BBC Commercial Limited

Registered number 04463534

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2024

Officers and advisors

Directors

Gunjan Bhow

Damon Buffini

Lorraine Burgess (resigned 26 June 2024)

Thomas Fussell

Mai Fyfield

Ian Griffiths (appointed 1 April 2023)

Claire Hungate (appointed 1 April 2023)

Gary Newman (appointed 1 April 2023)

Bhavneet Singh

Leigh Tavaziva

Company Secretary

Anthony Corriette

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Strategic report

The Directors present their annual report for BBC Commercial Limited (the 'Company'), together with the consolidated financial statements and auditor's report, for the year ended 31 March 2024 (the 'Group'). The Group financial statements have been prepared in accordance with UK adopted International Financial Reporting Standards ('IFRS'). The Company financial statements have been prepared in accordance with FRS 101: Reduced Disclosure Framework for all periods presented and these can be seen on pages 102 to 108.

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 cash, of which an element is paid to the BBC Group via a dividend. 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 creative industries on the world stage. The Commercial Board is tasked with setting strategy in line with overall BBC goals, agreeing business plans and ensuring compliance in regulatory and legal matters.

The Commercial Group comprises two principal businesses:

- Content Studio: creating programming for a wide range of global customers across the Scripted, Factual, Global Entertainment and Kids & Family genres; global franchises including *Dancing With The Stars*, *Doctor Who* and *Bluey*; and production bases around the world, as well as financing, distributing and licensing content and formats on a global basis.
- Global Media & Streaming: includes all channels, streaming, digital and direct-to-consumer services: UK broadcaster UKTV, international BBC-branded channels operated by BBC Studios, BritBox International, BBC.com and other streaming activities.

Business review

2023/24 was a year of significant investment in sustainable future growth for BBC Commercial, via its main commercial arm, BBC Studios, as the business moved to full ownership of BritBox International, a fast-growing, profitable digital streaming service which strengthens BBC Studios' routes to market around the world. It remained the most awarded UK producer, as well as the leading UK distributor.

BBC Studios, as the principal commercial arm, achieved sales of £1.8 billion (2023: £2.1 billion), against a backdrop of very challenging operating conditions, with softness in the commissioning and advertising sales markets, as well as the phasing of revenues from multi-year partnerships which boosted 2022/23 sales, underpinning the year on year changes to headline financial figures. As a diversified global business with a strong pipeline of content and relationships with global brands like Disney, strong sales for UKTV and consumer products – particularly *Bluey* – were a highlight.

EBITDA of £202 million (2023: £252 million) for BBC Studios was lower year on year, reflecting the exceptional multi-year deals in the prior year mentioned above, and the softer advertising sales market. As signalled in the outlook to last year's report, EBITDA was also lower after making strategic investments in the business to support long-term sustainable growth, principally in UKTV Play and BBC.com.

BBC Studios announced, a series of key strategic investments in digital services, most notably the move to full ownership of BritBox International, as well as expanding its international production footprint with new acquisitions both completed and announced in year. In response to the growing appetite for BBC content in Scandinavia, in June 2023 the business bought award-winning factual entertainment and scripted production company STV (subsequently rebranded as BBC Studios Nordic Productions). The acquisition of Brutal Media (Spanish TV and film production company) and Werner Film productions (Australian scripted specialists) were also announced just before the year end and fully completed after the year-end.

BBC.com was upgraded with the launch of a new international app, streamlining access to BBC news content outside the UK; investment was made in existing services in UKTV's free streaming service, UKTV Play, increasing monetisable views by almost 50% in 2023; and a new audio division was created after year end, opening up the commercial market for popular BBC radio formats.

A world-class content pipeline from the Content Studio included series two of *Time*, *Planet Earth III*, *The Famous Five*, *The 1% Club*, *Einstein and the Bomb*, *Eurovision* and the Coronation of His Majesty the King in the year.

Bluey's popularity soared globally as it became the second most streamed US show in 2023 in any genre according to Nielsen data, with the award-winning children's brand reaching audiences in 140 territories amid the launch of a game, immersive experiences, books and other merchandise, boosting sales for consumer products.

Doctor Who celebrated its 60th anniversary with three one-off specials and the introduction of a new Doctor in Ncuti Gatwa as the series debuted on Disney+.

Alongside the growth of its free streaming service UKTV Play, the linear UKTV network put in a strong performance, increasing its share of the commercial audience in a soft advertising market, while the number of international ad-funded (FAST) channels reached 36, including the BBC News Channel for the first time.

BBC Studios was included in the UK top 50 in Glassdoor's prestigious 'Best Places to Work' in 2024, and is the highest-ranking TV company in the list, demonstrating a focus on developing a strong, innovative culture which prioritises creativity as a key part of its strategy.

Review of financial performance

The Group monitors its business using a number of key performance indicators including revenue and EBITDA. For 2023/24 the Group recorded revenue of £1,859 million (2023: £2,115 million) and delivered an EBITDA of £199 million (2023: £252 million). The results and performance of the principal businesses of the Group have been summarised below:

	Revenue		**EBITDA**	
	2024	2023	**2024**	2023
	£m	£m	**£m**	£m
Content Studio	**1,354**	1,612	**114**	146
Global Media & Streaming	**549**	535	**85**	107
Group adjustments	**(66)**	(57)	**3**	(1)
Total BBC Studios	**1,837**	2,090	**202**	252
Total Commercial	**1,859**	2,115	**199**	252

Following a review during the year, the Group adjusted its definition of EBITDA to ensure consistency with industry best practice.

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.

	2024	2023
	£m	£m
EBITDA	**199**	252
Operating exceptional items	**(56)**	(8)
Share of EBITDA of associates and joint ventures	**(39)**	(17)
Production tax credits	**(80)**	(57)
Depreciation, amortisation and impairment	**(80)**	(64)
Statutory operating (loss)/profit	**(56)**	106

The Group defines EBITDA margin as non-statutory operating profit, with the following operating expenses added back: depreciation; non-content-related amortisation; impairments; earnout costs and non-cash settled long-term incentive plan costs; deal costs; transformational restructuring costs and other non-recurring exceptional items. In calculating EBITDA, the Group also offsets costs with production tax credits, which aligns to market practice.

Strategic report continued

There was a deemed gain on disposal of £202 million following the acquisition of the other 50% of BritBox International, this represents the change in accounting for the business as an subsidiary, rather than a joint venture, now it is wholly-owned.

Content Studio

The Content Studio creates a wide range of high-quality content which is loved by audiences all over the world, informing, educating and bringing people together. It encompasses programming made across the Scripted, Factual, Global Entertainment and Kids & Family genres, global franchises including *Dancing With The Stars*, *Doctor Who* and *Bluey*; and production bases around the world, for a wide range of global customers, as well as financing, distributing and licensing content and formats on a global basis.

Seven of the top 10 performing shows in the UK across 2023 were made by BBC Studios. These included *The Coronation of Their Majesties King Charles III and Queen Camilla*, watched by 20 million people, *The Coronation Concert* and *The Eurovision Song Contest*, for which the BBC was the host UK broadcaster.

The most awarded UK production company, the business won 123 awards and 401 nominations for creativity and craft. It was the top UK distributor in 2023's Broadcast survey, accounting for 42% of all UK TV exports globally, according to PACT, with landmark natural history programming dominating the top five programmes in terms of content sales in the financial year.

During the year, the business announced three strategic acquisitions outside the UK to build on its network of production bases. In response to the growing appetite for BBC content in Scandinavia, in June 2023 the business bought award-winning factual entertainment and scripted production company STV, to create a significant regional production base, with the company subsequently rebranding as BBC Studios Nordic Productions.

Just before year end, the acquisition of Spanish TV and film production company Brutal Media by BBC Studios' Global Entertainment production network was announced. The new label will continue to develop and market its slate of original ideas in Spain, as well as producing local adaptations of the unscripted and scripted formats in the BBC Studios catalogue.

Similarly, the acquisition of Australian scripted specialists Werner Film Productions – home of the award-winning *The Newsreader* and Netflix's top ten teen surfing drama *Surviving Summer* – was announced in March 2024; a significant investment in the thriving creative industries in the region.

The acquisition of Brutal Media and Werner Film Productions completed in April 2024.

Global Media & Streaming

Global Media & Streaming includes all channels, streaming, digital and direct-to-consumer services: UK broadcaster UKTV, international BBC-branded channels operated by BBC Studios, BritBox International, BBC.com and other streaming activities.

UKTV broke records while building its free streaming service UKTV Play, with views up by 56% and key user statistics up year on year across every month in 2023 with titles such as *Annika*, *Sister Boniface Mysteries*, *The Marlow Murder Club*, *Signora Volpe*, and *Bangers & Cash: Restoring Classics*, helping to drive growth. The network also increased its share of viewing for the seven-channel network to nearly 5% (4.92%, up 5% year on year), and its share of commercial impacts or SOCI grew to the highest ever level at 8.81%.

BBC Studios is actively investing in both existing and new digital and direct-to-consumer services, and in a strategically significant deal announced just before year end, the business took full ownership of BritBox International, buying ITV's 50% share for £272 million.

Having launched the service seven years ago, BritBox International is now the leading British specialist streaming service, delivering high-quality content to North America and select markets, with 3.8 million subscribers globally. Full ownership fits with BBC Studios' strategy of investing in sustainable growth, and the service is profitable with opportunity for future expansion.

BBC.com, BBC Studios' global digital news platform, reaches an average of 120 million users globally each month. After significant investment in the platform, BBC.com and the BBC app relaunched globally to offer more localised and personalised reporting, increased feature content and new partnership capabilities to build a stronger relationship with both readers and commercial partners. BBC Select, the BBC's premium ad-free documentary streaming service in North America grew its subscriber base by 40% across the year.

Internationally, the number of FAST channels run by the business increased to 36, with key launches including the BBC News Channel in the US at year end, which more than doubled its audience reach. The Top Gear FAST channel launched across Spain, the Nordics Germany, Austria, Switzerland, France, and Italy (with Pluto TV), the Middle East (with MBC) and The Netherlands, Luxembourg and Belgium (with Samsung).

Meanwhile, after selected BBC factual, entertainment and drama audio production moved to BBC Studios from April 2024, the business is creating a multi-genre audio operation which will continue to make high quality programming for BBC audiences, as well as the global audio market, building on successful relationships in place with Audible and Spotify.

BBC Podcast Premium, an audio service available in more than 160 countries, launched on Apple Podcasts and Amazon Music, making BBC podcasts – including the popular Americast and the BBC Global News podcast – available outside the UK for the first time.

Outlook

Looking ahead, the external trading conditions continue to be challenging, in part due to slower commissioning demand and ongoing uncertainty in the advertising markets.

Forthcoming content highlights include the Natural History Unit's *Asia*, telling the story of the biggest continent on Earth through its wildlife and landscapes, as well as *Solar System*, made by the Science Unit in a co-production with PBS, shedding light on the latest knowledge about the planets and moons orbiting around Earth.

In scripted, BBC Studios Production Label Firebird Pictures made *The Jetty*, a new thriller from writer Cat Jones,starring Jenna Coleman, while Clerkenwell Films, also a Production Label made the successful *Baby Reindeer* for Netflix. Six-part mystery thriller series *A Good Girl's Guide To Murder*, made by BBC Studios Invested Indie Moonage and based on Holly Jackson's young adult novels, aired on BBC Three and Netflix after year end. BBC Studios Drama Productions Label River Pictures brings *Kidnapped: The Chloe Ayling Story*, a six-part factual drama written by Killing Eve's Georgia Lester to the screen, that follows the true story of Chloe's abduction in Italy in 2017, and there is a forthcoming third series of House Productions' *Sherwood*, as well as the ninth and final series of *Inside No.9* from BBC Comedy.

There is also new comedy series *Spent*, made by Invested Indie Various Artists Ltd for BBC Two, written by and starring Michelle de Swarte, while new comedy drama starring Hugh Bonneville from Steven Moffat, *Douglas is Cancelled*, made by Hartswood Films for ITVX, will be distributed internationally by BBC Studios.

The advertising market continues to be challenging for Global Media & Streaming, though a solid portfolio of channels in territories favouring linear, alongside a wholly-owned BritBox International and UKTV's growth in both linear share and catchup audiences positions the business for sustainable, organic growth.

The business has secured favourable long-term financing facilities to enable it to borrow to support this growth, which will include selective acquisitions which fit with the business' values and culture, the ongoing expansion of data-led direct-to-consumer services as well as production labels, as part of the ambition to double the business by 2027/28 and deliver long-term sustainable returns to the BBC.

UK Streamlined Energy and Carbon Reporting

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

The 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 Group wants to be seen as a leader on tackling climate change and to ensure we are advocating a transition to a low-carbon economy. The BBC Group announced its Net Zero strategy and targets from a 2019/20 baseline in October 2021, approved by the Science Based Targets initiative. For full details see the Environmental section of the BBC's Annual Report and Accounts 2023/24.

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

- BBC Studios Productions Limited;
- BBC Studios Distribution Limited;
- UKTV Media Limited;
- BBC Global News Limited;
- BBC Studioworks Limited;
- Voltage TV Productions Limited;
- Sid Gentle Films Limited;
- Lookout Point Limited;
- House Productions Limited;
- Firebird Pictures Limited;
- Clerkenwell Films Limited; and
- Baby Cow Animation Limited.

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

	2024			2023		
	tCO2e	tCO2e/£m Revenue	Consumption (kWh)	tCO2e	tCO2e/£m Revenue	Consumption (kWh)
BBC Studios*	1,909	1.04	18,685,910	1,723	0.82	19,770,151
BBC Studioworks Limited	1,099	29.70	5,382,402	1,240	30.24	4,875,434

The assessment has been conducted in accordance with the GHG Protocol Corporate Accounting and Reporting Standard using the UK Government Conversation 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 and include consumption and GHG emissions for building electricity and gas, as well as fuel used for fleet and production generators. GHG emissions reported are in terms of tonnes of carbon dioxide equivalent (tCO2e) where equivalence represents the relative warming effect as carbon dioxide (CO2) over a period of 100 years.

2023 figures have been restated and will thus differ from what was reported last year. This is due to a re-baselining exercise that was undertaken across BBC Group to update calculation methodologies and assumptions taken, improving comparability across reporting periods.

