Registered number: 1420028

BBC Worldwide Limited

Annual Report and Financial Statements for the year ended 31 March 2014

Contents

In this Annual Review we will explain what we do, how we do it and why. We will also demonstrate how over the course of the year, our closer alignment with the BBC has underpinned our prospects for sustainable long-term growth, while increasing returns to the BBC and growing the BBC's reputation across the globe.

Highlights of the year

HEADLINE SALES*

£1,042.3m
(2012/13 £1,115.8m) **-6.6%**

HEADLINE PROFIT*

£157.4m
(2012/13 £156.3m) **+0.7%**

RETURNS TO THE BBC

£173.8m
(2012/13: £156.0m) **+11.4%**

PROFIT BEFORE TAX EXCLUDING GAINS AND LOSSES ON DISPOSALS

£122.1m
(2012/13 £125.2m) **-2.5%**

- **£88.9m** total investment in BBC commissioned productions, up 19.5% (2012/13: £74.4m)
- **£116.4m** paid to independent rights holders in upfront rights investments, profit share and royalties (2012/13: £90.9m)
- ***Doctor Who* 50th Anniversary** episode was simulcast in 98 countries and 15 languages
- BBC.com ended the year with an average of **78.9m unique users**, including **4.7m** to the non-news sections

* Throughout this Review, headline sales refers to gross revenue including the Group's share of revenues from joint ventures. Headline profit refers to operating profit before specific items and including the Group's share of operating profits from joint ventures and associates. Specific items are set out on page 15. A reconciliation between headline profit and profit before tax is presented in the Chief Financial Officer's review on page 14.

Our business

We are the main commercial arm and a wholly owned subsidiary of the BBC. We exist to support the BBC public service mission and maximise profits on its behalf.

BBC Worldwide is a company with content at its heart. We invest in, commercialise, market and showcase content from the BBC and the wider UK television industry around the world to build the reach and reputation of the BBC and to champion the best of British television.

Our business is structured across seven geographical regions and includes 19 offices. In addition we have BBC Advertising sales representatives in four locations.

These regions are grouped into four areas: UK, North America, Australia and New Zealand and the rest of the world, predominantly non-English speaking markets, known collectively as Global Markets.

We are active across all aspects of the television content industry. We invest in BBC commissions and other high quality productions, and have our own production arms in the USA, India and France. We are the world leader in third party content sales outside the US studios.

We have over 40 channel feeds in 123 territories, through our own BBC channels internationally, our UK joint venture UKTV with Scripps Networks Interactive, Inc., BBC Kids with Knowledge Network Corporation and BBC Canada with Shaw Communications Inc. In total our channels have 173.3m subscribers across the world (excluding the BBC World News channel).

Our content exploitation activities encompass DVD and download to own (DTO), merchandise and licensed product and live events. Digital also plays a key role in delivering our content and further engaging consumers with our brands. Our digital portfolio includes commercial websites, a suite of 11 YouTube channels (one of which was launched post year-end), social media activity, apps and games. Our digital business also ensures effective co-ordination across BBC Worldwide, BBC Global News Ltd and the BBC's Future Media and Technology divisions.

We aim to deliver content and services that are relevant to our audiences while ensuring all activities are conducted in a way that is consistent with BBC standards and values.

This Review explains the three key drivers behind the work we do: our commitment to inspire audiences globally by offering them premium British content; our ambition to build the BBC's brand across the globe through our own BBC channels and our major franchise and programme brands; and our desire to offer new digital platforms to reach new consumers in the UK and internationally. All of these support our plan to grow sustainable returns and investment to the BBC for the ultimate benefit of UK licence fee payers.

Chairman's statement

Writing this introduction coincides with the end of my first year as BBC Director-General and, as such, as BBC Worldwide's Chairman. It also marks a moment when the future of both parent and subsidiary are growing more interdependent.

BBC Worldwide provides much needed programme investment to BBC Television and dividend income to the BBC. Meanwhile, BBC Worldwide is focusing on the BBC's own core strengths – as you will read throughout this Review – spending more on premium content, and concentrating on specific genres, including drama and factual. BBC Worldwide also has an important role in further developing the BBC brand globally. All this makes the relationship more important than it has ever been.

Investment in content, both BBC commissioned and third party, increased by 13.7% to £200.6m (2012/13: £176.4m), as BBC Worldwide began implementing its strategy of higher content investment. In that context I am pleased to report that returns to the BBC of £173.8m (2012/13: £156.0m) were up 11.4%, with dividends relating to the year of £58.5m (2012/13: £57.3m).

Put simply, this equates to 10.1% of the year's funding for BBC Television, enabling us to air more ambitious and wide-ranging programmes to our UK audiences than we otherwise could. BBC Worldwide's contribution was essential to the delivery of numerous outstanding programmes last year to UK audiences. This was particularly true in high-end drama and factual, with titles including *Top of the Lake* and *Sherlock* and natural history landmark *Hidden Kingdoms*.

BBC Worldwide also matters for the BBC's support for the wider UK creative industries. This is partly through the rights investment, including international co-production monies, it brings to the independent production community. Additionally, as the leading sales and distribution player for British television content, BBC Worldwide provides an important route to market for independent production companies, which benefit from access to international revenue. Together these contribute to the current vibrancy of the UK's independent production scene.

Outside the UK, BBC Worldwide's own channels, online services and those of its sales clients allow audiences to watch high quality British TV shows in over 200 territories.

It is good to see the company continue to perform well both in core TV sales and international BBC channels. As well as increased exposure for on and off screen talent, international transmission means viewers can discover the best of British television, and through it form a wider appreciation of British culture.

Closer to home, I want to draw attention to two governance points. The role and constitution of the BBC Worldwide Board has changed significantly in the year, consistent with my personal commitment to fewer boards and faster decision-making across the BBC. The Board was restructured in 2013 to function without its own external independent Non-Executive Directors, and now consists of two Public Service directors and two from BBC Worldwide. While the BBC Worldwide Board still meets on a regular basis to approve formal statutory business, all significant BBC Worldwide matters are now discussed at the BBC Executive Board, including our Non-Executives. Since the year-end, Tim Davie has also re-joined the BBC Executive Board, bringing a global BBC perspective.

I also want to refer to Lonely Planet, first acquired in 2007, and sold in March 2013. The past year has provided an opportunity to learn from BBC Worldwide's ownership, which did not serve the Corporation well. Findings of a report commissioned into the acquisition were published in November, and lessons are actively being put into practice.

As we look into the new financial year, I feel confident that BBC Worldwide is striking the right balance between the near and longer term, between returns and investment, and between risk taking and preserving options. I will look to the company to continue growing its shareholder return, while building the BBC brand and audience relationships around the world.

Tony Hall
Chairman, BBC Worldwide
and Director-General, BBC

Chief Executive's review

The past year has been the first in a new phase for BBC Worldwide. I am pleased, therefore, to report that we have met significant milestones: launching and starting to implement a new strategy; operating as a regionalised organisation for the first full year; increasing financial returns to our shareholder, the BBC; and delivering full year profit growth, even after the effects of the strength of sterling.

Results

Headline profit of £157.4m was 0.7% ahead of the previous year (2012/13: £156.3m), and up 11.6% at constant currency. Foreign exchange had a £17.1m negative impact, and a production tax credit reduced headline profit but was retrieved through our tax line and therefore was broadly neutral on profit after tax. This represents a strong operational performance.

Headline sales of £1,042.3m (2012/13: £1,115.8m), down 6.6%, or 5.2% at constant currency, also reflect a new commercial arrangement for BBC.com, resulting in lower revenue at BBC Worldwide, and last year's disposal of Lonely Planet. Adjusting for these, our sales performance was broadly flat. Within this, we saw growth from digital clients, advertising sales as well as emerging markets, which offset challenges including pressure on US and UK affiliate fees and declining DVD markets. I am particularly encouraged by an improvement in our headline profit margin from 14.0% to 15.1%. This is a record for the business.

Returns to the BBC

We increased our management focus on cash returns to our parent. As Tony Hall points out on the previous page, returns to the BBC improved by £17.8m or 11.4% to £173.8m (2012/13: £156.0m). Investment in BBC commissioned content was £88.9m (2012/13: £74.4m), up 19.5%, and we declared dividends relating to the year of £58.5m (2012/13: £57.3m), up 2.1%.

Market conditions

These returns were achieved in market conditions which were mixed. The primary and secondary markets for premium TV programmes remained robust, helped by a rise in digital services and competition for high-end content. A positive outlook for global pay TV growth disguises significant variations between markets. Global pay TV subscription revenues are predicted to grow at a compound annual growth rate (CAGR) of 4.3%, while global pay TV advertising revenue forecasts predict a 6.7% CAGR between 2013-17*. This growth is driven by a rapid increase in customer base in the Asia-Pacific and Latin American markets, and offset by slower growth in more mature markets, where carriage negotiations are increasingly challenging. The global DVD market continues to face rapid decline, driven by falling consumer demand, with the rise of cheaper and proliferating digital alternatives, and general downward pressure on consumer spending in much of the developed world.

