10
Transfers	-	1	-	(1)	-
Disposals	(1)	-	-	-	(1)
Exchange movements	-	1	(1)	-	-
At 31 March 2022	19	56	23	5	103
Depreciation and impairment					
At 1 April 2020	7	39	12	-	58
Charge for the year	3	5	1	-	9
Disposals	(2)	(8)	-	-	(10)
At 31 March 2021	8	36	13	-	57
Charge for the year	1	4	2	-	7
Exchange movements	-	1	-	-	1
At 31 March 2022	9	41	15	-	65
Net book value					
At 31 March 2022	10	15	8	5	38
At 31 March 2021	10	17	10	-	37

* Land and buildings are not separable and therefore reported collectively.

Notes to the financial statements continued

15 Property, plant and equipment continued

15b Right-of-use assets

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 April 2020	92	3	95
Additions	11	1	12
Change in contract	4	-	4
Disposals	(3)	-	(3)
At 1 April 2021	104	4	108
Additions	29	-	29
Disposals	-	(1)	(1)
At 31 March 2022	133	3	136
Depreciation and impairment			
At 31 March 2020	9	1	10
Charge for the year	10	1	11
Disposals	(3)	-	(3)
At 31 March 2021	16	2	18
Charge for the year	14	1	15
Disposals	-	(1)	(1)
At 31 March 2022	30	2	32
Net book value			
At 31 March 2022	103	1	104
At 31 March 2021	88	2	90

Notes to the financial statements continued

16 Group share of associates' and joint ventures' assets and profit

	2022 £m	2021 £m
Interest in associates	152	149
Interest in joint ventures	45	25
Total interest in associates and joint ventures	197	174
Share of profit of associates	16	13
Share of profit of joint ventures	9	12
Total share of results of associates and joint ventures	25	25

Details of significant associates and joint ventures along with principal subsidiary undertakings, including their activities, are provided in note 34.

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

	Associates 2022 £m	Joint Ventures 2022 £m	Total 2022 £m	Associates 2021 £m	Joint Ventures 2021 £m	Total 2021 £m
At 1 April	149	25	174	217	13	230
Additions	-	4	4	-	3	3
Disposals	(3)	-	(3)	(8)	(1)	(9)
Share of results	16	9	25	13	12	25
Share of losses reclassified to provisions	-	6	6	-	-	-
Adjustment to provision for unrealised profits	-	(1)	(1)	2	-	2
Dividends receivable	(15)	-	(15)	(11)	-	(11)
Foreign exchange translation gains	7	2	9	(19)	(2)	(21)
Impairment	(2)	-	(2)	(45)	-	(45)
At 31 March	152	45	197	149	25	174

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

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

Notes to the financial statements continued

16 Group share of associates' and joint ventures' assets and profit continued

Changes in interests in associates and joint ventures continued

New Video Channel America, LLC ("NVCA")

The investment in this channel arose from the Group retaining 50.1% ownership in the business partially sold to AMC Networks on 23 October 2014. The Group accounts for its retained interest as an associate as AMC Networks retains operational control (see below for further detail). The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected long term growth rate of -5.0% (2021: -5.1%).

A discount rate of 7.5% (2021: 8.5%) has been applied to the cash flows.

Investments in associates

As a result of the changes in this market, management made the decision to impair the value of the Group's share in the channel by £2 million (2021: £44 million) as a result of the annual impairment review. The remaining investment balance of £136 million reflects confidence in the channel's future profitability.

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

NVCA

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

Notes to the financial statements continued

16 Group share of associates' and joint ventures' assets and profit continued

Investments in associates continued

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

	NVCA 2022 £m	NVCA 2021 £m
Non-current assets	164	131
Current assets	106	112
Current liabilities	(21)	(10)
Non-current liabilities	(4)	(1)
Net assets of NVCA	245	232
Group's share of net assets of NVCA	123	116
Provision for unrealised profit	(3)	(3)
Goodwill	18	19
Group's interest in NVCA	138	132
Income	129	138
Profit after tax	32	27
Share attributable to other parties	(16)	(14)
Group's share of results of NVCA	16	13

Investments in joint ventures

There were no material joint ventures in the current year.