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

Strategic report continued

Risks and uncertainties

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

Risk	Strategic Impacts	Mitigation
Macroeconomic and Market Conditions		
Risk the current period of market contraction with difficult trading conditions is prolonged and will continue to impact all our lines of business. There has been slowdown in the growth of global content spend. Streamers appetite for acquiring content is narrowing, as they shift their focus from growth to profitability. The BBC Public Service is also under funding pressure. The pay TV model continues to decline due to current economic conditions, structural changes in broadcast viewing and increased market competition from advertising video on demand and hybrid services. Risk to advertising revenues due to a mixed global economic outlook, creating a slowdown in spend a significant period of adjustment in the UK market.	Pressure on margins and declining return on investments (ROIs) may impact financial performance and the ability to deliver returns to the BBC Group. Challenges in securing commissions and financing high value shows due to limited international co-production funding. Inability to develop and secure the scale and value of pipeline and IP for long-term commercial exploitation required for growth, intense pressure on traditional linear affiliate revenues and advertising sales revenues for both linear and digital services.	The five-year strategy has been refreshed and reflects the current trading environment and the overall macroeconomic outlook. Significant investment has been made in digital entertainment and News services (including taking full ownership of BritBox International) to fund more secure digital routes into key markets. Further alignment of our production and distribution businesses. This will maximise value across the group with a joined-up view of market conditions and content and investment strategies.

Strategic report continued

Risk	Strategic Impacts	Mitigation
People and Talent		
Risk we do not have the capability and resource to successfully deliver the key areas of growth in our strategy. Challenges in attracting and retaining senior talent and those with specific skills, due to continuing competitive pay and reward expectations. The increasingly unstable freelancer workforce, as individuals leave the industry because of a lack of work opportunities and cost of living pressures could also lead to challenges in securing talent. Failure to improve diversity and inclusion representation across our workforce.	Inability to transform our business to deliver our growth plans and achieve financial targets. Margin challenged due to increased people costs. Inefficiencies if staff are unable to transition to high performance or are distracted by change from delivering both short and long term targets. Failure to meet diversity and inclusion (D&I) targets is detrimental to the culture with Studios. Inability to derive benefits of diverse workforce (engagement, improved reputation, creativity) affecting our reputation as an inclusive employer and ability to successfully deliver a diverse and appealing pipeline to customers and audiences.	The business is undertaking a significant transformational programme to support delivery of its growth plan. There is an increased focus on high performance, capabilities and ensuring people are empowered and incentivised to successfully deliver. The production business continues to review and discuss the approach to pay and incentives and talent deal terms. It also has ongoing conversations with commissioners and distribution to account for increased costs.
Geopolitics		
The BBC upholds its democratic principles and continues to report without fear or favour in its News and Current Affairs output. This presents risks for the BBC's commercial operations and makes it challenging to enter or grow the business in higher risk markets.	Financial loss due to disruption of our existing operations or our inability to execute our strategy to enter or grow in these markets. Possibility we have to reduce activity or withdraw from certain markets. Impacts to our people and their wellbeing and our ability to attract/retain talent in certain markets.	Measures in place to ensure commercial interests are balanced with our international purpose, that we select appropriate partners and have a process to evaluate and manage geopolitical risks. Detailed risk assessments exist for when specific threats are identified. Plans in place, with dawn raid procedures. Regular communications between teams to share intelligence and learnings.

Strategic report continued

Risk	Strategic Impacts	Mitigation
Protecting the Brand, Reputation and Standards		
Risk that global audiences and customers lose confidence in the integrity of the Group and its editorial standards if it fails to successfully represent the values of the BBC across its content and services. Risk that a third party does not share or fails to meet our values and standards or acts unlawfully.	Reputational damage to the brand and loss of customer and audience confidence and respect. Negative press and potential questions on our impartiality. Potential for significant impact on revenues, especially if there has been a contractual breach or we are subject to fines and penalties.	Code of Conduct sets out the commitments staff are expected to follow respecting each other, doing the right thing, acting with integrity and living up to the highest legal and ethical standards. Supported by a speak up culture and a programme of training. Proportionate controls ensure that third parties we use are appropriate partners, share our values and meet legal and regulatory obligations. Greater inclusion is core across all activities, including investment and commissioning. We have clear plans, initiatives and targets which are closely monitored.
Business Continuity/Supply Chain		
Risk of failure / poor performance of a key supplier, especially due to the current economic climate. Risk they are unable to meet our operational needs or their contractual obligations, Risk there is insufficient resilience in our technology and operations especially where it is outsourced and not in our direct control. Risk that a major project fails to deliver or that the volume of change in the organisation becomes unsustainable.	Potential impacts could be the interruption or cessation of key services and channels or a potential regulatory breach.	Global Operations team actively manages and monitors operations and major supplier contracts. Incident management and business continuity arrangements, in place for managing incidents. Major projects approach balances risk vs strategic benefits, setting realistic scopes, budgets and timetables. The portfolio is managed by an experienced programme management function reporting into senior management.

Strategic report continued

Risk	Strategic Impacts	Mitigation
Cyber Security		
Cyber security attacks are increasing, due the rise in geo-political tensions with state-sponsored and politically driven attacks. 2024 elections in the UK, US and many other countries across the world increases the cyber threat risk. Continuing cyber attacks, for example 'so called CEO fraud' are becoming more widespread and target individuals who are able to authorise large payments such as business leaders and C-suite individuals.	Attacks could lead to disruption to the provision of services, loss of key content, confidentiality and availability or integrity of data, financial loss, contractual breaches and significant fines and penalties from regulators. We are also likely to suffer from reputational damage, which could impact the credibility of our business and lead to lost sales.	Continued engagement with National Cyber Security Centre. BBC Security Operations Centre (SOC) continually monitors and addresses threats. SOC has taken preventative action to identify key individuals who may be subject to phishing / spoofing attacks. Penetration testing the network and resulting actions are being tracked. Vulnerabilities flagged where legacy systems still in place. Increased emphasis on third party risks and how they are being managed to ensure they are meeting the expected standards.
Legal and Regulatory		
The volume of change and the acquisition / transfer in of new business places increasing risk of failure to comply with regulatory and legal obligations across our global businesses. Adverse outcome of regulatory or independent review. Failure to comply with commitments or transparency requirements, or our conduct is judged to inhibit the market.	Reputational damage, fines, legal action. Restrictions on how we operate and sell into markets. Regulatory restrictions on our business activities or blocking of strategic initiatives.	Frameworks and monitoring in place for all relevant areas of compliance, regulation and emerging legislation. Experienced subject matter experts providing support, guidance and working with business areas to ensure processes and controls are embedded across existing and new business areas.
Sustainability		
Risk of not delivering against the BBC Group's commitment to meet Net Zero and that we are seen as greenwashing, if our performance does not match messaging. Risk that carbon pricing, offsets and taxation may lead to increased costs. Risk of damage to assets and operations caused by climate event such as flooding.	Reduction in margins due to increased costs. Increasing challenges and costs associated with attracting and retaining talent, if we are not seen to be meeting targets. Reputational damage with customers and audiences potentially leading to lost revenues. Less access to capital or increased costs of borrowing if we are not seen as taking sufficient action by lenders.	Dedicated sustainability team supporting lines of business. Ensuring sustainability ambition and activity meets leading practice standards and aligns to industry and employee expectations. Ensuring that progress against targets is performance monitored with necessary interventions to maintain critical path.

Risk	Strategic Impacts	Mitigation
Health and Safety Risk that the business fails to protect the health, safety and wellbeing of its people, which may result in a person being harmed or suffer adverse health effects.	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. Work to strengthen the assurance framework is underway.

Strategic report continued

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

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

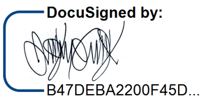
- Protect overall licence fee payer value in the BBC Group's Intellectual Property creation, management and exploitation;
- Fulfil the four commercial criteria; including ensuring fit with mission and purposes and not jeopardising the reputation of the BBC or value of the brand; and
- Grow the BBC's interest and return from Intellectual Property 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.

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

By order of the Board,



Anthony Corriette
Company Secretary
15 July 2024

Registered Address

1 Television Centre
101 Wood Lane
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W12 7FA

Directors' report

Directors

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

Gunjan Bhow
Damon Buffini
Lorraine Burgess (resigned 26 June 2024)
Thomas Fussell
Mai Fyfield
Ian Griffiths (appointed 1 April 2023)
Claire Hungate (appointed 1 April 2023)
Gary Newman (appointed 1 April 2023)
Bhavneet Singh
Leigh Tavaziva

The Commercial Board

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

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

Director	Board meetings
Gunjan Bhow	7/7
Damon Buffini	7/7
Lorraine Burgess	7/7
Thomas Fussell	7/7
Mai Fyfield	7/7
Ian Griffiths	7/7
Claire Hungate	7/7
Gary Newman	7/7
Bhavneet Singh	6/7
Leigh Tavaziva	7/7

At the start of April 2023, the Board welcomed Claire Hungate, previously CEO of Warner Bros TV Production UK and now President and COO of esports organisation Team Liquid, along with former Chairman and CEO of Fox Television Group Gary Newman and former ITV and Kantar CFO Ian Griffiths.

The Board met 10 times in the year: seven scheduled meetings and three further meetings. The Board considered BBC Studios' routes to market strategy, its long-range strategy, financial plans and other growth initiatives. The National Audit Office (NAO), as the external auditor, compiled audit planning and completion reports for consideration, and the BBC Audit & Risk Committee carried out its annual session on control and governance issues.

Directors' report continued

In the last few years, the Commercial Board has undergone a series of changes, widening its experience to recruit individuals with senior backgrounds in global and digital. Those changes have now settled in, and there is an engaged, knowledgeable and active board of non-executive directors exhibiting oversight of the BBC's commercial operations.

The Board has delegated specific responsibilities to two Board Committees: the Finance and Risk Group; and the Commercial Remuneration Group. The Finance and Risk Group (FRG) discharges the Commercial Board's responsibilities regarding the oversight of assurance, risk, and controls. The FRG is Chaired by Ian Griffiths; membership is flexible and scheduled meetings are usually attended by at least two other Directors of the Commercial Board. The FRG held four scheduled meetings during the year under review, with additional ad hoc meetings as required. During the year, the FRG received reports, and discussed matters on financial and narrative reporting, internal audit and controls, external audit, risk management systems, and the policies which surround these. The Commercial Remuneration Group held its first meeting on 1 May 2024 and therefore did not meet during the year under review. Papers and minutes from Board Committee meetings are made available to all Directors. At each Board meeting Directors are provided with a report of the work currently being undertaken by each Committee.

This year, has seen strong progress against strategic goals for the BBC Commercial Group as the business invested heavily in growth, with the ambition of doubling 2021/22 sales and profits by 2027/28.

Alongside bringing audiences in the UK and around the world together with moments like the Coronation, it consolidated its digital routes to market and built on long-term partnerships with high-quality global brands like Apple and Disney.

The business encompasses all BBC Group Commercial operations, of which BBC Studios is the principal commercial arm, including the Content Studio, which makes and sells programmes to international audiences, and Global Media & Streaming, a portfolio of linear channels, digital and direct-to-consumer services, which meets global audiences wherever they are. BBC Commercial is key to the BBC's overall strategy, in particular its award-winning expertise in the very best of homegrown storytelling, which sits at the heart of the BBC Director-General's plans to prioritise audiences while meeting its current challenges.

BBC Studios is a diversified global business with a strong pipeline of content, with good sales for UKTV and consumer products – led by global smash hit *Bluey* – a highlight against a backdrop of tough market conditions, with softness in the advertising and commissioning markets causing uncertainty and affecting overall sales.

Investment in organic growth for UKTV's catchup service UKTV Play boosted views by 56%, and the launch of a new BBC.com and BBC app streamlined access for audiences and advertisers overseas.

In addition to this organic investment, the move to take full ownership of BritBox International was approved in March, acquiring ITV's 50% stake for £272 million, comprising £255 million for equity acquired and an additional £17 million payment for ITV debt held with BritBox International. This is a fast-growing, profitable, direct to consumer business providing scripted content to North America and select markets, which has grown 25% year on year, delivering strong revenue growth and has lots of potential to further expand.

It complements an existing portfolio which includes BBC.com, BBC Select, the BBC's premium ad-free documentary streaming service in North America and BBC Podcast Premium, an audio service available in more than 160 countries.

Alongside this, we considered and approved a series of key acquisitions to build production capability around the world, adding talented creative expertise in Scandinavia and in Spain and Australia shortly after the year-end.

Content highlights included coverage of *Eurovision*, watched by 162 million people, *Doctor Who* anniversary specials, a third outing for *Planet Earth* from the BBC Studios Natural History Unit and a series of new, feature-length episodes of *The Famous Five* for the BBC and ZDF, made by BBC Studios invested Indie Moonage Pictures.

Directors' report continued

Sales were **£1.9 billion** and EBITDA was £199 million against challenging market conditions and after investment in the growth initiatives mentioned above. In the year, we paid a cash dividend of £198 million to BBC Group, and we have declared a further £88 million to be paid in the forthcoming financial year and has been approved by the BBC. The investment activity increased Group's net debt (excluding leases) to £327 million. The Board supports BBC Commercial's strategy to seek opportunities to invest further while delivering cash returns to the BBC.

Looking ahead, there is a strong pipeline of greenlit commissions, a sound indication of the creative health of the business. Market conditions are still tough, both in terms of slower demand for new content, and uncertainty in the advertising markets, but the diversification of the commercial operations, alongside the investment made into future growth over the last 12 months, will continue to ensure that the business can flex to respond to both external challenges and opportunities as they arise.

Financial instruments

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

Directors' interests and indemnities

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

Employee participation

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

Diversity

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

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

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

Training and development

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

Directors' report continued

Health and safety

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

Disabled persons

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

The environment

The Group does not operate in industries where there is potential for serious industrial pollution, however it recognises its responsibility to be aware of and take steps to control and minimise any damage its business might cause to the environment. More information is given in the UK Streamlined Energy and Carbon Reporting report on page 8.

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

Political and charitable contributions

The Group made £138,000 charitable donations during the period (2023: £1,539,500). The Group did not make any political donations during either the current or prior year.

Dividends

Dividends of £88 million were declared by the Directors but not paid by the Group during the year (2023: £198 million declared and paid during 2023/24). Consequently they are not shown as liabilities at the year end. This resulted in a restatement of the prior year.

Future developments

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

Going concern

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

Post balance sheet events

On 20 June 2024 the Group agreed a £150 million private placement funding facility for 17 years at 5.74%.

On 2 April 2024, the Group acquired 100% ownership of Brutal Media SLU, a Spanish production company, for an initial consideration of €5 million. On 3 April 2024, the Group acquired 100% ownership of Werner Film Group Holdings Pty Limited, an Australian production company, for initial consideration of AUD$6 million.

On 1 April 2024, the BBC's Public Service Audio business was also transferred to the Studios Group.

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

Directors' report continued

Auditors

The NAO served as independent external auditors for the year ended 31 March 2024 and 31 March 2023. The National Audit Office have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the board meeting where this report is approved.

