

Registered number: 1420028

BBC Worldwide Limited

Annual Report and Financial Statements for the year ended 31 March 2017



Contents

Business Review	
Highlights of the year	1
Chairman's statement	2
What we do	3
Strategic Report	
Chief Executive's review	4
Creating new opportunities for content development	6
Chief Financial Officer's review	7
United Kingdom	10
North America	11
Australia and New Zealand	12
Global Markets	13
How We Work	
BBC Worldwide Executive Committee	14
Corporate governance report	15
Risk management	17
Directors' Report	19
Report on Directors' remuneration	21
Financial Statements	
Statement of Directors' responsibilities	26
Independent auditor's report	27
Consolidated income statement	28
Consolidated statement of comprehensive income	28
Consolidated balance sheet	29
Consolidated cash flow statement	30
Consolidated statement of changes in equity	31
Notes to the consolidated financial statements	32
Company statement of comprehensive income	70
Company balance sheet	71
Company statement of changes in equity	72
Notes to the company financial statements	73

* Throughout this Review, headline sales refer to gross revenue including the Group's share of revenues from joint ventures. Headline profit refers to operating profit before specific items and includes the Group's share of operating profits from joint ventures and associates. Specific items are set out on page 8. A reconciliation between headline profit and profit before tax is presented in the Chief Financial Officer's review on page 8.

BBC Worldwide reported a solid performance in 2016/17. Headline sales were up 3.0%, and headline profit was up 17.6%. This enabled the business to return above £200m to the BBC for the third consecutive year.

Highlights of the year

RETURNS TO THE BBC

£210.5M

(2015/16: £222.2M) -5.3%

HEADLINE SALES

£1,059.9M

(2015/16: £1,029.4M) +3.0%

HEADLINE PROFIT

£157.3M

(2015/16: £133.8M) +17.6%

FREE CASH GENERATION

£90.8M

(2015/16: £38.1M) +138.3%

Delivering for licence fee payers

With our parent highlighting global ambitions as one of three core priorities for the year ahead, we are further refining our strategy. This ensures we can deliver greater opportunities to capitalise on the organisation's intellectual property (IP). In turn this generates financial returns for the benefit of the licence fee payer. Returns to the BBC of £210.5m were, excluding disposal proceeds, up on last year. Over the last five years our returns have totalled almost £1bn.

HEADLINE SALES

HEADLINE PROFIT

United Kingdom

£381.3m

(2015/16: £379.3m)

North America

£273.8m

(2015/16: £277.9m)

Australia and New Zealand

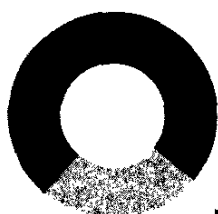
£79.5m

(2015/16: £79.1m)

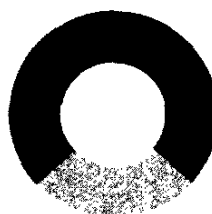
Global Markets

£331.4

(2015/16: £305.7m)



■ United Kingdom
■ North America
■ Global Markets
■ Australia and New Zealand



United Kingdom

£66.6m

(2015/16: £62.4m)

North America

£27.3m

(2015/16: £24.2m)

Australia and New Zealand

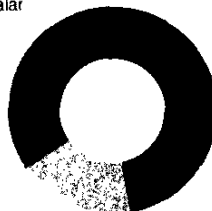
£21.1m

(2015/16: £19.2m)

Global Markets

£42.6m

(2015/16: £26.4m)



Not including eliminations. See page 7 for further detail.

£989.0m

RETURNS SINCE 2012/13

(2015/16: £994.2m) -0.5%

Five year returns to the BBC £m

2016/17	210.5
2015/16	222.2
2014/15	226.5
2013/14	173.8
2012/13	

Chairman's statement

I am pleased that this has been another good year for BBC Worldwide. Returns of £210.5m exceeded £200m for a third year, flowing principally through investment into BBC-commissioned programmes and dividends paid from profits. Meanwhile, both headline sales and profit showed good growth.

This financial return to the Corporation is essential in allowing the BBC to commission with a level of ambition and commitment to quality that simply would not be possible with the licence fee alone. To put this in context, BBC Worldwide, with its partners, provides between one-half and fourth-fifths of funding across *Planet Earth II*, *Doctor Who* and *Top Gear*.

Programmes like these, which attract domestic audiences of many millions, are immeasurably enriched in terms of talent, technology, production values and even length of series by additional commercial funding. They are great examples of how this funding model is allowing us to invest in the very highest quality programmes for audiences at home and – through partnerships with and exports to international players – bring value back to the UK to invest in yet more creativity for the licence fee payer.

Already *Planet Earth II*, from BBC Studios' Natural History Unit, has been seen by 34m viewers in the UK and was sold to 154 territories around the world at year-end. Its international transmissions have broken many long-standing records, a feat that is all the more impressive in the context of the widespread decline in live ratings. In the US, the premiere was the most watched nature episode on television in five years. In China, it was seen almost 50m times, with more than 210m views of the show's content. And in France, it ranked in the top five highest-rated UK programmes since the start of 2008.

I believe that BBC Worldwide's overall performance is particularly impressive given the continuing change in both commissioning and consumption, which in turn affects the economics of content in significant ways. Tim Davie outlines these effects in greater detail on pages 4-5, and I am pleased to see the steps that Tim and his leadership team are already taking to stay competitive in a transforming market.

One of the most significant transformations this year in the BBC context was the creation of BBC Studios as a wholly owned commercial subsidiary. A move to full commercialisation from April 2017 sees BBC Studios move outside the BBC's public service activities, able to take creative ideas to third-party commissioners.

This transition represents a significant change, but it is also a major opportunity. I believe it is the right thing to assure the long-term success of BBC production, and with it ownership of valuable intellectual property. BBC Studios is BBC Worldwide's largest supplier of content, and BBC Worldwide the largest commercial investor in BBC Studios' slate. The funding models for the major BBC Studios titles cited above illustrate their inter-dependence, and a thriving strategic partnership between the two will be essential to the BBC securing its future as one of the very best programme-makers in the world.

This is vitally important not just creatively and commercially, but also reputationally. The benefits of global growth for the UK licence fee payer go far beyond what we can offer them on screen and on air. By taking British content beyond these shores, and promoting creative output from across the whole sector and not just the BBC, BBC Worldwide is building cultural capital for the UK. This in turn promotes wider British interests.

That is why, as we face political turbulence in both the developed and developing world, the growth of the BBC globally is an important priority. I believe that Britain now needs us more than ever, and that we need to do more than ever for Britain in the world. The BBC, with a strong and growing BBC Worldwide, can do so much for the UK in the years ahead, and will have a vitally important role to play.

Tony Hall

Chairman, BBC Worldwide
and Director-General, BBC

What we do

1 WE PARTNER

- Creative development
- Funding for BBC and indie productions
- Securing international co-production deals
- Equity investments/ development deals with indies
- *Nurturing talent*
- Supporting new writers
- Building innovative partnerships
- Secondary rights acquisition

2 WE COMMERCIALISE

- Programme and format sales
- Channel commissions
- Formats and original content production
- BBC branded services
- Ancillaries and other IP exploitation
- Marketing and social media

3 WE DELIVER RETURNS TO THE BBC

- Programme investment
- Dividends
- Other rights payment
- Growing the brand across the globe
- Building the reach of BBC programmes

TO RIGHTSHOLDERS

- Showcasing UK creativity
- Profit share
- Royalties

Our strategy

In 2013 we refined our strategy to focus on three core areas: premium content, global brands and digital transformation. We have made good progress, concentrating investment and ceasing non-core activity. We have strengthened our content relationships and pipeline, and enhanced content sales. We have upgraded our branded services, made choices about how and where we participate, and launched new digital services. As markets change, we are looking to accelerate our strategy, underpinning our returns to the BBC.

Ethical trading

Ethical trading remains a central part of how we do business. We work with our suppliers and licensees to promote better practices within our consumer product supply chains through our ethical programme.

As well as assessing supplier factories through independent ethical reports, we continued to undertake a number of site visits to better understand how our suppliers' factories are operating and to emphasise the importance of being open with us about the challenges they face.

As a member of the Ethical Trading Initiative, we submitted our ethical trading plan which sets out our strategy and approach for the next three years.

We also published our first Modern Slavery Statement and we will continue to update it as our ethical programme develops. Other recent activities have included a staff engagement session on human trafficking from a representative of the Gangmasters & Labour Abuse Authority, and hosting and participating in industry round-table discussions on improving supply chain conditions.

Environment

In last year's Annual Review we noted that we had strengthened our working relationship with other parts of the BBC, to ensure our environmental approaches are aligned. We have continued to do so and are currently working closely with sustainability teams in determining BBC Worldwide's contribution in helping the BBC Group to achieve its environmental goals for the new charter period. Internally, we are building on the improved environmental data collection across our global offices.

Apart from working on monitoring and reducing the negative environmental impacts of our business activities, we have also been helping to raise environmental awareness amongst our employees and to improve the local environment around our global offices. We have done this through various well subscribed volunteer activities ranging from litter clearance to sapling planting and invasive species management.

Chief Executive's review

As a global premium content business we are fortunate not to be uniquely dependent on any single brand, programme, platform or market. Nonetheless, we need to keep actively managing our activities towards the areas of highest growth, in order to sustain the commercial and financial success we enjoy today.

Results

This transformation is easier to effect from a strong base. Therefore I am particularly pleased that in 2016/17 BBC Worldwide produced headline sales of £1,059.9m (2015/16: £1,029.4m), up 3.0%, and headline profit of £157.3m (2015/16: £133.8m), up 17.6%. Organic growth was 6.4% at headline profit, excluding a foreign exchange gain of £14.9m.

As the Director-General states, our £210.5m (2015/16: £222.2m) cash return to the BBC Group was in excess of £200m for a third year. Excluding disposal proceeds this was above the previous year. This is an important contribution, equating to 12.2% (2015/16: 13.1%) of the BBC's total spend on television content in the year. I am also pleased with our cash management, with free cash generation improving to £90.8m (2015/16: £38.1m). This is outlined in more detail by Tom Fussell, BBC Worldwide's Chief Financial Officer (CFO), on page 9, along with the steps we have taken to match our content's balance sheet profile to the shape of the business we have today, set out on page 8.

Strategic achievements

These results demonstrate the effectiveness of the strategy we set out in 2013: to focus our content investment into premium titles; to invest in our portfolio of BBC branded services and franchise brands; and to enter the world of digital direct-to-consumer services. The intervening three and a half years have seen us significantly refine our content investment into key genres and titles, with a move to premium hours; upgrade our linear channels portfolio with new BBC brands, marketing and schedules, while securing the long-term future of BBC AMERICA in a joint venture relationship with AMC Networks (AMCN); and develop a number of digital propositions and partnerships around the world.

Premium content

Specifically in the year, our progress remained strong across these three core areas. We had a healthy slate of content deliveries, including *Planet Earth II*, *Sherlock S4* and *Top Gear S24*. In content sales, we were recognised in September by Broadcast magazine as Distributor of the Year. Our excellent content sales momentum saw us pass our internal £400m target one year early, with growth of 9.9% taking us to £422.4m (2015/16: £384.2m). We entered partnerships with five world-class talent-led British indies, principally at the start-up stage: supporting British entrepreneurship and IP generation, while enhancing the future of our own content supply. This move benefits indies and BBC Studios alike, as additional volume in

content sales lets us invest more in world-class sales tools and services.

Global brands

Our branded services and channel Joint Ventures (JV) performed well, despite pressures on pay TV, particularly in developed markets. Among our JVs, BBC AMERICA was the only US cable channel to post 12 straight years of prime time ratings growth, UKTV grew SOCI, revenue and profit, while BBC Earth debuted strongly as a JV in India and a channel partnership in Canada in the final quarter. Meanwhile, in our owned and operated channels, BBC Earth benefited from the year's blue chip natural history titles. BBC First topped its competitor set in Benelux and extended its reach in the Netherlands, where it took advertising for the first time. BBC First led a portfolio of strongly performing channels in Australia, which includes established local brands UKTV and BBC Knowledge. CBeebies was expanded across Africa, the Middle East and Taiwan and BBC Brit cemented its position in South Africa.

In addition to the superb performance of *Planet Earth II* around the world, we were also pleased to see a return to strength for *Top Gear S24*, achieving consolidated audiences of around 5m in the UK and significantly surpassing slot average on BBC AMERICA. In an otherwise quiet year for new *Doctor Who* content, the Christmas special proved BBC AMERICA's top-performing title in the period, while *Doctor Who: The Power of the Daleks*, a specially commissioned animation for a newly discovered classic sound-track, proved a welcome innovation for fans everywhere.

Digital progress

On the digital front, channel companion TV Everywhere (TVE) app, BBC Player, launched on a number of new platforms in Asia. We also agreed a significant partnership with ITV plc for BritBox, a subscription video on demand service built around British television. Launched in the USA in March, with AMCN a minority shareholder, the service features the largest collection of Classic *Doctor Who* as well as continuing dramas such as *EastEnders* and *Emmerdale* within 24 hours of UK transmission. As outlined in the UK business update, download-to-own (DTO) service BBC Store will cease later this year, reflecting the dominance of streaming in the digital market.

The year also saw the move of a number of features-led verticals on BBC.com from BBC Worldwide to BBC Global News Ltd, to be closer to the editorial functions of News, along with the move of BBC.com/earth to the Natural History Unit and the closure of Autos. It was pleasing to see that the verticals received seven of the BBC's 22 nominations and honorees in the prestigious 2017 Webby awards, with BBC Culture and BBC Earth winning the People's award in their categories.

Chief Executive's review (continued)

BBC commitments

At a Group level, our relationship with our shareholder, and the wider public service, remains strong. We have a high level of strategic alignment to the wider BBC, with the majority of our services carrying the master brand, and our major content investments and franchise brands – including *Doctor Who*, *Top Gear*, *Dancing with the Stars*, and natural history landmarks under the BBC Earth banner – all much-loved BBC titles in their own right. As the Director-General points out, the transition of BBC Studios to a commercial enterprise is a bold and significant move. With BBC Studios the principal supplier of BBC Worldwide's IP, this company could not be more invested in supporting its future success through very close collaboration and, of course, continued investment in its programmes.

Market shifts

While I am clearly happy with this progress, there is more to be done. On the face of it, our industry is stable and modestly growing. Television viewing (which does not include video-on-demand (VOD)) around the world remains fairly steady, averaging three hours a day in 2016, a small decrease on three hours 10 minutes in 2010¹. Meanwhile, estimates of global expenditure on TV and video over the next five years predict a compounded annual growth rate (CAGR) of 2.5%, reaching US\$318bn in 2020, with a TV subscription CAGR of 2.8% just above trend². The rise of VOD services continues at pace, with Netflix and Amazon Prime now jointly boasting 168m subscribers, a year-on-year increase of 25.7%³. However, the world of increased choice brings challenges alongside opportunities, with increased competitiveness and margin pressure present in the majority of our established business areas.

Accelerating strategy

To remain successful, we need to accelerate our strategy. The next few years will see us become even closer to content makers – both BBC Studios and independents – as development, financing, production, and sales become ever more indivisible. We are also building on our history of pioneering in content financing, bringing new relationships and third party capital to our existing expertise in content partnerships, windowing and financing structures. In the year these relationships included Benchmark Capital, with Lookout Point and Access Entertainment, and a slate deal worth up to £150m over three years with Anton, both investing in premium drama.

Other areas where we are pushing hard on strategy include ensuring we have the right branded service offer and structure for each of our markets; raising our ambition in the management of our core franchises; ensuring that we have the right degree of flexibility in international format production; and actively managing our portfolio of ancillaries. Underpinning these, we are focusing heavily on operating efficiently, with an aspiration to be towards the top of our industry.

Culture and people

All this work, however, would be superfluous if we were not also concentrating hard on our company culture. We already ask a lot of our people, and time and again they impress with their originality, generosity and dedication. Success in the years ahead will require all this and more: a company and employees who are bold, agile, inclusive and resilient while delivering at pace. It was heartening to see our employee engagement score increase by three percentage points to 73.0% versus a global media norm of 58.0%⁴.

Meanwhile the BBC's UK-wide Diversity and Inclusion Census confirmed statistically that our self-reported performance is in line with or above BBC targets at 54.4% female; 20.3% BAME; 7.5% with a disability; and 10.7% LGBT. However, reporting is only one part of the story, and alongside this we want to keep building an inclusive culture: actively encouraging different perspectives and ensuring everyone feels comfortable to do their best work.

The year ahead

We begin the new financial year facing a complex set of conditions. The outlook for our markets, facing geopolitical uncertainties and industry change, remains unpredictable, but demand so far has largely held up well overall. We are actively transforming our company to stay ahead of market developments. We have an exciting slate of content, backed by strong relationships with producers and customers alike, which will see us working with a cast of creators and on screen talent ranging from Jane Campion, Elisabeth Moss, Nicole Kidman, Chris Chibnall and Andrew Davies to Sir David Attenborough and Hans Zimmer, Conor Macpherson and Denise Gough, Matt LeBlanc and William Fichtner. Altogether, we believe these are robust reasons to give our shareholder, partners and stakeholders confidence in our future prospects.

Tim Davie

Chief Executive, BBC Worldwide and Director, Global

¹ One Year in TV, Eurodata, 2015

² Global Entertainment and Media Outlook, PwC, 2016

³ SVOD Service Provider Forecast: Amazon, 2016-2022, Ovum, September 2016

⁴ BBC Staff Survey 2017, Ipsos MORI, 2017

Creating new opportunities for content development

A strong slate of programmes

Drama titles continued to represent around half our content investment and sales, with solid demand for premium titles including *Sherlock S4*, *Call the Midwife S6* (which averaged 10.3m viewers on BBC One) and brand new series *The Durrells*, for ITV, which peaked at 8.2m viewers. Following closely was factual, with natural history titles such as *Spy In The Wild*. New titles included BBC formats *Let It Shine* and quiz show *Impossible*, and initiatives to secure the future content flow included an emerging writers' fund set up with indie partner Clerkenwell Films, leading to delivery of two scripts, with more in development.

Wider and deeper producer relationships

Just after year end BBC Studios became a separate division of the BBC Group. It remains our largest supplier, and major titles delivered included *Planet Earth II* and *Top Gear S24*. Elsewhere, significant work has gone into securing our content pipeline and indie relationships with five new deals. In drama, we made minority investments in House Productions and Two Cities, and in factual in 72 Films, while a relationship with multi-genre Expectation Entertainment also covers factual entertainment. We increased our shareholding in both drama indie Lookout Point and comedy specialist Baby Cow.

Creative deal-making

New entrants and content inflation led the business to pursue new partnerships across areas with high production costs and international appeal, primarily natural history and drama. These included a deal between BBC One and Amazon Prime for *Good Omens*, adapted from the popular novel by Terry Pratchett and Neil Gaiman, produced by BBC Studios, and a second series of comedy hit *Scrotal Recall*, now *Lovesick*, commissioned by Netflix. Two partnerships in premium scripted content, Benchmark Capital, with partners Access Entertainment and Lookout Point, will see investment made ahead of any broadcaster commission, and The Drama Investment Partnership, launched just after year end, involves partner Anton to enable investment of around £150m in premium returnable dramas over an initial three year period. Both initiatives boost an exciting market, allowing BBC Worldwide and our clients to access high-end projects with global appeal.

Looking forward

The year ahead will see us look to maximise the return from our content relationships through access to programmes and creation of new IP, exposure to growth businesses, and ever-closer partnering.

Chief Financial Officer's review

I'm delighted to present the CFO Review at the end of my first year with BBC Worldwide, which has been a good year for the business. It is a pleasure to return to the BBC, where I previously spent 10 years, and I am excited by the prospects for the business.

Headline results

Headline sales of £1,059.9m (2015/16: £1,029.4m) were up 3.0%, with strong growth in our Content Sales and Branded Services (including UKTV) business lines. This was particularly pleasing given market pressure on our consumer products business, which also had a prior year benefit from a music catalogue sale, and in Production & Formats from the end of North America-produced *Da Vinci's Demons* in 2015/16.

We manage our business on a geographic basis, through the major regions represented in Table 1. On this basis we delivered sales growth in three of our four regions, aided by a weaker pound, with Global Markets notably strong, while North America reflects the lower level of production activity noted above.

Headline profit of £157.3m (2015/16: £133.8m) was up by 17.6%, with strong growth in all four of our regions, and reflects both organic growth and the broad portfolio of our business lines, geographies and brands.

The major growth drivers were our Content Sales and Branded Services business areas. Branded Services showed sales growth of 5.6% and headline profit growth of 45.5%, driven by both our UKTV and BBC AMERICA partnerships performing strongly, along with our owned and operated channels. During the year a decision to move to a content sales-led strategy in Latin America resulted in the closure of the majority of our local channels business there.

We maintained our position as global market leader outside the US studios in Content Sales, with strong revenue growth at 9.9%. Lower profit growth reflects the increasing costs of content. We continued to see the shift in our customer base towards subscription video on demand (SVOD) services and some pressure on our linear TV sales customers.

Across our Productions & Formats businesses we saw both sales and profit decline in the year, following the completion of *Da Vinci's Demons* in our North America business last year. However, *Dancing with the Stars* continued to be our strongest performing brand in this business line, with series 23 and 24 both rating well.

Our Consumer Products business declined year-on-year, driven by both market decline within DVD and also as a result of the non-recurring music catalogue sale in the UK during 2015/16.

2016/17 saw significant fluctuations in foreign currencies. As our principal business activity involves the export of content which is predominantly purchased in pounds, we benefited from sterling's overall movements and in particular the movement against the US dollar. Our largest overseas trading businesses (North America and Australia and New Zealand) were in line with or ahead of their prior year performance in local currency. During 2016/17 we saw exchange rate benefits of £14.9m within headline profit.

1. Segmental results

£m	Headline sales		Headline profit	
	16/17	15/16	16/17	15/16
United Kingdom	381.3	379.3	66.6	62.4
Global Markets	331.4	305.7	42.6	26.4
North America	273.8	277.9	27.3	24.2
Australia and New Zealand	79.5	79.1	21.1	19.2
Eliminations	(6.1)	(12.6)	(0.3)	1.6
Total	1,059.9	1,029.4	157.3	133.8

While we manage our company by region, we also provide our results by business area. We believe our transparency to be at least in line with the best-in-class in our sector, as set out in table 2 below.