Strategic priorities

During the year, we further focused our portfolio. We sold our 50% shareholding in Ragdoll Worldwide Limited to Canadian entertainment group DHX Media, and in the UK we sold our half of a live events joint venture with Haymarket Exhibitions Limited to management. We also closed our own games unit in Los Angeles, so that our current and future games activity will be carried out only through licensing arrangements. This leaves us with a simpler business, and allows us to concentrate finite management and financial resources on our core priorities.

Those core priorities were clarified in the year. We published our new strategy to colleagues and the wider world in October. At its heart is a simple vision: to grow the BBC's brand around the world and in doing so build the size and profitability of the business, as well as the cultural capital of British television. To do it, we will concentrate on three things:

- Increasing what we spend on premium content
- Developing and rolling out a focused portfolio of global genre brands
- And finally, consolidating our global digital services with BBC.com as the priority.

And we made good progress on our strategy. Content investment, which was £176.4m in 2012/13, moved ahead to £200.6m, reaching our £200m target one year early. Our major genres for investment remain drama, natural history and factual entertainment.

Premium content

Significant investments delivered in the year included *Atlantis, Doctor Who, Hidden Kingdoms, Orphan Black* and *The Musketeers*. We also commissioned *Intruders*, from the writers behind *The X-Files*, for BBC AMERICA and BBC Two from BBC Worldwide Productions, and co-commissioned a new Jimmy McGovern drama, *Banished*, with BBC Two, from RSJ Films with See-Saw Films in Australia. In natural history, where commercial monies can fund over two-thirds of some landmark projects, the BBC and Discovery jointly agreed to exit a long-standing co-production partnership in October. This has now come to an end, with BBC Worldwide taking on funding of a more significant element of the BBC's premium factual slate.

* Source: PwC Global Entertainment and Media Outlook: 2013-2017, www.pwc.com/outlook

Chief Executive's review (continued)

Content investment fuels our own channels and our third party sales alike, and both remain extremely important to our current and future success. We are proud to represent content from over 250 independents across a range of genres in our sales catalogue, alongside programmes from BBC Productions. As the leader in TV sales outside the US studios, BBC Worldwide delivered another strong performance. We also continued to perform well in industry surveys, as the most used and most rated distributor in *Televisual's* Production 100 survey of indies and the UK's top distributor by size in *Broadcast* magazine.

We were helped to that result by BBC Worldwide Showcase, an annual four day event for TV buyers in Liverpool, at which we release our new frontlist to the market. Our biggest and best Showcase yet saw the launch of over 2800 hours of TV programmes, including action-adventure drama *The Musketeers*, natural history landmark series *Life Story* and Brian Cox's *Human Universe*. It was attended by over 700 buyers, and internationally renowned talent, including Sir David Attenborough, Peter Capaldi (the 12th *Doctor Who*), the presenters of *Top Gear* and professional dancers from *Jhalak Dhikla Jaa*, the Indian version *of Dancing with the Stars*.

International brands

We have continued to grow our international footprint, opening new channels and striking new partnerships around the world. Asia was a particular focus of activity with BBC Knowledge launching in Vietnam and a Memorandum of Understanding signed with China's state broadcaster, CCTV, for joint development of natural history titles.

In total, BBC Worldwide now has over 40 channel feeds serving 123 territories. In the next financial year we intend to roll out three new global genre brands, BBC First in drama, BBC Earth in premium factual, and BBC Brit in factual entertainment. The brands will encompass linear channels, over the top (OTT) digital services and branded blocks on existing channels. Launch markets have been identified for all three brands, with Australia already announced as the debut market for BBC First.

We took steps to build brands around the world in a number of ways. The global appeal of quintessential BBC content was evident in the 50th anniversary of *Doctor Who* in November. BBC Worldwide transmitted the anniversary episode, *The Day of the Doctor*, on television in 98 countries and 15 languages, and in over 1500 cinemas across the world, resulting in a Guinness World Record for the largest ever simultaneous transmission of a TV drama.

Digital

2013/14 was also the first full year of a new structure for the BBC's international news transmission and publishing. BBC Global News Ltd, a separate entity, now operates BBC.com/news, along with the BBC World News channel. BBC Worldwide provides advertising and affiliate sales, and operates non-news areas of BBC.com. As a result, we recognise a lower percentage of BBC.com revenue than previously, contributing to a year-on-year loss of revenue. We nonetheless made strategic progress in the year, launching two new feature sections, BBC Capital and BBC Culture, taking the specialist non-news sections on the site to five. BBC.com remained a leading international news site. It ended the year with an average of 78.9m unique users across desktop and mobile, including 4.7m to the non-news sections. Browsers to the site via mobile devices increased by 90.1% year on year.

Other developments in digital include the decision to close the Global BBC iPlayer pilot, tested in 16 markets since 2011. We intend to launch a new video service, first in the UK and subsequently internationally, under bbc.co.uk and BBC.com. BBC Store, as the UK proposition will be known, underwent a series of approvals in the year, including consideration by Ofcom and the BBC Trust. Work is now underway for a launch in 2015. The year also saw a second cohort of fledgling technology and media companies undergo a six month 'accelerator' experience, through our BBC Worldwide Labs programme, designed to support early stage start-ups.

Supporting UK creative industries

In addition to our role in exporting the BBC brand and output, and supplementing the licence fee through programme investment and profits, BBC Worldwide has had an active year on a number of industry initiatives. I firmly believe we have a responsibility in this area to help others, both in the TV sector and beyond it, to prosper. To that end BBC Worldwide has played an active role on the Creative Industries Council, a joint industry and Government forum set up to be the voice of British creative industries. We have supported the preparation of a UK creative industries strategy. And I have co-chaired, with the Minister for Culture, Communications and Creative Industries, a Creative Industries Sector Advisory Group for UK Trade & Investment, the inward investment and export arm of the Department for Business, Innovation & Skills and the Foreign & Commonwealth Office.

The future

We end the year with a clear strategy and an ambition to deliver sustainable year-on-year growth in financial returns to our parent. To make the most of the opportunities that lie ahead requires a culture that balances entrepreneurship and drive with core BBC values. The culture I have found over the past year does much of this already; our task in the year to come will be to accelerate our business strategy yet faster. We are also in the process of embedding a new employee engagement programme, Team Worldwide, incorporating charity fundraising, community activity and sustainability initiatives.

In December we were sorry to say goodbye to Philip Vincent, our Chief Financial Officer (CFO) since 2010. I would like to thank him for his many contributions during his 15 years in the Group. He was succeeded by Andrew Bott, CFO of BBC Worldwide North America as Interim CFO, who was confirmed permanently in June 2014.

As we look into 2014/15, we are presented with both the challenges and opportunities that come from rapid market development, as incumbents look to secure existing revenue streams in the face of new services and new entrants. We will seek to maximise our total business – helped by being independent of any one platform or pay mechanism – while building our BBC brands and consumer connections for the future. This year will see us step up investment in BBC.com and commence the roll out of three new global genre brands, and launch BBC Store. I am nonetheless confident that we will deliver further returns to our shareholder over the course of the year.

Tim Davie
Chief Executive, BBC Worldwide,
and Director, Global

Content

We believe that additional investment in quality content will boost both our future third party sales and our own channels alike.

There is an increasing appetite for UK television content overseas – £1.2bn of international sales in 2012 according to TV trade body PACT – and BBC Worldwide plays a role in opening up new markets and driving awareness of British creativity around the world.

In particular, BBC Worldwide is known for the depth and range of our sales catalogue and by audiences for content that is both intelligent and visionary. Our best-selling programme in the year was the third series of *Sherlock*, licensed to 224 territories. Other major sales successes included *Atlantis*, *Da Vinci's Demons*, *Doctor Who*, *Hidden Kingdoms*, *Orphan Black*, *Ripper Street*, *The Musketeers* and *Top Gear*.

Our largest content relationship is with BBC Television. Investment in BBC commissions, both from BBC Productions and the independent sector, increased 19.5% to £88.9m (2012/13: £74.4m). Significant drama commitments included *Banished* and *Intruders*. We also built on BBC Worldwide's track record in co-productions, enabling more ambitious casting and production values, with deals including First World War drama *The Passing Bells* with TV Poland. And BBC Worldwide has become the BBC Natural History Unit's principal co-production partner following the end of its long-running partnership with Discovery. An ambitious slate of factual content has already been commissioned through the BBC Worldwide and the Natural History Unit partnership, including landmark series *Oceans*, *One Planet*, and *Wild Alaska*.

The year was also positive for our burgeoning original commissions business. These commissions delivered additional hours both to BBC Worldwide's global channels and our sales list, and furthered our commitment to back new talent and support the independent community. Successful new shows included *Bill's Kitchen*, from Furneaux and Edgar Productions, *Rachel Khoo Cosmopolitan Cook* and *Rachel Khoo's London Food Diary* from BBC Bristol.

We extended our supply base, addressing the effect of continuing consolidation among UK independents. In total, we paid £116.4m (2012/13: £90.9m) to independent rightsholders in upfront rights investment, profit share and royalties. We entered new first-look deals with start-ups Lonesome Pine and Voltage TV. We have over 40 output and development relationships, with a total of over 250 independents represented across our sales catalogue. ATRESMEDIA's science fiction drama *The Refugees* became our first original co-production with a European broadcaster.