Statement as to disclosure of information to auditors

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

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

B47DEBA2200F45D...

Anthony Corriette
Company Secretary
15 July 2024

Registered Address

1 Television Centre
101 Wood Lane
London
W12 7FA

Statement of Directors' responsibilities

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

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

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

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

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

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

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

Opinion on financial statements

I have audited the financial statements of BBC Commercial Limited (the "Company") and its Group for the year ended 31 March 2024.

The financial statements comprise:

- The Consolidated income statement for the year then ended;
- The Consolidated statement of comprehensive income for the year then ended;
- The Consolidated and the Company balance sheets as at 31 March 2024;
- The Consolidated statement of changes in equity for the year then ended;
- The Consolidated cash flow statement for the year then ended;
- the related notes including the significant Group and Company 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 2024 and its Group's profit for the year then ended; and
- of the Group have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- of the Company have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

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

Conclusions relating to going concern

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which I report by exception

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

I considered whether there was any evidence of non-compliance with relevant laws and regulations through review of board minutes and interactions with in-house legal teams. I also leveraged the work on significant risks.

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

Audit response to identified risk

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

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

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

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

Other auditor's responsibilities

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

Signed by:

CA290C5EC32142D...

16 July 2024

Greg Wilson (Senior Statutory Auditor)

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London, SW1W 9SP

Consolidated income statement

For the year ended 31 March 2024

	Note	2024 £m	2023** £m
Revenue	B1	**1,859**	2,115
Total operating costs	B5	**(1,915)**	(2,009)
Operating (loss)/profit		**(56)**	106
Operating (loss)/profit reconciled as:			
EBITDA		**199**	252
Operating exceptional items	C2	**(56)**	(8)
Share of EBITDA of associates and joint ventures		**(39)**	(17)
Production tax credits	C5.2	**(80)**	(57)
Depreciation, amortisation and impairment*	B4	**(80)**	(64)
		(56)	106
Other gains and losses	C3	**196**	(51)
Share of profit of associates and joint ventures	E6	**29**	12
Financing income	C4.1	**13**	10
Financing costs	C4.2	**(15)**	(11)
Profit before taxation		**167**	66
Taxation	C5.1	**47**	32
Profit for the year		**214**	98
Attributable to:			
Equity shareholder of the parent company		**215**	98
Non-controlling interests		**(1)**	–
Profit for the year		**214**	98

* Excluding amortisation relating to distribution rights which is included within total operating costs.

** The comparatives have been restated to reclassify the share of results of associates and joint ventures to below group operating loss and to reflect the change in definition of EBITDA, resulting in the reclassification of spend between other gains and losses and operating costs. See note C3 for further details.

Consolidated statement of comprehensive income

For the year ended 31 March 2024

	2024 £m	2023 £m
Profit for the year	**214**	98
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	**(8)**	12
Recognition and transfer of cash flow hedges	**11**	13
Other comprehensive income for the year (net of tax)	**–**	22
Total comprehensive income for the year	**214**	120
Attributable to:		
Equity holders of the parent company	**215**	120
Non-controlling interests	**(1)**	–
Total comprehensive income for the year	**214**	120

Consolidated balance sheet

As at 31 March 2024

	Note	2024 £m	2023* £m
Non-current assets			
Goodwill	E2	210	40
Distribution rights	E3	164	117
Other intangibles	E4	483	206
Property, plant and equipment	E5	44	43
Right-of-use assets	F1	109	106
Interests in associates and joint ventures	E6	87	161
Trade and other receivables	H1.2	–	1
Investments		7	6
Derivative financial instruments	G5.2	6	13
Deferred tax assets	C5.5	2	25
		1,112	718
Current assets			
Programme related assets and other inventories	E1	507	416
Trade and other receivables	H1.3	602	553
Contract assets	H1.1	19	31
Current tax assets	C5.4	94	57
Derivative financial instruments	G5.2	18	9
Cash and cash equivalents	G2	198	262
		1,438	1,328
Current liabilities			
Trade and other payables	H2.2	(711)	(537)
Contract liabilities	H2.1	(243)	(206)
Borrowings	G3	(6)	(8)
Lease obligations	F2	(19)	(18)
Provisions	H4	(15)	(25)
Derivatives financial instruments	G5.2	(8)	(12)
Current tax liabilities	C5.6	–	(7)
		(1,002)	(813)
Non-current liabilities			
Trade and other payables	H2.3	(32)	(39)
Contract liabilities	H2.1	(30)	(101)
Borrowings	G3	(520)	(170)
Lease obligations	F2	(96)	(93)
Provisions	H4	(3)	(3)
Derivative financial instruments	G5.2	(1)	(9)
Deferred tax liabilities	C5.5	(63)	(31)
		(745)	(446)
Net assets		803	787
Attributable to equity shareholders of the parent company			
Share capital	I2	–	–
Retained earnings	I5	751	734
Hedging reserve	I5	10	2
Translation reserve	I5	41	49
Other reserve	I5	–	–
		802	785
Non-controlling interests		1	2
Total equity		803	787

*Payables and retained earning restated to exclude £198 million dividend that was declared by Directors but not legally binding at the year end.

The financial statements of BBC Commercial Limited, registered number 04463534, were approved by the Directors and authorised for issue on 15 July 2024 and signed on their behalf by:

Thomas Fussell
Director

DocuSigned by:
B257037913324AD...

Consolidated statement of changes in equity

For the year ended 31 March 2024

	Share capital £m	Retained earnings £m	Hedging reserve £m	Translation reserve £m	Other reserve £m	Total £m	Non-controlling interests £m	**Total £m**
At 31 March 2022	**–**	**649**	**(8)**	**37**	**(13)**	**665**	**2**	**667**
Profit for the year	–	98	–	–	–	98	–	98
Currency translation (note I5)	–	–	–	12	–	12	–	12
Unwinding of discount put options	–	(13)	–	–	13	–	–	–
Deferred tax on financial instruments	–	–	(3)	–	–	(3)	–	(3)
Cash flow hedges (note I5)	–	–	13	–	–	13	–	13
Total comprehensive income for the year	–	85	10	12	13	120	–	120
At 31 March 2023	**–**	**734**	**2**	**49**	**–**	**785**	**2**	**787**
Profit for the year	–	215	–	–	–	215	(1)	214
Currency translation (note I5)	–	–	–	(8)	–	(8)	–	(8)
Deferred tax on financial instruments	–	–	(3)	–	–	(3)	–	(3)
Cash flow hedges (note I5)	–	–	11	–	–	11	–	11
Total comprehensive income/(loss) for the year	–	215	8	(8)	–	215	(1)	214
Dividends paid	–	(198)	–	–	–	(198)	–	(198)
At 31 March 2024	**–**	**751**	**10**	**41**	**–**	**802**	**1**	**803**

Consolidated cash flow statement

For the year ended 31 March 2024

	Note	2024 £m	2023 £m
Operating activities			
Group profit before tax		167	66
Depreciation, amortisation and impairment	B4, C3	251	339
Loss on derivatives associated with loans		1	1
(Gain)/loss on other derivatives		(4)	5
Loss on disposal of fixed asset		1	9
Share of profits in associates and joint ventures	E6	(29)	(12)
Gain on disposal/deemed disposal of associate	C3	(202)	(9)
Other gains and losses	C3	–	(3)
Financing income (excluding fair value swaps)	C4.1	(13)	(10)
Financing costs (excluding fair value swaps)	C4.2	14	10
Decrease in inventories	E1	36	30
(Increase)/decrease in receivables		46	(41)
(Decrease)/increase in payables		(98)	4
Decrease in provisions		(8)	(26)
Cash generated from operations		162	363
Tax Received		61	50
Net cash from operations		223	413
Investing activities			
Financing income	C4.1	9	7
Dividends received from associates and joint ventures	E6	49	31
Proceeds from disposal of associates and joint ventures		–	6
Acquisition of investment		–	(16)
Acquisition of subsidiary net of cash acquired		(204)	(10)
Acquisition of interests in associates and joint ventures	E6	(9)	(29)
Purchases of intangible assets		(231)	(238)
Purchases of property, plant and equipment		(12)	(14)
Net cash used in investing activities		(398)	(263)
Financing activities			
Financing costs	C4.2	(12)	(8)
Proceeds from increase in borrowings		352	1
Repayments of borrowings		(4)	(5)
Payment of lease liabilities		(25)	(19)
Equity dividends paid	I3	(198)	–
Net cash used in financing activities		113	(31)
Net (decrease)/increase in cash and cash equivalents		(62)	119
Cash and cash equivalents at beginning of the year	G2	262	144
Effect of foreign exchange rate changes on cash and bank overdrafts		(2)	(1)
Cash and cash equivalents at the end of the year	G2	198	262

Notes to the Group financial statements

The structure of these financial statements include accounting risks and judgements have been clearly highlighted in each section, explanations of complex terms and the policies are included in the relevant notes as denoted by the book symbol:

Notes to the Group financial statements

A. How the Group's financial statements are prepared

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

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

Incorporation

BBC Commercial Limited (the 'Company') is domiciled and incorporated in the United Kingdom, and its registered address is 1 Television Centre, 101 Wood Lane, London, W12 7FA. The consolidated financial statements of the Company for the year ended 31 March 2024 comprise the Company and its subsidiary undertakings (together the 'Group') and the Group's interest in joint ventures and associated undertakings.

Basis of preparation

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

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

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

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

Non-statutory financial performance measures

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

Following a review during the year, the Group adjusted its definition of EBITDA to ensure consistency with industry best practice.

The Group defines EBITDA as statutory operating profit, with the following operating expenses added back: depreciation; non-content-related amortisation; impairments; earnout costs and non-cash settled long-term incentive plan costs; deal costs; transformational restructuring costs and other non-recurring exceptional items. In calculating EBITDA, the Group also offsets costs with production tax credits, which aligns to market practice.

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

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

Use of estimates and judgements

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

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

A summary of the most significant estimates and judgement areas are detailed below.

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

The significant risks areas identified are:

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

Area	Key judgements	Significant estimates
Income recognition (Note B)	The criteria for recognising income have been satisfied	
Acquisitions (Note C)	Determining the valuation method for each asset/liability to derive the fair value	Determining the duration and expected quantum of future revenues in the calculation of the fair value of intangible assets acquired
Other gains/losses and operating exceptional items (Note C)	Classification of income or expense as operating exceptional items or other gains and losses and therefore reported separately from operating profit	
Leases (Note F)	Assessment on whether a contract contains a lease as defined under IFRS 16 *Leases*	
Provisions (Note H)	Assessing whether a provision should be recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets	

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

Going concern

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 £310 million facility with a group of international banks (maturing March 2026 following the exercise of two one year extension options), £170 million term loan (maturing June 2025 following the exercise of two one year extension options) and £150 million Private Placement (with funding received on 26 February 2024 and maturing February 2039). In June 2024 the Company agreed a second £150 million Private Placement (with funding committed to be received on 15 July 2024 and maturing July 2041). As at the year-end the Company had drawn down £520 million of the facilities available (2023: £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.

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.

Subsidiaries and non-controlling interests continued

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

Notes to the Group financial statements continued

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

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.

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

Adoption of new and revised accounting standards

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

- Definition of Accounting Estimate (Amendments to IAS 8). The amendment introduces the definition of accounting estimates and helps entities distinguish changes in accounting.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12). This amendment requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Insurance Contracts (Amendments to IFRS 17). This amendment sets out the requirements for a company reporting information about insurance contracts it issues and reinsurance contracts it holds.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practical Statement 2). The amendment requires that an entity discloses its material accounting policies instead of its significant accounting policies.
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12). The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes and the disclosures thereon.

These have been applied since 1 April 2023 and have not had a significant impact on the results or financial position of the Group. The Group has applied the exemption under IAS 12 for international tax reform, to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations that have been endorsed by the UK, which have not been applied as not yet effective are:

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
- Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7). The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

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

B. The Group's operations, income and expenditure

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

Risk – Revenue recognition
There is a risk that revenue is not recognised correctly in line with financial reporting standards. The Group mitigates this risk by ensuring good financial controls are in place, and regularly reviewing material areas or complex judgements with regards to revenue recognition.

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

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

B1 Revenue

Income from contracts with customers

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

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

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

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

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

Production income

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

Notes to the Group financial statements continued

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

B1 Revenue continued

Income from contracts with customers continued

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

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

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

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

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

Rental income

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

Other income

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

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

	Note	2024 £m	2023 £m
Contract revenue	B2.1	1,859	2,113
Rent and associated revenue		–	1
Other revenue		–	1
Total revenue	B3	**1,859**	2,115

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

B2.1 Income from contracts with customers

	Note	2024 £m	2023 £m
Revenue streams			
Production income		**821**	1,009
Content and format sales		**309**	452
Royalties		**91**	58
Advertising revenue		**302**	295
Subscription fees		**241**	208
Consumer products		**93**	91
Other contract revenue		**2**	–
Total contract revenue		**1,859**	2,113
Timing of goods and services			
Point in time		**1,560**	1,803
Over time		**299**	310
Total revenue	B1	**1,859**	2,113

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

B2.2 Transaction price allocated to the remaining performance obligations

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

	2025 £m	2026 £m	2027 £m	Beyond £m
Production income	296	104	9	–
Content and format sales	158	101	9	185
Royalties	33	29	33	34
Advertising revenue	249	236	248	255
Subscription fees	165	48	35	12
Other contract revenue	13	8	9	–
	914	526	343	486

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

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.

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

B2.3 Contract costs

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

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

The Group has taken advantage of the practical exemptions:

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

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

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

B3 Geographical location of non-current assets and income

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

	2024 £m	2023 £m
Non-current assets excluding deferred tax and derivative financial instruments:		
UK	637	513
America	432	152
Australia	23	10
Rest of world	12	5
	1,104	680
Additions included in non-current assets	737	310
External revenue:		
UK	913	939
America	454	710
Australia	79	85
Rest of world	413	381
	1,859	2,115

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

B3 Geographical location of non-current assets and income continued

Non-current assets are the Group's long-term investments where the full value will not be realised within an accounting year.
The allocation of income and non-current assets to geographical segments is based upon the business region in which the income is generated/assets reside.

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

B4 Total operating costs

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

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

	Note	2024 £m	2023* £m
Intangible fixed assets and property, plant and equipment			
Depreciation - owned assets	E5	10	7
Depreciation - right-of-use assets	F1	22	17
Amortisation of intangible fixed assets	E4	48	40
Amortisation of distribution rights	E3	154	213
Inventories			
Write-downs		12	6
Other operating costs			
Expenses relating to short term leases		9	9
Expenses relating to leases of low value assets, excluding short term leases		1	4
Content impairments		9	–
Net exchange differences on settled transactions		(2)	–
Impairment of trade receivables	H1.4	4	2
Staff costs	D2	389	332

* The comparatives have been restated to reflect the change in definition of EBITDA, resulting in the reclassification of spend between other gains and losses and operating costs. See note C3 for further details.