2. Results by business area

£m	Headline sales		Headline profit	
	16/17	15/16	16/17	15/16
Content Sales	422.4	384.2	68.8	68.2
Branded Services	354.6	335.7	72.3	49.7
Production & Formats	164.3	173.0	8.2	10.6
Consumer Products	146.0	179.1	4.1	6.9
Eliminations	(27.4)	(42.6)	3.9	(1.6)
Total	1,059.9	1,029.4	157.3	133.8

Chief Financial Officer's review (continued)**Statutory results**

Our headline and statutory results are reconciled in Table 3 below.

3. Statutory results

	16/17	15/16
Headline profit	157.3	133.8
Share of interest and tax of joint ventures and associates	(11.1)	(10.6)
Other specific items	(97.3)	(16.8)
Gains on disposals	7.7	1.5
Other gains and losses	0.5	(4.6)
Net finance expense	(2.6)	(2.8)
Profit before tax	54.5	100.5

Specific items

Specific items totalled £97.3m (2015/16: £16.8m). The most significant items are described below, being content amortisation estimates, impairment of BBC Store and closure of channels in Latin America.

BBC Worldwide makes investments in content (both from BBC Studios and independent producers), with distribution rights having a carrying value of £210.3m as of 31 March 2016. In line with our accounting policy, BBC Worldwide's amortisation profiles for distribution rights are reviewed every three years, with a review conducted on 31 March 2017. Over the three years since the last review there have been significant changes in our industry, with the growth of recent entrants to the TV market, particularly SVOD services. This has resulted in content sales being achieved at a faster rate than historically, both through the acquisition of new customers and in meeting the need of customers for longer licensing periods.

To reflect this new market reality, our investment cost amortisation profile needs to match this new sales pattern, with a higher weighting to the early years of the sales lifecycle. This results in a charge of £67.9m in the year. This is a non-cash accounting charge, and has no impact on BBC Worldwide's returns to the BBC. The charge does not reflect content investment performance, which in management's view is best judged through headline profit.

A £12.5m charge within specific items relates to the impairment of BBC Store in full.

As a result of the closure of some of our Latin American operated channels, certain one-off costs were incurred, including the impairment of assets and redundancy costs.

Corporate activity

During 2016/17 we continued to make strategic investments in British independent production companies where we believe there is a good fit with BBC Worldwide, and where our backing can help secure access to premium content for distribution and help to drive growth in our invested companies. Our investments included taking an equity stake in Expectation Entertainment and increasing our stakes in Baby Cow and Lookout Point, as detailed on page 6.

During the year we made a number of small disposals and a dilution of ownership in BritBox North America to AMCN.

Employees**4. Average number of employees**

	16/17	15/16
United Kingdom	401	460
North America	358	360
Australia and New Zealand	171	179
Global markets	782	765
Total	1,712	1,764

Average headcount in the year was 1,712, down from 1,764 in 2015/16, as we continued to look for efficiency savings, particularly in support areas. We did see some increases as a result of having a full year of consolidation for our Rapid Blue subsidiary, acquired in March 2016, and with the recognition of Baby Cow as a subsidiary from April 2016.

Chief Financial Officer's review (continued)**Tax**

Our total tax charge for the year was £14.1m (2015/16: £14.9m) giving an effective tax rate of 25.7% (2015/16: 14.8%). Our tax rate is higher than the Standard UK Corporation Tax rate due to the high proportion of profits earned overseas in higher tax regions.

Cash and net debt**5. Reconciliation of Free cash flow**

£m	16/17	15/16
Cash generated from operations	106.2	59.1
Purchases of property, plant and equipment, and other intangible assets	(15.4)	(21.0)
Free cash flow	90.8	38.1
Investing activities	(20.0)	25.4
Tax and interest	(13.9)	(11.3)
Dividends paid to parent	(89.3)	(105.5)
Dividends paid to non-controlling interest	(0.2)	-
Foreign exchange translation gains	0.5	0.5
Increase in net debt	(32.1)	(52.8)

An increased focus on working capital management has helped free cash flow to increase by 138.3% to £90.8m as shown in Table 5. The strong operating cash flow improvement of £47.1m to £106.2m has meant that post tax, the dividend of £89.3m has been funded in full from operating cash flow with the increase of net debt funding investment activity.

A significant financial metric is the level of returns to our shareholder. In 2016/17 these totalled £210.5m (2015/16: £222.2m). When £15.0m of returns related to the partial disposal of BBC AMERICA are removed from the prior year numbers, this level of returns represents a record year for organically generated returns.

Closing net debt was £154.2m (2015/16: £122.1m). Our debt facility with BBC Commercial Holdings Limited was renewed on 31 March 2017 and provides us with a maximum net facility of £205.0m.

Auditors

Following the signing of the new BBC Charter, the statutory auditor for BBC Worldwide will be the National Audit Office (NAO) for 2017/18. I would like to thank Ernst & Young LLP for its significant contribution to BBC Worldwide and welcome the NAO as our incoming statutory auditor.

Looking forward

BBC Worldwide enters the new financial year in a strong position to benefit from the continuing change in the markets we operate in. We have seen the benefit of increasing efforts on our cash conversion this year. This will continue with the focus on sustainable long term returns for our shareholder and a strong return on capital.

Tom Fussell

Chief Financial Officer, BBC Worldwide

United Kingdom

Extending fans' enjoyment

In the UK, BBC Worldwide enables audiences to enjoy their favourite BBC programmes and brands outside the licence fee-funded window on alternative platforms, through a range of partnerships, and in multiple formats, from products and magazines to events and experiences.

The UK business delivered headline sales of £381.3m (2015/16: £379.3m) and headline profit of £66.6m (2015/16: £62.4m), with the latter increasing by 6.7% year on year. Prior year sales and profit had enjoyed a one-off benefit from the sale of a music catalogue to BMG. The result reflects the success of a strategy which is focused on growing sales and profit in rapidly shifting markets.

UKTV, our joint venture with Scripps Networks Interactive, Inc., saw share of commercial impacts grow to 9.85% in 2016 (2015: 9.31%). BBC titles including *Death In Paradise* and *New Tricks*, together with strong original programming, helped to drive these significant gains. Overall revenue was up 8.0%. As a result, our share of headline sales was £174.5m (2015/16: £164.7m) with share of profit up by 13.6% at £46.0m (2015/16: £40.5m).

Our UK DVD business declined by only a single digit percentage at a headline profit level against a market downturn of 18.3%. Best-selling titles included *Planet Earth II*, *The Best Of Strictly* and *Joe Wicks: The Body Coach Workout*.

Our Content Sales business, which is underpinned by our relationship with UKTV, but also trades across SVOD and other linear platforms including in Ireland, had a strong year with revenue up 18.8%, buoyed by the continuing growth of digital services.

We continued to offer a number of brand extensions and experiences, often through licensed partnerships to other operators. The year saw the addition of new rides to CBeebies Land at Alton Towers, and the construction of a family hotel to open in the summer of 2017 with CBeebies themed rooms. The ever popular *Strictly Live* tour celebrated its 10th year, and *Countryfile Live* will return in August 2017 at Blenheim Palace, building on visitor numbers of 125,000 in 2016.

BBC Good Food Magazine increased its share of a declining market from 51.0% to 52.0% and an 18.0% increase in revenue for bbcgoodfood.com meant that overall revenues across the brand were up 3.0%. Our publishing partner, Immediate Media Group, was acquired by publisher Hubert Burda with our relationships continuing as before.

Shortly after year-end we took the decision to close UK DTO Service BBC Store. Levels of demand were not strong enough to underpin a sustainable business over the long term. Our content nonetheless remains widely available and very popular on DVD and digital download and across a range of other platforms in the UK.

Our strategy in the UK is to continue extending fans' enjoyment of the BBC shows they love, through owned and licensed enterprises and securing the best value we can for BBC content by focusing on our margin.

North America

Creating more consumer choice

BBC Worldwide North America capitalised on digital advances in the market and expanded consumer access to content, which resulted in the company's largest region outside the UK delivering a solid set of results.

Headline sales in sterling showed a small decline of 1.5% to £273.8m (2015/16: £277.9m), with profit up by 12.8% at £27.3m (2015/16: £24.2m). These results reflect lower sales due to the conclusion of Adjacent Productions' *Da Vinci's Demons*. At headline profit this is offset by an increase in profit from Branded Services.

This year, we announced and launched BritBox, a new SVOD service in partnership with ITV, and AMCN investing in a minority interest, which illustrates a strategic push to expand routes to market and take advantage of a growing audience appetite for quality British programming and niche SVOD offerings.

Cable channel BBC AMERICA continued to buck the trend in the domestic cable market with its 12th straight year of total viewer ratings growth into the 6pm-12am time slot, underpinned by solid performance in advertising and affiliate revenue. Series four of *Orphan Black* broke its own record for the largest time-shifted increases in US TV history, and lead actress Tatiana Maslany celebrated an Emmy® award win. The year saw the premieres of landmark natural history series *The Hunt* and *Planet Earth II*, the latter being premiere-simulcast across three AMCN channels, which delivered around 2.8m viewers. The *Doctor Who* Christmas special and new original series *Dirk Gently* also supported the channel's success.

In Canada, the North America team partnered with Blue Ant Media to launch a new branded factual channel, BBC Earth. The channel made its debut with *Planet Earth II*, which saw the highest ratings of any Blue Ant Media channel in over six years.

Los Angeles-based studio BBC Worldwide Productions continued to produce the highly successful *Dancing with the Stars*, which drew over 12m viewers throughout series 23, while unscripted series *Life Below Zero*, produced by our studio Adjacent Productions for National Geographic Channel, celebrated its 100th episode. *The Night Of*, a reformatted version of BBC scripted series *Criminal Justice*, garnered strong ratings – audience figures tripling from premiere to finale – critical acclaim, and Golden Globe® and BAFTA award nominations.

Sales and co-production partnerships continued to deliver solid revenue, with major SVOD deals exceeding linear deals for the third year running, including a significant multi-title deal with Netflix. The year also saw the renewal of a successful co-production agreement with PBS and a series four premiere of *Sherlock* with long-time scripted partner Masterpiece. New co-production deals include mini-series *The Collection* with Amazon, special documentary *David Bowie: The Last Five Years* with HBO, and series two of *Lovesick (Scrotal Recall)* with Netflix.

BBC.com traffic saw a spike during the US presidential election, delivering almost 60m unique browsers and over 200m page views, making it the most consumed ongoing story of the year. Although there was a softening in the wider advertising sales market for channels over the year, BBC Advertising saw an uplift in activity towards the end of the period, with growth up 10.0% overall.

Elsewhere, the business continued to look for imaginative ways to exploit its brands and IP, including a co-branded advertising deal to place 4K UHD *Planet Earth II* footage on Samsung devices at Best Buy retail locations nationwide, new lines of *Doctor Who* apparel with long-time partner Hot Topic, and preparation for the launch of *Hey Duggee*-themed toys in the US and Canada with licensee Jazwares.

Over the coming year, the business will evolve its approach to take advantage of advances in technology, as the market moves to give greater consumer choice in quality content. We are actively planning how to stay ahead of changes in viewer behaviour to meet demand and deliver the greatest value back to the BBC.

Australia and New Zealand

Strong growth in branded services

At a profit level, the Australia and New Zealand region performed well again this year with strength in Branded Services and ancillary businesses, despite challenges that developed in external TV and advertising sales. While this environment resulted in an overall reduction in headline sales in Australian dollars (AUD), the region achieved an AUD profit in line with 2015/16. When translated to sterling, profit increased 9.9% from £19.2m to £21.1m and revenue was ahead at £79.5m (2015/16: £79.1m).

In Australia, BBC First led a strongly performing channel portfolio, reinforcing its status as the home of premium British drama with the success of *The Night Manager* as its top-rating programme to date, and seeing loyal audiences returning for flagship titles including *Death In Paradise*. A brand refresh for BBC UKTV in October, with new title *Michael McIntyre's Big Show*, helped to lift audience share in Australia by 12.3% on the previous quarter. We extended our carriage arrangement with IPTV platform Fetch for all five BBC-branded channels and struck a new deal for our channels to be carried on Flip TV. In New Zealand, we secured a positive carriage extension for our branded services on Sky TV, and BBC UKTV continued to be the number one non-sport channel on the platform.

Top of the Lake: China Girl, produced by See-Saw Films for BBC Two in co-production with BBC First and Foxtel in Australia, BBC UKTV in New Zealand and SundanceTV in the US and in association with Hulu in the US, ARTE in France and BBC Worldwide, is a key title for the business and has completed filming in Sydney. In content sales, major Australian deals included the sale of *Planet Earth II* to Nine (and to Prime in New Zealand); two series of *The Durrells* to Seven; and multi-year SVOD deals with Stan and Netflix. The first joint life-of-series deal for *Sherlock* was agreed with Stan and Nine, and a third window guaranteed to the Australian Broadcasting Corporation (ABC).

This year saw returning format success with series two of *The Great Australian Bake Off* on Lifestyle FOOD achieving the channel's highest ratings of all time, *Coast Australia* appearing for a third series on the History Channel and *Coast New Zealand* in production for a second series on TVNZ. New format commissions included *Stargazing Live* for ABC with UK presenter Brian Cox and *Filthy Rich and Homeless* for SBS.

We saw strong growth in live entertainment, consumer products and EST sales. Louis Theroux's inaugural live show was enjoyed by 26,500 fans across 11 shows in five Australian cities. Steve Backshall returned to Australia with his sell-out *Deadly 60* tour which captivated 48,500 fans. Meanwhile 22,500 cinema-goers across the region watched *Shakespeare Live!* to celebrate the 400th anniversary of the Bard's death.

In digital, BBC Worldwide launched on Dendy Direct and BBC Worldwide titles achieved five number one chart positions on iTunes. Google Play market share for BBC content increased by over 50% from March to December. DVD sales have declined in line with the global trend, but with strong results for key titles. *Planet Earth* was our highest performing brand, while *The Durrells* sold more than five times its original forecast.

The popularity of pre-school titles *Hey Duggee* and *Go Jetters* on ABC and CBeebies had a positive effect for licensed consumer products, with major retailers stocking product lines and 35,000 units of *Hey Duggee* toys sold. *Hey Duggee* also won the Australian Toy Association 2017 Best Boutique Licence of the Year.

In the year ahead, we will be further developing our commercial business areas through a systematic approach to business innovation so that we can continue to grow and meet our market challenges.

Global Markets

Taking Britain to the world

Record revenue was achieved for the second consecutive year in Global Markets, reflecting a mix of emerging markets growth, production acquisitions, favourable currency movements and new creative partnerships against the backdrop of competitive market conditions.

Global Markets, which encompasses Europe, Asia, Africa, the Middle East and Latin America, saw headline sales of £331.4m (2015/16: £305.7m). Although these predominantly non-English speaking markets cover a diverse range of territories, a common strategic approach yielded notably positive results and profit growth of 61.4% to £42.6m.

Conditions remained mixed with strong demand for high quality titles offset in some areas by pressure on linear channels' revenues. Local digital revenue grew in Asia as the VOD customer base increased. Digital sales were particularly strong in China where *Sherlock* S4 on Youku generated over 100m views in three months. Across all territories, demand for our content from global VOD operators was strong.

Emerging markets revenue grew significantly with good content sales in North Asia and Latin America, on the back of strong drama and factual sales and the success of returning series.

In Eurozone markets, business has been good, and included a co-production agreement for 2017's *Blue Planet II* signed with WDR in Germany.

Local versions of British shows performed well in a number of markets, with *Bake Off Italia* breaking viewing records in Italy, and series two of *Bake Off Brasil* becoming the highest rated cookery show on SBT. The South African version also performed strongly.

To further capitalise on our strong formats catalogue we extended our global production network by partnering with Endemol Shine Brazil and securing our first commission with a Brazilian free-to-air, Rede Record, for a local adaptation of *Dancing with the Stars*.

Our established production network also enjoyed success with Tower Productions, our joint venture with All3Media in Germany, moving from 12th to sixth in the country's producer rankings and producing eight franchises locally. In France and India we maintained our strong presence in schedules, producing seven shows plus four documentaries and 12 commissions respectively, while newly established Nordics Productions did well, winning commissions for three shows.

We continued to introduce our global channel brands in targeted markets. A joint venture with Sony Pictures Network saw Sony BBC Earth launch in India. BBC Earth launched in Serbia and Bosnia and CBeebies launched in East Africa, across the Middle East and North Africa and in Taiwan.

Another agreement will see CBeebies make its digital platform debut in China on iQIYI in summer 2017. BBC First's reach more than doubled in the Netherlands, allowing advertising to be launched on the channel. We also launched our first global channel exclusively for cruise ships, BBC HD.

In Latin America, growing demand for our programming enabled us to take the difficult decision to exit linear channels (except BBC World News in region and CBeebies in the US Hispanic market) in order to pursue a sales-focused strategy. This builds on recent success in taking our premium titles to mass audiences via major networks, including *War and Peace* on Globo and *Planet Earth II* and *Top Gear* on Discovery.

Asia led the way in innovation in digital with the creation of our first TVE product, BBC Player, with Starhub TV in Singapore and with Telekom Malaysia Berhad's HyppTV. BBC First also became available in Malaysia, Singapore and Hong Kong on four third-party VOD platforms.

Looking ahead we expect to see continued disruption in the markets in which we operate. Our approach is to forge ever-closer customer relationships, experiment in complementary digital and continue to focus on local audiences.

The strategic report, as set out on pages 4 to 13, was approved by the Board on 20 June 2017 and signed on its behalf by:



Tim Davie

Chief Executive, BBC Worldwide and Director, Global

BBC Worldwide Executive Committee**Paul Dempsey**

President, Global Markets

Paul took up his current role in 2013. He is responsible for building BBC Worldwide's portfolio across predominantly non-English speaking territories, known collectively as Global Markets. Paul joined BBC Worldwide in 1998. His previous roles include Interim CEO and MD, Consumer Products.

Martyn Freeman

General Counsel & Company Secretary

Martyn was appointed to his role as General Counsel in 2011. He has responsibility for all legal, business affairs, policy and regulatory matters. He also has responsibility for Global Operations. Previously, Martyn held a variety of roles across the BBC, including Head of Business Affairs, Radio & Music, Factual & Learning and News.

Marcus Arthur

President, UK, EIRE, ANZ and Global Advertising

Marcus moved into his current role in 2013. He is responsible for BBC Worldwide's businesses in the UK, EIRE, ANZ and for Global Advertising on BBC.com and BBC World News. Marcus joined BBC Worldwide in 1991 and has held roles including MD, BBC Magazines and MD Global Brands and New Ventures.

Tim Davie

Chief Executive, BBC Worldwide and Director, Global

Tim took up his current role in 2013. He is also Chairman of Comic Relief, a Trustee of the Tate and Vice-Chair of the RTS. During his 12 years at the BBC, Tim has held the positions of Acting Director-General, Director of Audio & Music and Director of Marketing, Communications & Audiences. Prior to this, he worked at PepsiCo and Procter & Gamble.

Charlotte Elston

Director of Communications

Charlotte joined BBC Worldwide as Director of Communications in 2010. She oversees all areas of communications globally including external PR, internal communications, corporate affairs and events. Charlotte has previously worked at Aegis Group plc, Pearson, Brunswick and Edelman PR.

Kirstin Furber

People Director

Kirstin is responsible for Human Resources across BBC Worldwide. She was appointed to this position in 2013, having previously been SVP HR. Prior to joining BBC Worldwide, Kirstin held roles at Twentieth Century Fox, Discovery Channel, Ziff Davis, Warner Bros. and Granada Media Group.

David Moody

Director of Strategy

David is responsible for all aspects of the company's direction and strategy. David joined BBC Worldwide in 2004. He previously held roles in BBC Ventures, The LEK Partnership, Singapore Telecom International and United News & Media and co-founded Dataroom.

Helen Jackson

Chief Content Officer

Helen became Chief Content Officer in 2013. She oversees the creative and commercial vision for BBC Worldwide's content strategy, covering commissioning, development and acquisition activity, channels' curation and editorial standards. Helen previously established BBC Worldwide's Indie Unit.

Jackie Lee-Joe

Chief Marketing Officer

Jackie joined BBC Worldwide in 2015. She is responsible for the overarching marketing and strategy for global brands including Top Gear, Doctor Who and BBC Earth and spearheads the digital partnership strategy for the company. Jackie has over 20 years of marketing experience in blue chip brands including Skype, Virgin Mobile, Carphone Warehouse and Orange.

Tom Fussell

Chief Financial Officer

Tom began his role with BBC Worldwide in May 2016. Prior to this he was CFO of Shine from 2013 to 2015, leading a global finance function across 11 markets and successfully completing the sale of Shine into a new joint venture, as part of its merger with Endemol. Tom has also held roles at Harper Collins UK, Random House in the UK and between 1997 and 2007 he held a variety of finance roles at the BBC, in BBC Production and Group Finance.

Ann Sarnoff

President, BBC Worldwide North America

Appointed to this position in 2015, Ann is responsible for driving growth and profit across the company's diversified business divisions in the USA and Canada. Ann was promoted to President from COO, and prior to joining BBCWNA she worked as President, Dow Jones Ventures, and as Executive Vice President, Consumer Products and Business Development at Nickelodeon.

Corporate governance report

In the year, the BBC Executive Board and its Committees had responsibility for the overall assurance and supervision of the BBC Group. From 1 April 2017 responsibility transferred to the BBC Board, as a result of the new governance arrangements required by the BBC Royal Charter and Agreement. See www.bbc.co.uk/aboutthebbc for further information on the activities of the BBC group.

During the year, BBC Worldwide Limited (the 'Company') had six Directors. Four Non-Executive Directors: Tony Hall – Director-General, BBC as Chairman; Anne Bulford – Deputy Director General, BBC; Dharmash Mistry and Sir Howard Stringer. Additionally, there were two Executive Directors: Tim Davie – Chief Executive, BBC Worldwide and Director, Global (CEO) and Suzanne Burrows – Acting Chief Financial Officer, BBC Worldwide (CFO) until Tom Fussell's appointment as CFO on 3 May 2016.

The BBC Worldwide Board met seven times during the year. The number of Board meetings attended by each Director is as follows:

Director	Number of Board meetings attended
Tony Hall	6/7
Anne Bulford	7/7
Dharmash Mistry	5/7
Sir Howard Stringer	5/7
Tim Davie	6/7
Tom Fussell	7/7
Suzanne Burrows	0/0*

* The BBC Worldwide Board did not meet between 1 April 2016 and 3 May 2016

Principal responsibility for the day-to-day management of BBC Worldwide rests with the CEO, Tim Davie and the BBC Worldwide Executive committee (WEx), which he chairs. Further information about WEx may be found at www.bbcworldwide.com. WEx delegates authority to two principal groups: the Content Investment Group (CIG) and the Investment Review Group (IRG).