17 Programme related assets and other inventories

	2022 £m	2021 £m
Work in progress	329	204
Rights to broadcast acquired programmes and films	109	98
Finished goods and goods for resale	3	4
Total programme related assets and other inventories	441	306

Notes to the financial statements continued

18 Trade and other receivables**18a Trade and other receivables due after more than one year**

	2022	2021
	£m	£m
Trade receivables	20	35
Total trade and other receivables due after more than one year	20	35

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

18b Trade and other receivables due within one year

	2022	2021
	£m	£m
Trade receivables	157	167
Accrued income	251	210
Prepayments	27	36
Amounts owed by parent undertaking	33	20
Amounts owed by associates and joint ventures	15	6
Other receivables	24	18
Total trade and other receivables due within one year	507	457

19 Expected credit losses

Included in the Group's contract assets (see note 2c) and trade and other receivables at 31 March 2022 are balances of £29 million (2021: £39 million) 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	21	4
3 to 6 months	3	1
Over 6 months	5	34
Total balance past due	29	39

Notes to the financial statements continued

19 Expected credit losses continued

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

Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the income statement. The impairment provision stands at £4 million at 31 March 2022 (2021: £5 million).

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

	2022	2021
	£m	£m
Balance at the beginning of the year	5	7
Charge for the year	1	1
Amounts recovered during the year	(2)	(1)
Amounts written off as uncollectible	-	(2)
Balance at the end of the year	4	5

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

20 Trade and other payables**20a Trade and other payables due within one year**

	2022	2021
	£m	£m
Rights creditors	161	104
Accruals	107	98
Trade payables	57	60
Salaries and wages creditors	39	26
Amounts owed to parent company	40	40
Amounts owed to associates and joint ventures	5	6
Other payables	40	71
Total trade and other payables due within one year	449	405

20b Trade and other payables due after more than one year

	2022	2021
	£m	£m
Rights creditors	3	33
Other payables	22	15
Total trade and other payables due after more than one year	25	48

Notes to the financial statements continued

21 Net debt

Net debt comprises the following:

	Note	2022 £m	2021 £m
Cash and cash equivalents	22	144	206
Borrowings		(182)	(171)
Lease obligations		(109)	(92)
Derivatives associated with borrowings		3	-
Total net debt		(144)	(57)

22 Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank available on demand and cash in hand	31	37
Short-term deposits	113	169
Total cash and cash equivalents	144	206

Short-term deposits reflect call deposits with maturities of less than three months and are entered into depending on the immediate cash requirements of the Group. They earn interest at the respective short-term deposit rates.

23 Borrowings

	2022 £m	2021 £m
Bank loans due within one year	12	1
Bank loans due after more than one year	170	170
	182	171

See note 31 for further details on borrowing facilities in place.

24 Lease obligations

	2022 £m	2021 £m
Lease obligations due within one year	17	12
Lease obligations due after more than one year	92	80
Total borrowings due after more than one year	109	92

The aging of obligations under leases is as follows:

	2022 £m	2021 £m
Within one year	17	12
Between one and five years	45	36
Over five years	47	44
Total obligations under leases	109	92

Notes to the financial statements continued

25 Provisions and contingent liabilities

	At 1 April 2021 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2022 £m
Restructuring	2	4	(3)	-	3
Property	2	1	-	-	3
Legal	10	25	-	-	35
Other	13	6	(6)	-	13
Total	27	36	(9)	-	54
Included in current liabilities	24				51
Included in non-current liabilities	3				3
Total	27				54

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

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

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

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

26 Share capital

	2022 £'000	2021 £'000
Issued, allotted, called up and fully paid		
At 1 April and 31 March	50	50

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

Notes to the financial statements continued

27 Equity shareholder's funds and reserves

Retained earnings

The retained earnings reserve reflects accumulated profits to date.

Hedging reserve

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, losses of £6 million were removed from the hedging reserve and recognised in revenue in the income statement (2021: losses of £4 million).

Translation reserve

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

Other reserve

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

28 Reconciliation of Group profit before tax to cash generated from operations

	Note	2022 £m	2021 £m
Group profit before tax		100	(1)
Depreciation, amortisation and impairment	3a	201	284
Gain on derivatives associated with loans		(3)	(1)
Loss/(gain) on other derivatives		4	(6)
Loss on disposal of fixed asset		10	6
Share of profits in associates and joint ventures	16	(25)	(25)
Gain on sale and termination of operations	4	(1)	-
(Gain)/loss on disposal/deemed disposal of associate	4	(7)	1
Other gains and losses	5	10	6
Financing income (excluding fair value swaps)	8a	(6)	(3)
Financing costs (excluding fair value swaps)	8b	6	12
Increase in inventories		(104)	(36)
(Increase)/decrease in debtors		(13)	107
Increase/(decrease) in creditors		183	(31)
Increase in provisions		21	9
Cash generated from operations		376	322

Notes to the financial statements continued

29 Off balance sheet items**29a Contracts placed for future expenditure**

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

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

	Amounts due in less than one year £m	Amounts due between two and five years £m	Total £m
2022			
Programme rights for distribution	140	39	179
Other commitments	13	8	21
2021			
Programme rights for distribution	126	46	172
Other commitments	41	26	67

Included in other commitments is £1 million (2021: £1 million) to associates. No amounts were due to joint ventures in either the current or prior year.