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

B4 Total operating costs continued

The NAO served as independent external auditors for the year ended 31 March 2024 and 31 March 2023.

The audit fee was £2,066,000 (2023: £120,050) for the audit of the Company's annual accounts. The Company bore the audit fee for the rest of the Group (£1,942,000) in the current year.

No additional services were provided by the National Audit Office during 2023/24 or 2022/23.

B5 Analysis of total operating costs by activity

	2024 £m	2023* £m
Cost of sales	1,440	1,608
Distribution costs	164	142
Administration expenses	311	259
	1,915	2,009

* The comparatives have been restated to reflect the change in definition of EBITDA, resulting in the reclassification of spend between other gains and losses and operating costs. See note C3 for further details.

Administration expenses includes depreciation, amortisation and exchange rate differences.

Notes to the Group financial statements continued

C. Other profit and loss items

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

Acquisitions and disposals

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

Other gains and losses

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

Net financing costs

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

Taxation

The Group is taxed in accordance with tax legislation.

Judgement – Other gains/losses and exceptional items
The classification of income or expense as exceptional in nature, and hence recognised separately from operating profit, requires judgement.

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

Significant estimate – Acquisitions
Significant estimation techniques can be required when determining the duration and expected quantum of future revenues in the calculation of the fair value of intangible assets acquired.

Estimate – Deferred tax recognition
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 estimates around the timing and level of future taxable income.

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

C. Other profit and loss items continued

C1 Acquisitions

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Subsequent adjustments to the fair values of net assets acquired are made within 12 months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition. Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred. On acquisition, the Group recognises any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of net assets. When control is obtained in successive share purchases (a 'step acquisition') it is accounted for using the acquisition method at the acquisition date. The previously held interest is remeasured to fair value at the acquisition date and a gain or loss recognised in the income statement.

Acquisitions

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

BritBox International

On 29 February 2024, BBC Studios completed a deal with ITV plc to acquire their share of BritBox International. A gross cash payment of £272 million was made comprising a cash consideration for equity acquired paid of £255 million and a £17 million payment for ITV debt held with BritBox. At the date of acquisition, the BritBox balance sheet had £80 million of cash so the net cash investment was £192 million. The principal reason for this acquisition is that taking full ownership of a successful, growing streaming service aligns with the longer term growth ambitions of the company and is expected to deliver a financial return.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£m
Cash consideration for equity acquired	255
Cash payment for ITV debt held with BritBox	17
	272

Notes to the Group financial statements continued

C. Other profit and loss items continued

C1 Acquisitions continued

The assets and liabilities recognised as a result of the acquisition are as follows:

		Book value £m	Adjustment £m	Fair value £m
Intangible assets:				
Technology		5	–	5
Brand name		–	76	76
Customer relationships		–	214	214
Rights to broadcast acquired programmes and films	E1	153	(17)	136
Receivables		36	–	36
Cash and cash equivalents		80	–	80
Payables		(118)	4	(114)
Deferred revenue		(26)	5	(21)
Provisions		(2)	(5)	(7)
Deferred tax liability		–	(38)	(38)
Net assets acquired		128	239	367

The assets acquired included customer-related intangible assets with an aggregate fair value of £214 million. The fair value of these assets has been determined using the excess earnings method. This method considers the present value of net cash-flows expected to be generated by the customer relationships, excluding any cash-flows relating to contributory assets.

The determination of their fair value was affected by assumptions such as future revenue levels and the duration over which revenues are expected to be derived from those relationships. Different assumptions about such matters would have changed the estimated fair value calculated.

The provisional goodwill recognised has been calculated as follows:

	£m
Cash consideration paid	(272)
Net assets acquired	367
Joint venture disposed	(272)
Provisional goodwill recognised	177

Business combination achieved in stages

Pre acquisition the BritBox joint venture was revalued from £70 million to a fair value of £272 million, resulting in a profit on deemed disposal of £202 million recognised in the income statement.

Acquired receivables

The fair value of acquired trade receivables is £27 million. The gross contractual amount for trade receivables due is £27 million, all of which is expected to be collected.

Revenue and profit contribution

The acquired business contributed revenues of £19 million and net profit of £5 million to the Group for the period from 1 March 2024 to 31 March 2024.

	£m
Cash consideration	(272)
Add cash acquired	80
Net outflow of cash - investing activities	(192)

C. Other profit and loss items continued

C2 Operating exceptional items

In the calculation of EBITDA, operating exceptional items include:

	2024 £m	2023 £m
Acquisition related costs	**23**	2
Transformational restructuring costs	**10**	4
Content impairments and onerous contracts	**9**	–
Other gains and losses	**14**	2
	56	8

See page 32 for the Groups' definition of EBITDA.

C3 Other gains and losses

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

	2024 £m	2023* £m
Gain on financial instruments	**2**	1
Gain on deemed disposal of associates and joint ventures	**202**	4
Gain on disposal of interests in associates and joint ventures	**–**	5
Impairment of investments	**(8)**	(39)
Other gains and losses	**–**	(22)
Total other gains and losses	**196**	(51)

** The comparatives have been restated to reflect the change in definition of EBITDA, resulting in the reclassification of spend between other gains and losses and operating costs.

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

C. Other profit and loss items continued

C3 Other gains and losses continued

Following a review during the year, the Group adjusted its definition of EBITDA to ensure consistency with industry best practice. This resulted in the following changes:

2023	Original £m	Adjust Presentation	Reclass Impairment	Revised £m
Revenue	2,115	–	–	2,115
Total operating costs	(2,048)	–	39	(2,009)
Share of profit of associates and joint ventures	12	(12)	–	–
Operating profit	79	(12)	39	106
Operating profit reconciled as:				
EBITDA	240	12	–	252
Operating exceptional items	–	(8)	–	(8)
Share of EBITDA of associates and joint ventures	–	(17)	–	(17)
Production tax credits	(57)	–	–	(57)
Depreciation, amortisation and impairment**	(104)	1	39	(64)
Operating profit	79	(12)	39	106
Gains on disposal	9	(9)	–	–
Other gains and losses	(21)	9	(39)	(51)
Share of profit of associates and joint ventures	–	12	–	12
Financing income	10	–	–	10
Financing costs	(11)	–	–	(11)
Profit before taxation	66	–	–	66
Taxation	32	–	–	32
Profit for the year	98	–	–	98

C4 Net financing costs

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

C4.1 Financing income

	2024 £m	2023 £m
Bank interest receivable	**9**	7
Unwinding of discount receivable	**4**	3
Total financing income	**13**	10

Notes to the Group financial statements continued

C. Other profit and loss items continued

C4.2 Financing costs

	2024 £m	2023 £m
Interest on bank loans	**(12)**	(8)
Fair value loss on interest rate swaps classified as fair value through profit/loss	**(1)**	(1)
Interest on lease liabilities	**(2)**	(2)
Total financing costs	**(15)**	(11)

C5 Taxation

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

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

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

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

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

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

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

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

Notes to the Group financial statements continued

C. Other profit and loss items continued

C5.1 Recognised in the income statement

	Note	2024 £m	2023 £m
Current tax			
UK corporation tax		**(78)**	(26)
Group relief payable/(receivable)		**1**	(7)
Double tax relief		**–**	(5)
Adjustments in respect of prior years		**(4)**	(8)
UK current taxation		**(81)**	(46)
Foreign tax		**19**	17
Total current tax		**(62)**	(29)
Deferred tax			
Origination and reversal of temporary differences		**11**	(6)
Change in tax rate		**–**	(1)
Adjustments in respect of prior years		**4**	4
Total deferred tax	C5.5	**15**	(3)
Total credit for the year		**(47)**	(32)

Corporation tax is calculated at 25% (2023: 19%) of the estimated assessable UK profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

C5.2 Reconciliation of taxation credit

	2024 £m	2023 £m
Group profit before taxation	**167**	66
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 25% (2023: 19%)	**42**	13
Effects of		
Disallowed expenditure (including impairments)	**20**	7
Creative sector incentives	**(80)**	(57)
Tax differential on wholly owned overseas earnings	**6**	10
Tax exempt capital gain (international)	**(37)**	–
Tax exempt capital gain (UK)	**(13)**	–
Deferred tax not recognised	**15**	–
Tax rate change	**–**	(1)
Adjustments in respect of prior years	**–**	(4)
Total tax credit for the year	**(47)**	(32)

C. Other profit and loss items continued

C5.3 Factors that may affect future tax charges

The UK corporation tax rate is 25%, which was announced on 3 March 2021 by the Chancellor with effect from 1 April 2023.

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

In the UK Government's Finance Act (No.2) 2023, legislation was enacted introducing a 15% global minimum corporate income tax rate, in line with the Organisation for Economic Cooperation and Development's (OECD) Pillar Two model framework. The Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions where the Group operates. The legislation is effective for the Group's financial year beginning on 1 April 2024.

The Group is in scope of the legislation and has performed a number of preliminary assessments of the Group's potential exposure to Pillar Two income taxes based on financial information of the constituent entities in the Group. Based on the assessments performed, the Pillar Two effective tax rates in all jurisdictions in which the Group operates are expected to be either above 15% or covered by exemptions provided within the rules. Therefore, it is not expected that the legislation will have a material impact on the Group tax charge.

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

C5.4 Current tax asset

The current tax assets totalling £94 million (2023: £57 million) includes £80 million (2023: £57 million) due in respect of creative sector incentives outstanding on high-end drama, comedy, natural history and factual productions.

Notes to the Group financial statements continued

C. Other profit and loss items continued

C5.5 Deferred tax assets/(liabilities)

	Note	Accelerated capital allowances £m	Provisions £m	Financial instruments £m	Joint ventures and associates £m	Programme rights £m	Other £m	**Net deferred tax asset/ (liability) £m**
At 1 April 2023		4	6	(1)	(21)	(7)	13	**(6)**
Charge to income statement	C5.1	(2)	(5)	–	–	–	(4)	**(11)**
Charge to reserves		–	–	(3)	–	–	–	**(3)**
Adjustment in respect of prior years		–	1	1	–	–	(6)	**(4)**
Exchange and other differences		(9)	(12)	2	21	7	(8)	**1**
Acquisition/disposal of joint ventures and associates		–	–	–	–	–	(38)	**(38)**
At 31 March 2024		**(7)**	**(10)**	**(1)**	**–**	**–**	**(43)**	**(61)**

Presented within:	**2024 £m**	2023 £m
Non-current assets	**2**	25
Non-current liabilities	**(63)**	(31)
Total deferred tax	**(61)**	(6)

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

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

The Group has unrecognised deferred tax assets arising on capital losses totalling £137 million (2023: £137 million) and other trading and non-trading losses, including non-trading losses arising from fixed intangible assets, of £81 million (2023: nil).

The deferred tax asset on capital losses has 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 deferred tax assets on trading and non-trading losses have not been recognised on the basis that there is insufficient certainty that future profits will arise against which the Group can utilise these losses.

There is no time limit for the utilisation of these losses.

C5.6 Current tax liabilities

The current tax liabilities due in the prior year of £7 million were due in overseas jurisdictions. There were no current tax liabilities in the current year.

Notes to the Group financial statements continued

D. What the Group spends on its people

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

D1 Persons employed

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

	2024 Number	2023 Number
Average full-time equivalent persons employed	**4,184**	3,943

Within the averages above, 428 (2023: 324) part-time employees have been included at their full-time equivalent of 252 (2023: 235).

In addition, the Group employed an average full-time equivalent of 578 (2023: 592) persons on a casual basis.

D2 Employee remuneration

Retirement benefits

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

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

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

Termination benefits

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

Other employment benefits

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

D. What the Group spends on its people continued

D2 Employee remuneration continued

	2024 £m	2023 £m
Salaries and wages	333	275
Social security costs	33	31
Pension costs	23	26
Total staff costs	**389**	332

D3 Key management personnel compensation

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

Only five of the ten (2023: six of nine) 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:

	2024 £m	2023 £m
Emoluments	0.9	0.8
Performance related	0.5	0.6
Total key management personnel compensation	**1.4**	1.4

The highest paid Director's emoluments were as follows:

	2024 £'000	2023 £'000
Emoluments	465	450
Performance related	309	388
Total highest paid Director's compensation	**774**	838

Directors remuneration is presented on an accruals basis and does not correspond to cash payments in year. Payment of any performance related remuneration is subject to the achievement of performance targets. Two-thirds of the performance related remuneration is paid shortly after the end of the financial year 2023/24, with one-third deferred for up to three years.