Formats remain an important part of our content portfolio. *Bake Off* and *Sewing Bee* both performed well, and post-year end we signed a 50th country – Slovenia – for *Dancing with the Stars*, our most successful format. We also sold *Luther* to be made locally for Russia's Channel One, marking its first ever format deal, following the success of the channel's *Life on Mars*.

Looking ahead, we expect to see an enhanced flow of content resulting from our additional investment. Our slate will feature *Human Universe*, *Life Story*, and *The Honourable Woman*, as well as the investments named above. Further out, we look forward to the delivery of *The Hunt*, *War and Peace* and *Wolf Hall* in 2015, as we consolidate our position as the world leader in premium British content.

Brands

We are developing three new global genre brands, which sit at the heart of our strategic plans, cementing the BBC's global reputation for excellence in drama, natural history and factual entertainment.

For several years we have approached our major content franchises – *BBC Earth, Dancing with the Stars, Doctor Who* and *Top Gear* – as global brands. *Doctor Who* had a stand-out year, with an epic global campaign for its 50th anniversary episode in November. A TV simulcast in 98 countries, and a 3D cinema screening in 23, the broadcast was recognised by the Guinness World Records as the world's largest ever TV drama simulcast. Following transmission the episode went straight to the top of the iTunes US and Amazon charts, illustrating appetite for the brand, which has 4.3m fans on Facebook.

In the year, we welcomed three new countries, Costa Rica, Cambodia and Serbia to the *Dancing with the Stars* global family. France's first live tour sold over 100,000 tickets, while the UK's *Strictly Come Dancing Live* toured national arenas for a seventh successive year.

Walking With Dinosaurs moved from the small screen and arenas to the big screen with the release of BBC Earth Films' *Walking With Dinosaurs 3D*. *Top Gear's* highlights included a continuing relationship with Microsoft. *Forza Motorsport 5* was a launch title for the new Xbox One and enabled gamers to race on the *Top Gear* track and compete against The Stig's digital cousin.

Our commitment to social media platforms allows BBC Worldwide to serve our channel and programme fan bases and help audiences to discover our content. Subscription to our portfolio of YouTube channels grew from 3.4m to 6.2m, with views in the year up 42.0% to 513.9m (2012/13: 362.0m).

In the year we conducted a detailed review of our existing channels, brands, the market and audience perceptions of the BBC globally, including audience research in 24 separate markets. We considered the potential for new brands to excite audiences around the world and concluded that a new portfolio of three consumer-facing brands, built around the genres where we are strongest, would enable us to maximise our return on the content investment and enhance the BBC's reputation internationally.

As a result we are creating BBC First in drama, BBC Earth in premium factual and BBC Brit in factual entertainment. We will introduce all three during the coming financial year. Once we have proven our concepts, we will progress to a series of channel launches, rebrands and OTT services around the world that will see almost the entire BBC Worldwide international channels portfolio under the new brands.

Working with BBC Global News Ltd, we have also developed a new international positioning for the BBC masterbrand, broad enough to cover all global offerings, from BBC World News to our new genre brands suite.

The steps outlined here aim to extend the BBC brand globally, while inspiring audiences across the world with our programmes.

Digital

A focus on digital innovation and the approval of new digital initiatives are together expected to broaden our long-term reach and revenue.

The year marked a new era for the BBC's digital plans, both at home and overseas, with BBC Worldwide playing a significant role on both fronts. An ambition to double global audience reach from 250m to 500m per week by 2022, on which the BBC and BBC Worldwide are working closely together, will see BBC.com at the heart of the plans. In the year we took a number of significant steps towards our ambitions for the site. This included greater focus on curating video content, as well as plans to make BBC.com the digital home for all BBC Worldwide's services internationally. In some markets BBC.com will become the primary platform to access our content.

In the UK, the BBC also announced the extension of the BBC iPlayer's free catch-up window to 30 days, paving the way for BBC Store, operated by BBC Worldwide. BBC Store will offer consumers the opportunity to buy content.

This is a major investment for us which, when launched in 2015, will make an unprecedented volume of BBC programmes available for paid download. With approvals for the UK version of BBC Store granted by the BBC Trust and plans to incorporate a long form video player into BBC.com, we took the decision to end the trial of Global BBC iPlayer in 2015.

Following the transfer of responsibility for BBC.com's news output to BBC Global News Ltd in 2012, our focus is the international feature elements, which are helping to bring new advertisers and audiences to the site. Visitors to all five BBC.com feature sections (Autos, Capital, Culture, Future and Travel) grew strongly, together attracting an average of 4.7m non-news unique users across the year. We also have plans for three additional sections on BBC.com to support our new global genre brands. BBC First's site has already launched in Australia and BBC Earth and BBC Brit will follow to support the roll-out of our channels.

We also began the next phase of our e-commerce offering, re-launching a more responsive BBC Shop in the UK and USA. In June we delivered an optimised version of BBCGoodFood.com, giving users more powerful search, easier navigation and a seamless experience across mobile devices. The site also celebrated its second partnership with a BBC Worldwide Labs start-up company, Future Ad Labs, whose PlayCaptcha technology enables users to sign up and verify themselves via a game-like verification process.

BBC Worldwide Labs is our digital accelerator programme, which launched in 2012, designed to discover and form business partnerships with innovative digital media start-ups, like Future Ad Labs. The year saw us launch a further two six-month programmes, the second of which commenced in April 2014. To date the initiative has delivered a total of six partnerships between BBC Worldwide and participants.

UK

Highlights

- UKTV grew its share of the commercial TV market to an all time high of 8.2%
- BBCShop.com, our e-commerce business, grew by 30.4%
- BBC *Good Food* and *Top Gear* magazines both continued to outperform their competition in circulation

This year, the UK region has continued to adapt its business model – extending fans' enjoyment of their favourite programmes – to reflect the changing ways consumers access content. We further reduced dependency on DVD, developed our relationships with video-on-demand (VOD) services, completed carriage re-negotiations with Sky and Virgin for UKTV, and, as stated in the previous section, we are now preparing to launch BBC Store.

In this rapidly changing market, BBC Worldwide UK's headline sales decline of 4.8% to £362.2m (2012/13: £380.3m) represents a respectable performance. Headline profit of £55.2m (2012/13: £57.9m) was down 4.7%, reflecting lower revenue, the absence of a prior year insurance settlement, and the bankruptcy of AudioGO Limited, in which we held a 14% stake. These were somewhat offset by a significant cost base reduction in our physical businesses, to protect profitability.

UKTV, the award-winning media company of which we own 50% with Scripps Networks Interactive, Inc., has celebrated its 21st year with another excellent performance. In 2013, UKTV grew its share of the commercial TV market to an all time high of 8.2% and achieved critical acclaim and ratings success for high profile shows such as *Dynamo: Magician Impossible, You, Me & Them* and *Crackanory*. UKTV also successfully launched its new free-to-air service, Drama. And has extended its network distribution through a range of services and platforms, including YouView, Virgin TV Anywhere, Sky on Demand and Sky Go. UKTV also agreed affiliated deals with both Sky and Virgin in the year, securing future carriage revenue over a multi-year term.

We continue to supply a significant number of UKTV's programmes, with titles including *Doctor Who*, *Only Fools and Horses* and *QI*. We also supply other channels and VOD services such as Netflix and Amazon Prime, with stand-out titles including *Luther* and *Sherlock*.

The DVD market continued to decline and we focused on our cost base and reorganisation throughout the year. Nonetheless, appetite for ownership of both physical and digital proved resilient among a number of fan-based titles, with *Top Gear: The Perfect Road Trip* named the UK's best-selling TV DVD of 2013. Miranda Hart's *Marackattack* was also a key title selling over 156,000 units[†], appealing to both fitness and comedy fans. Our missing classic *Doctor Who* episodes topped the iTunes TV chart in October. By offering fans exclusive products, such as limited edition box sets and branded apparel, we have also grown our e-commerce business BBCShop.com by 30.4%.

The UK played a central role in celebrating the 50th anniversary of *Doctor Who*, staging a three day event for 24,000 fans and releasing *Doctor Who: The Day Of The Doctor*, which sold more DVD copies in its first week than any previous *Doctor Who* title.

We have also increased the profitability of our live events business by placing a greater emphasis on licensing and partnerships and moving away from an owned and operated model. Our music business, comprising BBC Audio & Music and the Demon Music Group, remains profitable in a very challenging market. Overall music profits were impacted by the prior year sale of a portfolio of music rights.

Our publishing business includes wholly owned magazines BBC *Top Gear* and BBC *Good Food* published under contract by Immediate Media Company. Both continued to outperform their competition in circulation, and BBC *Good Food* magazine maintained its lead in the market. BBC *Top Gear* magazine remains the number one UK motoring title.

In the year we also brought all of our *Good Food* platforms together into one business and the BBCGoodFood.com site increased unique reach by 30.5%.

A proposal for BBC Store was approved by the BBC Trust in February and consequently the year ahead is an important one for the build and launch of the service, as well as the UK business, which will oversee the initial roll out to UK audiences. BBC Store will significantly broaden the range of titles we can offer to UK consumers, and with a plan to offer 10,000 hours in the first year we believe it will provide exciting new choices for audiences in the UK.