29b Post balance sheet events

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

Notes to the financial statements continued

30 Financial Instruments

This section details the financial instruments held by the Group. A financial instrument is a contract that results in one entity recording a financial asset (a contractual right to receive financial assets, e.g. cash) in their accounts and another entity recording a financial liability.

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

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

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

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

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

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

Notes to the financial statements continued

30 Financial Instruments continued

Currency risk

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

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

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

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

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

At 31 March 2022, the Group had entered into a net commitment to buy foreign currencies amounting to £564 million (2021: £38 million) that mature in the period through to 2025 in order to fix the sterling cost of commitments through this period (mainly euros and US dollars).

Based on the net forward contracts outstanding at 31 March 2022, if the pound had moved adversely by 5% with all other variables being constant, the profit or loss impact would have been a loss of £2 million (2021: negligible) and the comprehensive income impact would have been a loss of £22 million (2021: loss of £11 million).

Notes to the financial statements continued

30 Financial Instruments continued

Currency risk continued

Net losses (before tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in hedge relationships at 31 March 2022 were £14 million (2021: £14 million net gains). These amounts are recognised in the income statement in the period when the hedged forecast transaction impacts the income statement.

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

Interest rate risk

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

Sterling fixed rate borrowings are achieved by entering into interest rate swap transactions; all outstanding swaps mature by the end of June 2024. In total, £170 million (2021: £170 million) of swaps were entered into. The coverage matches (2021: matches) the current level of bank loans of £170 million (2021: £170 million).

Other price risk

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is subject to limits on its borrowings set by the Secretary of State in accordance with the Agreement between the BBC and Department of Culture Media and Sport. At 31 March 2022 the operating net debt limit in place was £350 million (2021: £350 million) and an additional £200 million (2021: £200 million) for leases.

The Group are finalising governance arrangements for the borrowing limit to increase to £750 million over time as set out by HM Government in the Autumn Budget and Spending Review of October 2021.

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

The Group bank loans are subject to debt covenants based on the Group's earnings before interest and taxation. The covenants are in respect of net borrowings and net interest coverage. The Group is active in the monitoring of its debt covenants which have been met at 31 March 2022.

Notes to the financial statements continued

30 Financial Instruments continued

Liquidity risk continued

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

	Carrying value £m	Contractual cash flows			
		Total £m	Less than one year £m	Between one and five years £m	Over five years £m
2022					
Non-derivative financial liabilities					
Trade and other payables	(323)	(326)	(279)	(47)	-
Bank loans and overdrafts	(182)	(193)	(15)	(178)	-
Lease obligations	(109)	(117)	(16)	(45)	(56)
Derivative financial liabilities					
Forward foreign currency contracts - fair value through profit/loss	(1)	(1)	(1)	-	-
Forward foreign currency contracts - fair value through other comprehensive income	(9)	(9)	(9)	-	-
2021					
Non-derivative financial liabilities					
Trade and other payables	(328)	(333)	(263)	(66)	(4)
Bank loans and overdrafts	(171)	(175)	(2)	(173)	-
Lease obligations	(92)	(109)	(14)	(39)	(56)

Notes to the financial statements continued

30 Financial Instruments continued

Credit risk

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

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

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

Capital management

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

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

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

Notes to the financial statements continued

30 Financial Instruments continued

Fair value of financial instruments

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

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

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

No transfers between these categories have occurred during the period.