Notes to the Group financial statements continued

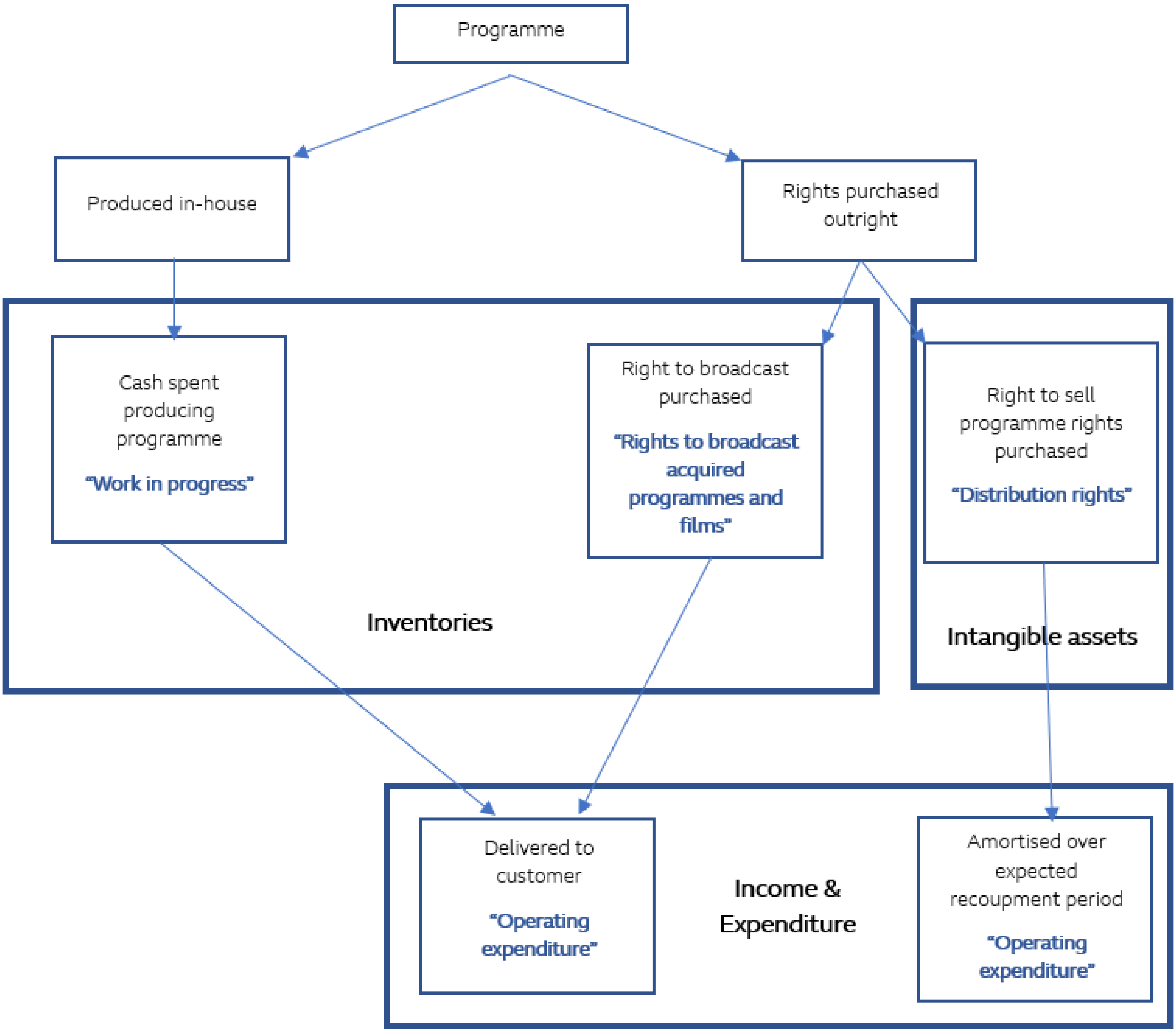
E. The assets owned by the Group

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

Owned assets can be broadly split into the following sections:

Programme-related assets

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



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

E. The assets owned by the Group continued

Judgement – Carrying value of programme assets

Judgement is required when assessing whether there is any indication of impairment over the carrying value of all programme assets (inventories and programme rights).

Estimate – Carrying value of programme assets

The use of estimation techniques can be required when calculating the carrying value of programme assets (including distribution rights), most significantly when calculating:

- the estimated average marketable life of distribution rights when setting the amortisation profile over these assets.

- the calculation of any impairment over the carrying value of all programme assets (inventories and distribution rights).

Intangible assets

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

Risk – Amortisation of distribution rights

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

Estimate – Impairment of goodwill

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

Property-related assets

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

Investments

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

Judgement – Classification of investments

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

Notes to the Group financial statements continued

E. The assets owned by the Group continued

Impairment: non-financial assets

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

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

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

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

E1 Programme-related assets and other inventories

Programme rights in this context refers to the programme rights acquired for the primary purpose of broadcasting through the regional channels and streaming 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 based on the type of content, and platform on which it appears. Amortisation is recognised in the income statement on a straight-line basis over the period of the licence for the majority of programmes acquired for our linear channels and for library content acquired for streaming services. An accelerated amortization schedule is applied to new titles appearing on our streaming services based on historical and estimated viewing patterns.

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 2024 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.

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E1 Programme-related assets and other inventories continued

	2024 **£m**	2023 £m
Work in progress	**256**	297
Rights to broadcast acquired programmes and films	**247**	116
Finished goods and goods for resale	**4**	3
Total programme related assets and other inventories	**507**	416

E. The assets owned by the Group continued

E2 Goodwill

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

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

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

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

	2024 £m	2023 £m
Cost		
At 1 April	74	73
Additions	178	1
At 31 March	252	74
Amortisation and impairment		
At 1 April	34	26
Impairment	8	8
At 31 March	42	34
Net book value	210	40

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 Group are as follows:

	Note	2024 £m	2023 £m
BritBox International (provisional)	C1	177	–
Production companies		33	32
Australian channels business		–	8
At 31 March		210	40

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

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

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

E. The assets owned by the Group continued

E2 Goodwill continued

BritBox (provisional)

The goodwill balance arose as a result of the acquisition of BritBox during the current financial year. A provisional purchasing pricing allocation has been completed, with value allocated to cash generating units acquired. No control premium has been determined to have existed in the acquired business element. Management have compared recent performance and latest projections to the acquisition business plan and have concluded that the acquired goodwill and associated CGU assets are not impaired.

The cash flow projections used in the recoverable amount calculation use a terminal growth rate of 2.5% and a discount rate of 12.8%.

Goodwill balance is supported by managements projections of the future profitability of the business which is mainly driven by forecast revenue, if forecast subscriber additions was 10% lower than planned or churn rates 10% higher, it would still not result in any impairment of goodwill.

Production companies

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

The cash flow projections used in determining value in use for both CGUs are based on the current business plans approved by management, which cover a five year period after which cash flows have been extrapolated using an expected long-term growth rate of 1.0% (2023: 1.0%).

A discount rate of 10.5% (2023: 11.8%) has been applied to the cash flows. As a result of this assessment, management have made the decision not to impair the goodwill balance as at 31 March 2024.

Australian channel business

Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of five years (2023: five years) and a discount rate of 9.1% (2023: 11.4%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of -2.0% (2023: -2.0%).

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. As a result of changes in this market, management made the decision to impair the remaining value of the Group's share in the business by £8 million (2023: nil) following the annual impairment review.

E. The assets owned by the Group continued

E3 Programme rights for distribution

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

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

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

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

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

	2024 £m	2023 £m
Cost		
At 1 April	1,888	1,680
Additions	201	215
Disposals	–	(7)
At 31 March	2,089	1,888
Amortisation and impairment		
At 1 April	1,771	1,564
Charge for the year	154	213
Disposals	–	(6)
At 31 March	1,925	1,771
Net book value at 31 March	164	117

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

E. The assets owned by the Group continued

E4 Other intangible assets

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

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

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

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

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

E. The assets owned by the Group continued

E4 Other intangible assets continued

	Customer Relationships £m	Software £m	Other Intangibles £m	Total £m
Cost				
At 1 April 2022	66	112	195	**373**
Additions*	–	22	20	**42**
Disposals	(3)	(2)	(25)	**(30)**
At 31 March 2023	63	132	190	**385**
Additions*	215	24	85	**324**
Disposals	(7)	(2)	–	**(9)**
At 31 March 2024	**271**	**154**	**275**	**700**
Amortisation and impairment				
At 1 April 2022	40	76	47	**163**
Charge for the year	6	16	18	**40**
Disposals	(3)	(2)	(19)	**(24)**
At 31 March 2023	43	90	46	**179**
Charge for the year	6	20	22	**48**
Disposals	(6)	(3)	–	**(9)**
Exchange differences	–	(1)	–	**(1)**
At 31 March 2024	**43**	**106**	**68**	**217**
Net book value				
At 31 March 2024	**228**	**48**	**207**	**483**
At 31 March 2023	20	42	144	206

* Additions to other intangibles relate to licences and trademarks.

Customer relationships *refer to intangible assets that arise from entity acquisitions (e.g. UKTV), which bring a number of carriage agreements with channel networks. These agreements can be secured for a fixed amount of time and are therefore amortised over the induvial contract terms on a straight-line basis.*
Other intangibles *primarily includes intangible assets that arise from entity acquisitions, such as Electronic Programme Guide (EPG) slots, as well as brands and trademarks.*

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E5 Property, plant and equipment

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

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

Depreciation

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

Land and buildings:

Freeland land	Not depreciated
Freehold buildings	50 years
Freehold building improvements	10 to 50 years
Long leasehold buildings	Shorter of 50 years or life of lease
Long leasehold building improvements	10 to 50 years

Plant and machinery:

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

Furniture and fittings: 3 to 10 years

	Land and buildings* £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2022	19	56	23	5	**103**
Additions	2	1	1	10	**14**
Transfers	–	9	3	(12)	**–**
Disposals	(2)	(2)	–	–	**(4)**
At 31 March 2023	19	64	27	3	**113**
Additions	–	2	4	6	**12**
Transfers	–	5	1	(6)	**–**
Disposals	–	(8)	(3)	–	**(11)**
At 31 March 2024	**19**	**63**	**29**	**3**	**114**
Depreciation and impairment					
At 1 April 2022	9	41	15	–	**65**
Charge for the year	1	4	2	–	**7**
Disposals	–	(2)	–	–	**(2)**
At 31 March 2023	10	43	17	–	**70**
Charge for the year	–	7	3	–	**10**
Disposals	–	(7)	(3)	–	**(10)**
At 31 March 2024	**10**	**43**	**17**	**–**	**70**
Net book value					
At 31 March 2024	**9**	**20**	**12**	**3**	**44**
At 31 March 2023	9	21	10	3	43

* Land and buildings are not separable and therefore reported collectively

E. The assets owned by the Group continued

E6 Interests in associates and joint ventures

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

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

	2024 £m	2023 £m
Interest in associates	**86**	111
Interest in joint ventures	**1**	50
Total interest in associates and joint ventures	**87**	161
Share of profit of associates	**19**	15
Share of profit of joint ventures	**10**	(3)
Total share of results of associates and joint ventures	**29**	12

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

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

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

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

	Associates 2024 £m	Joint Ventures 2024 £m	**Total 2024 £m**	Associates 2023 £m	Joint Ventures 2023 £m	**Total 2023 £m**
At 1 April	111	50	**161**	152	45	**197**
Additions	3	6	**9**	7	22	**29**
Disposals	–	(70)	**(70)**	(3)	–	**(3)**
Share of results	19	10	**29**	15	(3)	**12**
Share of losses reclassified to provisions	(2)	–	**(2)**	–	–	**–**
Adjustment to provision for unrealised profits	–	8	**8**	1	(6)	**(5)**
Dividends receivable	(46)	(3)	**(49)**	(31)	–	**(31)**
Foreign exchange translation gains	1	–	**1**	10	2	**12**
Impairment	–	–	**–**	(40)	(10)	**(50)**
At 31 March	86	1	**87**	111	50	**161**

Notes to the Group financial statements continued

E. The assets owned by the Group continued

E6 Interests in associates and joint ventures continued

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

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

Investments in associates

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

New Video Channel America, LLC ("NVCA")

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

The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected long-term growth rate of -10.0% (2023: -5.0%).

A discount rate of 9.4% (2023: 11.7%) has been applied to the cash flows.

Management believes that no impairment is due on the Group's share in the channel (2023: £20 million) following the annual impairment review. The remaining investment balance of £67 million (2023: £98 million) reflects confidence in the channel's future profitability.

E. The assets owned by the Group continued

E6 Interests in associates and joint ventures continued

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

	NVCA 2024 £m	NVCA 2023 £m
Non-current assets	**104**	114
Current assets	**50**	95
Current liabilities	**(16)**	(10)
Non-current liabilities	**–**	(2)
Net assets of NVCA	**138**	197
Group's interest in NVCA	**67**	98
Income	**109**	126
Profit/(loss) after tax	**36**	(43)
Share attributable to other parties	**(18)**	21
Group's share of results of NVCA	**18**	(22)

Investments in joint ventures

There were no material joint ventures at the end of the year, following the deemed disposal of BritBox International.

F. Leasing activities

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

Judgement – 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

Lease payments

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

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

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

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

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

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

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

Lease remeasurement

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

Short-term leases

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

F. Leasing activities continued

F1 Right-of-use assets

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

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

	Land and buildings £m	Plant and machinery £m	Total £m
Cost			
At 1 April 2022	133	3	**136**
Additions	9	–	**9**
Change in contract	10	1	**11**
Disposals	(5)	(2)	**(7)**
At 1 April 2023	147	2	**149**
Additions	10	–	**10**
Change in contract	15	–	**15**
At 31 March 2024	**172**	**2**	**174**
Depreciation and impairment			
At 31 March 2022	30	2	**32**
Charge for the year	16	1	**17**
Disposals	(4)	(2)	**(6)**
At 31 March 2023	42	1	**43**
Charge for the year	22	–	**22**
At 31 March 2024	**64**	**1**	**65**
Net book value			
At 31 March 2024	**108**	**1**	**109**
At 31 March 2023	105	1	106

F. Leasing activities continued

F2 Obligations under leases

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

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

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

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

	2024 £m	2023 £m
Lease obligations due within one year	19	18
Lease obligations due after more than one year	96	93
Total lease obligations	**115**	111

The ageing of obligations under leases is as follows:

	2024 £m	2023 £m
Within one year	19	18
Between one and five years	51	47
Over five years	45	46
Total obligations under leases	**115**	111

The age analysis of undiscounted cash flows is as follows:

	2024 £m	2023 £m
Within one year	20	17
Between one and five years	55	47
Over five years	52	56
Total lease payments	127	120
Less interest element	(12)	(9)
Present value of obligations	**115**	111

Notes to the Group financial statements continued

F. Leasing activities continued

F3 Lease expenses recognised in the income statement

	2024 £m	2023 £m
Interest on obligations under leases	**2**	2
Depreciation on leased assets	**22**	17
Expenses relating to short term leases	**9**	9
Expenses relating to leases of low value assets, excluding short term leases	**1**	4
Total lease expenses	**34**	32

Notes to the Group financial statements continued

G. Financing the Group

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

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

Judgement – 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.