[†] Source: Official Charts Company

North America

Highlights

- Ratings for BBC AMERICA climbed 13.5%, delivering eight consecutive years of growth
- BBC AMERICA Ad sales grew by over 20%
- Another strong year for digital sales with VOD and DTO together up 36.7%

BBC Worldwide North America held its own while facing tough and fragmented market conditions. Flagship cable channel BBC AMERICA delivered its best year yet in ratings, engagement and critical acclaim. As a result, advertising sales grew over 20%, although overall the channel recorded a slight revenue decline. A 5.2% decline in headline sales for the region as a whole to £342.5m (2012/13: £361.2m) also reflects the restructure of revenue share at BBC.com and a £4.8m production tax credit which reduced revenue. As a result, headline profit of £50.7m (2012/13: £53.5m) was 5.2% lower.

It was another strong year for digital sales, with VOD and DTO together up 36.7% in local currency. Landmark VOD deals included over 2000 hours to Hulu, *Orphan Black* to Amazon and *Sherlock* to Netflix. New seasons of *Doctor Who, Sherlock* and *Top Gear* all had their strongest performance yet on DTO.

BBC AMERICA, a top 50 cable channel, was distributed to over 80m homes in 2013. Ratings climbed 13.5%, delivering eight straight years of growth.

The *Doctor Who* 50th anniversary episode reached almost 4.5m viewers on the day and set a record for activity related to a televised event on Tumblr, surpassing the Super Bowl and MTV VMAs. The *Doctor Who* Christmas special premiere was BBC AMERICA's first ever audience over 3m, while *Top Gear* S21 set channel records for an unscripted series, *Broadchurch* was the highest rated Dramaville title and *Atlantis* the top sci-fi/fantasy series premiere. BBC AMERICA showcased more original TV dramas than any other cable channel, and had the highest number of critically acclaimed programmes on US ad-supported television in 2013. Original productions included Peabody Award winning drama *Orphan Black* and *Wild Things with Dominic Monaghan.*

Co-productions remained robust with a number of new partnerships struck within the year, including *Wild Brazil* and *Hidden Kingdoms* (Discovery), *Call The Midwife* (PBS), *Sherlock* (WGBH), *Atlantis* and *The Musketeers* (BBC AMERICA). Revenue declined slightly at BBC Worldwide Productions, which reformats BBC intellectual property for the US market.

In its 18th season, *Dancing with the Stars* moved to one show a week for ABC in the autumn and *What Not To Wear* ended after 10 successful seasons on TLC. However, the US version of *Top Gear* is now in its fourth season for HISTORY and *Getting On* was re-commissioned for a second season by HBO. *Da Vinci's Demons*, the first original scripted series under Adjacent Productions, our US label for original programming, was immediately re-commissioned by Starz while *Life Below Zero* brought National Geographic Channel its highest unscripted ratings of the autumn and was also re-commissioned.

Revenue from consumer products was marginally down, but outperformed the declining US DVD market. This was aided by *Doctor Who* 50th anniversary programming which also fuelled an 80.1% uplift in licensing, with total licensing revenue equating to over US$100m in retail sales. The one-day theatrical release of *Doctor Who: Day of the Doctor* delivered the equivalent of US$4.8m at box office, making it the second highest US box office hit on the night.

Overall revenue at BBC.com in North America was down due to a new revenue share structure with BBC Global News Ltd. Operationally BBC.com performed well, averaging 18.4m unique monthly users, up 12.7%. All of its feature verticals continued to break records month on month, ending the year with over 3m unique users, up more than 40% on the previous month.

In the year ahead, priorities include continuing the success of BBC AMERICA, with further collaboration with BBC Worldwide Productions and global channels, increasing our presence in the subscription VOD exclusive market and exploration of OTT opportunities.

Australia and New Zealand

Highlights

- Australia's BBC Knowledge ratings up 14.4% from prior year
- The Australian version of *Coast* received 163,000 viewers for its debut
- *Doctor Who* 50th anniversary telecast reached 1.7m viewers in Australia

Australia and New Zealand together form a key region for BBC Worldwide. Most segments of the market are mature, with pressure particularly on advertising, subscription television and linear television distribution growth, which leads to the need to create new revenue streams. The year's performance shows that we are moving in the right direction, with strategic building blocks for the future put in place. Reported results were impacted by the prior year sale of Lonely Planet, accounted for in this segment, and a 10.6% decline in the Australian dollar against sterling. As a result, headline sales of £76.0m (2012/13: £132.7m) were down 42.7% and headline profit of £12.4m (2012/13: £17.8m) was down 30.3%. However, adjusting for Lonely Planet and restating in local currency, headline sales of Au$131.9m were up 4.0% on prior year.

BBC Worldwide ANZ secured a number of important deals in the year. We entered into an agreement with pay TV platform Foxtel for the global debut of BBC First, a first-run drama channel, in August 2014. Bringing more content to audiences, faster than ever before, BBC First will showcase a variety of titles including *Banished*, its first co-commission produced locally, which will air alongside *A Young Doctor's Notebook, Peaky Blinders, The Fall*, and *The Musketeers*.

We have also replaced a long-standing 'first look' arrangement with the Australian Broadcasting Corporation (ABC) with a 'second look', so that shows can be seen on the ABC 12 months after appearing on BBC First. We entered into a production partnership with FremantleMedia Australia. Under this, FremantleMedia will produce *Dancing with the Stars*, now in its 14th season, and lead exploitation of BBC Worldwide's format catalogue.

Among our existing channels – UKTV, BBC Knowledge and CBeebies in Australia, and UKTV and BBC Knowledge in New Zealand – BBC Knowledge in Australia delivered ratings growth. Its audience was up 14.4% from prior year with advertising revenue up 26.5% in local currency, reflecting the move of *Top Gear* to a first window.

We were proud to present Emmy and Golden Globe winning drama *Top of the Lake* on UKTV in both Australia and New Zealand. This is a UKTV, BBC Two and Sundance Channel co-production from See-Saw Films, directed by Jane Campion and starring Elisabeth Moss. This successful partnership has led to a subsequent collaboration alongside RSJ Films on forthcoming series *Banished*. Penned by Jimmy McGovern, the seven-part epic drama series will be the first BBC Two and BBC Worldwide ANZ co-commission; with BBC Worldwide distributing internationally.

The free-to-air TV sales market was challenging but we finished the year strongly with a record sales result and good growth for VOD sales and pay TV in both Australia and New Zealand. In Australia there was also solid growth in DTO in the year. Best performing titles included returning series *Call The Midwife* and *Death in Paradise*. A first series of *Coast Australia*, a local format of the UK version, received the highest ratings for Foxtel's The History Channel since 2007 with 163,000 viewers on its debut and 234,000 in total (the culmination of three transmissions) on its launch night, and was screened on BBC Two in the UK in May 2014. The DVD market in Australia also included some notable successes with the sales of *Doctor Who* DVDs increasing 59.6% and sales of *Call the Midwife* growing 95.5% in 2013/14. *Dancing with the Stars* enjoyed its ninth successive year of ratings success on Seven, attracting new viewers, up 3.6% year-on-year.

We broadened our offer in live events and retail. This included the *Doctor Who Symphonic Spectacular* touring three cities and the 50th anniversary episode live simulcast and evening broadcast, reaching 1.7m viewers on the ABC. Over 95,000 cinema goers attended screenings in 131 cinemas, and we launched four *Doctor Who* pop-up shops and an online store. Other popular events included *Neil Oliver – History In The Making* and the *Top Gear Festival* in Sydney, attended by over 45,000 people.

In the year ahead, this territory will lead the way in growing new BBC Worldwide brands, including the launch of BBC First. Other priorities include creating new brands from TV formats and exploiting adjacent commercial opportunities, from live events to a BBC Shop.

Global Markets

Highlights

- *Sherlock* S3 attracted over 67m hits on the Youku digital platform
- *Danse avec les Stars* delivered an audience average of 6.3m across the fourth series
- BBC Entertainment was named the Best Pay TV channel in Mexico's Premios Anuales
- *Top Gear* delivered BBC Knowledge's highest ever ratings on the Polsat platform in March

Our Global Markets business delivered strong results, with headline sales up 10.8% at £279.1m (2012/13: £251.8m) and headline profit up 45.2% to £39.5m (2012/13: £27.2m). This was driven by growth in TV and digital sales, continuing success in production and format sales and a good performance from our branded services, laying the ground for the future roll-out of our new genre brands.

The year saw four regional businesses successfully established: Western Europe, CEMA (Central and Eastern Europe, Middle East and Africa), Asia and Latin America. Each one is closer to our markets and better set up to respond to local demand for our content, brands and products. Together known as Global Markets, they represent an important source of future growth for the company, mostly from the non-English speaking world. We are reporting Global Markets in two sub-segments: Western Europe, the largest, and Rest of World, encompassing the other three regions.

Western Europe

Our most established region generated strong revenue and profit growth, up 9.3% and 31.0% respectively at £156.2m (2012/13: £142.9m) and £31.7m (2012/13: £24.2m).