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

Notes to the financial statements continued

30 Financial Instruments continued

Fair value of financial instruments continued

	Carrying value			Total £m	Fair value hierarchy for those carried at fair value or at amortised cost where fair value differs			
	Amortised cost £m	Fair value through profit/ loss £m	Fair value through other comprehensive income £m		Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2021								
Cash and cash equivalents	206	-	-	206				
Trade and other receivables	244	-	-	244				
Derivative financial assets:								
Forward foreign currency contracts	-	3	6	9	9	-	-	9
Other investments	4	-	-	4	-	-	4	4
Total financial assets	454	3	6	463	9	-	4	13
Bank loans and overdrafts	(171)	-	-	(171)				
Lease obligations	(92)	-	-	(92)	-	-	(92)	(92)
Trade and other payables	(315)	(13)	-	(328)	-	-	(13)	(13)
Total financial liabilities	(578)	(13)	-	(591)	-	-	(105)	(105)

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

Level 3 financial instruments

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

	2022		2021	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	£m	£m	£m	£m
At 1 April	4	(105)	2	(104)
Payments and settlements	-	21	-	23
Unwinding of discount recorded within finance expense	-	(2)	-	(3)
Additions	-	(31)	2	-
Change in fair value recorded in other gains and losses	-	(10)	-	(4)
Change in fair value	-	(1)	-	(17)
At 31 March	4	(128)	4	(105)

Notes to the financial statements continued

31 Borrowing facilities

Facility	Interest rate	Total available 31 March 2022 £m	Drawn down at 31 March 2022 £m	Total available 31 March 2021 £m	Drawn down at 31 March 2021 £m	Expiry or review date
BBC Commercial Limited						
Revolving credit facility agreement	SONIA* plus 0.45% rising to SONIA* plus 0.6% on utilisations over 1/3 and SONIA* plus 0.75% on utilisations over 2/3.	210	-	210	-	March 2026
Overdraft or money market lines*	Bank base rate plus 1.5%	2	-	2	-	Reviewed annually
Uncommitted money market lines	Interest rate is determined when traded with the bank	20	-	-	-	Reviewed annually
Fixed term loan	SONIA + 1.25%	170	170	170	170	June 2024**
BBC Studios Distribution Limited						
Overdraft	Bank base rate plus 1% if drawn down in sterling. Bank currency overdraft rate plus a 1% margin if drawn down in other currencies.	3	-	2	-	Reviewed annually
Bank loan	3 month GBP SONIA + 1.5%	4	4	-	-	September 2022
Bank loan	3 month GBP SONIA + 1.5%	4	4	-	-	July 2023
Bank loan	3 month GBP SONIA + 1.5%	3	3	-	-	September 2022
Bank loan	3 month GBP SONIA + 1.5%	1	1	1	1	September 2022

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

** The BBC has a one-year extension options which, if exercised, would take the maturity through to June 2025. A series of interest rate swaps have been entered to fix the interest rate on this facility to 1.49%.

There have been no defaults or breaches of covenants on the facilities above during the year (2021: none).

32 Parent undertaking and controlling party

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

Notes to the financial statements continued

33 Related party transactions

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

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note. Amounts owed by and to the BBC Public Service and fellow subsidiary undertakings within the BBC Group are reported in notes 18 and 20 respectively. In addition to the above, BBC Commercial Group also received £107,000 of income from BBC Children in Need (2021: less than £100,000).

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

	Parent company	
	2022	2021
	£m	£m
Investment in BBC programme rights	(20)	(15)
Dividends proposed	(144)	(73)
Other income	383	246
Other expense	(91)	(78)
	128	80

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

	BBC Studios Group	BBC Global News Group	BBC Studioworks	Holding companies & other commercial entities	Total
	£m	£m	£m	£m	£m
2022					
Revenue settled in year	312	-	1	37	350
Revenue not yet settled (before any write offs)	32	-	-	1	33
Total reportable revenue received from BBC	344	-	1	38	383
	BBC Studios Group	BBC Global News Group	BBC Studioworks	Holding companies & other commercial entities	Total
	£m	£m	£m	£m	£m
2021					
Revenue settled in year	217	-	2	20	239
Revenue not yet settled (before any write offs)	10	-	-	-	10
Total revenue received from BBC Public Service	227	-	2	20	249
Removal of contributions to cost and other Income	(1)	-	-	(2)	(3)
Total reportable revenue received from BBC	226	-	2	18	246

Notes to the financial statements continued

33 Related party transactions continued

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

	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Total £m
2022					
In year spend paid	(78)	-	(1)	(2)	(81)
In year spend not yet paid	(33)	-	-	-	(33)
Total spend with BBC Public Service	(111)	-	(1)	(2)	(114)
Removal of contributions to cost and other Income					
Statement timing differences	3	-	-	-	3
Total reportable revenue received by BBC Public Service	(108)	-	(1)	(2)	(111)