The primary function of CIG is to ensure that all content investment decisions are taken in line with the approved content investment guidelines and our overall business strategy. It is responsible for reviewing and executing our global content strategy and recommends changes where necessary. CIG also approves investments for content distribution and broadcast rights as well as monitoring our content pipeline in the context of performance and strategic development. CIG is chaired by the Controller of Content Investment and is responsible for all content investment decisions between £500,000 and £2m. For those in excess of £2m, CIG reviews and recommends such investment proposals to WEx for approval.

Amongst CIG's transactions for consideration during the year were *McMafia*, a co-production with AMC; *Good Omens*, an adaptation of the novel by Terry Pratchett and Neil Gaiman for Amazon; and *Call the Midwife* series' 7, 8 and 9 produced by Neal Street Productions.

IRG is responsible for reviewing and approving non-content financial investments, including proposals relating to independent production company funding arrangements. For investments that are greater than £2m, IRG reviews and recommends those investments to WEx for approval. IRG is chaired by the CFO.

During the year IRG considered a number of transactions including an investment into a 24.9% stake in the new factual and scripted entertainment independent production company Expectation Entertainment. This company is headed by the experienced British television executives Peter Fincham, formerly of ITV, and Tim Hincks, previously with Endemol Shine.

Commercial Criteria and Fair Trading Framework

The BBC's Royal Charter and Agreement requires all of the BBC's commercial activities to comply with the Four Commercial Criteria (4CC). As such, our activities must:

- fit with the Mission and the Public Purposes;
- exhibit commercial efficiency;
- not jeopardise the good reputation of the BBC or the value of the BBC brand; and
- not, as a result of the relationship of the activity with the UK Public Service, trading activities or non-service activities, distort the market or create an unfair competitive advantage.

Corporate governance report (continued)

The 4CC approvals framework is embedded within our governance structure and ensures that key projects and investments are subject to rigorous evaluation, ensuring compliance with each of the 4CCs prior to the start of the service.

An independent review of 'transfer pricing' transactions where the BBC's commercial services buy rights to BBC programmes and content, or pay to use BBC premises or services, was commissioned by the Trust from Ernst & Young. The review, published by the BBC Trust in October 2016 found that transactions between BBC Worldwide and licence fee-funded services are being conducted fairly, in line with rules preventing market distortion, and with fair prices being paid.

Editorial standards

We are required to meet the standards set out in the BBC's Editorial Guidelines and the Advertising and Sponsorship Guidelines for BBC Commercial Services. We operate a comprehensive framework which sets out clear editorial accountability for each business area and have a dedicated Editorial Standards team providing training, support and advice across the company.

Privacy

We process personal data every day; it is essential to doing business. We are fully committed to handling that data fairly and to respecting the privacy rights of individuals. We operate policies and procedures to ensure we comply with relevant laws globally and to ensure we act in ways consistent with BBC values. This includes assessing the privacy impact of new projects, training our staff, managing risk and working with our suppliers and partners to ensure they handle personal data appropriately. A new pan-European law, the General Data Protection (GDPR), comes into effect in 2018 and will bring with it increased fines of up to 4% of global turnover. We are reviewing and improving our processes to ensure we are compliant and can continue to meet the high expectations of the people who entrust their data to us.

Content Security & Protection

Content is our most financially valuable asset and we showcase content from the BBC around the world. We invest significant sums in it and licensees pay us significant sums to acquire rights in it. We must ensure that this content is secured and protected throughout its lifecycle to the point of broadcast and beyond. The piracy of content is becoming ever more sophisticated and mainstream, threatening to undermine our investment and our relationships with producers and licensees. Anti-piracy is therefore a key part of our content protection strategy and we work with vendors, other broadcasters and content owners and with industry bodies to minimise the impact of piracy and to stay ahead of emerging piracy trends.

Risk management

People, reputation, assets and commercial performance

We are committed to effective risk management practices which safeguard our people, reputation, assets and commercial performance. These practices protect the BBC brand while it is showcased internationally through our channels, branded services, content sales, productions and consumer products. They also ensure greater stability of cash returns to support the UK licence fee, and continuity of our business operations.

Tim Davie, CEO, sponsors and WEx owns the governance of risk management in BBC Worldwide. The process is led by the Risk Management and Internal Controls Committee. It is chaired by the CFO and is comprised of WEx members and senior managers, who review and challenge our corporate risk register quarterly. Each business and region reports risks to this timetable. Employees are made aware of key risk themes through internal communications.

Risk themes	Strategic impacts	Mitigation
Brand, reputation and standards Audiences lose confidence in the integrity of the business, or its content and editorial values. Failure to represent the values of the BBC to global audiences.	Harm to reputation, relationship with audiences and to the BBC brand.	Leadership, managers and staff embody behaviours consistent with BBC values, supported by internal communications, leadership briefings, culture work and HR processes, including staff survey and direct feedback sessions. Editorial Policy framework supported by specialists, with experienced genre heads and deal approval frameworks.
Indie and JV relationships Failure to achieve the potential from indie, joint venture (JV) and associate relationships, principally UKTV, AMC Networks and Immediate Media.	Lower commercial returns for indies and the UK licence fee payer. Curtailling of ambitions and strategy for each invested service or entity.	Defined accountabilities for indie and JV relationships with Executive Committee oversight. Content and business expertise with representation on indie and JV Boards. BBC Worldwide investment committee oversight of investment framework and post-investment reviews. Approvals framework incorporates appropriate safeguards over BBC editorial values and control.
Market transformation and disruption Business strategy and sales capability fails to mitigate the impact of new entrants, disruptive competitors and consolidation.	Lower visibility for BBC content internationally, overdependence on key customers, lower commercial returns for indies and the UK licence fee payer.	Expertise inherent in the business and in-depth local knowledge of international markets. JV partners bring insight and knowledge. Adding value sales framework and transformation to ensure our sales strategy, sales infrastructure, people skills and business relationships are in the best place to respond to challenges and offer a competitive return to the licence fee payer and indies. HR skills, expertise and knowledge. Internal talent management and leadership development programmes.
Content supply and franchise management Insufficient volumes of commercially appealing content in pipeline, especially in priority genres given greater competition for supply, content price inflation and consolidation reducing the addressable market for rights.	Lower sales volumes or reduced margins. Risk to the distinctiveness of channel offerings. Lower returns from global brands without the right franchise management.	Dedicated Content division with expertise in content acquisition and relationship management. Output deals with key indies and investment stakes to increase our creative pipeline. Owning and operating production to support format sales. Benchmark and Drama Investment Partnership providing innovative funding models for accessing high profile scripted drama projects. Internal transformation to support margins and growth.
Channels and services Failure to achieve the full value from affiliate relationships and partners, or the appropriate brand visibility on channels and services, or the right mix of premium vs. free-to-air channels, direct digital services, content sales and windowing.	Reduced ability to showcase BBC content globally. More vulnerable to disruptive digital services. Risk of operating with sub-scale regional businesses.	Experienced international channels team with a proven track record of leading negotiations. Extensive knowledge of the affiliate landscape and the expertise to secure the right channel mix, platforms and relationships. Market insight to attract the right partners, build effective relationships and develop the best digital propositions in the context of the global ambition and strategy.

Risk management (continued)

Risk themes	Strategic impacts	Mitigation
Information and content security Significant commercial and reputational damage from uncontrolled release of content assets. Information security controls are compromised and systems disrupted.	Loss of confidence in our role as a global distributor. Reduced editorial or commercial value from disclosed assets.	Specialist premium content leadership and management framework. Careful supplier management and risk assessment with appropriate contracting. Technical controls include forensic watermarking, content attribution and mono copies for localisation. Improved information security infrastructure controls.
Economic climate and trading performance Uncertainty in UK and international economic conditions with advertising sales revenues the most vulnerable. Risk from adverse exchange rate movements	Adverse impact on cash flows and reported financial results.	Business is diversified across regions, franchises and revenue streams. Central management of budgets, cash flow forecasting and prudent debtor management. Debt headroom with strong cash conversion and balance sheet strength. Comprehensive and regular performance review of every region and business.
Regulatory and compliance Potential for non-compliance with UK and international laws, especially regulatory changes and legislation with extra-territorial reach.	Civil or criminal challenge. Financial penalties. Reputational damage.	Robust, enforced framework including WEx sponsorship, mandatory training programmes, policies, regular reporting and specialist committees. Oversight by BBC Worldwide Board, WEx and Compliance Steering Group. Embedded regional expertise and local compliance champions.
Business continuity, safety and security Disruption to operations, infrastructure and loss of revenue following a major incident. General increase in global terrorism and the risk of physical threat.	Potential for injury, death and loss of infrastructure and services with disruption to business operations.	Security and safety management arrangements supported by specialists, policy frameworks, forums, communications and risk assessments. Offices and business operations with business continuity leads and up-to-date continuity plans. Travel safety training, terrorism awareness training and launch of the global emergency notification system.

Directors' Report

The Directors present their report and the audited consolidated financial statements of BBC Worldwide Limited (the "Company") and its subsidiary undertakings (together the "Group") and the Group's interest in associated undertakings and joint ventures for the year ended 31 March 2017.

Principal activities of the Group

The trading activities of the Group focus on the acquisition, development, exploitation, licensing and sale of intellectual property. Rights are acquired from BBC Public Service and from independent owners of intellectual property and are exploited through a number of businesses, both wholly-owned and partly owned through associates and joint ventures, across multiple formats. The business is structured into four reportable segments: UK, North America, Australia and New Zealand and Global Markets, principally non-English speaking markets, known collectively as Global Markets. The two global business areas, Content and Brands, set the strategic framework and parameters for activities within the regions and keep a close connection into BBC Worldwide's ultimate parent, the British Broadcasting Corporation.

Strategic Report

A review of business performance, including likely future developments, is included in the Strategic Report on pages 4 to 13. The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Group are discussed on pages 17 to 18.

Results and dividends

The consolidated profit for the year distributable to equity shareholders of the Company was £40.4m (2016: £85.6m).

Dividends of £89.3m (2016: £105.5m) were proposed and paid during the year and no further dividends have been proposed by the Directors post year end (2016: £nil).

Acquisitions and disposals

During the financial year the Group acquired equity stakes in independent content production companies Expectation Entertainment Limited, Lookout Point Limited, Two Cities Television Productions, House Productions Limited and 72 Films Limited. It also acquired a majority stake in the independent content production company Baby Cow Productions Limited. Full details of the Group's acquisitions and disposals are included in the Chief Financial Officer's Review on pages 7 to 9.

Directors

The Directors who served during the year and until the date of this directors' report were:

Tony Hall (Chairman)
Anne Bulford
Dharmash Mistry
Sir Howard Stringer
Tim Davie
Tom Fussell (Appointed 3 May 2016)
Suzanne Burrows (Resigned 3 May 2016)

Declaration of Major Shareholders

BBC Venture Group Limited is The Company's only shareholder. BBC Venture Group Limited became the sole shareholder on 27 July 2005, acquiring 100% of The Companies shares.

Going concern

After making enquiries, 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. Further information about the going concern assumption is given in note 1(b) to the consolidated financial statements.

Report on Directors' remuneration

Year ended 31 March 2017

This report sets out the BBC Worldwide's remuneration policy and details annual remuneration received by the staff members of the Executive Board (the Executive Directors) for the 2016/17 financial year.

The remuneration policy for BBC Worldwide includes the contractual provision of an annual bonus available to eligible staff, including directors. The full cost of base pay and annual bonus are self-funded by the commercial revenues and are not subsidised by the licence fee.

We continue to offer a simplified Reward offering for directors, senior managers and all other employees. The package offers a basic salary and a performance-related bonus that is subject to the achievement of set profit targets before awards are made.

We have two performance-related bonus schemes: the annual bonus scheme and the sales compensation scheme. Both are focused on delivering the best possible return to the BBC and our independent production partners.

Wherever possible, we use salary survey data to identify the pay range in the market for a specific role in a particular location. As a matter of policy we continue to aim to pay at or below the market median. Work undertaken to roll out a global grading structure has been completed and is now being implemented.

Governance

There were no significant changes to remuneration governance arrangements in 2016/17, with decisions affecting members of the BBC Worldwide Executive (WEx) team and company-wide reward being taken by the BBC Executive Remuneration Committee. Salary decisions affecting other staff earning more than £125,000 (or local equivalent) per year, and severance payments in excess of £75,000, continue to require approval by the BBC Senior Management Remuneration Committee. The BBC Worldwide Pay Committee, comprising the CEO, CFO and People Director, continues to review all significant pay decisions.

No individual is responsible for setting her or his own remuneration.

Full details of all the above governance matters can be found in the BBC Annual Report and Accounts.

Executive Directors

This report summarises the remuneration of the CEO and CFO of BBC Worldwide, who are the sole Executive Directors of BBC Worldwide.

Tim Davie was CEO for the full year. Suzanne Burrows was appointed a Director on 29 January 2016 and remained interim CFO until 3 May 2016. On 3 May 2016 Tom Fussell joined the company as CFO and took up his position as a Director of BBC Worldwide. Further details on this can be found in Corporate Governance, pages 15-16.

Base salary

Tim Davie's annual base salary has remained unchanged since April 2013. Tom Fussell is paid the same as his predecessor, Andrew Bott.

Annual incentives

Annual incentives are provided through the BBC Worldwide Annual Bonus Plan, in which all staff participate (other than those on sales schemes).

The Plan is a simple design, with a 'Minimum Growth Hurdle' (a threshold level of performance), a Target Performance level (set to be stretching but, with substantial effort, achievable), at which Target Bonus is payable, and a Maximum Bonus Performance level (above which no further bonus is payable), set significantly above Target.

Target Bonus for the CEO and the CFO is 50% of base pay earnings. Bonus for both Executive Directors is wholly dependent on the performance of BBC Worldwide headline profit and free cash flow as these are deemed to be the most appropriate indicator of their performance.

Directors' Report (continued)**Directors' interests and indemnities**

No Director had any interest in the share capital of the Group at 1 April 2016 or 31 March 2017. 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' insurance cover was in place throughout the financial year as appropriate. Additionally, an indemnity is in place for the Group's nominated Directors on the board of Australian entities and for BBC Worldwide Limited Directors and Officers in respect of Branch operations in Australia. The nominated Directors are held harmless in relation to legal claims against them in their capacity as Directors and Officers, except in the event of fraud, dishonesty or wilful default. The indemnity covers all liability incurred by nominated Directors and Officers to the fullest extent permitted by Australian law and is intended to offer protection to the nominated Directors and Officers in addition to the cover under the Group's Directors' & Officers' insurance policy.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the Group has been continued through the BBC's intranet service, and employees have also been encouraged to present their suggestions and views on the Group's performance through staff surveys. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through simplified bonus arrangements.

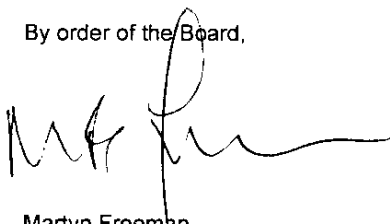
Statement as to disclosure of information to auditors

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

Auditors

Following the renewal of the Royal Charter of the British Broadcasting Corporation and managed by the BBC Audit and Risk Committee, the National Audit Office was appointed to succeed Ernst & Young as the BBC Groups Auditor commencing 1st April 2017. See the BBC Annual Report and Accounts for further details.

By order of the Board,



Martyn Freeman
Company Secretary
20 June 2017

Registered office:
1 Television Centre
101 Wood Lane
London W12 7FA

Report on Directors' remuneration (continued)**Pension**

Executive Directors who joined the BBC before 1 December 2010 are eligible to participate in the BBC Pension Scheme (the Scheme), which provides for pension benefits on a defined benefit basis. Executive Directors who joined the BBC on or after 1 December 2010 are eligible to join LifePlan, which is the BBC's defined contribution arrangement. The BBC pays matching contributions to LifePlan for employee contributions between 4% and 5%. Employee contributions between 6% and 7% are matched plus an additional 1%. Employee contributions of 8% or more receive the maximum employer contribution of 10%. There is no maximum pensionable salary for contributions to LifePlan.

Executive Directors who decide not to join LifePlan or are not already an existing member of the Scheme are, subject to meeting the relevant criteria, automatically enrolled into the National Employment Savings Trust (NEST). The BBC and employees currently pay 1% of qualifying earnings to NEST. Individuals can choose to opt out of this.

Executive Directors' pension arrangements may be reviewed and amended in response to changes in legislation or similar developments.

Features of the BBC's pension arrangements, including normal pension age, are provided in the table on page 24.

Details of the BBC Pension Scheme are available at www.bbc.co.uk/mypension/ and details of LifePlan can be found at www.friendslife.co.uk/microsite/bbc/.

Components of reward

The following table summarises the current, key, fixed and variable components of reward (excluding sales incentives) for executives and employees:

Element	Purpose and link to strategy	Performance period	Operation
Base salary	Maintain a competitive package, at the agreed position for the relevant local market, recognising individual contribution and the scope of the role.	Not applicable	Reviewed annually, taking into account the industry in which BBC Worldwide operates, location, individual performance and responsibilities, and affordability.

Reward from current incentive plans

Annual incentives	Reward achievement of short-term strategic goals and profit growth.	1 year	<p>Bonus, calculated as a percentage of base pay earnings, is payable for achievement of headline profit and free cash flow targets and, other than for members of the BBC Worldwide Executive (WEx), an agreed level of personal performance.</p> <p>The percentage varies by grade (and, at lower levels, by country, in some cases).</p> <p>A reduced bonus is payable for achievement below Target, subject to reaching a threshold level of performance below which no bonus is payable, with additional bonus available for achievement above Target. For members of the Executive, bonus is between 20% and 70% of base pay earnings, with the top of that range payable at a level of profit considered to be achievable only in exceptional circumstances.</p> <p>The levels of profit performance and free cash flow attracting threshold, target and maximum bonus are set by the BBC Executive Remuneration Committee.</p>
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Report on Directors' remuneration (continued)

Element	Purpose and link to strategy	Performance period	Operation
Benefits			
Pensions	Pensions are offered in line with normal market practice.	Ongoing	Pensions are offered in accordance with the BBC all employee pension arrangements.
Life assurance	Life assurance is offered in line with normal market practice.	Ongoing	4 x salary for those who join the pension plan; 2 x salary for those who do not join the pension plan.
Private healthcare	Private healthcare is offered in line with normal market practice at middle management level and above.	Ongoing	Family cover for senior executives; single cover for other eligible employees.

Employment contracts

Employment contracts of Executive Directors recently employed by BBC Worldwide in the UK have a maximum notice period of six months. Contracts are subject to earlier termination for cause. In the UK, if termination arises through redundancy, Executive Directors are entitled to one month's pay for each year of continuing service, up to a maximum of 24 months' base pay (or 12 months' base pay for Executive Directors employed on or after 1 January 2013). This is subject to a cap of £150,000 in total.

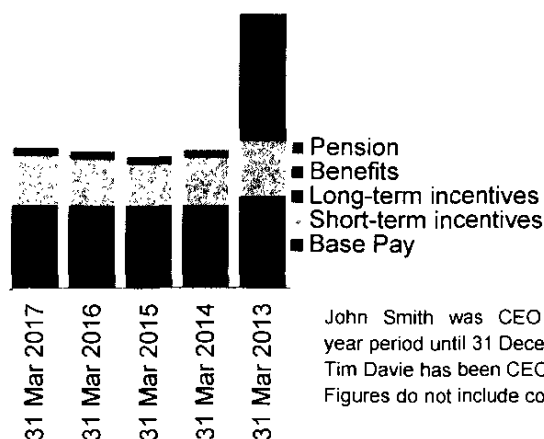
Outside interests

Where there is no potential for conflict of interest, and with the prior agreement of the Chair of BBC Worldwide, Executive Directors may hold one paid external directorship. Remuneration which arises from directorships may be retained by the Executive. This policy is to encourage the take-up of external Non-executive appointments as part of the Executive Director's development as well as bringing broader business skills to BBC Worldwide. Executive Directors may also hold non-remunerated posts outside the BBC. No more than one to two days per month are permitted to fulfil all external duties.

During the year, no Executive Directors held paid external directorships.

Non-executive Directors

The Non-executive Directors of BBC Worldwide during the year were Tony Hall (BBC Director-General), Anne Bulford (Deputy Director-General), Dharmash Mistry and Sir Howard Stringer, none of whom received any remuneration in respect of their duties in this capacity.

CEO earnings for the last five years £000

Report on Directors' remuneration (continued)

Scheme	'Old' Benefits Defined Benefit	'New' Benefits Defined Benefit	CAB 2006 Defined Benefit	CAB 2011 Defined Benefit	LifePlan Defined Contribution	National Employment Savings Trust (NEST) Defined Contribution (Auto Enrolment Arrangement)
Date closed	30 September 1996	31 October 2006	30 November 2010	1 January 2012	Open to all eligible employees	Open to all eligible employees
Accrual	60ths accrual	60ths accrual	1.67% accrual Adjusted in line with inflation	1.67% accrual Adjusted in line with CPI	BBC will contribute a maximum of 10% of salary if employee contributes 8% with lower sliding scale	BBC will contribute 1% of qualifying earnings
Salary	Final pensionable	Final pensionable	Career average revalued earnings	Career average revalued earnings		
Normal pensionable age	60	60	65	65	N/A	N/A
Earnings cap	Date of joining before 1 June 1989 uncapped, capped otherwise at £150,600	Capped at £150,600	Capped at £150,600	Capped at £144,000	Uncapped	Minimum Earnings £5,824p.a. Maximum Earnings £43,000p.a.
Pensionable salary growth before the earnings cap is applied	Limited at 1% p.a.	Limited at 1% p.a.	Limited at 1% p.a.	No restriction	N/A	N/A
Employee contribution (% of pensionable salary)	7.5%	7.5%	4%	6%	Minimum employee contribution is 4%	1% of qualifying earnings

Defined benefit entitlements

Pension figures £'000	Age as at 31 Mar 16	Section	Accrued pension 31 Mar 16	Accrued pension 01 Apr 15	Defined benefit contributions (via salary sacrifice)
Tim Davie ¹	49	CAB 2011	12	10	9
Tom Fussell ²	46	—	—	—	—
Suzanne Burrows ¹	49	CAB 2006	13	13	1

¹ Tim Davie joined the BBC in 2005 and was appointed CEO of BBC Worldwide on 1 April 2013. He became an active member of the CAB 2011 section as of 1 January 2012 and retains a deferred pension in the New Benefits section for service up to that date. The accrued pensions shown relate to CAB 2011 only but include the period before he was appointed as a Director.