In this major content sales region, *The Musketeers* was our stand-out title, with strong sales in Germany and France. In Northern Europe, the launch of Netflix in the Netherlands and Luxembourg contributed to digital revenue growth while TV sales remained strong in Scandinavia. In Germany, the BBC Earth branded block launched on ProSiebenMAXX. Our channels in Norway saw a ratings improvement of 4.4%. The economic climate continued to impact on trading conditions across Southern Europe, but there were early signs of improvement, especially in Italy, with strong growth in drama sales, including *Call The Midwife, Luther, Orphan Black* and *Sherlock*.

Our formats and production businesses had an excellent year. In France we delivered a fourth series of *Danse avec les Stars (Dancing with the Stars)* for TF1 to an average audience of 6.3m and a second season of *Le Meilleur Pâtissier (Great Bake Off)* for M6 to an average audience of 3.0m. *Antiques Roadshow* and *Sewing Bee* were commissioned by France Télévisions and M6 respectively. With further launches in Germany and Italy, nine local versions of *The Great British Bake Off* have now been licensed across the region and a further five around the world.

Rest of World

Revenue increased by 12.9% to £122.9m (2012/13: £108.9m) and profit more than doubled to £7.8m (2012/13: £3.0m).

CEMA

CEMA also delivered revenue growth, despite volatile conditions in some markets, most notably in North Africa, Greece and Ukraine. TV sales grew and our content performed well on third party channels and our own linear services. Ratings growth on our South African channels resulted in strong advertising and sponsorship. In Poland we benefited from a full year back on the Cyfrowy Polsat platform, with *Top Gear* in March delivering BBC Knowledge's highest ever ratings.

In formats, *Taniec z Gwiazdami (Dancing with the Stars)* made an impressive debut on Cyfrowy Polsat, attracting 3.8m viewers. We also benefited from a full year of BBC Knowledge in Central and Eastern Europe and negotiated a deal with Digiturk to take BBC Knowledge and BBC HD to Turkey. To build on these successes we have expanded the team with new sales and market-facing appointments.

Asia

Overall, Asia delivered strong revenue growth despite headwinds, including the consolidation of VOD platforms and adverse exchange rate movements. Natural history and drama continue to be important drivers, with *Hidden Kingdoms* and *Sherlock* in high demand. In China *Sherlock* S3 has attracted over 67m hits, and rising, on the Youku digital platform. We developed several strategic relationships including a new agreement with factual channel CCTV9 in China; the opening of Orbi, a visitor attraction in Japan; and increased channel distribution including a first launch in Vietnam. India had a strong year in production, with *Jhalak Dikhla Jaa (Dancing with the Stars)* continuing for Colors, with an average audience of over 19m for each episode, as well as the launch of one new regional version in the year.

Latin America

Our Latin American business delivered improved results and greater efficiencies, with most lines of the business growing. A strengthened team is working to capitalise on the opportunities offered by this fast-growing region. This includes the rapid growth in cable television penetration and therefore the increasing demand for high quality content. Our channels delivered strong organic growth with an increase of over 20% in their subscriber base. For the second year running, BBC Entertainment was named the Best Pay TV Channel in Mexico's Premios Anuales (Annual Awards) and its Facebook page passed half a million fans. BBC content became available on a number of national and regional digital platforms for the first time, including Microsoft's Xbox. Our first regional original commission, *Brazil Cookbook*, premiered on BBC HD in Brazil and the *Doctor Who* 50th anniversary showed the potential for our content and brands in Latin America with over 24,000 people filling cinemas across the region.

The outlook for Global Markets is positive. Having built a strong platform and delivered solid financial results, our focus in the coming year will be on taking our content to an even wider audience. As part of this, Global Markets will be at the forefront of growing the new BBC Worldwide brands. We will also further expand our sales footprint across new and existing broadcast partners.

Chief Financial Officer's review

Headline sales

Region	13/14 (£m)	12/13 (£m)
United Kingdom	362.2	380.3
North America	342.5	361.2
Australia and New Zealand	76.0	132.7
Western Europe	156.2	142.9
Rest of World	122.9	108.9
Eliminations	(17.5)	(10.2)
Total	**1,042.3**	**1,115.8**

Headline profit

Region	13/14 (£m)	12/13 (£m)
United Kingdom	55.2	57.9
North America	50.7	53.5
Australia and New Zealand	12.4	17.8
Western Europe	31.7	24.2
Rest of World	7.8	3.0
Eliminations	(0.4)	(0.1)
Total	**157.4**	**156.3**

In April 2013, we changed from divisional to geographical reporting lines across seven regions. Rest of World includes Asia, CEMA (Central and Eastern Europe, the Middle East and Africa) and Latin America. Accordingly, the year ended 31 March 2013 segment information has been re-stated consistent with the new geographical reporting lines.

BBC Worldwide's financial performance in 2013/14 was robust. We made progress against prior year on several of our key financial performance indicators, including headline profit and returns to our shareholder. This was achieved despite adverse foreign exchange movements in the year and the utilisation of new production tax credits, which reduced headline profit by £17.1m and £4.8m respectively. Further details of our progress are set out below.

Headline results

Headline sales of £1,042.3m (2012/13: £1,115.8m) were 6.6% lower than in the prior year. Adverse foreign exchange rate changes – particularly the weakening of the Australian dollar – accounted for £15.2m of this reduction; if exchange rates had been the same as in the prior year, headline sales would have been down 5.2%.

The principal reason for this reduction was the lost contribution from Lonely Planet, following its sale in March 2013. Trading in Australia and New Zealand was broadly in line with prior year after adjusting for these factors.

New revenue sharing arrangements for BBC.com, outlined elsewhere in this Annual Review also played a part, particularly in North America. Elsewhere, UK sales declined 4.8% – a sound result given the challenging market – and solid growth came from Western Europe and the Rest of World, reflecting the strength of our content and sales force, and favourable market conditions.

Across the Group, content sales continued to deliver, growth in our channels' ad sales has helped to offset affiliate pressures and DVD remains challenging in our more established markets.

Reconciliation of headline profit to statutory results

	2014 (£m)	2013 (£m)
Headline profit	157.4	156.3
Specific items	(21.8)	(24.0)
Other gains and losses	(9.3)	(0.8)
Net interest cost	(4.2)	(6.3)
Profit before tax excluding disposals	**122.1**	**125.2**
Gains and losses on disposals	4.1	35.7
Profit before tax	**126.2**	**160.9**

Statutory results

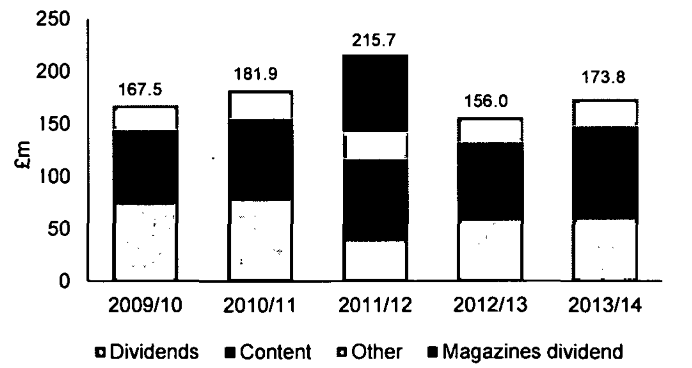
Headline profit increased by 0.7% to £157.4m (2012/13: £156.3m) and by 11.6% at constant currency. An improvement in headline profit margin from 14.0% to 15.1% reflected the Lonely Planet divestment, as well as cost reduction and increased efficiency resulting from the company's reorganisation along geographic lines.

The headline results shown above are adjusted for a number of items that are reported in our statutory accounts. Statutory revenue of £892.0m (2012/13: £968.6m) excludes our share of joint venture revenue, the largest element of which is our share of sales from the UKTV portfolio. Statutory profit before tax was £126.2m (2012/13: £160.9m).

A full reconciliation of the differences between headline profit and statutory profit before tax is set out in the table below left and key reconciling items are discussed in more detail on the following pages.

Management reviews performance using headline sales and headline profit because we believe that these provide a measure of our financial performance in a consistent manner over time. We include revenue from joint ventures in headline sales because we view our joint venture operations as a fundamental part of our ongoing activities, rather than held for investment purposes. Headline profit presents trading results before specific items and including the Group's share of operating profits from joint ventures and associates. This is consistent with the way that financial performance is measured by management and reported to the Board.

Returns to the BBC



A significant focus of management attention at BBC Worldwide is driving returns to our parent and shareholder, the BBC. Our total returns are made up of investment in BBC commissioned programmes and other licensing and rights payments, along with dividends declared in relation to the financial year. Total returns of £173.8m (2012/13: £156.0m) were up 11.4%, and show a second year of growth excluding the magazines special dividend in 2011/12.

Currency

BBC Worldwide trades in over 200 territories worldwide, with non-UK revenue accounting for 65.1% (2012/13: 64.6%) of total revenue in the year. Our principal trading currencies, alongside sterling, are the US dollar, the euro and the Australian dollar. The impact of translating the results of foreign operations into sterling on a constant-currency basis is described within this Review. Included within these impacts are foreign exchange revaluation losses of £6.1m in the year, driven by the impact of the depreciating Australian dollar on some balance sheet items. We reorganised our Australian dollar capital structure at the end of the year to eliminate the asymmetry giving rise to some of these losses.