G1 Net debt

Net debt comprises the following:

	Note	2024 £m	2023 £m
Cash and cash equivalents	G2	198	262
Borrowings	G3	(526)	(178)
Lease obligations	F2	(115)	(111)
Derivatives associated with borrowings	G5.2	1	2
Total net debt		**(442)**	(25)

G2 Cash and cash equivalents

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

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

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

	2024 £m	2023 £m
Cash at bank available on demand and cash in hand	124	55
Short-term deposits	74	207
Total cash and cash equivalents	**198**	262

Notes to the Group financial statements continued

G. Financing the Group continued

G3 Borrowings

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

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

	2024 £m	2023 £m
Bank loans due within one year	6	8
Bank loans due after more than one year	520	170
Total borrowings	**526**	178

Notes to the Group financial statements continued

G. Financing the Group continued

G4 Borrowing facilities

Facility	Interest rate	Total available 31 March 2024 £m	Drawn down at 31 March 2024 £m	Total available 31 March 2023 £m	Drawn down at 31 March 2023 £m	Expiry or review date
BBC Commercial Limited						
Revolving credit facility agreement	SONIA plus agreed credit adjustment spread of 0.1193% plus the relevant margin: 0.45% up to 1/3 utilisation, 0.6% between 1/3 and 2/3 and 0.75% over 2/3.	**310**	**200**	210	–	March 2026
Private placement	5.72% fixed rate	**150**	**150**	–	–	February 2039
Overdraft or money market lines*	Bank base rate plus 1.5%	**2**	**–**	2	–	Reviewed annually
Uncommitted money market lines	Interest rate is determined when traded with the bank	**20**	**–**	20	–	Reviewed annually
Fixed term loan	SONIA + 1.25%	**170**	**170**	170	170	June 2025**
BBC Studios Distribution Limited						
Overdraft	Bank base rate plus 1% if drawn down in sterling. Bank currency overdraft rate plus a 1% margin if drawn down in other currencies.	**3**	**–**	3	–	Reviewed annually
Bank loan	3 month GBP SONIA + 1.5%	**–**	**–**	6	6	July 2023
Bank loan	3 month GBP SONIA + 1.5%	**–**	**–**	4	1	June 2023
Bank loan	3 month GBP SONIA + 1.0%	**–**	**–**	1	–	July 2023
Bank loan	3 month GBP SONIA + 1.0%	**–**	**–**	2	1	April 2023
Bank loan	3 month GBP SONIA + 1.5%	**2**	**1**	2	–	October 2024
Bank loan	3 month GBP SONIA + 1.5%	**5**	**5**	–	–	November 2024

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

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

In June 2024 the Company agreed a second £150 million Private Placement (with funding expected on 15 July 2024 and matures July 2041).

There have been no defaults or breaches of covenants on the facilities above during the year (2023: none).

Notes to the Group financial statements continued

G. Financing the Group continued

G5 Financial instruments

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

Amortised cost

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

Fair value through profit/loss

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

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

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: The fair value is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates, the current creditworthiness of swap counterparties and the creditworthiness of the Group.
- Foreign currency forward contract rates: The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date from third parties.
- Embedded derivatives: An embedded derivative is a component of a hybrid contract that also includes a non-derivative host - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

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

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

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

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

G. Financing the Group continued

G5 Financial instruments continued

Fair value through other comprehensive income

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

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

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

Impairment of financial assets

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

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

The Group uses the following derivatives contracts:

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

Interest rate swaps *allow the Group to fix variable interest rates on borrowings to a fixed rate.*
These instruments allow the Group to manage its liquidity requirements more effectively as the amounts to be paid/received become known.

The following terminology is used throughout this section:

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

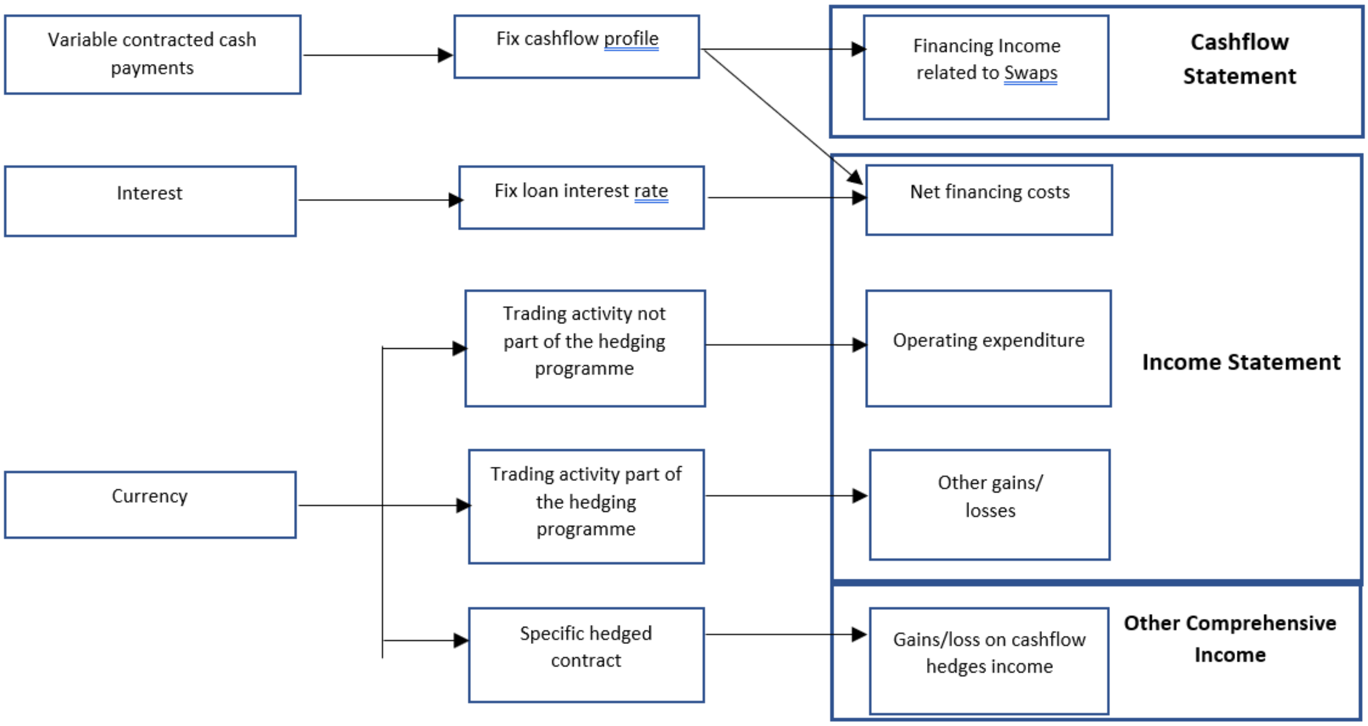
Fair value: *the fair value of an asset is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.*

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

G. Financing the Group continued

G5 Financial instruments continued

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



G5.1 Financial risk management

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

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

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

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

Notes to the Group financial statements continued

G. Financing the Group continued

G5.1 Financial risk management continued

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
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Monitoring cash flow forecasts and covenant compliance
Credit risk	Counterparty default on contractual obligations	Credit ratings and ageing analysis	Assessment of financial reliability, collateral and other credit enhancements

Currency risk

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

The Group has implemented a hedging policy to minimise volatility in its financial results. The Group's policy is to hedge a proportion of its forecast net foreign currency trading covering a period of up to three years. The foreign currency forwards are denominated in the same currency as the highly probable forecast net exposures and the hedge ratio is 80% for the first year, 60% for the second year and 40% for the third year. 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 largely fixed for the next financial year; 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 2024, the Group had entered into a net commitment to sell foreign currencies amounting to £549 million (2023: £693 million) that mature in the period through to 2027 in order to fix the sterling cost of revenues through this period (mainly euros and US dollars).

Notes to the Group financial statements continued

G. Financing the Group continued

G5.1 Financial risk management continued

Based on the net forward contracts outstanding at 31 March 2024, 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 £7 million (2023: loss of £10 million) and the comprehensive income impact would have been a loss of £38 million (2023: loss of £40 million).

Net gains (before tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in hedge relationships at 31 March 2024 were £11 million (2023: £13 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 and fixed term loan facilities at floating rates of interest and then used interest rate swaps to manage the Group's exposure to interest rate fluctuations and provide greater certainty of cash flows. Interest rate swaps are entered into based on projected borrowing requirements, therefore differences will occur between the notional amount of the swaps and the actual borrowing requirements. By taking out the interest rate swaps the Group has mitigated underlying exposure to interest rate fluctuations and hence no sensitivity analysis has been presented.

Sterling fixed rate borrowings are achieved through fixed rate debt or through interest rate swap transactions on floating rate debt. At the balance sheet date Group borrowings comprised £150 million fixed rate debt (Private Placement maturing February 2039), £170 million Term Loan (maturing June 2025 and fixed through interest rate swaps) and £200 million drawdown from the Revolving Credit Facility at floating rates. Half of this drawdown is short term in nature and therefore not considered a significant interest rate risk exposure. The remaining exposure is also managed & offset through floating yield on the Group cash liquidity buffer. In total, £170 million (2023: £170 million) of swaps were entered into. The coverage reflects 57% (2023: matches) the current level of variable rate bank loans of £370 million (2023: £170 million).

Other price risk of financial assets

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is subject to limits on its borrowings set by the Secretary of State in accordance with the Agreement between the BBC and Department of Culture Media and Sport. At 31 March 2024 the operating net debt limit in place was £600 million (2023: £600 million) and an additional £200 million (2023: £200 million) for leases.

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

In order to comply with these limits, together with the terms of any individual debt instruments, the BBC's Group Treasury function manages the Group's borrowings (including leases) by regularly monitoring Group cash flow forecasts. The Group holds its surplus liquidity in term deposit accounts and money market funds 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 2024.

G. Financing the Group continued

G5.1 Financial risk management continued

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

2024	Carrying value £m	Contractual cash flows Total £m	Less than one year £m	Between one and five years £m	Over five years £m
Non-derivative financial liabilities					
Trade and other payables	(531)	(531)	(498)	(33)	–
Bank loans and overdrafts	(526)	(692)	(38)	(419)	(235)
Lease obligations	(115)	(127)	(20)	(55)	(52)
Derivative financial liabilities					
Forward foreign currency contracts - fair value through profit/loss	(2)	(2)	(2)	–	–
Forward foreign currency contracts - fair value through other comprehensive income	(7)	(6)	(4)	(2)	–

2023*	Carrying value £m	Contractual cash flows Total £m	Less than one year £m	Between one and five years £m	Over five years £m
Non-derivative financial liabilities					
Trade and other payables	(382)	(382)	(343)	(39)	–
Bank loans and overdrafts	(178)	(200)	(18)	(182)	–
Lease obligations	(111)	(120)	(17)	(47)	(56)
Derivative financial liabilities					
Forward foreign currency contracts - fair value through profit/loss	(6)	(6)	(6)	–	–
Forward foreign currency contracts - fair value through other comprehensive income	(15)	(15)	(15)	–	–

*Trade and other payables has been restated to exclude £198 million dividend that was declared but not a legally binding liability at the year end.

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 A 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.

G. Financing the Group continued

G5.1 Financial risk management continued

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.

G. Financing the Group continued

G5.2 Fair value of financial instruments

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

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

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

No transfers between these categories have occurred during the period.

	Carrying value				Fair value hierarchy for those carried at fair value or at amortised cost where fair value differs			
2024	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**
Cash and cash equivalents	198	–	–	198				
Trade and other receivables	295	–	–	295				
Derivative financial assets:								
Forward foreign currency contracts	–	–	23	23	23	–	–	23
Interest rate swaps	–	1	–	1	–	1	–	1
Other investments	7	–	–	7	–	–	7	7
Total financial assets	**500**	**1**	**23**	**524**	**23**	**1**	**7**	**31**
Bank loans and overdrafts	(526)	–	–	(526)				
Lease obligations	(115)	–	–	(115)	–	–	(115)	(115)
Trade and other payables	(531)	–	–	(531)	–	–	–	–
Derivative financial liabilities:								
Forward foreign currency contracts	–	(2)	(7)	(9)	(9)	–	–	(9)
Total financial liabilities	**(1,172)**	**(2)**	**(7)**	**(1,181)**	**(9)**	**–**	**(115)**	**(124)**

Notes to the Group financial statements continued

G. Financing the Group continued

G5.2 Fair value of financial instruments continued

2023*	Carrying value: Amortised cost £m	Carrying value: Fair value through profit/loss £m	Carrying value: Fair value through other comprehensive income £m	Total £m	Fair value hierarchy for those carried at fair value or at amortised cost where fair value differs: Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Cash and cash equivalents	262	–	–	262				
Trade and other receivables	256	–	–	256				
Derivative financial assets:								
Forward foreign currency contracts	–	–	20	20	20	–	–	20
Interest rate swaps	–	2	–	2	–	2	–	2
Other investments	6	–	–	6	–	–	6	6
Total financial assets	518	2	20	540	20	2	–	22
Bank loans and overdrafts	(178)	–	–	(178)				
Lease obligations	(111)	–	–	(111)	–	–	(111)	(111)
Trade and other payables	(382)	–	–	(382)	–	–	–	–
Derivative financial liabilities:								
Forward foreign currency contracts	–	(6)	(15)	(21)	(21)	–	–	(21)
Total financial liabilities	(671)	(6)	(15)	(692)	(21)	–	(111)	(132)

*Trade and other payables has been restated to exclude £198 million dividend that was declared but not a legally binding liability at the year end.

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

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

2024	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Forward foreign currency contracts	5	18	(8)	(1)	14
Interest rate swaps	1	–	–	–	1
Total derivative financial assets/(liabilities)	**6**	**18**	**(8)**	**(1)**	**15**

2023	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Forward foreign currency contracts	11	9	(12)	(9)	(1)
Interest rate swaps	2	–	–	–	2
Total derivative financial assets/(liabilities)	13	9	(12)	(9)	1

G. Financing the Group continued

G5.2 Fair value of financial instruments continued

Level 3 financial instruments

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

	2024		2023	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	£m	£m	£m	£m
At 1 April	6	(111)	4	(128)
Payments and settlements	–	25	–	38
Unwinding of discount recorded within finance expense	–	(2)	–	(2)
Additions	1	(10)	2	(4)
Change in fair value	–	(17)	–	(15)
At 31 March	7	(115)	6	(111)

Notes to the Group financial statements continued

H. Receivables and payables

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

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

Judgement – 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.

Estimate – provisions
Estimation techniques used to calculate the expected amount required to settle a provision can be very complex, especially when there is a wide range of possible outcomes.

Estimate – 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.

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

H. Receivables and payables continued

H1 Trade and other receivables and contract assets

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

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

H1.1 Contract assets

	2024 £m	2023 £m
At 1 April	31	2
Decrease due to balance transferred to trade receivables	(20)	(2)
New contract assets	8	31
At 31 March	**19**	**31**
Presented within:		
Current	19	31
	19	31

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

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

	2024 £m	2023 £m
Trade receivables	–	1
Total trade and other receivables due after more than one year	**–**	**1**

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

H. Receivables and payables continued

H1.3 Trade and other receivables due within one year

	2024 £m	2023 £m
Trade receivables	**180**	162
Accrued income	**277**	262
Prepayments	**26**	32
Amounts owed by parent undertaking	**62**	18
Amounts owed by associates and joint ventures	**3**	46
Other receivables	**54**	33
Total trade and other receivables due within one year	**602**	553

H1.4 Expected credit losses

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

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

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

Included in the Group's contract assets and trade and other receivables at 31 March 2024 are balances of £45 million (2023: £27 million) which are past due at the reporting date, before impairment. The aged analysis of these balances is as follows:

	2024 £m	2023 £m
Up to 3 months	**30**	17
3 to 6 months	**5**	5
Over 6 months	**10**	5
Total balance past due	**45**	27

H. Receivables and payables continued

H1.4 Expected credit losses continued

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

	2024 £m	2023 £m
Balance at the beginning of the year	5	4
Charge for the year	4	2
Amounts recovered during the year	–	(1)
Balance at the end of the year	**9**	5

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

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

H2 Trade and other payables and contract liabilities

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

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

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

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H2.1 Contract liabilities

	2024 £m	2023 £m
At 1 April	(307)	(397)
Decrease due to revenue recognised in the period	190	360
Increase due to cash received in advance and not recognised as revenue during the year	(156)	(270)
At 31 March	**(273)**	(307)
Presented within:		
Current	(243)	(206)
Non-current	(30)	(101)
	(273)	(307)

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

Notes to the Group financial statements continued

H. Receivables and payables continued

H2.2 Trade and other payables due within one year

	2024 £m	2023* £m
Rights creditors	**139**	127
Accruals	**157**	143
Trade payables	**139**	74
Salaries and wages creditors	**55**	48
Amounts owed to parent company	**145**	58
Amounts owed to associates and joint ventures	**15**	10
Other payables	**61**	77
Total trade and other payables due within one year	**711**	537

*Amounts owed to parent company has been restated to exclude £198 million dividend that was declared by Directors but not a legally binding liability at the year end.

