

UKTV Media Limited

Annual report and financial statements

Registered number 04266373

For the year ended 31 March 2023



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Strategic report

The directors present their annual reports and audited financial statements of UKTV Media Limited (the 'Company') for the year ended 31 March 2023.

Principal activity

The principal activity of the Company during the year continued to be to operate eight TV brands: Dave, Gold, W, Alibi, Drama, Yesterday, Eden, and UKTV Play, broadcasting across pay, free-to-air and digital platforms.

The Company is a 100% owned trading subsidiary of UKTV Media Holdings Limited.

95% of the shareholding in UKTV Media Holdings Limited is held by BBC Studios Distribution Limited (a wholly owned subsidiary of BBC Studios Limited).

Results and business review

The aim of the Company is to maximise shareholder value, measured as operating profit, as well as to increase audiences, measured as Share of Commercial Impacts (SOCI) which is inherently linked to financial targets. SOCI measures the Company's share of the commercial TV audience, and one commercial impact is defined as one advert viewed by one person once.

Detailed results of the Company for the year ended 31 March 2023 are set out on page 10. Measurement of the Company performance is against operating profit and SOCI.

Key performance indicators

	31 March 2023	31 March 2022
	£'000	£'000
Operating profit	48,380	88,626
Share of commercial impacts	8.79%	8.55%

Operating profit decreased due to reduced advertising and pay TV subscription revenues. The linear TV advertising market was adversely impacted by broader macroeconomic pressures and year-on-year decline following the strong post-COVID bounce back in the prior year comparator. Total fiscal year SOCI increased from 8.55% to 8.79%, due to strong viewing performance throughout the year and the expansion of W's distribution post its launch as a free-to-air brand in March 2022. SOCI is also measured across the calendar year and for 2022 the Company achieved a SOCI of 8.70% (2021: 8.52%), its best year on record for the current channel portfolio.

Significant events

During the year the Company renewed its carriage agreement with Sky UK Limited.

The Company liquidated prior year subsidiary Craft Channel Host Limited during the year ended 31 March 2023. No proceeds arose from this transaction.

Strategic report *(continued)*

Principal risks and uncertainties


The major risks for the Company in the short to medium term are:

- 1) **Competition:** The Company operates in a highly competitive environment. The Company is committed to obtaining the best programming content available in order to retain its strong market share, despite a challenging advertising market.
- 2) **Substitutes:** Technological advances are changing the way people access and view content resulting in a shift in viewing habits away from traditional linear broadcast TV. The Company continues to invest in and expand its business beyond the linear broadcasting environment.
- 3) **Reliance on key revenue streams:** The Company's key revenue streams come from subscription and advertising revenues. Therefore, a shift in market parameters or supplier relations could have a significant impact (positive or negative) on the business. Senior management is aware of this and seeks to identify ways to diversify revenue streams and reduce the exposure.
- 4) **Ukraine-Russia Conflict:** This international conflict has created significant uncertainty in the global economy with the increased cost of global energy and goods driving a steep increase in the cost of living in the UK. This could continue to damage consumer confidence and disrupt spending patterns thereby adversely impacting advertising revenues.

Future outlook

In 2023-24 the Company plans to continue to invest in content and promoting its channels, whilst looking to further grow its business in both linear broadcasting and video on demand. The Company will continue to strategically align with the BBC Studios Group.

By order of the board

DocuSigned by:

D328DBC3FECB4F7...
Jackline Ryland
Company Secretary

Date: 26 June 2023

Registered Office:
10 Hammersmith Grove
London, W6 7AP
Registered number: 4266373

Directors' report

Going concern

Due to increased global economic uncertainty, a range of advertising market scenarios have been included in the Company's forecasts and projections to assist the directors in understanding the consequences. After reviewing these forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

The Company undertakes risk management operations in order to reduce the risk associated with the financial assets and liabilities held. The Company is exposed to currency risk, credit risk, and liquidity risk which are addressed through natural hedges, monitoring of cashflow forecasts, and assessing financial reliability of customers.

The results for the year ended 31 March 2023 and the financial position of the Company at that date are set out on pages 10 and 11 of the financial statements.