Chief financial officer's review (continued)

Specific items

	2014 (£m)	2013 (£m)
Share of joint venture interest and tax	(9.7)	(9.4)
Pension deficit reduction payment	(2.3)	(2.3)
Reorganisation costs	(7.0)	(10.9)
Investment impairments	(2.2)	(1.2)
Transaction fees	(0.6)	(0.2)
Total	**(21.8)**	**(24.0)**

Specific items

Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies. Specific items are material items which are highlighted by virtue of their size or importance in order to enable a full understanding of the Group's performance.

We incurred £7.0m of reorganisation costs in the year. These were primarily redundancy costs, arising as a result of the change from divisional to geographical reporting lines in April 2013, and costs associated with our planned London office relocation. We also impaired our 14% investment in the audio book publisher, AudioGO Limited, when that company entered administration in October. Other costs classified in specific items include our share of the interest and tax of joint ventures and associates and our share of additional deficit reduction payments to the BBC Pension Scheme. The presentation of these items is consistent with that of previous years.

Employee costs

	2014 (£m)	2013 (£m)
Salaries and wages	123.3	155.3
Social security costs	8.7	9.6
Other pension costs	12.5	14.1
Total	**144.5**	**179.0**

Employees

The average number of employees during the year was 1824 (2012/13: 2333). The reduction is primarily due to the sale of Lonely Planet at the end of last year and our group-wide reorganisation in the current year.

The aggregate remuneration recognised in the income statement in respect of these employees, including casual staff, is set out in the table above.

In addition to the above, redundancy costs and compensation for loss of office payments totalling £5.1m (2012/13: £8.4m) were incurred in the year.

Details of Directors' remuneration are provided in the Remuneration report on pages 22-27.

Other gains and losses including disposals

	2014 (£m)	2013 (£m)
Gains and losses on disposals	4.1	35.7
Change in fair value of derivatives	6.1	1.0
Change in fair value of available-for-sale financial assets	1.1	-
Change in fair value of options over non-controlling interest	-	(1.8)
Recognition of share of net liabilities of joint ventures	(16.5)	-
Total	**(5.2)**	**34.9**

Other gains and losses including disposals

This year, we made gains from the sale of several of our investments. These included our 25% holding in the independent film and TV production company Big Talk Productions Limited, our 50% share in the children's properties joint venture Ragdoll Worldwide Limited, which had been held for sale at 31 March 2013, and our 50% share in the live events company, BBC Haymarket Exhibitions Limited.

In 2012/13 we benefited from gains on the disposal of Lonely Planet, the transfer of BBC.com to BBC Global News Ltd, and the sale of part of our interest in Left Bank Pictures.

While foreign currency exchange rate movements have had the effect of reducing our headline sales and profits, our policy of hedging future sales means that the same change in exchange rates has also resulted in material gains on outstanding forward foreign currency contracts. Much of this unrealised benefit has been deferred in the hedging reserve, but a portion, which was not designated or did not qualify for hedge accounting, has been recorded in the income statement.

During the year, the UKTV management agreed in principle to a simplification of the legal entities within the UKTV joint venture. As a result of this change, we have recorded a one-off accounting charge of £16.5m. This relates to previously loss-making components of the UKTV Group, for which we had no funding obligation, but which will now be consolidated with the rest of the UKTV Group's net assets. As at 31 March 2014, the consolidated UKTV Group was in an overall net asset position.

Other fair value adjustments relate to gains on our minority shareholding in Viki, Inc., a crowd-sourced subtitling website, which was bought out in the year. In 2012/13 we had a one-off charge of £1.8m relating to the acquisition of our non-controlling interest in Bedder 6, the entity through which *Top Gear* operated internationally prior to acquisition.

Reconciliation of tax rate

	2014 (£m)	2013 (£m)
UK corporate tax rate	23.0%	24.0%
Disallowable expenditure	1.9%	3.3%
Production tax credits	(4.0%)	-
Tax exempt disposals	(1.0%)	(5.6%)
Higher overseas tax rates	3.3%	5.0%
Tax effect of share of results of joint ventures and associates	(1.7%)	(3.9%)
Reduction in UK tax rate	0.3%	0.2%
Adjustments in respect of prior years	0.5%	(2.3%)
Total	**22.3%**	**20.7%**

Tax

The tax charge for the year was £28.1m (2012/13: £33.3m), which equates to an effective tax rate of 22.3% (2012/13: 20.7%). In both years our effective tax rate is reduced by corporate disposals, most of which are exempt from tax, but increased by the higher non-UK tax rates incurred on our overseas profits, primarily in the USA and Australia.

Chief Financial Officer's review (continued)

Tax (continued)

In 2013/14, we began to take advantage of the UK's new High End Television tax relief. This provides a welcome incentive for the industry, reducing our tax charge but also licence income relative to production costs. Qualifying productions therefore reduced our headline profit by £4.8m in the financial year with a corresponding reduction in our effective tax rate. Profit after tax is largely unaffected.

The tax paid in the year was £37.6m (2012/13: £34.4m). The differences between the tax charge and the cash tax paid are due to timing, including tax payments on account in the UK.

Balance sheet

The net asset position has grown from £299.3m to £314.7m. This increase is driven by further investment in content, particularly distribution rights for future exploitation. Distribution rights grew by £38.5m to £170.1m, with significant acquisitions including *Atlantis, The Musketeers, Da Vinci's Demons* S2 and *Orphan Black* S2. The derivative gains mentioned earlier also had a positive impact, with cash outflows offsetting these items.

Cash and net debt

Cash generated from operations was £188.1m (2012/13: £213.6m). This was lower than in the prior year driven by the timing of working capital movements.

Cash outflows from investment were up due to increased content investment, coupled with lower proceeds from business disposals. During the year we collected the remaining £10.3m deferred proceeds from our prior year disposal of Lonely Planet.

Net debt at 31 March 2014 was £54.3m (2012/13: £4.5m). Our debt facility with BBC Commercial Holdings Limited provides us with a maximum facility of £202.2m, of which the final £30.0m is conditional on an equivalent holding in cash.

This facility was renewed in March 2014 and is now due to expire in September 2015.

Going concern

Our industry continues to evolve as audiences embrace new ways of consuming media. This brings with it opportunities to work with new customers but also means competition for the best content can be fierce. The BBC brand and the quality of our content enable us to compete on the world stage and continue to prosper in a challenging marketplace.

The Directors of BBC Worldwide believe we are able to manage risks within our current level of financial resources and we continue to adopt the going concern basis in preparing the accounts.

Outlook

BBC Worldwide has implemented a new strategy this year, with a renewed focus on investment in distinctive premium content. We are excited about our content pipeline and think our audiences will be too. Having refocused the business on our core activities over the past few years, we expect to continue strengthening our balance sheet supported by selective investments which align with the BBC strategy. We believe that this focus will bring sustainable growth in a changing and challenging market.

Andrew Bott
Chief Financial Officer

Risk management

In 2013/14, the risk management culture was further promoted to encourage best practice in risk behaviour to safeguard our people, reputation, assets and commercial interests.

This was communicated through our values, demonstrated through our people and promoted through the leadership structure, risk stakeholders and business management frameworks. Risk management is sponsored by Tim Davie, Chief Executive, BBC Worldwide and Director, Global. Collective responsibility is placed upon the BBC Worldwide Executive Committee (WEx) to ensure risk management arrangements are robust, appropriate and inclusive.

The BBC Executive Audit Committee applied Non-Executive Director experience and perspective to the management arrangements for the principal BBC Worldwide risks and facilitated alignment of risk behaviour with the wider BBC.

Senior management had defined responsibilities, involvement in significant decisions and sufficient experience and knowledge in their businesses, markets and territories to manage risk appropriately. Central Finance, HR and Legal teams provided oversight, expertise and senior representation to reduce the risk profile of the organisation. Specialist areas provided further expertise to support risk management. Each divisional and international board took ownership of local risk management processes. This ensured the Risk Management and Internal Control Committee could build a strategic profile of organisational risk each quarter to inform WEx.