² Tom Fussell joined the BBC as a director of BBC Worldwide on 3 May 2016. He does not receive any pension benefits for his current period of service, but does retain a deferred pension in the New Benefits section for a previous period of service. This deferred pension is treated as a separate agreement and therefore is not included in the above figures.

Report on Directors' remuneration (continued)

Remuneration earned in the year ended 31 March 2017

		Paid out values from Payroll 2016/17					
£'000 rounded	Date appointed to Board		Fee/ Base Pay ²	Benefits	Pension Related Single Figure ³	Performance related ⁴	Total
Executive Directors							
Tim Davie ⁵	01/04/2013	2016/17	400	2	40	240	682
		2015/16	400	2	38	224	664
Tom Fussell ⁶	03/05/2016	2016/17	265	2	–	158	425
		2015/16	–	–	–	–	–
Total Executive Directors		2016/17	665	4	40	398	1,107
		2015/16	400	2	38	224	664
Former Executive Directors serving on the Board							
Suzanne Burrows ⁷	29/01/2016	2016/17	16	1	6	10	33
		2015/16	30	1	4	17	52
Total former Executive Directors		2016/17	16	1	6	10	33
		2015/16	253	4	22	43	322
Total Exec Board		2016/17	681	5	46	408	1,140
		2015/16	653	6	60	267	986
Non-executive Directors (2016/17)							
Tony Hall	01/04/2013		–	–	–	–	–
Anne Bulford	24/06/2013		–	–	–	–	–
Dharmash Mistry	16/02/2015		–	–	–	–	–
Sir Howard Stringer	16/02/2015		–	–	–	–	–
Total Non-executive Directors ⁸			–	–	–	–	–

Total Remuneration

£'000 rounded

Total Remuneration	2016/17	2015/16
Executive Directors	1,140	986
Non-Executive Directors	—	—
Total Executive Board	1,140	986

¹ Suzanne Burrows joined the BBC in 2009 and became a Director of BBC Worldwide on 29 January 2016. She subsequently stepped down from the Board on 3 May 2016. The accrued pensions shown include the period before she was appointed as a Director.

² Fee/Base Pay – Pensions: Employee pension contributions are ordinarily made via Salary Sacrifice arrangement as an employer contribution, with a corresponding reduction in salary. Base salaries for Executive Directors have not been adjusted to reflect the impact of salary sacrifice to enable like for like comparison with prior years before salary sacrifice was introduced.

³ The Pension Related Single Figure is generally calculated at 20 times the increase in the accrued pension over the year net of inflation, less the directors' defined benefit contributions, plus the employer's defined contributions.

⁴ The performance-related remuneration relates to amounts accrued in the year.

⁵ The BBC introduced a salary sacrifice arrangement on 1 June 2008 for Old and New Benefits members who joined the Pension Scheme before 1 November 2006 and for all Career Average Benefit members. From that date, terms and conditions of employment were changed for those employees opting for the salary sacrifice arrangement and, as a result, employee pension contributions made via the salary sacrifice have been treated as employer contributions, with a corresponding reduction in salary. Tim Davie's base salary has not been adjusted to reflect the impact of the salary sacrifice. His total salary sacrifice was £8,640 (2015/16: £8,640).

⁶ Tom Fussell joined the BBC in 2016 and was appointed a Director of BBC Worldwide from 3 May 2016.

⁷ Suzanne Burrows was a Director of BBC Worldwide from 29 January 2016 until 3 May 2016.

⁸ Non-Executive Directors did not receive remuneration in relation to their duties for BBC Worldwide.

The departure of Andrew Bott on 29 February 2016 and the arrival of Tom Fussell in May 2016 mean that in 2015/16 there was no bonus paid to a serving CFO, which in turn reduced executive remuneration in that financial year. In 2014/15, the last full financial year for which a serving CFO was eligible for a full-year bonus, executive compensation totalled £1,129,000. This is a more suitable comparative for 2016/17.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company 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 Group financial statements in accordance with International IFRSs as adopted by the EU and applicable law and have elected to prepare the 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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements of BBC Worldwide Limited for the year ended 31 March 2017 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated cash flow statement and Consolidated statement of changes in equity, the related notes 1 to 34, the Company balance sheet and the related notes a to s. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and company's affairs as at 31 March 2017 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

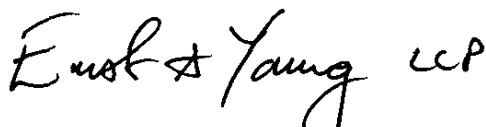
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Richard Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

20 June 2017

**Consolidated income statement
for the year ended 31 March 2017**

		2017	2016
	Note	£m	£m
Headline sales including joint ventures	2	1,059.9	1,029.4
Less: Share of revenue of joint ventures		(183.6)	(174.0)
Revenue		876.3	855.4
Total operating costs	3	(875.5)	(790.8)
Share of results of joint ventures and associates		48.1	41.8
Operating profit		48.9	106.4
<i>Operating profit analysed as:</i>			
Headline profit	2	157.3	133.8
Share of interest and tax of joint ventures and associates	4	(11.1)	(10.6)
Other specific items	4	(97.3)	(16.8)
		48.9	106.4
Gains on disposals	8	7.7	1.5
Other gains and losses	8	0.5	(4.6)
Finance income	9	2.0	0.9
Finance expense	9	(4.6)	(3.7)
Profit before tax		54.5	100.5
Tax charge for the year	10	(14.1)	(14.9)
Profit for the year attributable to the equity shareholder		40.4	85.6
<i>Attributable to:</i>			
Equity shareholders of the parent company		40.4	85.6
Profit for the year		40.4	85.6


**Consolidated statement of comprehensive income
for the year ended 31 March 2017**

	2017	2016
	£m	£m
Profit for the year	40.4	85.6
Items that are or may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	29.7	7.2
Revaluation of available-for-sale financial assets	-	2.9
Net losses on foreign exchange cash flow hedges	(10.1)	(12.5)
Tax on cash flow hedges taken directly to other comprehensive income	1.8	2.5
Other comprehensive income for the year	21.4	0.1
Total comprehensive income for the year attributable to equity shareholder of the parent company	61.8	85.7

Consolidated balance sheet
as at 31 March 2017

	Note	2017 £m	2016 £m
Non-current assets			
Goodwill	12	35.5	34.2
Distribution rights	13	162.0	210.3
Other intangible assets	14	25.2	35.5
Property, plant and equipment	15	28.2	29.7
Interests in joint ventures and associates	16	245.0	171.8
Investments	17	13.8	16.5
Trade and other receivables	19	66.9	56.5
Deferred tax assets	10	11.8	6.5
Derivative financial assets	23	0.1	0.1
		588.5	561.1
Current assets			
Programme rights and other inventories	18	66.5	52.9
Trade and other receivables	19	384.6	324.7
Current tax receivable		17.9	18.6
Derivative financial assets	23	0.1	0.9
Cash and cash equivalents		44.3	45.8
		513.4	442.9
Total assets		1,101.9	1,004.0
Current liabilities			
Interest-bearing loans and borrowings	22	-	167.9
Trade and other payables	20	429.1	399.6
Current tax liabilities		10.4	6.2
Provisions	21	5.6	1.9
Derivative financial liabilities	23	25.4	14.0
		470.5	589.6
Non-current liabilities			
Interest-bearing loans and borrowings	22	198.5	-
Trade and other payables	20	39.7	2.3
Provisions	21	1.1	0.1
Derivative financial liabilities	23	6.9	8.0
Deferred tax liabilities	10	31.5	19.7
		277.7	30.1
Total liabilities		748.2	619.7
Net assets		353.7	384.3
Equity			
Share capital	24	0.2	0.2
Hedging reserve	25	(21.3)	(13.0)
Translation reserve	25	49.0	19.3
Other reserves	25	(2.1)	1.3
Retained earnings	25	327.5	376.4
Equity attributable to shareholder		353.3	384.2
Non-controlling interests		0.4	0.1
Total equity		353.7	384.3

These consolidated financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors on 20 June 2017 and were signed on its behalf by:



Tom Fussell
Chief Financial Officer

**Consolidated cash flow statement
for the year ended 31 March 2017**

	Note	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations	27	106.2	59.1
Tax paid		(11.0)	(8.7)
		95.2	50.4
Cash flows from investing activities			
Interest received		0.7	0.9
Dividends received from other investments	17	-	0.4
Purchases of other intangible assets	14	(10.5)	(14.5)
Purchases of property, plant and equipment	15	(4.9)	(6.5)
Acquisition of subsidiaries (net of cash acquired)	26	(1.7)	(0.9)
Disposal of interests in JVs and associates, and other investments	16	2.7	31.6
Acquisition of interests in joint ventures and associates	16	(19.6)	(2.9)
Acquisition of investments	17	(0.4)	(0.2)
Amounts advanced to related parties		(4.6)	(2.6)
Repayments by related parties		3.6	-
		(34.7)	5.3
Cash flows from financing activities			
Interest paid		(3.6)	(3.5)
Drawdown of loans and borrowings	22	30.6	32.0
Equity dividends paid	11	(89.3)	(105.5)
Dividends paid to non-controlling interests		(0.2)	-
		(62.5)	(77.0)
Net decrease in cash and cash equivalents		(2.0)	(21.3)
Cash and cash equivalents at the beginning of the year		45.8	66.6
Foreign exchange translation gains		0.5	0.5
Cash and cash equivalents at end of the year		44.3	45.8

Cash and cash equivalents is comprised entirely of cash at banks and on hand.

**Consolidated statement of changes in equity
for the year ended 31 March 2017**

	Attributable to equity holders of the parent company					Non-controlling interests £m	Total equity £m
	Share capital £m	Hedging reserve £m	Translation reserve £m	Other reserves £m	Retained earnings £m		
Balance at 31 March 2015	0.2	(3.0)	12.1	-	396.3	-	405.6
Profit for the year	-	-	-	-	85.6	-	85.6
Revaluation of available-for-sale financial assets (note 25)	-	-	-	2.9	-	-	2.9
Net losses on foreign exchange cash flow hedges	-	(12.5)	-	-	-	-	(12.5)
Tax on items taken directly to equity	-	2.5	-	-	-	-	2.5
Exchange differences on translation of foreign operations	-	-	7.2	-	-	-	7.2
Total comprehensive income for the year	-	(10.0)	7.2	2.9	85.6	-	85.7
Changes in non-controlling interests (note 26)	-	-	-	(1.6)	-	0.1	(1.5)
Dividends paid (note 11)	-	-	-	-	(105.5)	-	(105.5)
Balance at 31 March 2016	0.2	(13.0)	19.3	1.3	376.4	0.1	384.3
Profit for the year	-	-	-	-	40.4	-	40.4
Net losses on foreign exchange cash flow hedges	-	(10.1)	-	-	-	-	(10.1)
Tax on items taken directly to equity	-	1.8	-	-	-	-	1.8
Exchange differences on translation of foreign operations	-	-	29.7	-	-	-	29.7
Total comprehensive income for the year	-	(8.3)	29.7	-	40.4	-	61.8
Changes in non-controlling interests (notes 25 and 26)	-	-	-	(3.4)	-	0.5	(2.9)
Dividends paid (note 11)	-	-	-	-	(89.3)	(0.2)	(89.5)
Balance at 31 March 2017	0.2	(21.3)	49.0	(2.1)	327.5	0.4	353.7

Notes to the consolidated financial statements

1. Principal accounting policies

BBC Worldwide Limited (the "Company") is a company domiciled and incorporated in the United Kingdom, and its registered address is 1 Television Centre, 101 Wood Lane, London W12 7FA. The consolidated financial statements of the Company for the year ended 31 March 2017 comprise the Company and its subsidiary undertakings (together the "Group") and the Group's interest in joint ventures and associated undertakings.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out below.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (the EU), the Companies Act 2006 and Article 4 of the EU International Accounting Standards Regulations.

The financial statements are principally prepared on the historical cost basis. Areas where alternative bases of accounting are applied are identified in the accounting policies below.

(b) Going concern

The Board remains satisfied with the Group's funding and liquidity position. The disclosures on page 26 in the Directors' Report in respect of going concern form part of the audited accounts.

As at 31 March 2017, the main source of debt funding was an unsecured credit facility with BBC Commercial Holdings Limited (BBCCH) expiring in September 2018. Further information in respect of this facility is included in note 22.

On the basis of its forecasts, and having regard to available and anticipated financing facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate. Further information in respect of liquidity risk is included in note 31.

(c) Basis of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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 owners of the Company.

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 a joint venture or associate.

ii. Joint ventures and associates

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Notes to the consolidated financial statements (continued)**1. Principal accounting policies (continued)****(c) Basis of consolidation (continued)***ii. Joint ventures and associates (continued)*

The results and assets and liabilities of joint ventures and associates are incorporated into these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost, adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture or associate, less any impairment in the value of individual investments.

Where the Group's share of losses exceeds the carrying amount of the joint venture or associate, 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 joint venture or associate.

Where a group entity transacts with a joint venture or associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture or associate.

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

(d) Adoption of new and revised standards

At the beginning of the current period, the Group adopted the following accounting pronouncements, none of which had a significant impact on its results or financial position for the year ended 31 March 2017:

- Amendments resulting from Annual Improvements 2012-2014 Cycle (2014) (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 1 (2014) Presentation of Financial Statements (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 16 (2014) Property, Plant and Equipment (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 27 (2014) Separate Financial Statements (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 28 (2014) Investments in Associates and Joint Ventures (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 38 (2014) Intangible Assets (effective for periods commencing on or after 1 January 2016)
- Amendments to IFRS 10 (2014) Consolidated Financial Statements (effective for periods commencing on or after 1 January 2016)
- Amendments to IFRS 11 (2014) Joint Arrangements (effective for periods commencing on or after 1 January 2016)
- Amendments to IFRS 12 (2014) Disclosures of Interests in Other Entities (effective for periods commencing on or after 1 January 2016)
- IFRS 14 (2014) Regulatory Deferral Accounts (effective for periods commencing on or after 1 January 2016)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- Amendments to IAS 12 (2016) Income Taxes (effective for periods commencing on or after 1 January 2017)
- Amendments to IAS 7 (2016) Statement of Cash Flows (effective for periods commencing on or after 1 January 2017)
- Amendments resulting from Annual Improvements 2014-2016 Cycle (2016) (effective for periods commencing on or after 1 January 2017)
- Amendments resulting from Annual Improvements 2014-2016 Cycle (2016) (effective for periods commencing on or after 1 January 2018)
- Amendments to IAS 39 (2013) Financial Instruments: Recognition and Measurement (effective when IFRS 9 is applied, on or after 1 January 2018)
- Amendments to IFRS 7 (2013) Financial Instruments: Disclosures (effective when IFRS 9 is applied, on or after 1 January 2018)
- IFRS 9 (2014) Financial Instruments (effective for periods commencing on or after 1 January 2018)
- IFRS 15 (2016) Revenue from Contracts with Customers (effective for periods commencing on or after 1 January 2018)
- IFRS 16 (2016, 2017) Leases (effective for periods commencing on or after 1 January 2019)

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except for the below which are currently being evaluated:

- IFRS 9 will replace the existing IAS 39 (2013) *Financial Instruments: Recognition and Measurement*. The key changes that may affect the Group on initial application include certain simplifications to the classification of financial instruments such as hedging and trade receivables. Although the directors anticipate that the adoption of this standard may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.
- IFRS 15 will impact revenue recognition and replaces the existing IAS 18 *Revenue*. This new standard requires the Group to identify the distinct promises in contracts with customers and to recognise revenue when these promises are fulfilled. The standard also has specific guidance in relation to licence revenue. The Group's initial assessment of the impact on material revenue streams is that there may be differences arising from the way the Group recognises revenue for content sales cut-off, and licensing for formats and live events. Although the directors anticipate that the adoption of this standard may have an impact on the Group's revenue, it is not expected that these adjustments will be material. The Group has decided that the Group should follow the modified retrospective method for transitioning to IFRS 15 in the financial year 2018/19.

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(d) Adoption of new and revised standards (continued)

- IFRS 16 *Leases* is expected to be endorsed by the EU by December 2017 and is effective for financial year 2018/19. This new standard requires the group to recognise an asset to represent the right to use the leased item and a liability to represent the future lease payments. This also means that in future, lease costs will be accounted for as depreciation and interest. The Directors expect this to have a material impact, however as the Group's impact assessment is continuing, it would be impractical to provide an estimate beyond the information above.

(e) Non-statutory financial performance measures

The Group believes that 'Headline sales' and 'Headline profit' are additional non-statutory measures of financial performance that provide further guidance to help understand the performance of the business on a comparable basis year on year. The Directors review these non-statutory measures on a regular basis to determine whether they are appropriate.

Headline sales includes the Group's share of the revenues of its joint ventures, which are closely monitored by the Directors. Headline profit excludes significant items affecting operating profit (termed "specific items") which in the Directors' judgement enable a more complete understanding of the Group's financial performance. Specific items are identified separately by virtue of their size, nature or incidence.

Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies. Items which have been highlighted for consideration include the impairment of goodwill, the Group's share of the interest and tax of joint ventures and associates, and other non-routine items which help to facilitate a consistent view of the Group's results.

(f) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed in exchange for control of the acquiree. Acquisition related costs are recognised in the income statement as incurred.

Where applicable, the consideration for the acquisition includes contingent consideration, measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration are recorded in the income statement.

Where a business combination is achieved in stages (i.e. where the Group acquires an entity which was previously a joint venture, associate or held-for-sale investment) the Group remeasures its pre-existing interest in the entity to fair value at the acquisition date (i.e. the date the Group attains control). The resulting gain or loss, if any, is recognised in the income statement. Amounts previously recognised in other comprehensive income in respect of the entity, prior to the acquisition date, are also reclassified to the income statement where required.

The acquired entity's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) *Business Combinations* are recognised at their fair value at the acquisition date, except that assets (or disposal groups) that are classified as held for sale are measured in accordance with IFRS 5 (2004) *Non-current Assets Held for Sale and Discontinued Operations*.

(g) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale in their present condition and a sale is highly probable. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Once classified as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on non-current assets (including those in disposal groups) classified as held for sale.

Notes to the consolidated financial statements (continued)**1. Principal accounting policies (continued)****(h) Goodwill**

Goodwill arising on acquisition (except prior to 1 April 2007) is recognised as an asset at the date that control is acquired (the 'acquisition date'). Goodwill is measured as the difference between: (i) the consideration paid, the fair value of any interest held in the acquiree prior to acquisition, and any non-controlling interest in the acquiree; and (ii) the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. Testing for impairment involves a comparison of the carrying amount of the cash-generating unit with its recoverable amount, being the higher of its value in use or fair value less costs to sell.

Where impairment testing indicates that the carrying amount of a cash-generating unit exceeds its recoverable amount, the unit is written down to the recoverable amount. An impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, returns, VAT and other sales-related taxes. Revenue is recognised when the significant transfer of risks and rewards has occurred.

The Group's main sources of revenue and its policies for the recognition of such revenue are summarised as follows:

- Licence fees are earned by the Group from programme content and programme formats. Once a contract has been signed, licence fees are recognised on the later of the start of the licence period or when the associated programme is available for delivery.
- Subscription fees from the broadcast of the Group's channels on pay television platforms, and from subscriptions to print and online publications and services, are recognised as earned, pro rata over the subscription period.
- Advertising revenue generated by the regional Channels operations and from websites are recognised on transmission or publication of the advertisement.
- Production fees and participation royalties earned by the Group are recognised as earned. Production fees are recognised on delivery of the programme or on a stage of completion basis, depending on the nature of the contract with the customer. Royalties are recognised on receipt or on an accruals basis where sufficient reliable information is available.
- Revenue generated from the sale of physical and digital products through regional consumer products operations 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.

(j) Foreign currencies

The individual results and financial position of each group company are presented in the currency of the primary economic environment in which the company operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are translated into the applicable functional currency of each entity of the Group at a monthly 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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date (the 'closing rate'). Income and expense items are translated at the average rates for the year. Exchange differences arising on the retranslation of the opening net assets and income and expense for the year to the closing rate are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, the cumulative exchange differences in respect of that operation recognised in equity are reclassified to the income statement and included in the calculation of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate, as described above.

Notes to the consolidated financial statements (continued)**1. Principal accounting policies (continued)****(k) Retirement benefit costs**

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

Employees of the Group also participate in defined benefit schemes operated by the Group's ultimate parent, the British Broadcasting Corporation (the "BBC"). The defined benefit schemes provide benefits based on pensionable pay.

The defined benefit schemes provide benefits based on pensionable pay. The assets of the BBC's Pension Scheme, to which the majority of employees belong, are held separately from those of the BBC Group. The BBC Pension Scheme is a Group wide scheme and there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants. The contribution rates are set by the pension scheme trustees based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities. Valuations of the scheme are performed by Towers Watson, consulting actuaries, with formal valuations undertaken at least every three years. Therefore as required by IAS 19: *Employee Benefits* BBC Worldwide accounts for the contributions payable to the scheme for the year.

(l) Other employee benefits

The Group operates a number of incentive schemes, including the former long term incentive scheme whereby senior executives received a proportion of their remuneration in the form of a share of the Group's profits, which vested over a number of years. Where settlement of such amounts is contingent on continued service to the Group, the cost of the arrangement is expensed on a straight-line basis over the service period. Where no service conditions exist, the cost of the scheme is incurred over the period in which it is earned.

(m) Taxation

The Group's liability for 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.

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, joint ventures and associates 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 liabilities are offset when there is a legally enforceable right to such offset, when they relate to income taxes levied by the same taxation authority and the Group intends to settle on a net basis.

(n) Distribution rights

Distribution rights represent rights to programmes and associated intellectual property acquired with the primary intention of exploiting the rights commercially as part of the 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 of distribution rights is charged to the income statement to match the average revenue profile over its estimated average marketable life. The Group reviewed the amortisation profile of distribution rights during the year and updated it in line with the overall revenue profile based on experience. The review resulted in a change in the expected average marketable life of investments to be over a three year period, instead of the previous range of one to ten years. This has resulted in an amortisation charge as a result of the change in estimates.