Dividends

During the year, ordinary dividends of £55,000,000 (*31 March 2022: £70,500,000*), being equivalent to £54,945 (*31 March 2022: £70,430*) per ordinary share were proposed and paid.

Directors

The directors and officers who held office during the year and as at the date of this report are as follows:

Marcus Arthur	
Thomas Fussell	(resigned 1 April 2022)
Lorraine Burgess	(appointed 1 April 2022)
Grant Welland	

On 27 May 2022, Anthony Corriette resigned as Company Secretary and Jackline Ryland was appointed as Company Secretary with effect from the same date.

Political and charitable contributions

During the year, the Company made charitable donations of £18,200 (*31 March 2022: £18,500*) to match employee fundraising activities and did not make any political contributions (*31 March 2022: £nil*).

Employee participation

The Company participates in a range of approaches in ensuring employee participation and involvement. Employee feedback, thoughts and views are measured and tracked through a range of methods including employee surveys which are subsequently used to develop detailed action plans. The Company also has a range of staff leadership and personal development programmes.

Disabled persons

Disabled persons are fully and fairly considered for vacancies arising 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.

Directors' report *(continued)*

Section 172 statement

The Directors are aware of their duty under Section 172 of the Companies Act 2006 (the 'Act') to operate in a way which they consider, in good faith, would be most likely to promote the success of the Company, in doing so, to have regard (amongst other matters) to the factors detailed in section 172(1) of the Act. As a result of the governance structure embedded within the Company and the wider Group, the matters that it is responsible for considering under the Act have been considered to an appropriate extent by the Group in relation to this Company. The Company has its own Executive Leadership Team that oversees the management of the Company with further direction and leadership provided from BBC Studios Executive Committee. This is achieved whilst promoting and protecting the BBC brand and reputation worldwide, according to the commercial criteria as set out in the Charter and Agreement.


The Directors have a responsibility towards people and the planet. Consideration was given to steps to improve diversity and inclusion across the Company's content and teams, as well as to the plans for keeping production teams safe while making the programmes audiences love. Consideration was given to the impact on the environment when making programmes - including ensuring programmes were Albert certified.

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

Disclosure of information to auditor

The directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all steps that they ought to have taken as director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

DocuSigned by:

D328DBC3FECB4F7...
Jackline Ryland
Company Secretary

Date: 26 June 2023

Registered Office:
10 Hammersmith Grove
London, W6 7AP
Registered number: 4266373

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these 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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of UKTV Media Limited

Opinion on financial statements

I have audited the financial statements of UKTV Media Limited ('the Company') for the year ended 31 March 2023. The financial statements comprise the Company's:

- Balance Sheet as at the 31 March 2023
- Profit and Loss Account and Statement of Changes in Equity for the year ended; and
- the related notes including the significant accounting policies.

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

In my opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and its profit for the year then ended; and
- 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 in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included a review of management's forecasts, and the underlying forecast assumptions and sensitivities.

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

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

Other Information

The other information comprises 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.

Independent Auditor's Report to the Members of UKTV Media Limited *(continued)*

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.

Matters on which I report by exception

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

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

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

Responsibilities of the directors for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Company from whom the auditor determines it necessary to obtain audit evidence;
- preparing the 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 Strategic report and Directors' report in accordance with the Companies Act 2006; and
- assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report to the Members of UKTV Media Limited *(continued)*

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.

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's accounting policies, key performance indicators and performance incentives.
- inquired of management, the BBC Group Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Company's policies and procedures 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's controls relating to the Company's compliance with the Companies Act 2006, Corporation Tax and Employee Tax;
- inquired of management, the BBC Group Head of Internal Audit 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 and involving relevant specialists, including taxation, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

Independent Auditor's Report to the Members of UKTV Media Limited *(continued)*

I obtained an understanding of the Company's framework of authority and other legal and regulatory frameworks in which the Company 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. The key laws and regulations I considered in this context included Companies Act 2006, employment law and tax legislation.

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, those charged with governance and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- other audit procedures responsive to the risk of fraud, non-compliance with laws and regulation included the review of Board Minutes, meeting with in-house legal counsel, and review and recalculation of Corporation Tax balances.