	BBC Studios Group £m	BBC Global News Group £m	BBC Studioworks £m	Holding companies & other commercial entities £m	Total £m
2021					
In year spend paid	(42)	(17)	(1)	(1)	(61)
In year spend not yet paid	(18)	(16)	-	(1)	(35)
Total spend with BBC Public Service	(60)	(33)	(1)	(2)	(96)
Removal of contributions to cost and other Income					
Statement timing differences	3	-	-	-	3
Total reportable revenue received by BBC Public Service	(57)	(33)	(1)	(2)	(93)

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

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

	Income 2022 £m	Expenditure 2022 £m	Dividends received 2022 £m	Income 2021 £m	Expenditure 2021 £m	Dividends received 2021 £m
Name of related party						
Associates:						
New Video Channel America LLC	27	(4)	15	18	(7)	11
Other associates	-	(6)	-	1	(17)	-
Joint ventures:						
Other joint ventures	14	8	-	10	7	-
	41	(2)	15	29	(17)	11

Notes to the financial statements continued

33 Related party transactions continued

The following amounts were outstanding at the balance sheet date:

Name of related party	Receivables 2022 £m	Payables 2022 £m	Net balance 2022 £m	Receivables 2021 £m	Payables 2021 £m	Net balance 2021 £m
Associates:						
New Video Channel America LLC	7	(3)	4	2	(4)	(2)
Other associates	-	(2)	(2)	2	(2)	-
Joint ventures:						
Other joint ventures	8	-	8	2	-	2
	15	(5)	10	6	(6)	-

34 Interests in associates, joint ventures and subsidiaries

34a Significant associates and their activities

The Group holds interests in the following significant associates:

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

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

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

34b Significant joint ventures and their activities

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

Notes to the financial statements continued

34 Interests in associates, joint ventures and subsidiaries continued**34c Subsidiary undertakings**

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

Demon Music Group Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of accounts under section 479A.

Directly owned subsidiaries	Registered Address	Holding of ordinary shares %
BBC Global News Holdings Limited		100
BBC Studios Limited	1 Television Centre, 101 Wood Lane, London W12 7FA	100
BBC Children's Productions Limited*		100
BBC Studioworks Limited	Neptune House, BBC Elstree Centre, Clarendon Road, Borehamwood, Hertfordshire WD6 1JF	100

* BBC Children's Productions Limited moved into BBC Studios Limited on 1 April 2022.

Indirectly owned subsidiaries	Registered Address	Holding of ordinary shares %
BBC Studios Productions Limited		100
BBC Studios Distribution Limited		100
BBC Grafton House Productions Limited		100
BBC Comedy Productions Limited		100
Nice and Accurate Productions Limited		100
BBC Natural History and Factual Productions Limited		100
BBC Natural History Giant Screen Limited		100
BBC Studios Productions (Clifton) Limited		100
Mortimer Productions Limited		100
2 entertain Limited		100
2 entertain Management Limited		100
2 entertain Video Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA	100
BBC Video Limited		100
MCI Music Publishing Limited		100
Demon Music Group Limited		100
Crimson Productions Limited		100
F-Beat Records Limited		100
Demon Records Limited		100
Devil's Peak Distribution Limited		92
Clerkenwell Films Limited		100
BBC Earth Productions (Africa) Limited		100
BBC Earth MD (WWD) Limited		100
BBC Earth Productions (Life) Limited		100
BBC Earth Productions Limited		100
BBC Earth Productions (Giant Films) Limited		100
Earth Film Productions Limited		100

Notes to the financial statements continued

34 Interests in associates, joint ventures and subsidiaries continued

34c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holding of ordinary shares %
BBC Magazine Holdings Limited		100
BBC Studios Corporate Services Limited		100
BBC Studios Investments Limited		100
BBC Studios Drama Productions Limited		100
Tonto Films and Television Limited		100
BBC Studios Channel Investments Limited		100
UK Programme Distribution Limited		100
BEEB Rights Limited		88
Baby Cow Productions Limited		75
Baby Cow Manchester Limited		75
Baby Cow Productions (Chivalry) Limited		75
Baby Cow Productions (Hunderby) Limited		75
Baby Cow Productions (Partridge) Limited		75
Baby Cow Productions (Red Dwarf) Limited		75
Baby Cow Films Limited		75
Alan Partridge Limited		75
Baby Cow Animation (Warren) Limited		75
Baby Cow Animation (Wussywat) Limited		75
Baby Cow Productions (Witchfinder) Limited		75
Baby Cow Animation Limited		75
Lost Child Limited		75
Moone Boy (UK) Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom,	38
The Last Holiday Limited	W12 7FA	75
BBC.com Limited		100
BBC World Distribution Limited		100
House Productions Limited		100
House Element Wonder Limited		50
House Conclave Limited		100
House LAL Limited		100
House Pictures Limited		100
House Ref Limited		100
House Sherwood Limited		100
House Six Four Limited		100
House Trig Limited		100
Lookout Point (DP) Commissioning Limited		100
Majorca Productions Limited		100
Quite Persuasive Films Limited		100
Quite Funny Films		100
Quite Scary Films Ltd		100
Recall TV Limited		100
TFW Productions Ltd		100
Two+Two=5 Limited		100
White Hart Land Productions Limited		92
Philomena Lee Limited		75
Craft Channel Host Limited		100
UKTV Media Holdings Limited	10 Hammersmith Grove, London, W6 7AP	100
UKTV Media Limited		100