Risk Themes	Strategic Impacts	Mitigation
Reputation and Standards Audiences lose confidence in the integrity of our business, our output or the BBC brand.	Reputational or brand damage. Potential loss of revenue.	Values, policy framework, leadership and management behaviours, company communications and HR processes requiring and demonstrating the standards and behaviours appropriate for BBC Worldwide.
Market Transformation Risk from disruptive change affecting markets, partners and suppliers faster than anticipated or in unpredicted ways.	Loss of major customers, suppliers and partners. New opportunities.	New regionally focused company structure, new brands strategy and channels ambitions, developing BBC Store as an owned and operated DTO platform to counter declining DVD sales and increasing competition and consolidation in the digital space.
Scale Lack of leverage in some key international markets.	Failure to deliver against the new regional strategy.	Regional leadership's experience and insight into markets to ensure we secure the right partners, build the right relationships and evolve the right propositions in the context of a global ambition and strategy.
Content Pipeline Reliance on the appeal of key strategic brands (e.g. *Dancing with the Stars*) and a commercially attractive content pipeline.	Pressure on market position, channels and content sales. Conceding market share to competitors.	Alignment to ensure synergy between commercial and Public Service requirements is harnessed appropriately to support commissions and in-house production, benefitting the licence fee payer and ensuring content flow. Output deals with a number of key independent producers.
Economic Climate and Trading Performance Business performance is sensitive to economic conditions in key regions including exchange rate movements, consumer trends, competitors and key deals with B2B customers.	Adverse impact on financial results and cash flow. Pressure on market position and key relationships with regional suppliers, partners and audiences.	Business is diversified across both regions and revenue streams, with a risk averse approach to foreign currency management. Partnership options are pursued where possible. Exploration of new routes to market to focus on key future trends. Central management and monitoring of budgets, performance and cash-flows supported by specialist treasury management.
People and Organisation Failure to attract and retain people with the right skills and talent to seize opportunities, achieve returns and fulfil the strategy.	Failure to attract, retain and motivate people causing company under-performance against the market.	New organisational strategy emphasises hiring the right local talent. New sales network in place with better alignment of personal incentives to performance. Revitalising succession planning with a company wide framework. Development of a global leadership programme for top 100 leaders. Emerging talent initiative to launch in summer 2014.
Business Continuity and Safety Major incident with risk of disruption to operations, infrastructure and loss of revenue.	Potential for injury or death. Disruption to business operations. Reputational damage.	Safety management arrangements supported by policy framework, communications, forums and guides and specialist safety advice. Extensive continuity plans encompassing all offices and business operations.
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, comprehensive and enforced policy framework including Executive sponsorship, mandatory training programme, guidelines, regular reporting, specialist committees and steering groups. Oversight by WEx, Director of Regulatory Affairs and Risk Management and Internal Controls Committee. Central Business and Legal Affairs resources to advise and support.

Corporate responsibility

Ethical Sourcing

BBC Worldwide understands the role it has with regards to the responsible sourcing of products which promote our brands, whether through our own direct sourcing programme or in our partnerships with licensees.
Our approach is to work with factories and build relationships with them particularly where they show commitment to improving working conditions for employees. In order to do this we require factories to be transparent in their dealings with us.

We require independent third party audits for our manufacturing sites in high-risk countries prior to manufacture. We determine the level of risk through industry data and expert advice and we only accept audit reports that provide a detailed assessment of working conditions in each factory. All audits are carefully reviewed and graded on a risk-based approach. Where a factory is deemed to have critical failures we will suspend production until those critical failures have been addressed. We commission a number of control audits every year, undertaken by labour experts, to check the effectiveness of the programme.

Environmental issues

We monitor our carbon emissions and our energy consumption. We collate utilities data from our offices around the world to enable us to monitor energy and water consumption as well as waste management. Wherever possible we seek to use sustainable materials and the majority of BBC books and magazines are printed on FSC-certified paper, as are the paper sleeves for DVD titles.

In London, during 2015, BBC Worldwide will be moving into new headquarters in Television Centre. The building has been designed and is being constructed to the 'SKA Gold' standard to ensure that we can continue to reduce our impact on the environment as much as possible. Using an existing building, rather than demolishing it completely, has been key. Being able to engineer it with the latest technology will allow us to monitor our energy consumption.

BBC Worldwide aims to be carbon neutral in all offices and business travel. To this end, employees who park at the UK headquarters pay for parking and the funds are used for offsetting carbon emissions. Historically we have bought gold standard carbon offsets to balance unavoidable emissions. In 2014/15 the fund will be used to contribute to some of the sustainability initiatives being proposed for our new headquarters in London.

Team Worldwide

In February 2014 we launched our employee engagement programme, Team Worldwide, which centres on the three pillars of challenge, sustainability and community. Our programme commenced with a static bike challenge to contribute 5000 miles to BBC Radio 'Around the World' for Sport Relief. With support from our colleagues around the globe (including static bikes in London, New York, Sydney and Singapore) we managed to cycle and run over 6000 miles, raising funds for Sport Relief along the way.

Challenge is about promoting collaboration, having fun and encouraging one another to extend our horizons. The purpose of our sustainability stream is to inspire our colleagues to lead more sustainable working lives from how they manage their work-life balance to monitoring our impact as a business on the environment. Our community work is centred on volunteering to help those locally. Our programme is currently focused on neighbouring schools in the UK, while in the US we have a number of initiatives for disadvantaged groups.

People

Our aim at BBC Worldwide is to be a high quality global media employer. We recognise that promoting an inspiring work culture and world-class development opportunities for all our employees are critical ingredients for our business success. In 2013/14, we continued to focus on attracting, retaining and developing the best talent, underpinned by consistent and transparent people processes and systems. We want our employees to be able to do their best work in the knowledge they have effective management, tailored development opportunities and a culture that is both enabling and supportive. We believe we have made progress on all three points in the year.

Following a major reorganisation of the company which took effect at the start of the year, our people plan focused on identifying our high potential talent throughout our new structure, to ensure we develop future leadership within the company. This has resulted in clarity on our current and future capabilities and a global succession plan.

We developed a global leadership programme for our top 100 leaders, and an emerging leadership talent initiative will launch in summer 2014, as well as a two-way mentoring programme between our leadership team and our emerging talent.

During the year we also continued to develop our managers to bring out the best in them and their teams through our global Management Essentials programmes, with 192 eligible employees completing the programmes in the UK, the USA, India, Singapore and Australia.

We also launched a simplified appraisal process enabling managers to focus on having open, honest conversations with members of their team and encouraging individuals to take accountability for their own development. This was supported by workshops to equip managers on how to give effective feedback and support the ongoing development of their teams.

The development of organisational capability through professional academies, including Sales, Brands and Legal, creating a consistent global approach, was rolled out within the year. In addition we produced a development guide around on and off the job development opportunities, including online learning, for all our people.

BBC Worldwide's employees are required to complete mandatory training to ensure the governance and protection of the BBC brand.

We also continued to achieve 100% completion rates for all online modules of our curriculum, 'The Knowledge for New Starters'.

During the year the focus was on a bespoke diversity and inclusion pilot within our North American business, with the objective to roll this out across the company next year. The pilot has included the formation of a diversity and inclusion steering committee who have overseen an initial six month action plan.

In the year we redefined our people initiative programme with an ambition to inspire and engage all our employees. This ensured that across the business our values were at the heart of everything we do, promoting engagement with, and pride in our business. We have continued to work hard to build a culture which is fun, supports innovation and offers a stimulating physical work environment.

BBC Worldwide is also participating in the 2014/15 Disability Scheme 'Extend', a BBC-wide placement initiative which offers appropriately experienced and/or qualified disabled people an opportunity to gain six months' paid work experience within the BBC.

The strategic report, as set out on pages 5 to 18, was approved by the Board on 19 June 2014 and signed on its behalf by:

Tim Davie
Chief Executive, BBC Worldwide,
and Director, Global

BBC Worldwide Executive

Name	Background
Marcus Arthur President, UK & ANZ	Marcus moved into his current role in 2013. He is responsible for BBC Worldwide's businesses in the UK and ANZ. Marcus joined BBC Worldwide in 1991 and has held roles including MD of Brands Consumers and New Ventures and Managing Director, BBC Magazines.
Andrew Bott Chief Financial Officer	Andrew was appointed to his current role in June 2014. Prior to this he held the position of Interim CFO and CFO of BBC Worldwide North America. He joined in 1998 and in 2000 moved to New York. Previously, Andrew held positions at Price Waterhouse and Pearson.
Tim Davie Chief Executive, BBC Worldwide and Director, Global	Tim took up his current role in April 2013. He is also Chairman of Comic Relief and Vice-Chair of the RTS. During his nine years at the BBC, Tim has held the position of Acting Director-General, Director of Audio & Music and Director of Marketing, Communications & Audiences.
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.
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.
Martyn Freeman General Counsel	Martyn was appointed to his current role in 2011. He has responsibility for all legal, business affairs, policy and regulatory matters. Previously, Martyn held a variety of roles across the BBC, including Head of Business Affairs, Radio & Music, Factual & Learning and News.
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 Gibbons Director of Global Operations	David oversees Technology, Property, Procurement and the Global Content Supply Chain, helping the business to streamline its distribution and audience fulfilment process. He joined BBC Worldwide in 2013. Prior to this he held leadership positions in SEEK, GE Capital, Gap and Nike.
Daniel Heaf Chief Digital Officer	Daniel is responsible for BBC Worldwide's digital activities including commercial websites, BBC Worldwide Labs and VOD. He joined BBC Worldwide as Digital Director in 2010 and became Chief Digital Officer in 2012. He has also worked for AOL, BBC Radio and Channel 4's corporate venture fund, 4IP.
Amanda Hill Chief Brands Officer	Amanda is responsible for developing the overarching brand strategy for BBC Worldwide. Amanda manages the current brand portfolio as well as development and building of new brands. She also oversees audience insight, trade and content marketing.
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 business.
David Moody Director of Strategy	David is responsible for all aspects of the company's direction and strategy. David joined BBC Worldwide in 2004, and previously held roles in BBC Ventures, The LEK Partnership, Singapore Telecom International and United News & Media and co-founded Dataroam.
Herb Scannell President, BBC Worldwide North America	Herb is responsible for BBC Worldwide in the USA and Canada. Prior to joining BBC Worldwide in 2010, he was CEO of Next New Networks, a digital media company he co-founded in 2006. Herb was formerly Vice Chairman of MTV Networks and President of Nickelodeon Networks.