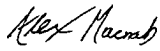
I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

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

DocuSigned by:



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Alexander Macnab (Senior Statutory Auditor)

[Date] 28 June 2023

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Registered number 04266373 / For the year ended 31 March 2023

Profit and loss account

for the year ended 31 March 2023

	<i>Note</i>	31 March 2023 £'000	31 March 2022 £'000
Turnover	2	261,129	302,189
Cost of sales		(133,396)	(137,177)
		<hr/>	<hr/>
Gross profit		127,733	165,012
Distribution costs		(52,190)	(51,886)
Administration expenses		(27,163)	(24,500)
		<hr/>	<hr/>
Operating profit		48,380	88,626
Interest receivable and similar income		133	421
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	48,513	89,047
Tax on profit on ordinary activities	5	(9,357)	(16,978)
		<hr/>	<hr/>
Profit for the financial year		39,156	72,069
		<hr/> <hr/>	<hr/> <hr/>

All turnover and operating profit arose from continuing operations.

There were no recognised gains and losses other than that recognised in the profit and loss account. Accordingly, no statement of comprehensive income has been prepared.

The notes on pages 13 to 24 form a part of these financial statements.

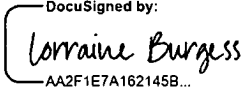
Balance sheet

at 31 March 2023

	Note	31 March 2023		31 March 2022	
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible fixed assets	6		15,433		15,560
Tangible fixed assets	7		2,291		2,632
Investments	8		5,711		3,700
			<u>23,435</u>		<u>21,892</u>
Current assets					
Programming stock	10	83,477		85,266	
Debtors: amounts falling due within one year	11	57,742		61,277	
Cash at bank and in hand		10,079		16,598	
		<u>151,298</u>		<u>163,141</u>	
Creditors: amounts falling due within one year	12	<u>(56,545)</u>		<u>(51,230)</u>	
Net current assets			<u>94,753</u>		<u>111,911</u>
Total assets less current liabilities			<u>118,188</u>		<u>133,803</u>
Non-current liabilities:					
Provisions	13		(1,688)		(1,459)
Net assets			<u>116,500</u>		<u>132,344</u>
Capital and reserves					
Called up share capital	15		1		1
Profit and loss account	16		151,923		167,767
Merger reserve	16		(55,424)		(55,424)
Share capital redemption reserve	16		20,000		20,000
Shareholders' funds			<u>116,500</u>		<u>132,344</u>

The notes on pages 13 to 24 form part of these financial statements.

These financial statements were approved by the board of directors on 26 June 2023 and were signed on its behalf by:

DocuSigned by:

 AA2F1E7A162145B...
Lorraine Burgess
 Director

26 JUNE 2023

Statement of changes in equity*for the year ended 31 March 2023*

	Called-up Share Capital £'000	Merger Reserve £'000	Share Capital Redemption Reserve £'000	Profit & Loss Account £'000	Total £'000
At 31 March 2021	1	(55,424)	20,000	166,198	130,775
Profit for the year	-	-	-	72,069	72,069
Dividends paid (<i>note 10</i>)	-	-	-	(70,500)	(70,500)
At 31 March 2022	1	(55,424)	20,000	167,767	132,344
Profit for the year	-	-	-	39,156	39,156
Dividends paid (<i>note 10</i>)	-	-	-	(55,000)	(55,000)
At 31 March 2023	1	(55,424)	20,000	151,923	116,500

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

UKTV Media Limited is a private limited company incorporated in the United Kingdom under the Companies Act and its registered address is 10 Hammersmith Grove, London, W6 7AP.

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

Going concern

Due to increased global economic uncertainty, a range of advertising market scenarios have been included in the Company's forecasts and projections to assist the directors in understanding the consequences. After reviewing these forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare group financial statements on the grounds that it is a wholly owned subsidiary undertaking of BBC Commercial Limited, incorporated in United Kingdom and registered in England and Wales.

Cash flow statement

The Company is exempt under FRS 102 from the requirement to present a statement of cash flows as it is a wholly owned subsidiary of UKTV Media Holdings Limited. The smallest group accounts can be found at the BBC Commercial Limited level and its cash flows are included within the consolidated cash flow statement of that company. The consolidated financial statements of BBC Commercial Limited are available online from www.bbc.co.uk/annualreport.