Notes to the financial statements continued

34 Interests in associates, joint ventures and subsidiaries continued

34c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holding of ordinary shares %
Sid Gentle Films Limited		51
Sid Gentle Films (Corfu) Limited		51
Sid Gentle Films (Gaiman) Limited		51
Sid Gentle Films (KE2) Limited		51
Sid Gentle Films (Killing Eve) Limited		51
Sid Gentle Films (Ragdoll) Limited		51
Sid Gentle Films (KE3) Limited	Ground Floor Charles House, 5-11 Regent Street, London, SW1Y 4LR, United Kingdom	51
Sid Gentle Films (KE4) Limited		51
Sid Gentle Films (SS-GB) Limited		51
Sid Gentle Films (TD4) Limited		51
Sid Gentle Films (The Durrells) Limited		51
Sid Gentle Films (Costello Jones) Limited		51
Sid Gentle Films (Extradoridnary) Limited		51
Sid Wild Films Limited		51
Lookout Point Limited		92
A Suitable Company Limited		92
AMP 1 Limited		92
Evergreen Television Limited		92
Lookout Point (Les Miserables) Limited		92
Lookout Point (Shibden) Limited		92
Lookout Point (LT5) Limited	Hammer House, 113 - 117 Wardour Street, London, United Kingdom, W1F 0UN	92
Lookout Point Acquisition Limited		92
Lookout Point (DP) Production Limited		92
Lookout Point (FUMP) Limited		92
Lookout Point Management Limited		92
Lookout Point (T&T) Limited		92
Off Stone Productions Limited		92
Lookout Point (The Collection) Limited		92
BBC Studios Canada Limited	145 King Street West, Suite 740, Toronto ON M5H 1JH, Canada	100
BBC Studios Singapore PTE. Limited	12-08/08 Shaw Tower, 100 Beach Road, Singapore 189702, Singapore	100
BBC Studios Japan Limited	Tokyo Club Bldg., 10F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013, Japan	100
BBC Studios Productions Nordics ApS	Mosedalvej 14, 2500 Valby, Denmark	100
BBC.com US, Inc	c/o Corporation Trust Centre, 1209 Orange Street, Wilmington 19801, United States, New Castle, Delaware 19801	100
Nine Productions1 Inc	650-699 Howe Street Vancouver, British Columbia, V6 0B4, Canada	100