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.

Notes to the consolidated financial statements (continued)**1. Principal accounting policies (continued)****(o) Other intangible assets****i. Acquired intangibles**

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.

ii. Internally-generated intangible assets: development expenditure

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 or development activities that does not meet the aforementioned criteria is recognised as an expense in the period in which it is incurred.

iii. Amortisation

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

• Carrier agreements	Unexpired term of agreement
• Software (including internally-generated software)	1-5 years
• Other	3-8 years

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

(p) Property, plant and equipment ("PPE")

Owned PPE is stated at cost less accumulated depreciation and any accumulated impairment losses, other than those items that are classified as held for sale.

Freehold land is not depreciated. Depreciation is charged on other PPE so as to write off the cost of assets to their residual value, over their expected useful lives, using the straight-line method. When an item of PPE comprises major components having different useful economic lives, the components are accounted for as separate items of PPE. Depreciation commences from the date when the asset is available for use.

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

• Short leasehold buildings	Unexpired lease term
• Plant and machinery	3 to 8 years
• Fixtures and fittings	3 to 7 years

Assets held under finance leases are treated as PPE and depreciated over the shorter of the lease term or their useful economic life.

The Group capitalises borrowing costs with respect to amounts incurred during the construction of qualifying property, plant and equipment.

(q) Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is calculated as the higher of an asset's value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of goodwill allocated to those units, and any balance to reduce the carrying amount of other assets in the unit on a pro-rata basis. 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 an asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

Notes to the consolidated financial statements (continued)**1. Principal accounting policies (continued)****(r) Programme rights and other inventories**

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

Programmes in the course of production represent the costs incurred by the Group on the creation of new content where such costs will be recovered from third parties. Costs are ordinarily recovered through co-production agreements or through contracts for the provision of production services. Costs borne by the Group with a view to exploiting the resulting content through licensing agreements are presented within Distribution rights.

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.

(s) Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value less any directly attributable transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are derecognised from the balance sheet when the Group's contractual rights to the cash flows expire or the Group transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Group's balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

i. Classification and Measurement

Financial assets and liabilities are classified into the following categories specified by IAS 39 *Financial Instruments: Recognition and Measurement*.

- Loans and receivables - trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.
- Available for sale financial assets - listed and unlisted shares stated at fair value that are either traded in an active market or for which a fair value can otherwise be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the income statement.
- Held to maturity investments - the Group does not currently carry any financial instruments classified as held to maturity. Such instruments might include bills of exchange and debentures with fixed or determinable payments and fixed maturity dates and would be measured at amortised cost using the effective interest method less any impairment.
- Financial assets/liabilities at fair value through profit or loss ("FVTPL") - assets and liabilities which are held for trading. An asset or liability is classified as held for trading if: (i) it has been acquired principally for the purpose of selling or repurchasing in the near term; or (ii) on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument. Financial assets and liabilities at FVTPL are stated at fair value, with any gains and losses arising on remeasurement recognised in the income statement.
- Other financial liabilities - financial liabilities, including trade payables and borrowings, which are not classified as financial liabilities at FVTPL are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

ii. Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the instrument to the net carrying amount on initial recognition.

iii. Impairment of financial assets

Financial assets, other than those held at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment of a portfolio of receivables could include the Group's past experience of collecting payments or an increase in the number of delayed payments.

The carrying amount of a financial asset is reduced directly by any impairment loss, for all financial assets except trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Consolidated income statement.

Notes to the consolidated financial statements (continued)**1. Principal accounting policies (continued)****(s) Financial instruments (continued)***iv. Derivative financial instruments*

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risk, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into, and are subsequently remeasured to their fair value at each subsequent balance sheet date. Changes in fair value are recognised immediately in the Consolidated income statement, except where a derivative is designated in an effective hedging relationship, as described below.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are presented as non-current assets or liabilities if the date of maturity of the instrument is more than twelve months after the balance sheet date. Other derivatives are presented as current assets or current liabilities.

v. Embedded Derivatives

Derivatives which are embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value. Embedded derivatives are carried in the Consolidated balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains or losses within the Consolidated income statement during the period in which they arise.

vi. Hedge accounting

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. Any ineffective portion is recognised immediately in the Consolidated income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the Consolidated income statement in the periods in which the hedged items are recognised in the Consolidated income statement, in the same line of the Consolidated income statement as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group de-designates the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when the relationship no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income upon discontinuation of hedge accounting is either recognised in the Consolidated income statement at the same time as the forecast transaction affects profit or loss, or is recognised in the Consolidated income statement immediately if the forecast transaction is no longer expected to occur.

(t) Provisions

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

(u) Leases

Leases are classified as finance leases whenever the terms of the lease are such that the lessee assumes substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

Assets held under finance leases are capitalised and depreciation is charged accordingly. Such assets are initially recognised at their fair value or, if lower, at the present value of the minimum lease payments at inception of the lease. The corresponding liability to the lessor is recorded as a finance lease obligation. Lease payments are apportioned between finance charges and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Lease income or expense arising from operating leases is recorded in the income statement on a straight-line basis over the term of the lease, with any associated lease incentives being recorded on a straight-line basis over the lease term as a reduction in the rental income or expense.

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(v) Critical accounting estimates and key judgements

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

i. Basis of consolidation

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

ii. Carrying value of goodwill

The determination of whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate that reflects current market assessments of the risks specific to the asset and the time value of money, in order to calculate present value. Further information about assumptions used in determining the carrying value of goodwill can be found in note 12.

iii. Revenue recognition

The timing of revenue recognition requires judgement, as does the amount to be recognised. This may involve estimating the fair value of consideration before it is received. In making these judgements, the Group considers the detailed criteria for the recognition of revenue set out in IAS 18 *Revenue* and, in particular, whether the Group has transferred the significant risks and rewards of the goods or services to the customer.

iv. Distribution rights and programme rights

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

v. Fair value of financial instruments

Certain financial instruments are carried on the balance sheet at fair value, with changes in fair value reflected in the income statement. Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. Further information about fair value measurements is provided in note 31.

Notes to the consolidated financial statements (continued)

2. Segment information

Whilst not required by IFRS 8 *Operating Segments* to present segmental information, such information has been provided below as it is considered meaningful to the users of the accounts.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The results of all operating segments are reviewed regularly by the BBC Worldwide Board (the 'Board') which has been identified as the Group's chief operating decision maker in accordance with IFRS 8.

Management has determined the reportable segments based upon reports reviewed by the Board. All segments reported meet the quantitative thresholds required by IFRS 8. The reportable segments are:

- United Kingdom
- Global Markets
- North America
- Australia and New Zealand

Segment information as presented is consistent with the Group's internal reporting to the Board.

During the year, there has been a change in how reportable segments are reviewed by the Board. Western Europe and Rest of the World have been aggregated into one reportable segment, Global Markets, to match how these are managed. Prior year's disclosures have been restated accordingly.

The Board assesses the performance of reportable segments based on Headline sales and Headline profit, as defined in note 1. Inter-segment sales are conducted on an arm's length basis. Specific items and net financing costs are not allocated to segments. In the prior year, non-trading foreign exchange gains and losses were immaterial and were not allocated to segments but included in the eliminations column; however, for the year ended 31 March 2017, these amounts have been allocated to segments. Prior year's results have not been restated as the effect of this was immaterial.

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

	United Kingdom £m	Global Markets £m	North America £m	Australia and New Zealand £m	Eliminations £m	Total £m
2017						
Headline sales	381.3	331.4	273.8	79.5	(6.1)	1,059.9
Share of revenue of joint ventures	(174.5)	(8.9)	(0.2)	-	-	(183.6)
Revenue	206.8	322.5	273.6	79.5	(6.1)	876.3
Headline profit	66.6	42.6	27.3	21.1	(0.3)	157.3
Specific items						(108.4)
Operating profit						48.9
Gains on disposals						7.7
Other gains and losses						0.5
Finance income						2.0
Finance expense						(4.6)
Profit before tax						54.5
2016						
Headline sales	379.3	305.7	277.9	79.1	(12.6)	1,029.4
Share of revenue of joint ventures	(168.6)	(4.1)	(0.8)	(0.5)	-	(174.0)
Revenue	210.7	301.6	277.1	78.6	(12.6)	855.4
Headline profit	62.4	26.4	24.2	19.2	1.6	133.8
Specific items						(27.4)
Operating profit						106.4
Gains on disposals						1.5
Other gains and losses						(4.6)
Finance income						0.9
Finance expense						(3.7)
Profit before tax						100.5

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

Inter-regional revenues are eliminated upon consolidation and are reflected in the 'Eliminations' column above.

Notes to the consolidated financial statements (continued)

2. Segment information (continued)

Whilst, as noted above, the Board now manages the group by region rather than by business classification, the additional data set out below presents the headline sales by business classification, in order to provide an understanding of the size of each of the major business lines. Inter-segment sales are conducted on an arm's length basis. Specific items and net financing costs are not allocated to segments.

2017	Content sales £m	Branded services £m	Production and formats £m	Consumer products £m	Eliminations £m	Total £m
Headline sales	422.4	354.6	164.3	146.0	(27.4)	1,059.9
Share of revenue of joint ventures	(0.2)	(174.5)	(8.8)	(0.1)	-	(183.6)
Revenue	422.2	180.1	155.5	145.9	(27.4)	876.3
Headline profit	68.8	72.3	8.2	4.1	3.9	157.3
Specific items						(108.4)
Operating profit						48.9
Gains and losses on disposals						7.7
Other gains and losses						0.5
Finance income						2.0
Finance expense						(4.6)
Profit before tax						54.5

2016	Content sales £m	Branded services £m	Production and formats £m	Consumer products £m	Eliminations £m	Total £m
Headline sales	384.2	335.7	173.0	179.1	(42.6)	1,029.4
Share of revenue of joint ventures	(0.7)	(164.7)	(4.1)	(4.5)	-	(174.0)
Revenue	383.5	171.0	168.9	174.6	(42.6)	855.4
Headline profit/(loss)	68.2	49.7	10.6	6.9	(1.6)	133.8
Specific items						(27.4)
Operating profit						106.4
Gains and losses on disposals						1.5
Other gains and losses						(4.6)
Finance income						0.9
Finance expense						(3.7)
Profit before tax						100.5

Inter-segment revenues are eliminated upon consolidation and are reflected in the 'Eliminations' column above.

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:

	Headline sales 2017 £m	Share of JV revenue 2017 £m	Revenue 2017 £m	Headline sales 2016 £m	Share of JV revenue 2016 £m	Revenue 2016 £m
United Kingdom	340.0	(174.5)	165.5	369.1	(168.6)	200.5
United States of America	273.7	(0.2)	273.5	267.9	(0.8)	267.1
Australia	76.4	-	76.4	69.1	(0.5)	68.6
Rest of World	369.8	(8.9)	360.9	323.3	(4.1)	319.2
	1,059.9	(183.6)	876.3	1,029.4	(174.0)	855.4

The Group's non-current assets, other than financial instruments and deferred tax assets, located in the UK are £332.2m (2016: £353.4m) and located outside of the UK are £244.4m (2016: £201.1m).

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.

Notes to the consolidated financial statements (continued)**3. Total operating costs**

Operating costs from continuing operations comprise the following categories of expense:

	2017 £m	2016 £m
Cost of sales	653.8	572.7
Distribution costs	69.8	70.8
Administration costs	151.9	147.3
Total operating costs	875.5	790.8

Amortisation of distribution rights, including the £67.9m charge in relation to the change in accounting estimates (note 4), is recorded within cost of sales. Amortisation and impairment of other intangible assets, and depreciation of fixed assets are recorded within administration costs.

4. Specific items**Share of interest and tax of joint ventures and associates**

The Group views its investments as being a fundamental part of its ongoing operations. IFRS requires that the Group reports its share of the results of joint ventures and associates on an after-tax, after-interest basis. The interest and tax charges borne by joint ventures and associates have been added back within *Headline profit as a specific item*, in order to present an operating profit measure which more appropriately represents the way in which the business is reviewed and assessed internally.

Other specific items

	2017 £m	2016 £m
Reorganisation costs	(10.7)	(12.8)
Impairments	(17.0)	0.1
Change in accounting estimates	(67.9)	-
Transaction fees	(1.7)	(0.7)
Pension deficit reduction payment	-	(3.4)
	(97.3)	(16.8)

Reorganisation costs in both years are tax-deductible and settled in cash, and include redundancy, business exit and other restructuring costs arising as a result of changes to the Group's organisation structure. In the year ended 31 March 2017, this included the impact of the decision to exit linear channels in Latin America.

Impairments comprises the impairment in full of assets relating to BBC Store (£12.5m) following a full review at 31 March 2017 and a number of smaller impairments in relation to various investments (£4.5m).

Change in accounting estimates: the Group accounting policy is to review the amortisation profile of distribution rights every three years, with the review date due at 31 March 2017. This review has resulted in a new amortisation profile for distribution rights which amortises the original cost of investments over a three year period (previously a range from one to ten years) to match an overall revenue profile updated for recent experience. This change in estimates results in a material charge of £67.9m which is shown in Other specific items to facilitate a consistent view of the Group's results.

During the year ended 31 March 2016, a pension deficit reduction payment of £3.4m was made to the BBC. During the current year, no such payment was made following the decision that the Group was no longer responsible for payments other than in relation to the standard contribution rates, which are recognised within headline profit. As the Group is no longer contributing to the BBC Pension Scheme, retirement benefits disclosures included in prior years' accounts have not been presented in these accounts. These disclosures can be found in the BBC's Annual Report and Accounts.

Notes to the consolidated financial statements (continued)

5. Profit for the year

Profit for the year is stated after (charging)/crediting.

	2017	2016
	£m	£m
Rentals on operating leases and similar arrangements	(9.4)	(9.9)
Sub-lease rentals received on operating leases	1.7	0.6
Net foreign exchange gains	17.6	1.4
Government grants receivable	0.1	0.1
Programme rights and other inventories:		
Cost recognised as an expense:		
- programmes in the course of production	(100.0)	(109.0)
- broadcast rights and other inventories	(44.8)	(48.5)
Write-downs recognised as an expense	(7.1)	(9.1)

6. Auditor's remuneration

	2017	2016
	£m	£m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.5	0.4
Fees payable to the Company's auditors and their associates for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	0.2	0.2
Total audit fees	0.7	0.6
Tax services	0.1	0.1
Other services	-	0.1
Total non-audit fees	0.1	0.2

Notes to the consolidated financial statements (continued)

7. Employee numbers and costs

The average number of employees during the year was as follows:

	2017 Number	2016 Number
United Kingdom	401	460
North America	358	360
Australia and New Zealand	171	179
Global Markets	782	765
Total number of employees	1,712	1,764

Within the averages above, 107 (2016: 108) part-time employees have been included at their full-time equivalent of 72 (2016: 73), including casual staff.

The aggregate remuneration recognised in the Consolidated income statement in respect of these employees, including casual staff, comprised:

	2017 £m	2016 £m
Salaries and wages	119.7	115.3
Social security costs	11.6	11.0
Other pension costs	10.1	13.6
	141.4	139.9

In addition to the above, redundancy costs totalling £1.5m (2016: £5.2m) were incurred in the year.

The remuneration of the Directors during the year was as follows:

	2017 £'000	2016 £'000
Emoluments	1,094	927
	1,094	927

The number of Directors to whom retirement benefits have accrued throughout the year under the following schemes is as follows:

	2017 Number of Directors	2016 Number of Directors
Defined benefit schemes	2	3
Money purchase schemes	-	1

Further details of Directors' remuneration are provided in the Report on Directors' remuneration on pages 21 to 25. Further information regarding the compensation earned by key management can be found in note 32.

The Group has made no contributions to money purchase schemes for its Directors in the year (2016: £14,000).

The remuneration of the highest paid Director during the year was £642,000 (2016: £626,000).

Notes to the consolidated financial statements (continued)

8. Gains on disposals, and other gains and losses

	2017 £m	2016 £m
Gains on disposals of interest in joint ventures and associates (note 16)	2.7	1.5
Gains on deemed disposals of interests in joint ventures (note 16)	6.1	-
Loss on deemed disposals of associates (note 26)	(1.1)	-
Gains on disposals	7.7	1.5
Change in fair value of derivative financial instruments	(1.0)	(3.4)
Change in fair value of put options over non-controlling interests	0.9	-
Decrease/(increase) in earn-out payments due in respect of prior acquisitions	0.6	(1.2)
Other gains and (losses)	0.5	(4.6)

9. Net financing costs

	2017 £m	2016 £m
Unwind of discounted receivables	1.1	-
Other interest receivable	0.9	0.9
Finance income	2.0	0.9
Interest payable on loan from parent undertaking	3.3	2.2
Interest payable on derivative financial instruments	0.3	0.9
Unwind of discounted payables	1.0	0.1
Other interest payable	-	0.5
Finance expense	4.6	3.7

Notes to the consolidated financial statements (continued)

10. Taxation

Tax charge for the year

	2017 £m	2016 £m
Current tax:		
UK corporation tax	(2.2)	4.7
Foreign tax	20.4	14.0
Adjustments in respect of prior years	(9.2)	(3.5)
	9.0	15.2
Deferred tax:		
Origination and reversal of temporary differences	(5.1)	0.3
Reduction in rate of UK corporation tax	1.2	0.2
Adjustments in respect of prior years	9.0	(0.8)
	5.1	(0.3)
Tax on profit on ordinary activities	14.1	14.9

The tax charge for the year includes deductions of £16.1m (2016: £3.4m) in respect of specific items (note 4).

In addition to the amount charged to the Consolidated income statement, a tax credit of £1.8m (2016: credit of £2.5m) has been recognised in other comprehensive income in respect of financial instruments treated as cash flow hedges.

Reconciliation of tax expense

The total tax charge for the year is higher (2016: lower) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The tax charge can be reconciled to the profit per the Consolidated income statement as follows:

	2017 £m	2016 £m
Profit before tax	54.5	100.5
Tax at the UK corporation tax rate of 20% (2016: 20%)	10.9	20.1
Effects of:		
Disallowed expenditure	(1.8)	1.0
Non-taxable income	-	(0.3)
High-end television tax relief	-	(0.9)
Tax differential on wholly-owned overseas earnings	11.6	5.4
Tax effect of share of results of joint ventures and associates	(7.6)	(6.3)
Reduction in rate of UK corporation tax	1.2	0.2
Adjustments in respect of previous years	(0.2)	(4.3)
Tax charge for the year	14.1	14.9

Notes to the consolidated financial statements (continued)

10. Taxation (continued)

The amount of tax paid in the year is different from the tax charge, due mainly to the timings of payments. UK corporation tax is payable in four instalments, two of which are made after the end of the year in which the tax arises, i.e. some of the tax included in the 2015/16 tax charge was paid in 2016/17. The payments are based on the best estimate of the tax charge at the time the payment is made. The final tax liability is determined when the tax return for the year is prepared and submitted to HMRC some time after the year end. In addition, the tax charge in the accounts is a best estimate at the time the accounts are prepared. The charge is then adjusted in later years to reflect the actual tax liability arising from the submitted tax returns.

Factors affecting future tax expense

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017.

On 26 October 2015, The Summer Finance Bill 2015, reduces the main rate of corporation tax to 19% from April 2017 and on 15th September 2016, The Summer Finance Bill 2016, reduces the corporation tax rate to 17% from April 2020. As these reductions to the rate were substantively enacted at the balance sheet date, the deferred tax assets have been calculated at 17% in line with when the Group anticipates temporary differences to unwind.

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

Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group, and the movement thereon, during the current and prior year:

	JVs & Associates	Programme rights	Fixed asset temporary differences	Provisions	Financial instruments	Other	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2015	(26.8)	(6.1)	3.3	6.7	1.2	6.7	(15.0)
(Charged)/credited to the income statement	13.1	-	(0.6)	(3.4)	0.1	(8.9)	0.3
Credited to other comprehensive income	-	-	-	-	2.5	-	2.5
Foreign exchange translation gains and losses	(2.0)	(0.2)	(0.1)	0.3	-	1.0	(1.0)
At 31 March 2016	(15.7)	(6.3)	2.6	3.6	3.8	(1.2)	(13.2)
Credited/(charged) to the income statement	(2.3)	0.3	2.4	(2.2)	(0.2)	(3.1)	(5.1)
Charged to other comprehensive income	-	-	-	-	1.8	-	1.8
Acquisition/ disposal of subsidiaries, JV's and Associates	-	-	-	-	-	(0.1)	(0.1)
Foreign exchange translation gains and losses	(2.8)	(1.0)	(0.1)	0.2	-	0.6	(3.1)
At 31 March 2017	(20.8)	(7.0)	4.9	1.6	5.4	(3.8)	(19.7)

Deferred tax is recorded in the balance sheet as follows:

	2017 £m	2016 £m
Deferred tax assets	11.8	6.5
Deferred tax liabilities	(31.5)	(19.7)
Net deferred tax liability	(19.7)	(13.2)

Deferred tax assets in respect of tax losses carried forward are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised deferred tax assets arising on capital losses totalling £137.3m (2016: £145.2m). These assets have not been recognised on the basis that there is insufficient certainty that capital gains will arise against which the Group can utilise these losses. There is no time limit for the utilisation of those losses.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £0.4m (2016: £0.2m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and those differences are not expected to reverse in the foreseeable future.

Temporary differences arising in connection with the Group's interests in the undistributed retained earnings of associates and joint ventures are not considered to be material in either year.

Notes to the consolidated financial statements (continued)

11. Dividends

	2017 £m	2016 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividends for the current year of £357.08 per share (2016: £421.92 per share)	89.3	105.5
	89.3	105.5

12. Goodwill

	2017 £m	2016 £m
Cost and net book value		
At beginning of the year	34.2	33.4
Additions	-	0.4
Foreign exchange translation gains	1.3	0.4
Carrying amount	35.5	34.2

Goodwill, allocated by cash generating unit ("CGU"), is analysed as follows:

	2017 £m	2016 £m
Consumer distribution	25.4	25.4
Australian Channels	9.6	8.4
South African Production	0.5	0.4
	35.5	34.2

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

The recoverable amounts of the CGU's 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.

No goodwill impairment has been recognised to date.

Consumer distribution business

The goodwill in this CGU arose as a result of the acquisition of 2 entertain on 6 August 2009. 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 -6% (2016: -6%).

A discount rate of 13.9% (2016: 14.9%) has been applied to the cash flows.