Related parties

The Company has taken advantage of the exemptions under paragraphs 1.12e and 33.1A of FRS102 not to disclose the total compensation of key management personnel and transactions with fellow wholly owned subsidiaries. Terms and conditions of transactions with related parties, and sales and purchases between related parties are made on an arm's length basis.

Turnover

Turnover represents net advertising revenue, subscription revenue and other commercial revenue. All turnover is measured at fair value of the consideration receivable per the contractual terms and stated net of value added tax. Net advertising revenue is recognised over the contractual year in line with revenues generated by the advertising sales partner, subscription fees on pay channels are recognised as earned per the contract, and other commercial revenue is recognised on delivery.

Notes (continued)**1 Accounting policies (continued)*****Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Financial assets

Financial assets comprise of cash at bank and debtors. These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Since these balances are expected to be realised within 12 months of the reporting date, they are measured at transaction price less any impairment.

Financial liabilities

Short term trade creditors are measured at the transaction price.

Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Programming stock

Programming stock is stated at the lower of cost, being purchase price, and the value in use. Programming stock is the amount payable under licence agreements on agreed purchases and is transferred to cost of sales on a straight-line basis over the number of transmission days or the number of transmission weeks, as appropriate.

Pensions

The Company does not operate a pension scheme but pays defined contributions into individual pension schemes. The amount charged against profits represents the contributions payable to those schemes in respect of the accounting period.

Operating leases

Rentals payable relating to assets under operating lease are taken to the profit and loss account evenly over the period of the lease.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Notes (continued)

1 Accounting policies (continued)

Contingent Liabilities

Contingent liabilities are disclosed within the notes to the accounts when the Company has a possible but uncertain obligation; or a present obligation where it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be estimated reliably.

Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are tested for impairment when there is an indication that the asset may be impaired. Amortisation is provided to write off the cost less the estimated residual value of intangible assets by equal instalments over their estimated useful economic lives as follows:

- Software development and licences costs – 13% to 33% per annum

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Tangible assets are assessed for impairment at each reporting date. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

- Furniture & Fittings – Integral features 7% per annum, in line with original lease term. Furniture and moveable fittings 33% per annum.
- IT Hardware – 33% per annum

Investments

Investments are stated at cost and tested for impairment each year, as appropriate.

Investment in subsidiaries

Investments in the Company's subsidiary undertakings are held at cost less impairment.

Common Control Transactions

Common control transactions that arise between Group entities under the control of the same parent are accounted for at book value.

Use of Estimates and Judgements

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

Revenue Recognition

The timing of revenue recognition requires judgement, as does the amount to be recognised. This may involve estimating the fair value of consideration before it is received. In making these judgements the Company considers the revenue recognition criteria set out in FRS 102.

Programme Stock

Amortisation including impairment is charged to the income statement to match the estimated future economic benefit. This is calculated based on the number of transmission days or the number of transmission weeks, as appropriate.

Notes (continued)**2 Segmental reporting**

The Company's operations are all considered to fall into a single class of business, namely the operation of TV channels which broadcast via pay, free-to-air and digital platforms. The revenue is derived from the geographical areas below.

	31 March 2023	31 March 2022
	£'000	£'000
UK	253,199	294,304
Republic of Ireland	7,930	7,885
	261,129	302,189

3 Profit on ordinary activities before taxation

	31 March 2023	31 March 2022
	£'000	£'000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor remuneration:		
Audit of these financial statements	-	-
Other non-audit fees	-	-
Amortisation of programming inventory	101,560	104,835
Operating lease rentals in respect of rent	1,415	1,410
Operating lease rentals in respect of plant and machinery	25,496	25,038
Amortisation of intangible fixed assets	5,455	5,138
Depreciation of fixed assets	808	665
Disposal of tangible fixed assets	-	191
Disposal of intangible fixed assets	-	5

The Company audit fee of £89,400 (31 March 2022: £102,000) was borne by BBC Studios Distribution Limited. No non-audit services were provided in the current period.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company throughout the year (including employees of BBC contracted to work for the Company) was as follows:

	Number of employees	
	31 March 2023	31 March 2022
Administration	301	282
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons charged to the Company during the year were as follows:

	31 March 2023	31 March 2022
	£'000	£'000
Wages and salaries	20,676	19,519
Social security costs	2,449	2,118
Other pension costs (note 17)	1,330	1,251
	<u>24,455</u>	<u>22,888</u>

The aggregate payroll costs include the costs of staff who work on software development which are capitalised and reported within intangible fixed assets. During the current or prior period, no directors were employed by or received any remuneration from the Company. These costs were borne by BBC Studios Distribution Limited.