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

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

	2024 £m	2023 £m
Other payables	**32**	39
Total trade and other payables due within one year	**32**	39

H3 Related party transactions

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

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note. Amounts owed by and to the BBC Public Service and fellow subsidiary undertakings within the BBC Group are reported in note H1.3 and H2.2 respectively. In addition to the above, Group also received £437,000 of income from BBC Children in Need (2023: £140,000 of income).

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

	Parent company		Other BBC Subsidiaries	
	2024 £m	2023* £m	2024 £m	2023 £m
Investment in BBC programme rights	**(19)**	(32)	**–**	–
Dividend paid	**(198)**	–	**–**	–
Other income	**382**	358	**–**	–
Other expense	**(95)**	(82)	**(2)**	(2)
	70	244	**(2)**	(2)

*The note has been restated to present £198 million dividend that was declared in 2023 but was not paid until 2024.

Notes to the Group financial statements continued

H. Receivables and payables continued

H3 Related party transactions continued

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

Name of related party	Income 2024 £m	Expenditure 2024 £m	Dividends received 2024 £m	Income 2023 £m	Expenditure 2023 £m	Dividends received 2023 £m
Associates:						
New Video Channel America LLC	19	(2)	46	22	(6)	30
Other associates	–	(3)	–	–	(2)	1
Joint ventures:						
Other joint ventures	14	(12)	3	62	(11)	–
	33	(17)	49	84	(19)	31

The following amounts were outstanding at the balance sheet date:

Name of related party	Receivables 2024 £m	Payables 2024 £m	Net balance 2024 £m	Receivables 2023 £m	Payables 2023 £m	Net balance 2023 £m
Associates:						
New Video Channel America LLC	3	(15)	(12)	4	(7)	(3)
Joint ventures:						
Other joint ventures	–	–	–	42	(3)	39
	3	(15)	(12)	46	(10)	36

H4 Provisions and contingent liabilities

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

H. Receivables and payables continued

H4 Provisions and contingent liabilities continued

	At 1 April 2023 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2024 £m
Restructuring	5	8	(3)	(2)	8
Property	1	–	–	–	1
Legal	2	2	(2)	–	2
Other	20	4	(15)	(2)	7
Total	28	14	(20)	(4)	18
Included in current liabilities	25				15
Included in non-current liabilities	3				3
Total	28				18

Restructuring

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

Property

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

Legal

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

Other

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

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

H. Receivables and payables continued

H4 Provisions and contingent liabilities continued

Contingent liabilities

Indian tax survey

The Indian Income Tax Department conducted tax surveys at the offices of BBC Global News India Private Limited, BBC Global News Limited and BBC Studios India Private Limited in February 2023. The BBC has co-operated in full, and will continue to do so, with all requests made to it including document and information requests, supported by its external legal and tax advisers.

Matters arising from the surveys are ongoing. In respect of matters yet to conclude it is not possible at this stage to identify if a liability exists and/or to quantify any such liability with reasonable certainty.

Competition and Markets Authority (CMA)

On 11 October 2023, the CMA launched an investigation into a number of named undertakings, including the BBC, in relation to the purchase of services from freelance providers, and the employment of staff, who support the production, creation and/or broadcasting of television content in the UK. The investigation remains at an early stage.

It is not currently possible to reliably quantify any liability that might result from the investigation. The BBC, including the Commercial Group, is cooperating with the CMA's enquiry on the investigation.

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

H. Receivables and payables continued

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

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

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

2024	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after five years £m	Total £m
Programme rights for distribution	92	54	–	**146**
Other commitments	42	70	3	**115**
2023				
Programme rights for distribution	68	22	–	**90**
Other commitments	60	73	3	**136**

Included in other commitments in the prior year is £14 million due to associates and £55 million due to joint ventures. There were no commitments due to neither associates nor joint ventures at 31 March 2024.

Notes to the Group financial statements continued

I. Group structure and other disclosures

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

I1 Interests in associates, joint ventures and subsidiaries

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

I1.1 Significant associates and their activities

The Group holds interests in the following significant associates:

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

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

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

I1.2 Significant joint ventures and their activities

The Group does not hold any significant interests in joint ventures as at the year end.

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

I1.3 Subsidiary undertakings

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

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

Demon Music Group Limited	BBC Studios Productions (Clifton) Limited
BBC Children's Productions Limited	BBC Comedy Productions Limited
BBC World Distribution Limited	BBC Grafton House Productions Limited
Nice and Accurate Productions Limited	BBC Natural History and Factual Productions Limited
UK Programme Distribution Limited	2entertain Limited
BBC Studios Productions (Time2) Limited	2entertain Video Limited
BBC Studios Productions (Kidnapped) Limited	2entertain Management Limited
Earth Films Productions Limited	BBC Studios Investments Limited
Tonto Films and Television Limited	BBC Studios Channel Investments Limited
Mortimer Productions Limited	BritBox International Limited
Denipurna Limited	BritBox International Trading Limited

Directly owned subsidiaries (all 100% owned unless stated otherwise)	Registered address
BBC Global News Holdings Limited BBC Studios Limited	1 Television Centre, 101 Wood Lane, London, W12 7FA
BBC Studioworks Limited	Neptune House, BBC Elstree Centre, Clarendon Road, Borehamwood, Hertfordshire, WD6 1JF

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

I1.3 Subsidiary undertakings continued

Indirectly owned subsidiaries (all 100% owned unless stated otherwise)	Registered address
BBC Studios Production Limited	1 Television Centre, 101 Wood Lane, London, W12 7FA
BBC Studios Distribution Limited	
BBC Grafton House Productions Limited	
BBC Children's Productions Limited	
Nice & Accurate Productions Limited	
BBC Natural History & Factual Productions Limited	
BBC Natural History Giant Screen Limited	
BBC Studios Productions (Clifton) Limited	
BBC Comedy Productions Limited	
BBC Studios Productions (Kidnapped) Limited	
BBC Studios Productions (Time2) Limited	
BBC Studios Development Productions Limited	
BritBox International Trading Limited	
BritBox International Limited	
Mortimer Productions Limited	
2 entertain Limited	
2 entertain Management limited	
2 entertain Video Limited	
BBC Video Limited	
MCI Music Publishing Limited	
Demon Music Group Limited	
Demon Music Ireland Limited	
Crimson Productions Limited	
F-Beat Records Limited	
Demon Records Limited	
Devil's Peak Distribution Limited (92% owned)	
Clerkenwell Films Limited	
Bunny Munro Limited (formerly Uncle Steve Limited)	
Belladonna Productions Limited	
BBC Earth Productions (Africa) Limited	
BBC Earth MD (WWD) Limited	
BBC Earth Productions (Life) Limited	
BBC Earth Productions Limited	
BBC Earth Productions (Giant Films) Limited	
Earth Film Productions Limited	
BBC Magazines Holdings Limited	
BBC Studios Corporate Services Limited	
BBC Studios Investments Limited	
BBC Studios Drama Productions Limited	
Tonto Films and Television Limited	
BBC Studios Channel Investments Limited	
UK Programme Distribution Limited	
Quite Persuasive Films Limited	
Quite Funny Films Limited	
Quite Scary Films Limited	
BEEB Rights Limited (88% owned)*	

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

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

I1.3 Subsidiary undertakings continued

Indirectly owned subsidiaries (all 100% owned unless stated otherwise)	Registered address
Baby Cow Productions Limited (75% owned) Baby Cow Manchester Limited (75% owned) Baby Cow Productions (Changing Ends) Limited (75% owned) Baby Cow Productions (Chivalry) Limited (75% owned) Baby Cow Productions (Partridge) Limited (75% owned) Baby Cow Productions (Red Dwarf) Limited (75% owned) Baby Cow Films Limited (75% owned) Baby Cow Films (OFTM) Limited (75%) Baby Cow Productions (B and M) Limited (75%) Moone Boy (UK) Limited (50%) Alan Partridge Limited (75% owned) Baby Cow Productions (Witchfinder) Limited (75% owned) Baby Cow Animation Limited (75% owned) Baby Cow Films (OFTM) Limited Denipurna Limited Lost Child Limited (75% owned) The Last Holiday Limited (75% owned) BBC.com Limited BBC World Distribution Limited House Productions Limited House Element Wonder Limited (50% owned) House Conclave Limited House LAL Limited House Pictures Limited House Ref Limited House Sherwood Limited House Six Four Limited House Trig Limited House Bird Limited House Sherwood2 Limited House Starve Acre Limited House DMC Arrival Limited (50%) Majorca Productions Limited (50%) Belladonna Productions Limited Consent Productions Limited Firebird Pictures Limited Mitrageous Limited Recall TV Limited TFW Productions Limited Two+Two=5 Limited Philomena Lee Limited (75% owned)	1 Television Centre, 101 Wood Lane, London, W12 7FA

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

I1.3 Subsidiary undertakings continued

Indirectly owned subsidiaries (all 100% owned unless stated otherwise)	Registered address
Sid Gentle Films Limited Sid Gentle Films (Corfu) Limited Sid Gentle Films (Gaiman) Limited Sid Gentle Films (KE2) Limited Sid Gentle Films (Killing Eve) Limited Sid Gentle Films (Ragdoll) Limited Sid Gentle Films (KE3) Limited Sid Gentle Films (KE4) Limited Sid Gentle Films (SS-GB) Limited Sid Gentle Films (TD4) Limited Sid Gentle Films (The Durrells) Limited Sid Gentle Films (Costello Jones) Limited Sid Gentle Films (Extraordinary) Limited Sid Gentle Films (extraordinary 2) Limited Sid Gentle Films (Grace) Limited Sid Wild Films Limited As Yet Unnamed Limited Ginger Snaps TV Limited (50%) Small Pier Productions limited Voltage TV Productions Limited EHV Films Limited Wilder (UK) Productions Limited	1 Television Centre, 101 Wood Lane, London, W12 7FA
UKTV Media Holdings Limited UKTV Media Limited	10 Hammersmith Grove, London, W6 7AP
Lookout Point Limited (92% owned) A Suitable Company Limited (92% owned) AMP 1 Limited (92% owned) Evergreen Television Limited (92% owned) Lookout Point (Les Miserables) Limited (92% owned) Lookout Point (Shibden) Limited (92% owned) Lookout Point (LT5) Limited (92% owned) Lookout Point Acquisition Limited (92% owned) Lookout Point (DP) Production Limited (92% owned) Lookout Point (FUMP) Limited (92% owned) Lookout Point Management Limited (92% owned) Lookout Point (T&T) Limited (92% owned) Off Stone Productions Limited (92% owned) Lookout Point (The Collection) Limited (92% owned) Lookout Point (HV3) Limited (92% owned) Boffola Pictures Limited (25%) Copbury Productions Limited (25%) Boffola Productions2 Limited (25%) White Hart Lane Productions Limited (92% owned)	Hammer House, 113 - 117 Wardour Street, London, United Kingdom, W1F 0UN
BritBox Australia Partnership	Level 1, 35-51 Mitchell Street, McMahons Point NSW 2060, Australia
BBC Rights LLC	Corporation Trust Center 1209 Orange St, Wilmington, DE 19801, USA

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

I1.3 Subsidiary undertakings continued

Indirectly owned subsidiaries (all 100% owned unless stated otherwise)	Registered address
BBC Studios Canada Limited	145 King Street West, Suite 740, Toronto ON M5H 1JH, Canada
BBC Studios Productions (Clifton) Canada Inc	40 King Street West, Suite 2100, Toronto ON M5H 3C2, Canada
BBC Studios Singapore Private Limited	12-08/08 Shaw Tower, 100 Beach Road, Singapore 189702, Singapore
BBC Studios Japan Limited	Tokyo Club Bldg., 10F, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013, Japan
BBC Studios Productions Nordics ApS	Mosedalvej 14, 2500 Valby, Denmark
BBC.com US, Inc	c/o Corporation Trust Centre, 1209 Orange Street, Wilmington 19801, United States, New Castle, Delaware 19801
BBC Studios France	18-20 Quai du Point du Jour, Bat. A, 92100 Boulogne-Billancourt, France
BBC Studios Channel Investments (Ontario) Limited	Toronto Dominion Bank Tower, Toronto Dominion Center, Toronto, ON M5K 1E6, Canada
BBC Studios Americas Incorporated BBC Studios Americas (401) k Plan - Trustees BritBox LLC	1120 Avenue of the Americas, 5th Floor, New York, NY 10036-6700, United States
Adjacent Productions, LLC Bad Wolf Productions LLC BBC Studios Reality Productions LLC Global Hybrid Productions LLC Lime Grove Productions LLC Sun Never Sets Productions LLC WNT Productions LLC Studios Competition Productions LLC Sixth Ave Productions LLC Frankie and Jude Productions LLC Picea Productions LLC Wood Lane Productions LLC A&P Productions LLC	10351 Santa Monica Boulevard, Los Angeles, CA 90025, United States
BBC Studios Americas Investments Incorporated	The Corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington 19801, United States
BBC Studios Australia Holdings Pty Limited BBC Studios Australia Pty Limited BBC Studios Australia BB Pty Limited BBC Studios Productions Australia Pty Limited BritBox Australia Management (PTY) Limited Paradise Productions No. 1 PTY Limited BritBox SVOD Australia PTY Limited	Level 1, 35-51 Mitchell Street, McMahons Point NSW 2060, Australia
BBC Studios Germany GmbH Erste Weltweit Medien GmbH	Kaiser-Wilhelm-Ring 17-21, 50672 Köln, Germany
BBC World Service India Private Limited (0.000006% owned)	5&6th Floor Hindustan Times House Kasturba Gandhi Marg New Delhi