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

Australian Channels business

The goodwill in this CGU arose as a result of the acquisition of UK.TV on 1 July 2008. Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of five years (2016: five years) and a discount rate of 13.9% (2016: 16.0%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1.0% (2016: 1.0%).

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

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

South African Production business

The goodwill in this CGU arose as a result of the acquisition of Rapid Blue (Pty) Ltd on 28 March 2016. 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 2.5% (2016: no test was performed as the entity was acquired close to year end).

A discount rate of 22.5% has been applied to the cash flows.

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

Notes to the consolidated financial statements (continued)

13. Distribution rights

	2017 £m	2016 £m
Cost		
At 1 April	748.2	622.0
Additions	153.3	128.5
Foreign exchange translation gains	2.9	0.5
Fully amortised rights written off	-	(2.8)
At 31 March	904.4	748.2
Amortisation		
At 1 April	537.9	419.2
Charge for the year	133.9	121.0
Amortisation charge as a result of change in estimates (note 4)	67.9	-
Foreign exchange translation losses	2.7	0.5
Fully amortised rights written off	-	(2.8)
At 31 March	742.4	537.9
Net book value	162.0	210.3

Included within distribution rights is self-funded content in the course of production totalling £0.6m (2016: £0.3m).

Notes to the consolidated financial statements (continued)

14. Other intangible assets

2017	Carrier Agreements £m	Software £m	Other £m	Total £m
Cost				
At 1 April	8.8	41.2	1.3	51.3
Additions	-	10.4	0.1	10.5
Acquired through business combinations	-	-	3.0	3.0
Foreign exchange translation gains	1.3	-	0.1	1.4
At 31 March	10.1	51.6	4.5	66.2
Amortisation				
At 1 April	4.2	11.0	0.6	15.8
Charge for the year	0.6	8.7	1.0	10.3
Impairment	-	14.1	-	14.1
Foreign exchange translation losses	0.7	-	0.1	0.8
At 31 March	5.5	33.8	1.7	41.0
Net book value	4.6	17.8	2.8	25.2
2016				
Cost				
At 1 April	8.5	44.1	0.7	53.3
Additions	-	14.5	-	14.5
Acquired through business combinations	-	-	0.5	0.5
Disposals	-	(17.4)	-	(17.4)
Foreign exchange translation gains	0.3	-	0.1	0.4
At 31 March	8.8	41.2	1.3	51.3
Amortisation				
At 1 April	3.5	21.4	0.5	25.4
Charge for the year	0.5	7.0	-	7.5
Disposals	-	(17.4)	-	(17.4)
Foreign exchange translation losses	0.2	-	0.1	0.3
At 31 March	4.2	11.0	0.6	15.8
Net book value	4.6	30.2	0.7	35.5

Other assets mostly relate to assets identified on business combinations, such as customer relationships, back catalogues and non-compete agreements.

Of total software additions recognised during the year, £7.1m (2016: £12.5m) related to internally developed software. An amortisation charge of £4.7m has been incurred in relation to these assets (2016: £5.6m).

Notes to the consolidated financial statements (continued)

15. Property, plant and equipment

2017	Freehold buildings £m	Short leasehold buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost					
At 1 April	0.2	15.9	25.8	10.6	52.5
Additions	-	0.9	2.4	1.6	4.9
Disposals	-	-	(1.2)	(0.1)	(1.3)
Foreign exchange translation gains	-	0.8	0.5	0.7	2.0
At 31 March	0.2	17.6	27.5	12.8	58.1
Depreciation					
At 1 April	-	4.2	11.8	6.8	22.8
Depreciation charge for the year	-	0.9	4.7	1.2	6.8
Disposals	-	-	(1.2)	(0.1)	(1.3)
Foreign exchange translation losses	-	0.7	0.4	0.5	1.6
At 31 March	-	5.8	15.7	8.4	29.9
Net book value	0.2	11.8	11.8	4.4	28.2

2016	Freehold buildings £m	Short leasehold buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost					
At 1 April	0.2	24.5	37.0	12.5	74.2
Additions	-	0.6	3.3	2.6	6.5
Acquired through business combinations	-	-	0.1	0.1	0.2
Disposals	-	(9.5)	(15.0)	(4.9)	(29.4)
Foreign exchange translation gains	-	0.3	0.4	0.3	1.0
At 31 March	0.2	15.9	25.8	10.6	52.5
Depreciation					
At 1 April	-	12.4	22.9	10.3	45.6
Depreciation charge for the year	-	1.0	3.7	1.3	6.0
Disposals	-	(9.5)	(15.0)	(4.9)	(29.4)
Foreign exchange translation losses	-	0.3	0.2	0.1	0.6
At 31 March	-	4.2	11.8	6.8	22.8
Net book value	0.2	11.7	14.0	3.8	29.7

At 31 March 2017, the Group had no contractual commitments for the acquisition of property, plant and equipment (2016 £nil).

Notes to the consolidated financial statements (continued)

16. Interests in joint ventures and associates

A list of the Group's significant interests in joint ventures and associates, including the name, country of incorporation and proportion of ownership interest, is given in note h of the Company financial statements.

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

	Joint ventures 2017 £m	Associates 2017 £m	Total 2017 £m	Joint ventures 2016 £m	Associates 2016 £m	Total 2016 £m
At 1 April	12.1	159.7	171.8	0.6	151.2	151.8
Additions	10.4	19.7	30.1	0.6	2.3	2.9
Disposals	-	-	-	-	(3.0)	(3.0)
Reclassified from associates (note 26)	-	(2.6)	(2.6)	-	-	-
Loan converted to equity	-	-	-	-	1.8	1.8
Share of results	33.8	14.3	48.1	30.8	11.0	41.8
Adjustment to provision for unrealised profits	(0.6)	0.3	(0.3)	(0.3)	(0.3)	(0.6)
Dividends receivable	(15.6)	(9.2)	(24.8)	(19.6)	(7.0)	(26.6)
Foreign exchange translation gains	(0.2)	23.4	23.2	-	3.1	3.1
Amounts written (off)/back	-	(0.5)	(0.5)	-	0.6	0.6
At 31 March	39.9	205.1	245.0	12.1	159.7	171.8

Additions and the loan conversion relate predominantly to investments in independent production companies.

Changes in interests in joint ventures and associates

The Group held a 35% share of Lookout Point Limited ("Lookout Point") as at 31 March 2016 and accounted for the investment as an associate. In September 2016, BBCW acquired an additional 14.9% of the shares of Lookout Point for a consideration of £3.5m increasing its shareholding to 49.9%. The Group continues to account for the investment as an associate.

In February 2017 the Group acquired a 24.9% stake in Expectation Entertainment Limited ("Expectation Entertainment") for a consideration of £10.4m, of this, £4.4m is to be paid on the first anniversary of completion.

In addition to the above, the Group acquired interests in a further four companies during the year with stakes between 10-25% for a total consideration of £5.4m; all are accounted for as associates.

In November 2016, the Group and ITV plc formed a joint venture, Britbox LLC ("Britbox") to launch an SVOD service in the US. In December 2016, AMC Networks Inc., subscribed for 19% of newly-issued Britbox shares, diluting the Group's stake and crystallising a gain in the Group accounts for a deemed disposal (note 8).

The Group disposed of interests in Slim Film & TV Limited and Next Radio Limited for a total consideration of £2.7m. As both of these investments had previously been impaired to nil, the full consideration has been recognised as a gain on disposal (note 8).

In April 2015, the Group disposed of its interest in Temple Street Productions for cash consideration of £4.5m, resulting in a gain on disposal of £1.5m. Net assets at the date of disposal were £3.0m.

Costs directly attributable to equity transactions are capitalised.

Notes to the consolidated financial statements (continued)

16. Interests in joint ventures and associates (continued)

Interests in joint ventures

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

UKTV

BBC Worldwide has a major partnership deal with Scripps Networks Interactive ("Scripps") for the production, marketing and supply on a wholesale basis of free-to-air and subscription channels in the UK. The partnership operates through the joint venture company UKTV Media Holdings Limited ("UKTV").

UKTV was the only material joint venture undertaking held by the Group in both the current and the prior year.

The following represents the Group's aggregate share of joint ventures during the year:

	UKTV 2017 £m	Other JVs 2017 £m	Total 2017 £m	UKTV 2016 £m	Other JVs 2016 £m	Total 2016 £m
Aggregation of 100% of each joint venture:						
Non-current assets	8.6	3.2	11.8	6.8	0.1	6.9
Current assets	256.3	27.2	283.5	220.0	5.4	225.4
Current liabilities	(134.0)	(13.0)	(147.0)	(137.9)	(7.3)	(145.2)
Non-current liabilities	(54.3)	(0.1)	(54.4)	(54.1)	-	(54.1)
Net assets	76.6	17.3	93.9	34.8	(1.8)	33.0
Group's share of net assets of joint ventures	38.2	7.6	45.8	17.3	0.1	17.4
Provision for unrealised profit	(5.1)	(0.8)	(5.9)	(5.3)	-	(5.3)
Interests in joint ventures at 31 March	33.1	6.8	39.9	12.0	0.1	12.1
Revenue	348.7	17.7	366.4	329.4	17.1	346.5
Expense	(256.8)	(22.8)	(279.6)	(248.4)	(17.6)	(266.0)
Interest payable	(3.7)	-	(3.7)	(3.8)	-	(3.8)
Taxation	(15.7)	-	(15.7)	(15.8)	(0.1)	(15.9)
Profit/(loss) from joint ventures	72.5	(5.1)	67.4	61.4	(0.6)	60.8
(Profit)/loss from joint ventures attributable to other parties	(36.3)	2.7	(33.6)	(30.7)	0.7	(30.0)
Group's share of profit from joint ventures	36.2	(2.4)	33.8	30.7	0.1	30.8

Included within the UKTV balance sheet are cash and cash equivalents of £46.4m (2016: £21.9m), financial liabilities of £127.5m (2016: £130.8m) and non-current financial liabilities of £54.3m (2016: £54.1m). Included within UKTV's expense for the year is a depreciation charge of £3.0m (2016: £2.3m) and an amortisation charge of £128.9m (2016: £118.3m).

Notes to the consolidated financial statements (continued)

16. Interests in joint ventures and associates (continued)

Interests 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, and hence the Group has deconsolidated NVCA from the date of the sale and accounts for its retained interest since that date as an associate.

The following represents the Group's share of associates held during the year:

	NVCA 2017 £m	Other 2017 £m	Total 2017 £m	NVCA 2016 £m	Other 2016 £m	Total 2016 £m
Aggregation of 100% of each associate:						
Non-current assets	162.9	5.7	168.6	135.9	4.4	140.3
Current assets	92.1	67.5	159.6	69.2	40.5	109.7
Current liabilities	(28.0)	(31.2)	(59.2)	(25.5)	(25.8)	(51.3)
Non-current liabilities	(13.5)	(17.3)	(30.8)	(6.0)	(8.4)	(14.4)
Net assets	213.5	24.7	238.2	173.6	10.7	184.3
Group's share of net assets	107.0	6.3	113.3	87.0	3.5	90.5
Goodwill on acquisition	69.6	26.3	95.9	60.2	12.9	73.1
Provision for unrealised profit	(3.8)	(0.3)	(4.1)	(3.7)	(0.2)	(3.9)
Interests in associates at 31 March	172.8	32.3	205.1	143.5	16.2	159.7
Revenue	128.9	63.8	192.7	113.6	43.2	156.8
Result for the year	26.3	(0.6)	25.7	18.0	1.7	19.7
(Profit)/loss from associates attributable to other parties	(12.7)	1.3	(11.4)	(8.0)	(0.7)	(8.7)
Group's share of results of associates	13.6	0.7	14.3	10.0	1.0	11.0

The Group has board representation and participates in policy-making decisions affecting Educational Publishers LLP and Woodlands Books Limited. The Group has concluded that it exerts significant influence over these businesses despite holding less than 20% of the voting power. Accordingly, the Group has classified its interests in these entities as associates.

17. Investments

	2017 £m	2016 £m
Available-for-sale investments		
Unquoted equities	7.9	7.5
Other investments carried at amortised cost		
Other investments with joint ventures and associates	5.9	6.0
Other investments with other entities	-	3.0
	5.9	9.0
Total investments	13.8	16.5

Notes to the consolidated financial statements (continued)**18. Programme rights and other inventories**

	2017 £m	2016 £m
Programme rights for broadcast	43.3	34.7
Programmes in the course of production	13.1	6.0
Raw materials and consumables	1.0	1.8
Format rights	-	0.1
Work in progress	0.4	0.3
Finished goods and goods for resale	8.7	10.0
	66.5	52.9

19. Trade and other receivables

	2017 £m	2016 £m
Current		
Trade receivables	249.7	200.5
Prepayments	11.3	13.3
Royalty advances	2.8	7.0
Accrued income	85.2	71.8
Amounts owed by joint ventures and associates (note 32)	29.4	24.5
Other receivables	6.2	7.6
	384.6	324.7
Non-current		
Trade receivables	66.9	56.5
	66.9	56.5
	451.5	381.2

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

Included in the Group's trade and other receivables at 31 March 2017 are balances of £20.8m (2016: £28.0m) which are past due at the reporting date but are not impaired because the Group expects to recover these balances in full, and has historical analysis to support the recovery profile. The aged analysis of these balances is as follows:

	2017 £m	2016 £m
Up to 3 months	15.4	22.6
3 to 6 months	1.6	3.1
Over 6 months	3.8	2.3
	20.8	28.0

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Trade receivables are provided against based on estimated irrecoverable amounts, determined by reference to past default experience of the counterparty and an analysis of the counterparty's financial situation (see note 31).

Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the Income Statement. The impairment provision stands at £4.2m at 31 March 2017 (2016: £1.6m).

The movement in the allowance for doubtful debts is set out below:

	2017 £m	2016 £m
Balance at the beginning of the year	1.6	1.2
Impairment losses recognised	4.3	2.6
Amounts written off	(0.8)	(1.1)
Impairment losses reversed	(0.9)	(1.1)
	4.2	1.6

Notes to the consolidated financial statements (continued)

20. Trade and other payables

	2017 £m	2016 £m
Current		
Trade payables	33.8	40.6
Rights creditors	170.7	150.0
Accruals	54.6	50.8
Deferred income	80.9	50.7
Amounts owed to ultimate parent undertaking	38.2	50.3
Amounts owed to fellow subsidiary undertakings	18.6	16.7
Amounts owed to joint ventures and associates (note 32)	8.2	4.2
Other payables including other tax and social security	24.1	36.3
	429.1	399.6
Non-current		
Accruals and deferred income	7.7	-
Rights creditors	20.2	-
Other payables	11.8	2.3
	39.7	2.3
	468.8	401.9

Rights creditors comprise royalty payments owing to producers of and contributors to television programmes, DVDs and other media. Other payables include £1.9m relating to contingent considerations (2016: £2.4m) (see note 31).

The carrying amounts of trade and other payables approximate to their fair value.

21. Provisions

	Property related £m	Onerous contracts £m	Other £m	Total £m
At 1 April	0.5	0.1	1.4	2.0
Additional provision in the year	1.2	4.8	0.2	6.2
Utilisation of provision	(0.1)	-	(1.1)	(1.2)
Released to the Consolidated income statement	-	-	(0.2)	(0.2)
Foreign exchange translation gain	-	(0.1)	-	(0.1)
At 31 March 2017	1.6	4.8	0.3	6.7

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

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

Other provisions primarily comprise restructuring provisions.

Provisions are analysed between current and non-current as follows:

	2017 £m	2016 £m
Current	5.6	1.9
Non-current	1.1	0.1
	6.7	2.0

Notes to the consolidated financial statements (continued)

22. Interest-bearing loans and borrowings

The Group's principal sources of funding and the currencies in which funding is denominated are summarised as follows:

	Sterling 2017 £m	Indian Rupee 2017 £m	Total 2017 £m	Sterling 2016 £m	Indian Rupee 2016 £m	Total 2016 £m
Unsecured borrowings at amortised cost						
Loans from related parties	198.5	-	198.5	167.6	-	167.6
Bank loans	-	-	-	-	0.3	0.3
	198.5	-	198.5	167.6	0.3	167.9
Total borrowings						
Amount due for settlement within 12 months	-	-	-	167.6	0.3	167.9
Amount due for settlement after more than 12 months	198.5	-	198.5	-	-	-
	198.5	-	198.5	167.6	0.3	167.9

The Group's principal source of funding is a multi-currency loan facility of £235.0m (2016: £202.2m) with BBC Commercial Holdings Limited ("BBCCH"), its intermediate parent undertaking, of which £30.0m (2016: £30.0m) is available only on condition that an equivalent cash balance is maintained. As at 31 March 2017, the loan facility expiry date is 30 September 2018. The facility attracts interest at a rate which broadly reflects the cost of funding to BBCCH including any applicable margin; currently this is 2% (2016: BBCCH's borrowing cost plus a margin of 1.0%).

The Group also has a loan facility in India of INR 220.0m (£2.7m) (2016: INR 220.0m (£2.3m)), which includes a working capital facility of INR 120.0m (£1.5m) (2016: INR 120.0m (£1.3m)) and an overdraft limit within this facility of INR 140.0m (£1.7m) (2016: INR 140.0m (£1.5m)). As at 31 March 2017, this facility was unutilised (31 March 2016: £0.3m).

In addition, the Group has a multi-currency collective net overdraft facility with a limit of £2.0m and a base currency of GBP. This attracts interest of 1% above base rate if drawn down in GBP, and interest of the bank's currency overdraft rate plus a 1% margin if drawn down in other currencies. As at 31 March 2017 and 31 March 2016, the facility was unutilised.

There are no charges over cash at bank or other financial assets in respect of borrowings or other liabilities (2016: none).

Notes to the consolidated financial statements (continued)

23. Derivative financial instruments

2017	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Derivatives that are designated as cash flow hedges					
Forward foreign currency contracts	0.1	0.1	(21.5)	(5.0)	(26.3)
	0.1	0.1	(21.5)	(5.0)	(26.3)
Derivatives that are not in a formal hedge relationship					
Forward foreign currency contracts	-	-	(3.8)	(0.1)	(3.9)
Foreign currency swaps	-	-	(0.1)	-	(0.1)
Embedded derivatives	-	-	-	(1.8)	(1.8)
	-	-	(3.9)	(1.9)	(5.8)
	0.1	0.1	(25.4)	(6.9)	(32.1)
2016					
Derivatives that are designated as cash flow hedges					
Forward foreign currency contracts	0.1	0.7	(11.9)	(5.0)	(16.1)
Interest rate swaps	-	-	(0.1)	-	(0.1)
	0.1	0.7	(12.0)	(5.0)	(16.2)
Derivatives that are not in a formal hedge relationship					
Forward foreign currency contracts	-	0.1	(1.6)	(0.8)	(2.3)
Foreign currency swaps	-	0.1	-	-	0.1
Embedded derivatives	-	-	(0.4)	(2.2)	(2.6)
	-	0.2	(2.0)	(3.0)	(4.8)
	0.1	0.9	(14.0)	(8.0)	(21.0)

Fair value movements on derivative financial instruments that are not in a formal hedge relationship are recorded in the Consolidated income statement within other gains and losses.

The total notional principal amount of the outstanding forward foreign exchange contracts at 31 March 2017 was £251.9m (2016: £328.9m). The hedged forecast transactions denominated in foreign currency are expected to occur at various dates in the future.

The Group applies cash flow hedge accounting for trades taken out in respect of its forecast foreign currency transactions. Hedge accounting is only applied where appropriate designation and documentation, and trades with parties external to the Group, exist. Net losses (before tax) recognised in the hedging reserve on forward foreign exchange contracts in cash flow hedge relationships at 31 March 2017 were £10.1m (2016: losses of £12.5m). Future relevant amounts will be recognised in the income statement in the period when the hedged forecast transaction affects the income statement at various dates over the next 48 months.

There were no interest rate swaps as at 31 March 2017 (2016: notional principal amounts £60.0m).

The Group has reviewed contracts for embedded derivatives that are required to be separated from their host contracts. Embedded derivatives are recognised at their fair value with subsequent changes to fair value recorded in the income statement.

Notes to the consolidated financial statements (continued)**24. Called up share capital**

	2017 £m	2016 £m
Authorised		
1,000,000 ordinary shares of £1 each	1.0	1.0
Issued, allotted, called up and fully paid		
250,000 ordinary shares of £1 each	0.2	0.2

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

25. Reserves**Hedging reserve**

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, losses of £28.1m were removed from the hedging reserve and recognised in revenue in the income statement (2016: gains of £1.9m).

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. Since 1 April 2008, £2.1m of exchange losses on foreign currency borrowings have been offset in reserves against exchange gains on the related investment in overseas subsidiaries (2016: losses of £2.1m).

Other reserves

Other reserves include revaluation of available-for-sale financial assets and the fair value of put option liabilities arising on acquisition of subsidiaries. There has been no movement in the fair value uplift of the available-for-sale asset, £2.9m, and an additional put option liability of £3.4m has been recognised during the year in relation to the acquisition of Baby Cow (note 26).

Retained earnings

At 31 March 2017, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14.2m. This amount is unchanged from the prior year, and remained in equity upon transition to IFRS as permitted by IFRS 1.

26. Acquisitions**Baby Cow**

The Group held a 25% share of Baby Cow Productions Limited ("Baby Cow"), a UK comedy television production company, as at 31 March 2016 and accounted for the investment as an associate. On 1 April 2016, the Group acquired a further 48% of the shares of Baby Cow for a consideration of £1.7m (net of cash acquired), increasing its shareholding to 73%. The acquisition has been accounted for using the purchase method of accounting in accordance with IFRS 3, Business Combinations. The full acquisition note has not been presented as the acquisition is not considered to be material. As part of the acquisition, the non-controlling interest party holds a put option for 25% of the shares. The fair value of the expected consideration for the remaining shares was recognised as a financial liability of £3.4m, through Other reserves. Until options are exercised or expire, the changes in the fair value of the expected consideration will be recognised in the Consolidated income statement.

Rapid Blue

On 28 March 2016, the Group acquired 70% of the shares of Rapid Blue (Pty) Ltd ('Rapid Blue'), a production company based in South Africa, for a total consideration of £0.9m (net of cash acquired). The operations of Rapid Blue have been integrated in the CEMA business line, reported in the Rest of the World reporting segment. The acquisition has been accounted for using the purchase method of accounting in accordance with IFRS 3, Business Combinations. The full acquisition note has not been presented as the acquisition is not considered to be material. As part of the acquisition, the Group holds a call option for the remaining 30% of the shares, and the non-controlling interest party holds a put option. The fair value of the expected consideration for the remaining shares had been recognised as a financial liability of £1.6m as at 31 March 2016, through Other reserves. Until options are exercised or expire, the changes in the fair value of the expected consideration will be recognised in the Consolidated income statement.