Notes (continued)**5 Taxation***Analysis of charge in period:*

	31 March 2023		31 March 2022	
	£'000	£'000	£'000	£'000
<i>UK Corporation tax</i>				
Current tax on income for the period	9,400		17,108	
Adjustments in respect of prior periods	(14)		(74)	
	<hr/>		<hr/>	
Total current tax charge		9,386		17,034
Deferred tax	(29)		(56)	
	<hr/>		<hr/>	
Total deferred tax		(29)		(56)
		<hr/>		<hr/>
Tax on profit on ordinary activities		9,357		16,978
		<hr/> <hr/>		<hr/> <hr/>

Factors affecting tax charge for the current period.

The current tax charge for the period is lower (*31 March 2022: higher*) than the standard rate of corporation tax in the UK. The differences are explained below.

	31 March 2023	31 March 2022
	£'000	£'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	48,513	89,047
Current tax at 19% (<i>31 March 2022: 19%</i>)	9,217	16,919
<i>Effects of:</i>		
Expenses not deductible for tax purposes	114	114
Differences between capital allowances & depreciation	69	75
Adjustments to tax charge in respect of prior periods	(14)	(74)
	<hr/>	<hr/>
Total current tax charge	9,386	17,034
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting future tax charges

In the UK Government's Spring Finance Bill 2023, legislation introducing a 15% global minimum corporate income tax rate was included, to have effect from 2024 in line with the OECD's Pillar Two model framework. The detail of the measures and how they are to be accounted for are still being finalised and so it is not possible to accurately quantify the impact for the BBC at this stage. However, it is not expected that the legislation will have a material impact on the Group tax charge as the jurisdictions in which the Group operates are either not material for the purposes of the legislation or pay effective rates of tax over 15%.

Notes (continued)

5 Taxation (continued)

Deferred tax	31 March 2023 £'000	31 March 2022 £'000
Timing differences	307	278
Deferred tax asset	307	278
At beginning of the year	278	222
Recognised/(Utilised) during the period	29	56
At the end of the period (note 11)	307	278

As at 31 March 2023, the Company has £nil (31 March 2022: £nil) unrecognised tax losses available to relieve against future profits.

Notes (continued)**6 Intangible fixed assets**

	Software development & licence costs £'000
Cost	
At 31 March 2022	45,063
Additions	5,328
Disposals	(1,476)
At 31 March 2023	<u>48,915</u>
Amortisation	
At 31 March 2022	29,503
Provided during the period	5,455
Disposals	(1,476)
At 31 March 2023	<u>33,482</u>
Net book value at 31 March 2023	<u><u>15,433</u></u>
Net book value at 31 March 2022	<u><u>15,560</u></u>

Amortisation has been charged to administration expenses in the profit and loss account.

7 Tangible fixed assets

	Furniture & Fittings £'000	IT Hardware £'000	Total £'000
Cost			
At 31 March 2022	5,602	2,709	8,311
Additions	218	249	467
Disposals	(596)	(2,283)	(2,879)
At 31 March 2023	<u>5,224</u>	<u>675</u>	<u>5,899</u>
Depreciation			
At 31 March 2022	3,355	2,324	5,679
Provided during the period	606	202	808
Disposals	(596)	(2,283)	(2,879)
At 31 March 2023	<u>3,365</u>	<u>243</u>	<u>3,608</u>
Net book value at 31 March 2023	<u><u>1,859</u></u>	<u><u>432</u></u>	<u><u>2,291</u></u>
Net book value at 31 March 2022	<u><u>2,247</u></u>	<u><u>385</u></u>	<u><u>2,632</u></u>

Depreciation has been charged to administration expenses in the profit and loss account.