Notes to the Group financial statements continued

I. Group structure and other disclosures continued

I1.3 Subsidiary undertakings continued

Indirectly owned subsidiaries (all 100% owned unless stated otherwise)	Registered address
BBC Worldwide Holdings B.V.	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands
BBC Studios Benelux B.V.	BBC Studios Benelux B.V. Weesperplein 4b, 1018 XA Amsterdam, Netherlands
BBC Studios India Private Limited	Construction House A Wing, 401- 4th Floor, Off Linking Road, 24th Road, Khar (W), Mumbai 400 052 India
BBC Studios Africa (Pty) Limited	Office 003H3 Ground Floor, 10 Melrose Boulevard, Melrose Arch, Melrose North 2196, SA
BBC Studios Intermediadora de Programadora Estrangeira Limited	Rua Ferreira de Araujo, 741, Andar 1, Pinheiros, São Paulo, SP 05.428-002 Brazil
BBC Studios Polska Sp. Z.o.o.	Pl. Bankowy 1, 00-139 Warszawa, Poland
BBC Studios Mexico S.A. de C.V.	Calle Andres Bello 10 Piso 10, Chapultepec Polanco, Delg. Miguel Hidalgo, Ciudad de Mexico CP 11560, Mexico
Worldwide Knowledge (Beijing) Business Consulting Company Limited	Unit 7, Floor 9, West Tower, Genesis Building, 8 Xinyuan South Road, Chaoyang District, Beijing 100027
BBC Studios Productions (Africa) (Pty) Limited	24 18th Street, Menlo Park 0081, Maxars House, 5 ST Davids Place, Parktown 2193, SA
Rapid Blue Africa Limited	7 Sowemimo Street, GRA Ikeja, Lagos, Nigeria
Rapid Blue Pty Limited	263 Oak Avenue, Ferndale, Randburg, 2194, South Africa
Rapid Blue Formats Limited (38% owned)	1 Bamako Street, Omole Phase 1, Ojodu, Lagos, Nigeria
Rapid Blue Production Nigeria Limited (99% owned)	1 Hotsports Drive, Via Kudirat Abiola Road, Oregun, Lagos, Nigeria
BBC Studios Nortdic ApS	Klosterstraede 9, 1157, Copenhagen, Denmark
BBC Studios Nordic Productions A/S	Strandiodsvej 44.4, 2300 Kobenhavn S, Denmark
BBC Studios Nordic Productions AB	Norra Bulltoftavagen, 65F 212 43 MALMO, Sweden
BBC Studios Nordic Productions AS	Marcus Thranes gate 2, 0473, Oslo
BBC Global News Limited	1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA
BBC Global News Japan Limited	Tokyo Club Bldg., 3-2-6, Kasumigaseki, Chiyoda-ku, Tokyo, 100-0013, Japan
BBC Global News (Singapore) Private Limited	#12-08/08 Shaw Tower, 100 Beach Road Singapore 189702, Singapore
BBC Global News (India) Private Limited	Unit No. 301, 3rd Floor, D-2, Southern Park, District Centre, Saket, New Delhi, 110017
BBC Global News US.LLC	Corporation Service Company, 80 State Street, Albany, New York, 12207-2543
BBC Studios Singapore PTE Limited	18 Robinson Road, #13-01 18 Robinson, Singapore 048547
The Office Production Pty Limited	Level 1, 35-51 Mitchell Street, McMahons Point 2060, Sydney, Australia

I. Group structure and other disclosures continued

I2 Share capital

	2024 £'000	2023 £'000
Issued, allotted, called up and fully paid		
At 1 April and 31 March	50	50

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

I3 Equity dividends

Dividends are recognised through equity in the period in which they are declared and become a legally binding obligation. Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised by the shareholders 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.

Dividends payable on ordinary equity shares	2024 £m	2023 £m
Dividends were proposed and paid, unless stated otherwise, as follows:		
March 2024 of 176,200p per share (unpaid)	88	–
March 2023 of 395,800p per share (paid during 2023/24)	–	198
Total dividends	88	198

The March 2023 dividend of £198 million was declared by the Directors had not been paid by 31 March 2023 and did not have a supporting shareholder resolution. Consequently the prior year dividend was de-recognised and was recognised when paid during the year ended 31 March 2024. The March 2024 dividend was also unpaid and has not been subject to a shareholder resolution, and therefore has not been recognised as a legally binding obligation at the year end.

I4 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.

I. Group structure and other disclosures continued

I5 Reserves

Retained earnings

The retained earnings reserve reflects accumulated profits to date.

Hedging reserve

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, gains of £2 million were removed from the hedging reserve and recognised in revenue in the income statement (2023: losses of £17 million).

Translation reserve

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

Other reserve

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

I6 Post balance sheet events

On the 20 June 2024 the Group agreed a £150 million private placement funding facility for 17 years at 5.74%.

On 2 April 2024, the Group acquired 100% ownership of Brutal Media SLU, a Spanish production company, for an initial consideration of €5 million. On 3 April 2024, the Group acquired 100% ownership of Werner Film Group Holdings Pty Limited, an Australian production company, for initial consideration of AUD$6 million.

On 1 April 2024, the BBC's Public Service Audio business was also transferred to the Studios Group.

In May 2024, unauthorised access was gained to a platform used by the BBC in which a number of files were exfiltrated including files containing personal information of some BBC Pension Scheme members. This has been reported to the Information Commissioner's Office.

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

Company financial statements

As at 31 March 2024

Balance Sheet

As at 31 March 2024

	Note	Company 2024 £m	Company 2023 £m
Fixed assets			
Investment in subsidiaries	2	**291**	291
Current assets			
Receivables			
- due within one year	3	**687**	374
Derivative financial instruments		**–**	2
Cash at bank and in hand		**74**	207
		761	583
Creditors: amounts falling due within one year			
Trade and other payables	4.1	**(106)**	(157)
Net current assets		**655**	426
Total assets less current liabilities		**946**	717
Creditors: amounts falling due after more than one year			
Borrowings	4.2	**(520)**	(170)
Net assets		**426**	547
Represented by			
Share capital	5	**–**	–
Retained earnings	5	**426**	547
Total equity shareholder's funds		**426**	547

*Restated to exclude £198 million dividend that was declared by Directors but not legally binding at the year end.

The financial statements of BBC Commercial Limited, registered number 04463534, were approved by the Directors and authorised for issue on 15 July 2024 and signed on their behalf by:

DocuSigned by:

B257037913324AD...

Thomas Fussell

Director

Notes to the Company financial statements

1. How the Company's accounts are prepared

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

Basis of accounting

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

Basis of preparation

The Company's financial statements have been prepared on the going concern basis. The Board remains satisfied with the Company's funding and liquidity position. At the balance sheet date, the Company's primary source of funding is a £310 million facility with a group of international banks until March 2026 following the exercise of two one year extension options, £170 million term loan (maturing June 2025 following the exercise of two one year extension options) and £150 million Private Placement (funding on 26 February 2024 and matures February 2039). In June 2024 the Company agreed a second £150 million Private Placement (with funding committed to be received on 15 July 2024 and maturing July 2041). As at the year-end the Company had drawn down £520 million of the facilities available (2023: £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 £77 million (2023: £– million loss). The Company did not have any other comprehensive income and consequently no statement of other comprehensive income has been presented.

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.

1. How the Company's accounts are prepared continued

Taxation continued

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

Finance costs

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

Cash and cash equivalents

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

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

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

Financial instruments

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

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

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

2. Investment in subsidiary undertakings

Judgement – impairment of investments

Determining whether there is any indication of impairment of the Company's investments in subsidiaries can require judgement.

Estimate – impairment of investments

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

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

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

	Company 2024 £m	Company 2023 £m
Cost		
At 1 April and 31 March	**303**	303
Impairment		
At 1 April	**(12)**	(2)
Impairment	**–**	(10)
At 31 March	**(12)**	(12)
Net book value	**291**	291

The investment in Studioworks Limited was impaired during the prior year.

The Company transferred its investment in BBC Children's Productions Limited to BBC Studios Group during prior 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
Studioworks Limited	England and Wales	Programme making
BBC Studios Limited	England and Wales	Holding company

Notes to the Company financial statements continued

3. Receivables

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

	Company 2024 £m	Company 2023 £m
Amounts falling due within one year:		
Amounts owed by subsidiaries	687	374
Total receivables due within one year	687	374

4. Payables

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

4.1 Amount falling due within one year

	Company 2024 £m	Company 2023 £m
Amounts owed to parent undertaking	4	–
Amounts owed to fellow subsidiaries	99	157
Other creditors	3	–
Total amounts falling due within one year	106	157

*Restated to exclude £198 million dividend that was declared by Directors but not legally binding at the year end.

4.2 Amounts falling due after more than one year

	Company 2024 £m	Company 2023 £m
Borrowings	520	170
Total amounts falling due after more than one year	520	170

4. Payables continued

4.3 Maturity of borrowings

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

	Bank loans £m	**Total £m**
2024		
Borrowings due after more than one year	520	**520**
	520	**520**
2023		
Borrowings due after more than one year	170	170
	170	170

4.4 Borrowing facilities

Facility	Interest rate	**Total available 31 March 2024 £m**	**Drawn down at 31 March 2024 £m**	Total available 31 March 2023 £m	Drawn down at 31 March 2023 £m	Expiry or review date
Multicurrency, revolving credit facility agreement for loans	SONIA plus agreed credit adjustment spread of 0.1193% plus the relevant margin: 0.45% up to 1/3 utilisation, 0.6% between 1/3 and 2/3 and 0.75% over 2/3.	**310**	**200**	210	–	March 2026
Private Placement	5.72% fixed rate	**150**	**150**	–	–	February 2039
Overdraft or money market lines*	Bank base rate plus 1.5%	**2**	**–**	2	–	Reviewed annually
Uncommitted money market lines	Interest rate is determined when traded with the bank	**20**	**–**	20	–	Reviewed annually
Fixed term loan	SONIA + 1.25%	**170**	**170**	170	170	June 2025**

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

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

There have been no defaults or breaches of covenants on the facilities above during the year (2023: none).

Notes to the Company financial statements continued

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

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

The movement in reserves during the year was as follows:

Company	Share capital £'000	Retained earnings £m
At 1 April 2023*	50	547
Profit for the financial year	–	77
Dividends paid in year	–	(198)
At 31 March 2024	**50**	**426**

*Restated to exclude £198 million dividend that was declared by Directors but not legally binding at the year end.

6. Auditor's remuneration

The audit fee of £2,066,000 was incurred by the Company (2023: £120,050). The Company bore the audit fee for the whole Group in the current year.

7. Post balance sheet events

On the 20 June 2024 the Company agreed a £150 million private placement funding facility for 17 years at 5.74%. There have been no significant events affecting the Company since the year end.

Ofcom Reporting Requirements (not subject to audit)

Group results

The reporting requirements set by Ofcom have been aggregated into this section for greater transparency.

The Group uses revenue and EBITDA as the key measure of performance as aligned with industry standards.

As detailed within the financial statements, the Group defines EBITDA as statutory operating profit, with the following operating expenses added back: depreciation; non-content-related amortisation; impairments; earnout costs and non-cash settled long-term incentive plan costs; deal costs; transformational restructuring costs and other non-recurring exceptional items. In calculating EBITDA, the Group also offsets costs with production tax credits, which aligns to market practice.practice.

The Group is split into the following main subsidiaries:

- BBC Studios Group: creates, invests, develops, produces and distributes content which sits at the heart of the BBC schedule, as well as across multiple platforms around the world, delivery better value back to the licence fee payer through support for programme funding and cash dividends.
- BBC Studioworks: provides television studios facilities, equipment, crew and post-production services from locations across the UK.

The performance of these are as follows:

	2024			2023		
	Revenue	EBITDA/ (LBITDA)	EBITDA Margin	Revenue	EBITDA/ (LBITDA)	EBITDA Margin
	£m	£m	%	£m	£m	%
BBC Studios Group	1,837	202	11.0 %	2,090	252	12.1 %
BBC Studioworks	37	4	10.8 %	41	5	12.2 %
Other group entities	–	(6)		1	(13)	
Group adjustments	(15)	(1)		(17)	8	
Total	1,859	199		2,115	252	

The Strategic Report details performance upon each of the following lines of business for the Group as a whole:

- Content Studio: encompasses programming made across the Scripted, Factual, Global Entertainment and Kids & Family genres, global franchises including *Dancing With The Stars*, *Doctor Who* and *Bluey*; and production bases around the world, for a wide range of global customers, as well as financing, distributing and licensing content and formats on a global basis. BBC Studioworks in included in this line of business.
- Global Media & Streaming: includes all channels, streaming, digital and direct-to-consumer services: UK broadcaster UKTV, international BBC-branded channels operated by BBC Studios, BritBox International, BBC.com and other streaming activities.

The performance measures for just the BBC Studios Group by line of business is reported below.

	Revenue		EBITDA			
	2024	2023	2024	2023	2024	2023
	£m	£m	£m	£m	%	%
Content Studio	1,354	1,612	114	146	57 %	58 %
Global Media & Streaming	549	535	85	107	42 %	42 %
Group adjustments	(66)	(57)	3	(1)	1 %	– %
Total BBC Studios	1,837	2,090	202	252		

Content Studio results reflect the softness in the commissioning market as well as the phasing of revenues from multi-year partnerships which boosted 2022/23 sales, underpinning the year on year changes to headline financial figures.

Ofcom Reporting Requirements (not subject to audit)

Global Media & Streaming revenue is up despite the softer advertising sales market, with the lower EBITDA reflecting the strategic investments in the business to support long-term sustainable growth, principally in UKTV Play and BBC.com .

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

	BBC Studios Group 2024 £m	BBC Studioworks 2024 £m	Total 2024 £m	Total 2023 £m
Revenue settled in year	363	1	364	348
Revenue not yet settled (before any write offs)	22	–	22	12
Total revenue received from BBC Public Service	385	1	386	360
Removal of contributions to cost and other Income Statement timing differences	(4)	–	(4)	(3)
Total reportable revenue received from BBC Public Service	381	1	382	357

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

	BBC Studios Group 2024 £m	BBC Studioworks 2024 £m	Total 2024 £m	Total 2023 £m
In year spend paid	(62)	–	(62)	(61)
In year spend not yet paid	(50)	(1)	(51)	(54)
Total spend with BBC Public Service	(112)	(1)	(113)	(115)
Removal of contributions to cost and other Income Statement timing differences	5	–	5	–
Total reportable revenue received by BBC Public Service	(107)	(1)	(108)	(115)

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