Notes to the financial statements continued

34 Interests in associates, joint ventures and subsidiaries continued

34c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holding of ordinary shares %
BBC Studios France	18-20 Quai du Point du Jour, Bat. A, 92100 Boulogne- Billancourt, France	100
BBC Studios Channel Investments (Ontario) Limited	Toronto Dominion Bank Tower, Toronto Dominion Center, Toronto, ON M5K 1E6, Canada	100
2004370 Inc	66 Wellington Street West 470, Toronto Dominion Bank Tower, Toronto M5K 1E6, Canada	100
BBC Studios Americas Inc	1120 Avenue of the Americas, 5th Floor, New York, NY 10036-	100
BBC Studios Americas (401) k Plan Trustees	6700, United States	100
Adjacent Productions, LLC		100
Bad Wolf Productions LLC		100
BBC Studios Reality Productions LLC		100
Global Hybrid Productions LLC	10351 Santa Monica Boulevard, Los Angeles, CA 90025,	100
Lime Grove Productions LLC	United States	100
Sun Never Sets Productions LLC		100
WNT Productions LLC		100
Studios Competition Productions LLC		100
BBC Studios Americas Investments Inc	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington 19801, United States	100
BBC Studios Australia Holdings Pty Limited		100
BBC Studios Australia Pty Limited	Level 1, 35-51 Mitchell Street, McMahons Point NSW 2060,	100
BBC Studios Australia BB Pty Limited	Australia	100
BBC Studios Productions Australia Pty Limited		100
BBC Studios Germany GmbH	Kaiser-Wilhelm-Ring 17-21, 50672 Köln, Germany	100
Erste Weltweit Medien GmbH		100
BBC Worldwide Holdings B.V	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands	100
Worldwide Channels Europe B.V.	Worldwide Channels Europe B.V., Weesperplein 4b, 1018 XA Amsterdam, Netherlands	100
BBC Studios India Private Limited	Construction House A Wing, 401 - 4th Floor, Off Linking Road,	100
BBC Studios Africa (Pty) Limited	Office 003H3 Ground Floor, 10 Melrose Boulevard, Melrose	100
BBC Studios Intermediadora de Programadora Estageira Limited	Rua Ferreira de Araujo, 741, Andar 1, Pinheiros, São Paulo SP 05.428-002 Brazil	100
BBC Worldwide Polska Sp.	Pl. Bankowy 1, 00-139 Warszawa, Poland	100
BBC Worldwide Mexico S.A de C.V	Calle Andres Bello 10 Piso 10, Chapultepec Polanco, Delg.	100
BBC Worldwide Channels Mexico S.A de C.V	Miguel Hidalgo, Ciudad de Mexico CP 11560, Mexico	100
Worldwide Knowledge (Beijing) Business Consulting Company Ltd	Unit 7, Floor 9, West Tower, Genesis Building, 8 Xinyuan South Road, Chaoyang District, Beijing 100027	100
BBC Studios Productions (Africa) (Pty) Limited	24 18th Street, Menlo Park 0081, Maxars House, 5 ST Davids Place, Parktown 2193, SA	100
Rapid Blue Africa Limited	7 Sowemimo Street, GRA Ikeja, Lagos, Nigeria	70

Notes to the financial statements continued

Not Interests in associates, joint ventures and subsidiaries continued

34c Subsidiary undertakings continued

Indirectly owned subsidiaries (continued)	Registered Address	Holding of ordinary shares %
Rapid Blue Pty Limited	263 Oak Avenue, Ferndale, Randburg, 2194, South Africa	100
BBC Global News Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA	100
BBC Global News (Japan) Limited (incorporated in Japan)	Tokyo Club Bldg., 3-2-6, Kasumigaseki, Chiyoda-ku, Tokyo, 100-0013, Japan	100
BBC Global News (Singapore) Private Limited (incorporated in Singapore)	#12-08/08 Shaw Tower, 100 Beach Road Singapore 189702, Singapore	100
BBC Global News (India) Private Limited (Incorporated in India)	Unit No. 301, 3rd Floor, D-2, Southern Park, District Centre, Saket, New Delhi, 110017	100
BBC Global News US LLC (incorporated in America)	Corporation Service Company, 80 State Street, Albany, New York, 12207-2543	100
Canadian AP Ventures Company ULC	800-1959 Upper Water Street, Halifax NS B3J 2N2, Canada	50
Consulting Company Limited	Unit 7, Floor 9, West Tower, Genesis Building, 8 Xinyuan South Road, Chaoyang District, 100027, China	100

Company Financial Statements

Balance sheet

as at 31 March 2022

	Note	Company 2022 £m	Company 2021 £m
Fixed assets			
Investment in subsidiaries	A	301	306
Derivative financial instruments		3	-
		304	306
Current assets			
Receivables			
- due within one year	B	251	203
Cash and cash equivalents		113	169
		364	372
Creditors: amounts falling due within one year			
Trade and other payables	C1	(118)	(126)
Current tax liabilities	C1	(5)	(5)
		(123)	(131)
Net current assets		241	241
Total assets less current liabilities		545	547
Creditors: amounts falling due after more than one year			
Borrowings	C2	(170)	(170)
Deferred tax liabilities	C2	(1)	-
		(171)	(170)
Net assets		374	377
Represented by			
Share capital	D	-	-
Retained earnings	D	374	377
Total equity shareholder's funds		374	377

The financial statements of BBC Commercial Limited (formerly BBC Commercial Holdings Limited), registered number 04463534, were approved by the directors and authorised for issue on 22 June 2022 and signed on their behalf by:

DocuSigned by:

Leigh Tavaziva

10AA5992AD6B426...
Leigh Tavaziva

Director

Company Financial Statements continued

Statement of Company accounting policies

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

Basis of accounting

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

Basis of preparation

The Company's financial statements have been prepared on the going concern basis. The Board remains satisfied with the Company's funding and liquidity position. At the balance sheet date, the Company's primary source of funding is a £170 million facility with UK banks. The Group also have access to a £210 million facility with a group of international banks until March 2026. As at the year-end the Company had drawn down £170 million of the facilities available (2021: £170 million). The financial covenants associated with the facilities are unchanged. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility for a period of no less than 12 months from the date of signing these accounts. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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

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

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

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account reflecting the results of BBC Commercial Limited has not been presented. The Company's profit after taxation for the financial year was £141 million (2021: £4 million profit). The Company did not have any other comprehensive income and consequently no statement of other comprehensive income has been presented.