Notes to the consolidated financial statements (continued)

27. Notes to the cash flow statement

	2017 £m	2016 £m
Operating profit	48.9	106.4
<i>Adjustments for:</i>		
Share of results of joint ventures and associates (including movements in provisions for unrealised profits)	(47.8)	(41.2)
Depreciation and impairment of property, plant and equipment	6.8	6.0
Amortisation and impairment of intangible assets	24.4	7.5
Impairment of investments	4.5	(0.1)
Impairment loss recognised on trade and other receivables	4.3	2.6
Reversal of impairment losses recognised on trade and other receivables	(0.9)	(1.1)
Net foreign exchange (gains)/losses	(9.2)	1.4
Increase/(decrease) in provisions	4.7	(5.2)
Cash flows before movements in working capital	35.7	76.3
Increase in trade and other receivables	(54.0)	(43.1)
Purchases of distribution rights	(148.5)	(128.5)
Amortisation of distribution rights	201.8	121.0
(Increase)/decrease in programme rights and other inventories	(10.8)	16.2
Increase/(decrease) in trade and other payables	57.2	(9.4)
Net movements in working capital	45.7	(43.8)
Dividends received from joint ventures and associates	24.8	26.6
Cash generated from operations	106.2	59.1

Notes to the consolidated financial statements (continued)

28. Commitments and contingent liabilities

	2017	2016
	£m	£m
Capital commitments		
Distribution rights	116.1	98.5
Property, plant and equipment	-	-
Intangible assets	-	3.1
	116.1	101.6
Other financial commitments		
Programme rights for broadcast	3.6	-
Other commitments	30.3	28.1
	33.9	28.1
Total unrecognised commitments	150.0	129.7

The Group has a number of contingent liabilities arising from litigation and from the rights of its customers and suppliers to undertake routine audits. These arise from trading activities undertaken in the ordinary course of business. BBC Worldwide makes specific provision for the best estimate of any amounts which might be awarded as a result of these. Provision is only made to the extent that the Directors consider it probable that there will be an outflow of economic benefits and the amount can be reliably estimated.

The Group has given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement (see note 22). At 31 March 2017, total amounts drawn down under this facility were nil (2016: £45.0m). In addition the Group has given guarantees in relation to a US private placement in the name of BBC Commercial Holdings Limited which at year end was £177.9m (2016: £177.9m). At 31 March 2017, the total amount of this debt was £177.9m (2016: £231.6m).

The Group occasionally enters into contracts with other equity shareholders of its joint ventures and associates 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.

29. Operating lease arrangements

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£m	£m
Within one year	9.8	8.1
In the second to fifth years inclusive	29.0	27.7
After five years	79.6	84.3
	118.4	120.1

The majority of operating lease payments represent rentals payable by the Group for certain of its properties. The rent payable under leases is subject to renegotiation at the various intervals specified in the leases. Prior year's numbers have been adjusted for the effect of inflation.

Notes to the consolidated financial statements (continued)

30. Capital management

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 22 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as detailed in the Consolidated statement of changes in equity.

The activities of the BBC are informed by an agreement with the Secretary of State for Culture, Media and Sport, which also stipulates borrowing limits, both relative and absolute. This agreement currently limits the consolidated net debt of the BBC's commercial subsidiaries to £350.0m. The Group's share of this limit is in turn agreed with the Group's shareholder and informs the level of borrowings available to the Group.

The Group delivers long-term value to its ultimate parent, the BBC, through cash returned in the form of dividends as a share of the Group's profits, acquisition of BBC-commissioned content or intellectual property, direct investment in BBC programming, production of original content and growth in the capital value of the BBC's equity in the Group. The dividend policy of the Group is agreed with the BBC so as to achieve the optimum balance between annual cash returns and investing for growth in programming, intellectual property or other assets to build value over the long term.

The BBC's Charter and Agreement require strict compliance with the 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 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.

As a diversified portfolio of businesses, the Group operates a framework for calculating investment discount rates that are tailored to different types of 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. This in turn allows the BBC and the Group to achieve the optimal allocation of capital and balance its short term and long term return goals.

31. Financial instruments and risk management

Financial risk management objectives

In the normal course of its activities, the Group is exposed to a variety of financial risks, including market risk (mainly currency risk, interest rate risk and price risk), credit risk and liquidity risk. BBC Worldwide takes a risk averse approach to cash and treasury management activities and seeks to minimise the Group's exposure to volatility in the financial markets. The Group uses derivative financial instruments to hedge certain risk exposures in accordance with its hedging policy.

The Group's financial risk management operations and associated trade execution activities are performed by BBC Group Treasury. All treasury activities are governed within parameters defined formally in the policies agreed by the BBC Executive Board and BBC Worldwide Board. In addition, treasury activities are routinely reported and are subject to review by management.

The Group's financial instruments, other than those used for treasury risk management purposes, principally comprise cash and cash equivalents, a debt facility provided by its parent, external borrowings and various items such as trade receivables and payables that arise directly from its operations. The Group finances its operations from these financial instruments. The Group does not undertake speculative treasury transactions.

Currency risk

BBC Worldwide is exposed to foreign exchange risk arising from various currency exposures, principally in relation to the US dollar, the Euro and the Australian dollar. The Group generates a surplus in most currencies in which it operates. Operations generated outside the UK amounted to 67.9% of the Group's Headline sales in 2017 (2016: 64.1%).

Foreign exchange transaction risk arises from recognised assets and liabilities and forecast future commercial transactions that are denominated in a currency that is not the transacting entity's functional currency. 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. A small proportion of related operating expenses will also be denominated in these foreign currencies providing some level of offset to these revenue exposures.

The Group has implemented a hedging policy to minimise volatility in its financial results. The Group's policy is to hedge the majority of its forecast net foreign currency trading covering a period of one year, and a proportion of forecast trading for a further year thereafter. Forward currency contracts allow the Group to settle transactions at known exchange rates, and therefore to reduce uncertainty arising from currency risk.

Notes to the consolidated financial statements (continued)**31. Financial instruments and risk management (continued)****Currency risk (continued)**

The overall cost of a hedged transaction and the associated forward currency contract in the income statement is fixed. However, where contracts span financial years and hedge accounting is not applied, the fair value of the forward currency contract gives rise to gains/losses in each financial year due to the timing difference between the recognition of such gains/losses and the recognition of the associated hedged transaction. The gains/losses seen are therefore a result of market conditions as opposed to variances in contract value.

Some sales contracts also contain clauses whereby changes in currency rates outside of an agreed range impact on the contract price; in the majority of cases the value of the individual contracts and other features within the contract limit the currency risk exposure to a level that is not significant to the Group. Such clauses have been separated from the host contracts and recorded as embedded derivatives. The movement in fair values in these derivatives is recorded through the income statement. Further details of the embedded derivatives are given in note 23.

The majority of the forward foreign currency contracts entered into by the Group are designated as hedging instruments in effective cash flow hedges. Corresponding fair value movements have, accordingly, been recorded within other comprehensive income. For forward foreign currency contracts not designated as hedging instruments, movements in fair value are recorded directly in the income statement within Other gains and losses.

The following table shows the loss and equity impact on the Group's derivative financial instruments of a 10% weakening of GBP compared to other foreign currency rates:

	2017 £m	2016 £m
Forward foreign currency contracts	(26.2)	(34.4)
Embedded derivatives	(0.6)	(0.3)
Total impact on derivatives	(26.8)	(34.7)
Impact on income statement	(4.5)	(6.8)
Impact on other comprehensive income	(22.3)	(27.9)
Total impact on comprehensive income	(26.8)	(34.7)

Interest rate risk

The Group's main exposure to interest rate fluctuations arises on external interest bearing liabilities and loans from its parent undertakings. BBC Worldwide borrows at floating rates of interest creating an exposure to cashflow interest rate risk.

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 31 March 2017 would have decreased by £1.7m (2016: £1.3m).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, derivative financial instruments, available-for-sale financial assets and trade and other receivables. Group treasury policies require that cash and cash equivalents and derivative financial instruments are held primarily with Investment grade banks.

The Group's credit risk management policy in relation to trade receivables involves regularly assessing the financial reliability 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. For 2017, one (2016: one) customer comprised 11.5% of the Group's total revenues (2016: 10.9%). This same customer comprised 29.6% of the Group's trade receivables balance as at 31 March 2017 (2016: 31.4%). No other customer accounted for 10% or more of the Group's revenue for 2017 or 2016.

Notes to the consolidated financial statements (continued)**31. Financial instruments and risk management (continued)****Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. BBC Worldwide is subject to ceilings imposed on its borrowings by BBC Group, which in turn is subject to limits set by the Secretary of State as described in note 30. At 31 March 2017, the net debt limit imposed by BBC Group on BBC Worldwide was £205.0m (2016: £172.2m), with a gross debt limit of £235.0m (2016: £202.2m) subject to an equivalent £30.0m (2016: £30.0m) cash balance being held. These limits are subject to review going forward.

In order to comply with this ceiling together with the terms of any individual debt instruments, BBC Worldwide manages its liquidity through a number of measures, including regular cash flow reporting, forecasting, hedging against foreign exchange fluctuations and proactively managing working capital.

Maturity analysis of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows and will therefore not reconcile to the amounts disclosed in the balance sheet for borrowings, derivative financial instruments and trade and other payables.

	Due in less than 1 year	Due in 1 to 2 years	Due in 2 to 5 years	Due after more than 5 years	Total
2017	£m	£m	£m	£m	£m
Financial liabilities at fair value through profit and loss					
Derivative financial instruments	25.4	5.1	-	-	30.5
Embedded derivatives	-	0.6	-	1.2	1.8
Other creditors	1.4	0.6	-	8.5	10.5
Financial liabilities measured at amortised cost					
Loan from intermediate parent undertaking	4.0	200.5	-	-	204.5
Trade and other payables	346.9	19.5	6.5	0.4	373.3
	Due in less than 1 year	Due in 1 to 2 years	Due in 2 to 5 years	Due after more than 5 years	Total
2016	£m	£m	£m	£m	£m
Financial liabilities at fair value through profit and loss					
Derivative financial instruments	13.6	5.8	-	-	19.4
Embedded derivatives	0.4	0.6	-	1.6	2.6
Other creditors	2.0	0.6	-	2.9	5.5
Financial liabilities measured at amortised cost					
Bank loans	0.3	-	-	-	0.3
Loan from intermediate parent undertaking	169.2	-	-	-	169.2
Trade and other payables	347.2	-	-	-	347.2

Notes to the consolidated financial statements (continued)

31. Financial instruments and risk management (continued)

Categorisation of financial assets and liabilities

	Available-for-sale	Loans and receivables	Derivatives	Total	Available-for-sale	Loans and receivables	Derivatives	Total
	2017	2017	2017	2017	2016	2016	2016	2016
	£m	£m	£m	£m	£m	£m	£m	£m
Assets as per Balance Sheet								
Derivative financial instruments	-	-	0.2	0.2	-	-	1.0	1.0
Unquoted equities	7.9	-	-	7.9	7.5	-	-	7.5
Loans receivable	-	5.9	-	5.9	-	9.0	-	9.0
Trade and other receivables	-	440.2	-	440.2	-	367.9	-	367.9
Cash and cash equivalents	-	44.3	-	44.3	-	45.8	-	45.8
	7.9	490.4	0.2	498.5	7.5	422.7	1.0	431.2

	Other financial liabilities	Derivatives	Total	Other financial liabilities	Derivatives	Total
	2017	2017	2017	2016	2016	2016
	£m	£m	£m	£m	£m	£m
Liabilities as per Balance Sheet						
Derivative financial instruments	-	30.5	30.5	-	19.4	19.4
Embedded derivatives	-	1.8	1.8	-	2.6	2.6
Non-controlling interest	0.4	-	0.4	0.1	-	0.1
Bank loans	-	-	-	0.3	-	0.3
Loan from intermediate parent undertaking	198.5	-	198.5	167.6	-	167.6
Trade and other payables	380.5	-	380.5	351.2	-	351.2
	579.4	32.3	611.7	519.2	22.0	541.2

Non-derivative financial assets consist of cash at bank, short-term investments, available-for-sale investments, trade receivables, other receivables and accrued income. Non-derivative financial liabilities consist of borrowings, trade payables, other payables and accruals.

The fair values of all non-derivative financial instruments approximate to the carrying value in the Balance Sheet. The following methods and assumptions have been used to determine fair values:

- The fair values of cash at bank and bank loans approximate their carrying values because of the short-term maturity of these instruments; and
- The fair value of trade and other receivables and payables, accrued income and accrued costs approximate their carrying values (see notes 19 and 20, respectively).

Notes to the consolidated financial statements (continued)

31. Financial instruments and risk management (continued)

Fair value hierarchy and valuation techniques

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on 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 for identical assets and liabilities;
- 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).

	Level 1 2017 £m	Level 2 2017 £m	Level 3 2017 £m	Total 2017 £m	Level 1 2016 £m	Level 2 2016 £m	Level 3 2016 £m	Total 2016 £m
Financial assets at fair value through profit and loss								
Derivative financial instruments	-	0.2	-	0.2	-	1.0	-	1.0
Available-for-sale financial assets								
Unquoted equities	-	-	7.9	7.9	-	-	7.5	7.5
	-	0.2	7.9	8.1	-	1.0	7.5	8.5
Financial liabilities at fair value through profit and loss								
Derivative financial instruments	-	(30.5)	-	(30.5)	-	(19.4)	-	(19.4)
Embedded derivatives	-	-	(1.8)	(1.8)	-	-	(2.6)	(2.6)
Other payables	-	-	(7.2)	(7.2)	-	-	(4.0)	(4.0)
	-	(30.5)	(9.0)	(39.5)	-	(19.4)	(6.6)	(26.0)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair values of derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Level 3 financial liabilities recorded at fair value and included within other payables relate to contingent consideration and written put options issued to non-controlling interests in the Group's subsidiaries. The fair value of such instruments is calculated based on the strike price of the options and management's best estimate of the date at which the options will be exercised. Embedded derivatives are also assessed as a level 3 financial liability.

Where the strike price of an option is based on the fair value of the underlying business, this has been estimated based on forecasts of future cash flows prepared by management.

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

	Financial Assets £m	Financial Liabilities £m	Total 2017 £m	Financial Assets £m	Financial Liabilities £m	Total 2016 £m
Opening balance	7.5	(6.6)	0.9	4.5	(2.3)	2.2
Change in fair value recorded in other gains and losses	-	2.3	2.3	0.1	(3.3)	(3.2)
Change in fair value recorded in reserves	-	-	-	2.9	-	2.9
Unwinding of discount recorded within finance expense	-	(1.0)	(1.0)	-	(0.1)	(0.1)
Acquisitions	0.4	(3.4)	(3.0)	-	(1.6)	(1.6)
Settlements	-	0.2	0.2	-	0.7	0.7
Foreign exchange losses	-	(0.5)	(0.5)	-	-	-
Closing balance	7.9	(9.0)	(1.1)	7.5	(6.6)	0.9

Notes to the consolidated financial statements (continued)

32. Related party transactions

Trading transactions

The related party transactions of the Group have been presented in accordance with IAS 24 *Related Party Disclosures*. Related parties of BBC Worldwide include its subsidiary, associated and joint venture undertakings, its parent undertakings 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, the intermediate parent undertaking and fellow subsidiary undertakings within the BBC Group are reported in notes 19 and 20 respectively.

The following table illustrates transactions with BBC Group entities during the year:

	2017 £m	2016 £m
Dividends paid	(89.3)	(105.5)
Interest costs	(3.3)	(2.2)
Acquisition of distribution rights	(56.3)	(61.0)
Royalties and other programme related fees	(16.9)	(19.5)
Other expense	(32.0)	(34.6)
Pension top-up	-	(3.4)
Ad sales commission	17.5	16.9
Programme licence income	-	11.3
Other income	4.5	2.2
	(175.8)	(195.8)

Other income and expense includes recharges of administrative and other similar costs including property recharges and amounts payable in accordance with service level agreements.

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

Name of related party	Relationship	Income 2017 £m	Expense 2017 £m	Dividends receivable 2017 £m	Income 2016 £m	Expense 2016 £m	Dividends receivable 2016 £m
		£m	£m	£m	£m	£m	£m
UKTV Media Holdings Limited	Joint Venture	54.9	-	15.4	50.0	-	18.8
Other joint ventures	Joint Venture	0.2	4.8	0.2	0.7	(0.6)	0.8
New Video Channel America LLC	Associate	22.0	(9.1)	8.1	20.7	(9.2)	6.4
Other associates	Associate	2.3	(16.9)	1.1	4.5	(5.4)	0.6
		79.4	(21.2)	24.8	75.9	(15.2)	26.6

All transactions with related parties arise in the normal course of business on an arm's length basis. None of the balances are secured.

The following amounts were outstanding at the balance sheet date:

Name of related party	Relationship	Receivables 2017 £m	Payables 2017 £m	Net balance 2017 £m	Receivables 2016 £m	Payables 2016 £m	Net balance 2016 £m
		£m	£m	£m	£m	£m	£m
UKTV Media Holdings Limited	Joint Venture	20.8	-	20.8	14.4	-	14.4
Other joint ventures	Joint Venture	2.9	-	2.9	0.1	-	0.1
New Video Channel America LLC	Associate	3.6	(2.9)	0.7	9.4	(4.0)	5.4
Other associates	Associate	8.0	(5.3)	2.7	6.6	(0.2)	6.4
		35.3	(8.2)	27.1	30.5	(4.2)	26.3

The receivables balance includes amounts loaned to joint ventures and associates disclosed in note 17.

At 31 March 2017, the Group also had an outstanding balance of £1.0m (2016: £1.0m) payable to a joint venture of the Group's ultimate parent in respect of group relief. This balance is included within other payables.

Notes to the consolidated financial statements (continued)**32. Related party transactions (continued)****Remuneration of key management personnel**

The Group considers key management personnel as defined under IAS 24 *Related Party Disclosures* to be Directors of the Group, together with the BBC Worldwide Executive Committee. Total emoluments for key management personnel were:

	2017	2016
	£m	£m
Short-term employee benefits	5.3	5.2
Post-employment benefits	0.3	0.3
Other long-term benefits	0.2	0.1
	5.8	5.6

The above figures for emoluments include the remuneration of Directors (note 7).

33. Parent undertaking and controlling party

The Group's immediate parent is BBC Ventures Group Limited, which is in turn 100% owned by BBC Commercial Holdings Limited. The ultimate parent undertaking and controlling party is the British Broadcasting Corporation, which is incorporated in the United Kingdom by Royal Charter. The largest group in which the results of BBC Worldwide are consolidated is that headed by the BBC. The consolidated accounts of the BBC may be obtained online at www.bbc.co.uk/annualreport.

34. Events after the balance sheet date

There were no events subsequent to the balance sheet date for which details are required to be included in the financial statements.

**Company statement of comprehensive income
for the year ended 31 March 2017**

	2017	2016
	£m	Restated* £m
Profit for the year	16.3	109.7
Items that can be reclassified to profit or loss:		
Revaluation of available-for-sale financial assets	-	2.9
Recognition and transfer of cash flow hedges	(10.1)	(12.5)
Tax on cash flow hedges taken directly to other comprehensive income	1.8	2.5
Other comprehensive loss for the year	(8.3)	(7.1)
Total comprehensive income for the year	8.0	102.6

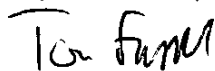
*Certain amounts shown here do not correspond to the financial statements for the year ended 31 March 2016 and reflect adjustments made, refer to note (b).

Company balance sheet
As at 31 March 2017

	Note	2017 £m	2016 Restated* £m
Non-current assets			
Goodwill	d	13.8	13.8
Distribution rights	e	156.4	206.2
Other intangible assets	f	18.3	30.8
Tangible fixed assets	g	22.0	23.4
Investments	h	138.5	127.1
Deferred tax assets	m	11.6	8.2
Trade and other receivables	j	30.6	24.6
		391.2	434.1
Current assets			
Programme rights and other stocks	i	34.7	25.3
Current tax receivable		6.6	6.3
Trade and other receivables	j	316.2	363.5
Cash at bank and in hand		13.4	13.7
		370.9	408.8
Current liabilities			
Provisions for liabilities	l	5.2	-
Trade and other payables	k	433.6	492.4
Net current liabilities		(67.9)	(83.6)
Total assets less current liabilities		323.3	350.5
Non-current liabilities			
Trade and other payables	k	230.1	175.4
Deferred tax liability	m	-	0.2
Provisions for liabilities	l	1.0	1.4
Net assets		92.2	173.5
Capital and reserves			
Called up share capital	n	0.2	0.2
Hedging reserve	o	(21.3)	(13.0)
Available-for-sale reserve	o	6.8	6.8
Retained earnings		106.5	179.5
Shareholder's funds		92.2	173.5

*Certain amounts shown here do not correspond to the financial statements for the year ended 31 March 2016 and reflect adjustments made, refer to note (b).

These financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors and authorised for issue on 20 June 2017, and were signed on its behalf by:



Tom Fussell
Chief Financial Officer

**Company statement of changes in equity
for the year ended 31 March 2017**

	Share capital	Hedging reserve	Available-for-sale reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m
At 1 April 2015 (restated*)	0.2	(3.0)	3.9	175.3	176.4
Profit for the financial year (restated*) (note c)	-	-	-	109.7	109.7
Recognition and transfer of cash flow hedges (note o)	-	(12.5)	-	-	(12.5)
Tax on items taken directly to equity (note o)	-	2.5	-	-	2.5
Revaluation of available-for-sale financial assets	-	-	2.9	-	2.9
Total comprehensive income for the year (restated*)	-	(10.0)	2.9	109.7	102.6
Dividends paid	-	-	-	(105.5)	(105.5)
At 31 March 2016 (restated*)	0.2	(13.0)	6.8	179.5	173.5
Profit for the financial year (note c)	-	-	-	16.3	16.3
Recognition and transfer of cash flow hedges (note o)	-	(10.1)	-	-	(10.1)
Tax on items taken directly to equity (note o)	-	1.8	-	-	1.8
Total comprehensive income for the year	-	(8.3)	-	16.3	8.0
Equity dividends paid	-	-	-	(89.3)	(89.3)
At 31 March 2017	0.2	(21.3)	6.8	106.5	92.2

*Certain amounts shown here do not correspond to the financial statements for the year ended 31 March 2016 and reflect adjustments made, refer to note (b).