Notes (continued)**8 Fixed asset investments: Innovation Fund**

	Company investments in innovation fund
	£'000
Cost	
At 31 March 2022	3,700
Movements during the period	4,011
	<hr/>
At 31 March 2023	7,711
	<hr/>
Impairment losses	
At 31 March 2022	-
Provided during the period	(2,000)
	<hr/>
At 31 March 2023	(2,000)
	<hr/>
Net book value at 31 March 2023	5,711
	<hr/> <hr/>
Net book value at 31 March 2022	3,700
	<hr/> <hr/>

In 2018, the Company launched its Innovation Fund to invest in burgeoning high-growth companies wishing to access the TV advertising market, where the Company exchanges advertising airtime in return for equity shareholdings. These investments are stated at cost and tested for impairment each year as appropriate.

Notes (continued)

9 Dividends

	31 March 2023 £'000	31 March 2022 £'000
<i>Equity Shares</i>		
Ordinary dividends proposed and paid	55,000	70,500
	<u>55,000</u>	<u>70,500</u>

Dividends were paid during the year on 29 March 2023.

10 Programming stock

	31 March 2023 £'000	31 March 2022 £'000
Programming licence fees and production costs	83,477	85,266
	<u>83,477</u>	<u>85,266</u>

Impairment losses recognised in relation to programming stock during the period were £569,000 (31 March 2022: £569,000).

11 Debtors

	31 March 2023 £'000	31 March 2022 £'000
Amounts falling due within one year		
Trade debtors	25,321	27,482
Amounts owed by fellow subsidiary undertakings	358	288
Other debtors	174	44
Prepayments	11,411	15,839
Accrued income	20,171	17,346
Net deferred tax asset (note 5)	307	278
	<u>57,742</u>	<u>61,277</u>

12 Creditors: amounts falling due within one year

	31 March 2023 £'000	31 March 2022 £'000
Trade creditors	4,265	1,499
Amounts owed to fellow subsidiary undertakings	15	15
Amounts owed to intermediate parent undertaking	19,176	20,722
Taxation and social security	3,745	2,298
Accruals and deferred income	28,561	26,035
Other creditors	783	661
	<u>56,545</u>	<u>51,230</u>

Notes (continued)**13 Non-current liabilities**

	Dilapidation Provision £'000
At 31 March 2022	1,459
Provided for in year	229
Utilised in year	-
At 31 March 2023	1,688

As part of the Company's property leasing arrangements there is an obligation to repair damages which are incurred during the life of the lease, such as wear and tear. The cost is charged to profit and loss as the obligation arises.

14 Contingent Liabilities

There are ongoing discussions with a number of programme producers relating to COVID-19 insurance claims for costs arising after production delays. Management have accrued for a fixed percentage of the insurance claim which will be liable regardless of the claim result. Management are unable to estimate the likelihood of settling these claims and the total excess value is estimated at £130,000. This item is not expected to have a material impact on the group's results or position.

15 Called up share capital

	31 March 2023	31 March 2022
	£	£
<i>Authorised, allotted and fully paid</i>		
1,001 ordinary shares of £1 each	1,001	1,001

16 Reserves

Called up share capital – represents the nominal value of shares that have been issued.

Merger reserve – On 30 November 2014, the Company acquired the trade and net assets of fellow joint venture undertakings UK Channel Management Limited and UK Gold Holdings Limited and its subsidiaries at book value. The trade and net assets of UK Gold Services Limited, a wholly-owned subsidiary of UK Gold Holdings Limited, were transferred at a value equal to UK Gold Holdings Limited's cost of investment in UK Gold Services Limited which was higher than the book value of the net assets of UK Gold Services Limited. The difference was charged to the merger reserve.

Profit and loss account – includes all current and prior period retained profits and losses.

Share capital redemption reserve – On 3 June 2019, as part of the demerger of the business and assets owned by the Company, Scripps Networks Interactive Inc., a wholly owned subsidiary of Discovery Inc., issued an additional £20M loan to the Company, increasing the overall debt by such amount and the Company used this amount to fully redeem the £20M non-cumulative preference shares classified as liabilities at that time. As per UK company law requirements the Company created a capital redemption reserve equal to the nominal amount of preference share capital redeemed.