Company Financial Statements continued

Statement of Company accounting policies continued

Investment in subsidiaries

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

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

Taxation

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

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

Cash and cash equivalents

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

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

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

Finance costs

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

Company Financial Statements continued

Statement of Company accounting policies continued

Financial instruments

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

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

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

Interest bearing borrowings

Interest bearing loans and overdrafts are recognised initially at fair value, less transaction costs. Such borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Trade and other receivables

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

Dividends on shares presented within shareholder's funds

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

Foreign currencies

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

Company Financial Statements continued

Statement of Company accounting policies continued

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired required estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present value. The carrying amount of investments in subsidiaries at the balance sheet date was £301 million (2021: £306 million). The reduction in year reflecting the transfer of BBC Global News Limited to BBC Studios Distribution Limited.

Company Financial Statements continued

Notes to the Company financial statements

A Investment in subsidiary undertakings

	Company 2022 £m	Company 2021 £m
Cost		
At 1 April	344	344
Disposal	(41)	-
At 31 March	303	344
Impairment		
At 1 April	(38)	(38)
Disposal	36	-
At 31 March	(2)	(38)
Net book value	301	306

The Company transferred its investment in BBC Global News Limited to BBC Studios Group Limited during the year.

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

Name of entity	Place of incorporation and principle place of business	Nature of business
BBC Global News Holdings Limited	England and Wales	Dormant
BBC Studios Group Limited	England and Wales	Holding Company
BBC Studioworks Limited	England and Wales	Programme making
BBC Children's Productions Limited	England and Wales	Programme making

B Receivables

	Company 2022 £m	Company 2021 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	251	203
Total receivables due within one year	251	203

Company Financial Statements continued

Notes to the Company financial statements continued

C Payables

C1 Amounts falling due within one year

	Company 2022 £m	Company 2021 £m
Amounts owed to fellow subsidiaries	118	126
Corporation tax	5	5
Total amounts falling due within one year	123	131

C2 Amounts falling due after more than one year

	Company 2022 £m	Company 2021 £m
Borrowings	170	170
Deferred tax liability	1	-
Total amounts falling due after more than one year	171	170

C3 Maturity of financial liabilities

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

	Bank loans and overdrafts £m	Total £m
2022		
Within two and five years	170	170
	170	170
2021		
Within two and five years	170	170
	170	170

Company Financial Statements continued

Notes to the Company financial statements continued

C Payables continued

C4 Borrowing facilities

Facility	Interest rate	Drawn		Drawn		Expiry or review date
		Total available 31 March 2022	down at 31 March 2022	Total available 31 March 2021	down at 31 March 2021	
		£m	£m	£m	£m	
Multicurrency, revolving credit facility agreement for loans	SONIA* plus 0.45% rising to SONIA* plus 0.6% on utilisations over 1/3 and SONIA* plus 0.75% on utilisations over 2/3.	210	-	210	-	March 2026
Overdraft or money market lines*	Bank base rate plus 1.5%	2	-	2	-	Reviewed annually
Fixed term loan	SONIA + 1.25%	170	170	170	170	June 2024**

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

** The Company has one-year extension options which, if exercised, would take the maturity through to June 2025. A series of interest rate swaps have been entered into to fix the interest rate on this facility to 1.49%.

There have been no defaults or breaches of covenants on the facilities above during the year (2021: none).

D Reconciliation of movements in equity shareholder's funds and reserves

The movement in reserves during the year was as follows:

Company	Share capital £'000	Retained earnings £m
At 1 April 2021	50	377
Profit for the financial year	-	141
Dividends declared in year	-	(144)
At 31 March 2022	50	374

E Auditor's remuneration

The audit fee of £94,000 was incurred by the Company (2021: £92,000).

F Post balance sheet events

BBC Childrens Production Limited transferred into the Studios Group on 1 April 2022. The Company was also renamed to BBC Commercial Limited (formerly BBC Commercial Holdings Limited) that same day.