Notes to the company financial statements

a. Principal accounting policies

Basis of accounting

The separate financial statements of the Company are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties.

The Company has taken advantage of the following disclosure exemptions under FRS 101 on the premise that equivalent disclosures have been included in the consolidated financial statements of the group:

- (a) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations, equivalent disclosures have been included in the consolidated financial statements of the Group;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (f) the requirements of IAS 7 Statement of Cash Flows;
- (g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (j) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2017

Going concern

The financial statements are presented on a going concern basis and under the historical cost accounting convention. Further information about the going concern assumption is given in note 1 (b) to the consolidated financial statements.

Investments

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

Foreign currency

The Company's presentational and functional currency is sterling. Transactions in foreign currencies are translated into sterling at a monthly average exchange rate.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the balance sheet date at the rate of exchange ruling at that date. Surpluses and deficits arising from the translation of monetary assets and liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the profit and loss account.

Distribution rights

Distribution rights represent rights to programmes and associated intellectual property acquired with the primary intention of exploiting the rights commercially as part of the Company's long-term operations. Distribution rights are initially recognised at acquisition cost or production cost, when the Group controls the respective assets and the risks and rewards attached to them. The carrying amount is stated at cost less accumulated amortisation and provision for impairment.

Amortisation of distribution rights is charged to the income statement to match the average revenue profile over its estimated average marketable life. The Company reviewed the amortisation profile of distribution rights during the year and updated it in line with the overall revenue profile based on experience. The review resulted in a change in the expected average marketable life of investments to be over a three year period, instead of the previous range of one to ten years. This has resulted in an amortisation charge as a result of the change in estimates.

Other intangible assets

Internally-generated intangible assets: development expenditure

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

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

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

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

Notes to the company financial statements (continued)**a. Principal accounting policies (continued)****Tangible fixed assets**

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

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

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

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

• Short leasehold buildings	Unexpired lease term
• Plant and machinery	3 to 8 years
• Fixtures and fittings	3 to 7 years

Leased assets

Operating lease rentals payable are recognised on a straight-line basis over the term of the lease. The Company has no finance leases.

Impairment of fixed assets

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

Programme rights and stocks

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

Financial instruments

Financial assets and liabilities are initially recognised as either financial assets/liabilities at fair value through profit or loss, loans and receivables, available for sale financial assets or held to maturity investments and are measured at fair value less any directly attributable transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Policies applied by the Company in respect of financial instruments are consistent with those applied by the Group, the Company has therefore adopted the FRS 101 paragraph 8(d) disclosure exemptions as equivalent disclosures have been provided in the note 1 (s) to the Group financial statements.

Provisions

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

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

Pension costs

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

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

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

Notes to the company financial statements (continued)**a. Principal accounting policies (continued)****Taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Dividends on shares presented within shareholder's funds

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

Goodwill

Goodwill arising on the acquisition of business trade and assets, representing any excess of the fair value of the considerations given over the fair value of the identifiable assets and liabilities acquired, is capitalised and reviewed annually for impairment. On transition to FRS 101, the Company reversed previous amortisation on Goodwill and recognised this change for the periods 1 April 2014 onwards. The Company has invoked the 'true and fair override' of paragraph 10(2) of Schedule 1 to the Regulations to overcome the conflict which the 'non amortisation' of Goodwill has with paragraph 22 of Schedule 1 of the Regulations.

Critical accounting estimates and key management judgements

The preparation of financial statements in conformity with FRS 101 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 accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed within note 1 (v) of the Group accounts.

b. Restatement of the accounts

During the years ended 31 March 2014, 2015 and 2016, the Company provided funding for two television programmes, produced by its subsidiaries, DVDS2 Limited and DVDS3 Limited. Part of this funding was provided in the form of loans, which have now been fully repaid. The loans, totalling £11.8m, were expensed by the Company, in error. As a result of this, the Company's retained earnings for the year ended 31 March 2016 were understated by £11.8m. The error does not affect the Group's results.

The error has been corrected by restating each of the affected financial statements line items for the prior periods as follows:

Impact on Retained earnings:

	As reported £m	Cumulative adjustment £m	Restated £m
As at 31 March 2015	168.0	7.3	175.3
As at 31 March 2016	167.7	11.8	179.5

Impact on Net assets as at 31 March 2016:

	£m
Intercompany debtor balances	11.8
Net assets	11.8

c. Profit for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company reported a profit for the financial year ended 31 March 2017 of £16.3m (2016: £109.7m restated). A statement of comprehensive income has been included in line with IFRS 1 to reflect the items of income and expense that are not recognised in profit or loss as required or permitted by FRS 101.

The auditor's remuneration for audit and other services is disclosed in note 6 of the consolidated financial statements.

Notes to the company financial statements (continued)

d. Goodwill

	£m
Cost and Net book value	
As at 1 April 2016 and 31 March 2017	13.8
Goodwill arose in the year ended 31 March 2013 following the hive-up of trade and assets from the Company's subsidiary, Bedder 6 Limited.	

e. Distribution rights

	£m
Cost	
At 1 April 2016	745.7
Additions	154.1
At 31 March 2017	899.8
Amortisation	
At 1 April 2016	539.5
Charge for the year	203.9
At 31 March 2017	743.4
Net book value at 31 March 2017	156.4
Net book value at 31 March 2016	206.2

f. Other intangible assets

	Software £m
Cost	
At 1 April 2016	31.7
Additions	8.8
At 31 March 2017	40.5
Amortisation	
At 1 April 2016	0.9
Charge for the year	8.8
Impairments	12.5
At 31 March 2017	22.2
Net book value at 31 March 2017	18.3
Net book value at 31 March 2016	30.8

g. Tangible fixed assets

	Short leasehold buildings £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost				
At 1 April 2016	6.6	37.8	2.4	46.8
Additions	0.9	1.5	1.4	3.8
Disposals	-	(0.1)	-	(0.1)
At 31 March 2017	7.5	39.2	3.8	50.5
Depreciation				
At 1 April 2016	0.3	21.3	1.8	23.4
Charge for the year	0.5	4.2	0.5	5.2
Disposals	-	(0.1)	-	(0.1)
At 31 March 2017	0.8	25.4	2.3	28.5
Net book value at 31 March 2017	6.7	13.8	1.5	22.0
Net book value at 31 March 2016	6.3	16.5	0.6	23.4

The Company does not hold any assets under finance leases (2016: £nil).

Notes to the company financial statements (continued)

h. Investments

	Subsidiaries	Joint ventures	Associates	Other investments	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2016	197.8	0.2	16.1	17.3	231.4
Additions	2.9	0.2	19.7	2.6	25.4
Reclassified from associates	2.5	-	(2.5)	-	-
Share capital return	(6.7)	-	-	-	(6.7)
Impairment	(1.1)	-	(0.5)	-	(1.6)
Disposals	-	-	-	(5.5)	(5.5)
At 31 March 2017	195.4	0.4	32.8	14.4	243.0
Provisions for impairment					
At 1 April 2016	101.9	-	1.7	0.7	104.3
Charge for the year	-	-	-	0.2	0.2
At 31 March 2017	101.9	-	1.7	0.9	104.5
Net book value at 31 March 2017	93.5	0.4	31.1	13.5	138.5
Net book value at 31 March 2016	95.9	0.2	14.4	16.6	127.1

	Note	Country of incorporation or establishment	Principal activity	Ownership interest
Principal Subsidiary Undertakings				
2 entertain Limited	+	United Kingdom	Holding company	100.0%
UK Programme Distribution Limited *	+	United Kingdom	Programme distributor	100.0%
Tonto Films and Television Limited	+	United Kingdom	Content production	100.0%
Worldwide Channel Investments Limited	+	United Kingdom	Holding company	100.0%
Baby Cow Productions Limited	+	United Kingdom	Content production	73.0%
Rapid Blue Pty Limited	+	South Africa	Programme distributor	70.0%
BBC Worldwide Australia Holdings Pty Ltd	+	Australia	Holding company	100.0%
BBC Worldwide Canada Limited	+	Canada	Programme distributor	100.0%
BBC Worldwide France Sarl	+	France	Programme distributor	100.0%
BBC Worldwide Germany GmbH	+	Germany	Programme distributor	100.0%
BBC Worldwide Japan Limited	+	Japan	Programme distributor	100.0%
BBC Worldwide Holdings B.V	+	Netherlands	Holding Company	100.0%
BBC Worldwide Americas Incorporated	+	USA	Holding company	100.0%

	Note	Country of incorporation or establishment	Ownership interest		Note	Country of incorporation or establishment	Ownership interest
Other Subsidiary undertakings							
BBC Worldwide Investments Ltd	+	United Kingdom	100.0%	Baby Cow Productions (Hunderby) Ltd		United Kingdom	100.0%
BBC Earth MD (WWD) Ltd	+	United Kingdom	100.0%	Lost Child Limited		United Kingdom	50.0%
BBC Earth Productions (Life) Ltd	+	United Kingdom	100.0%	Moone Boy (UK) Limited		United Kingdom	50.0%
BBC Earth Productions Ltd	+	United Kingdom	100.0%	Philomena Lee Limited		United Kingdom	50.0%
BBC Worldwide Productions (UK) Ltd	+	United Kingdom	100.0%	The Last Holiday Limited		United Kingdom	100.0%
BBC Magazines Rights Ltd	+	United Kingdom	100.0%	BBC Worldwide Productions (Africa) (Pty) Ltd		Africa	100.0%
BBC Magazine Holdings Ltd	+	United Kingdom	100.0%	BBC Worldwide (Africa) (Pty) Ltd		Africa	100.0%
BBC World Service Television Ltd	+	United Kingdom	100.0%	BBC Worldwide Intermediadora de			
beeb Ventures Ltd	+	United Kingdom	100.0%	Programadora Estangeira Ltd	+	Brazil	100.0%
BBC Worldwide Corporate Services Ltd	+	United Kingdom	100.0%	BBC Worldwide Australia Pty Ltd		Australia	100.0%
beeb Rights Ltd**	+	United Kingdom	100.0%	BBC Worldwide Australia Publishing Pty Ltd		Australia	100.0%
2 entertain Video Ltd		United Kingdom	100.0%	Nine Productions1 Incorporated	+	Canada	100.0%
Demon Music Group Ltd		United Kingdom	100.0%	Worldwide Channel Investments (Ontario) Ltd		Canada	100.0%
DVDS2 Limited		United Kingdom	100.0%	2004370 Ontario Incorporated		Canada	100.0%
DVDS3 Limited		United Kingdom	100.0%	Worldwide Knowledge (Beijing) Business			
BBC Earth Productions (Giant Films) Ltd		United Kingdom	100.0%	Consulting Cpy Ltd		China	100.0%
Earth Film Productions Ltd		United Kingdom	100.0%	BBC Worldwide Productions Nordics ApS	+	Denmark	100.0%
2 Entertain Management Ltd		United Kingdom	100.0%	Erste Weltweit Medien GmbH	+	Germany	100.0%
BBC Video Ltd		United Kingdom	100.0%	BBC Worldwide Media Private Ltd		India	100.0%
MCI Music Publishing Ltd		United Kingdom	100.0%	BBC Worldwide Channels Mexico S.A de C.V	+	Mexico	100.0%
Crimson Productions Ltd		United Kingdom	100.0%	BBC Worldwide Mexico S.A de C.V	+	Mexico	100.0%
F-Beat Records Ltd		United Kingdom	100.0%	BBC Worldwide Polska	+	Poland	100.0%
Demon Records Ltd		United Kingdom	100.0%	BBC Worldwide Channels (Singapore) Pte. Ltd	+	Singapore	100.0%
Bedder 6 Limited	+	United Kingdom	100.0%	BBC.com US, Incorporated	+	USA	100.0%
BBC Worldwide Music Limited	+	United Kingdom	100.0%	BBC Worldwide Americas (401) k Plan Trustees		USA	100.0%

Notes to the company financial statements (continued)

h. Investments (continued)

	Note	Country of incorporation or establishment	Ownership interest		Note	Country of incorporation or establishment	Ownership interest
Other Subsidiary undertakings (continued)							
Alan Partridge Limited		United Kingdom	100.0%	Worldwide Americas Investments Incorporated		USA	100.0%
Baby Cow Animation Limited		United Kingdom	100.0%	Global Hybrid Productions LLC		USA	100.0%
Baby Cow Animation (Warren) Ltd		United Kingdom	100.0%	Sun Never Sets Productions LLC		USA	100.0%
Baby Cow Animation (Wussywat) Ltd		United Kingdom	100.0%	Bad Wolf Productions LLC		USA	100.0%
Baby Cow Films Limited		United Kingdom	100.0%	Adjacent Productions, LLC		USA	100.0%
Baby Cow Films (Zoe) Limited		United Kingdom	100.0%	BBC Worldwide Realty Productions LLC		USA	100.0%
Baby Cow Manchester Limited		United Kingdom	100.0%	DWTS Productions LLC		USA	100.0%
Baby Cow Pictures Limited		United Kingdom	80.0%	Worldwide Competition Productions LLC		USA	100.0%
Baby Cow Productions (Red Dwarf) Ltd		United Kingdom	100.0%	Rapid Blue Africa Ltd		Nigeria	100.0%
Associates				Joint Ventures			
New Video Channel America LLC		USA	50.1%	UKTV Media Holdings Limited	+	United Kingdom	50.0%
Jasper Broadcasting Incorporated		Canada	50.0%	Sub-Zero Events Limited	+	United Kingdom	50.0%
Knowledge-West Communications Inc.		Canada	50.0%	BBC Earth Productions (Africa) Ltd	+	United Kingdom	100.0%
Burning Bright Productions Limited	+	United Kingdom	25.0%	JV Programs LLC	+	USA	50.0%
Clerkenwell Films Limited	+	United Kingdom	25.0%	Britbox, LLC	+	USA	40.5%
Sprout Pictures (TV) Limited	+	United Kingdom	25.0%	Tower Productions GmbH	+	Germany	50.0%
Children's Character Books Limited	+	United Kingdom	25.0%				
Educational Publishers LLP	+	United Kingdom	15.0%	Investments			
Woodlands Books Limited	+	United Kingdom	15.0%	Left Bank Pictures Limited	+	United Kingdom	12.2%
Lookout Point Limited	+	United Kingdom	49.9%	NC Internet Limited	+	United Kingdom	10.0%
Curve Media Limited	+	United Kingdom	25.0%	Masher Technologies	+	United Kingdom	5.4%
Amazing Productions Limited	+	United Kingdom	25.0%	MSM-Worldwide Factual Media Private Limited	+	United Kingdom	26.0%
Cliffhanger Films Limited	+	United Kingdom	25.0%				
Greenbird Media Limited	+	United Kingdom	29.0%				
Mighty Productions Limited	+	United Kingdom	25.0%				
Red Planet Pictures (Entertainment) Ltd	+	United Kingdom	25.0%				
House Productions Limited	+	United Kingdom	25.0%				
Expectation Entertainment Limited	+	United Kingdom	24.9%				
Original Talent Limited	+	United Kingdom	10.0%				
72 Films Limited	+	United Kingdom	15.0%				
Two Cities Television Limited	+	United Kingdom	14.3%				
Rapid Blue Format Limited		Nigeria	38.0%				

+ Held directly by BBC Worldwide Limited

* BBC Worldwide holds 92.7% of the issued share capital but the non-controlling shareholders have no right to distributions.

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

Listed below are subsidiaries controlled by the Group, where the Directors have taken the exemption from having an audit of its financial statements for the year ended 31 March 2017. The exemption is taken in accordance with Companies Act 2006 s479A.

Subsidiary	Reg. No.
2 Entertain Management Ltd	05087003
BBC Earth Productions (Africa) Ltd	07451708
BBC Earth Productions (Life) Ltd	05705186
BBC Magazines Holdings Limited	05699560
BBC Video Limited	04840888
BBC Worldwide Investments Ltd	02701369
Bedder 6 Limited	05982502
Beeb Ventures Ltd	04359440
Demon Music Group Limited	01622224
DVDS2 Limited	08413125
DVDS3 Limited	08822790
MCI Music Publishing Limited	02994545
Worldwide Channel Investments Limited	03309240

Notes to the company financial statements (continued)

i. Programme rights and other stock

	2017 £m	2016 £m
Programme rights for broadcasting	28.7	20.5
Programmes in the course of production	5.7	4.3
Finished goods for resale	0.3	0.5
	34.7	25.3

j. Trade and other receivables

	2017 £m	2016 £m
Amounts falling due within one year:		
Trade receivables	135.8	90.7
Prepayments and accrued income	51.2	52.0
Amounts owed by ultimate parent undertaking	2.1	2.1
Amounts owed by subsidiary undertakings	95.0	190.2
Amounts owed by joint ventures and associates	26.8	24.0
Derivative financial instruments	0.1	0.9
Other receivables	5.2	3.6
	316.2	363.5
Amounts falling due after more than one year:		
Trade receivables	30.5	24.5
Derivative financial instruments	0.1	0.1
	30.6	24.6
	346.8	388.1

k. Trade and other payables

	2017 £m	2016 £m
Amounts falling due within one year:		
Bank loans and overdraft	31.3	64.0
Trade payables	26.1	34.6
Rights creditors	122.3	98.5
Accruals and deferred income	105.6	79.3
Amounts owed to ultimate parent undertaking	38.2	47.5
Amounts owed to subsidiary undertakings	45.3	116.5
Amounts owed to fellow subsidiary undertakings	10.4	8.6
Amounts owed to joint ventures and associates	5.3	0.2
Derivative financial instruments	25.4	14.6
Other payables including other taxes and social security	23.7	28.6
	433.6	492.4
Amounts falling due after more than one year:		
Loan owed to intermediate parent undertaking	198.5	167.6
Derivative financial instruments	6.9	7.3
Other payables	24.7	0.5
	230.1	175.4
	663.7	667.8

Details of bank loans and loans owed to the Company's intermediate parent undertaking are given in note 22 to the consolidated financial statements.

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

Notes to the company financial statements (continued)

I. Provisions for liabilities

	Property related £m	Onerous contracts £m	Other provisions £m	Total £m
At 1 April 2016	-	-	1.4	1.4
Provided during the year	1.2	4.8	0.1	6.1
Released in the year	-	-	(0.2)	(0.2)
Utilised in the year	(0.1)	-	(1.0)	(1.1)
At 31 March 2017	1.1	4.8	0.3	6.2

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

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

Other provisions primarily relate to reorganisation costs.

Further deferred contingent consideration may be payable in connection with acquisitions made by the Company. No provision has been made where the likelihood and magnitude of additional payments cannot be assessed with reasonable certainty.

Provisions are analysed between current and non-current as follows:

	2017 £m	2016 £m
Current	5.2	-
Non-current	1.0	1.4
	6.2	1.4

m. Deferred tax

Deferred tax is provided as follows:

	Fixed asset timing differences £m	Derivative timing differences £m	Provisions £m	Total £m
At 1 April 2016	3.3	3.8	0.9	8.0
Charged to profit and loss	2.0	1.8	(0.2)	3.6
At 31 March 2017	5.3	5.6	0.7	11.6

Deferred tax is recorded in the balance sheet as follows:

	2017 £m	2016 £m
Deferred tax assets	11.6	8.2
Deferred tax liabilities	-	(0.2)
Net deferred tax asset	11.6	8.0

Notes to the company financial statements (continued)**n. Called up share capital**

	2017 £m	2016 £m
Issued and fully paid		
250,000 Ordinary shares of £1 each	0.2	0.2

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

o. Reserves**Available-for-sale Reserve**

The available-for-sale reserve is used to record the fair value movement of the Company's investments.

Hedging Reserves

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, losses of £28.1m were removed from the hedging reserves and recognised in revenue in the income statement (2016: gains of £1.9m).

p. Commitments and contingent liabilities

Contracts placed for future capital expenditure not provided are as follows:

	2017 £m	2016 £m
Capital commitments		
Tangible fixed assets	-	3.1
Distribution rights	116.0	98.5
	116.0	101.6
Other financial commitments		
Programme rights for broadcast	3.6	-
Other commitments	30.3	28.1
	33.9	28.1
Total unrecognised commitments	149.9	129.7

The Company has given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement, see note 28 of the Group accounts for further detail.

q. Operating lease arrangements

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows.

	2017 £m	2016 £m
Within one year	3.8	3.4
Between two and five years	12.2	12.3
After more than five years	75.4	80.6
Total	91.4	96.3

Notes to the company financial statements (continued)

r. Related party transactions

The Group's consolidated financial statements for the year ended 31 March 2017 contain related party disclosures. Consequently, the Company has taken advantage of the exemption under FRS 101 (IAS 24 Related Party Disclosures) not to disclose transactions with other members of the BBC Group. The value of transactions conducted with non wholly-owned subsidiaries and with other related parties was as follows:

Name of related party	Relationship	Income 2017 £m	Expense 2017 £m	Dividends received 2017 £m	Income 2016 £m	Expense 2016 £m	Dividends received 2016 £m
UKTV Media Holdings Limited	Joint Venture	54.9	-	15.4	50.0	-	18.8
Other joint ventures	Joint Venture	-	(0.1)	-	-	-	-
New Video Channel America LLC	Associate	21.9	-	-	17.6	-	-
Other associates	Associate	1.4	(16.9)	0.4	3.6	(5.4)	0.4
Total		78.2	(17.0)	15.8	71.2	(5.4)	19.2

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

Name of related party	Relationship	Receivables 2017 £m	Payables 2017 £m	Net balance 2017 £m	Receivables 2016 £m	Payables 2016 £m	Net balance 2016 £m
UKTV Media Holdings Limited	Joint Venture	20.8	-	20.8	14.4	-	14.4
Other joint ventures	Joint Venture	0.7	-	0.7	-	-	-
New Video Channel America LLC	Associate	3.6	-	3.6	8.9	-	8.9
Other associates	Associate	8.0	(5.3)	2.7	0.7	(0.2)	0.5
Total		33.1	(5.3)	27.8	24.0	(0.2)	23.8

At 31 March 2017, the Company also had an outstanding balance of £1.0m (2016: £1.3m) payable to a joint venture of the Company's ultimate parent in respect of group relief. This balance is included within other payables.

s. Post balance sheet events

There were no events subsequent to the balance sheet date details of which are required to be included in the financial statements