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 2014.

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 joint ventures, across multiple formats. The business is structured across seven geographical regions; these regions are grouped into four areas: UK, North America, Australia and New Zealand and the rest of the world, predominantly non-English speaking markets, known collectively as Global Markets. The three global business areas, Content, Digital 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 5 to 18. 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 page 17 of the Strategic Report.

Results and dividends

The consolidated profit for the year distributable to equity shareholders of the Company was £98.1m (2013: £126.7m).

Dividends of £88.3m (2013: £33.3m) were paid during the year.

In addition, the directors propose a further dividend in respect of the year of £0.4m (2013: £30.2m), resulting in a total dividend of £58.6m (2013: £57.3m) in respect of the financial year. The dividend will be paid during the year ending 31 March 2015.

Acquisitions and disposals

During the financial year the Group exited the Ragdoll Productions joint venture, following a sale of its fifty percent stake to DHX Media in Canada. It also exited the BBC Haymarket Exhibitions joint venture, as a result of a negotiated management buy-out of the business; following the sale the company changed its name to River Street Events Ltd. Full details of the Group's acquisitions and disposals are included in the Chief Financial Officer's Review on pages 14 to 16. The key people, diversity and development policies of the Group are discussed on page 18 of the Strategic Report.

Directors

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

Tim Davie	
Tony Hall	appointed on 1 April 2013
Anne Bulford	appointed on 26 June 2013
Zarin Patel	resigned on 26 June 2013
Andrew Bott	appointed on 20 December 2013
Philip Vincent	resigned on 20 December 2013

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 to the consolidated financial statements.

Directors' interests and indemnities

No Director had any interest in the share capital of the Group at 1 April 2013 or 31 March 2014. 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.

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 auditors are 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 auditors are aware of that information.

Auditors

Following a recent external audit tender process, the Executive Audit Committee of the BBC has decided that for the 31 March 2015 year end the audit of the BBC (including its subsidiaries) will be performed by Ernst & Young LLP. As such, KPMG LLP will resign as auditors of the Company.

By order of the Board,

Jane Earl
Company Secretary
19 June 2014

Registered office:
Media Centre
201 Wood Lane
London W12 7TQ.

Corporate governance

In the 2012/13 Annual Review we reported that governance within BBC Worldwide would form part of the Director General's review of governance across the whole of the BBC.

In keeping with the policy to streamline boards and committees, the statutory Board of BBC Worldwide Limited was reduced to four directors: Tony Hall (BBC Director-General) as Chairman; Tim Davie (CEO); Andrew Bott (CFO); and Anne Bulford (Managing Director, Finance & Operations for the BBC).

The BBC Executive Board and its Board committees have responsibility for the overall assurance and supervision of BBC Worldwide. During the year, it was agreed that operational matters which would historically have been reviewed by the BBC Worldwide Board should now be reviewed as part of the Commercial section on the BBC Executive Board agenda. All investments in excess of £5m go to the BBC Executive Board, including content investments such as BBC Worldwide's financial backing in *Tale of Two Cities*, a dramatisation of Charles Dickens' famous novel, which was reviewed in February 2014. Statutory matters, such as the payment of a dividend or the appointment of a Director, are addressed by means of a written resolution unless the Directors believe they need to meet to discuss the issue. See www.bbc.co.uk/aboutthebbc for further detail on the activities of the BBC Executive Board.

Principal responsibility for the day to day management of the company rests with the WEx, chaired by Chief Executive, BBC Worldwide and Director, Global, Tim Davie. WEx meets weekly to discuss operational matters impacting the business. During the year matters under review included the BBC Store proposition; issues relating to UKTV, our joint venture with Scripps Networks Interactive, Inc., content investments; and the delivery of the *Doctor Who* 50th anniversary programming. Given the importance of people to the business, WEx has spent time over the past year reviewing people policies and development opportunities across the whole of the company.

A new business planning process was introduced during 2013/14 to deliver greater transparency and strengthen connections between content and brands to ensure that specific regional requirements are addressed. In addition, the quarterly business reviews have been enhanced to allow greater scrutiny of performance.

Content is central to our strategy and one of our most significant areas of expenditure. The Content Investment Group (CIG), chaired by Controller of Content Investment, is responsible for approving investments of distribution rights and in some instances broadcast rights. CIG also monitors the content pipeline in the context of performance and strategic development in the business, and recommends changes in global content strategy and execution when necessary. CIG approves investments between £500k and £2m. For investments greater than £2m CIG reviews and recommends the investments to WEx for approval. CIG will also review and approve proposals which relate to content resource allocation such as independent production company funding arrangements. Recently approved BBC produced projects include *War and Peace* and *The Wrong Mans* S2.

CIG's objectives are to ensure that investment decisions are in line with the approved financial governance structure and consistent with BBC Worldwide's overall strategy. One of CIG's objectives is that lessons learnt from previous investments are factored into future investment commitment decisions.

WEx also delegates authority to the Investment Review Group which reviews and approves non content financial investments between £1m and £2m.

Privacy and Information Security

Consumers, talent and partners trust us with their personal information and their privacy. Protecting that information and respecting their privacy is fundamental to maintaining their trust. Our privacy and security programmes govern how we collect, use and manage their information; from safeguarding confidentiality and respecting their permissions and preferences, to protecting and securing their information. Our websites and apps generate a vast amount of data with potential value for connecting with audiences and fans. We are mindful that even when this information is anonymised and aggregated, there are concerns about protecting individual privacy. We have produced a number of guideline documents this year for use internally, and rewritten our privacy policies to ensure that we are transparent to individuals and provide clear choice on how we use their data.

In terms of broader information security, we have continued work on the implementation of a formal system for the protection of our information assets and progress on this project has been regularly audited by the BBC's Internal Audit function. As an organisation that prides itself on the quality of the content we commission, it is vital that we can protect assets like programmes, films, and scripts from unauthorised release. A significant amount of work was undertaken to prepare for the *Doctor Who* 50th anniversary episode screening in November, which was simulcast in 98 countries. Ensuring that content is protected at all stages of its lifecycle is key to the success of our business and to maintaining our reputation as a trusted organisation with high standards of care.

Our people are an integral part of protecting and respecting information. We continue to focus on building a strong culture where our employees are able to display an intuitive awareness of privacy and security risks and know how to manage them through a system of training, risk assessment and advisory support.

We have successfully managed changes to the Australian Privacy Act which came into force in March 2014. Looking to the future, we await the finalisation of the requirements of the EU Data Protection Regulation and any fresh obligations this places on BBC Worldwide.

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 4 Commercial Criteria ("4CC"). As such, BBC Worldwide's activities must:

• fit with the BBC's Public Purposes;

• not jeopardise the good reputation of the BBC or the value of the BBC brand;

• exhibit commercial efficiency; and

• comply with the BBC Trust's Fair Trading Policy, the BBC's Fair Trading Guidelines and, in particular, avoid distorting the market.

The 4CC approvals framework embedded within BBC Worldwide's governance structure ensures that key projects and investments are subject to rigorous evaluation, ensuring compliance with each of the 4CC prior to launch.

The BBC's Fair Trading arrangements (which include the 4CC approvals arrangements) have been accredited with the ISO 9001:2008 quality standard. In December 2013, the British Standards Institute confirmed that these procedures continue to operate effectively. In addition, BBC's Fair Trading arrangements are subject to scrutiny by independent auditors commissioned by the BBC. This year, the BBC commissioned Deloitte to undertake the Fair Trading audit. Details of the audit and opinion are available in the BBC Annual Report & Accounts for 2013/2014.

Editorial Standards

BBC Worldwide is required to meet the standards set out in the BBC's Editorial Guidelines and the Advertising and Sponsorship Guidelines for BBC Commercial Services. We have an editorial framework which sets out clear editorial accountability for each business area. We also have a dedicated Editorial Standards team providing support and advice to the businesses.

During the year we have continued to deliver both online and face-to-face training explaining the editorial, commercial and advertising standards we expect.

Report on Directors' remuneration

BBC Worldwide is not funded by the licence fee, but we are keenly aware that, as part of a publicly-funded organisation, it is not appropriate or desirable to lead the market on pay, and that our remuneration policy must be both moderate and justifiable.

As a subsidiary of the BBC, BBC Worldwide is able to attract and retain high calibre staff at all levels without equalling the compensation packages available in many parts of the commercial sector.

In the UK, our policy is, wherever possible, to pay at or below the market median. Elsewhere, with just over a third of BBC Worldwide staff employed outside the UK, where the BBC brand is less prominent, our policy is to pay no more than 10% above the local market median.

BBC Worldwide is a performance-driven organisation. Salaries are benchmarked on a total remuneration basis, including a performance-related component. Every employee has part of his or her total remuneration at risk if financial and personal targets are not achieved.

During 2013/14, it was decided not to replace the Profit Share Plan (PSP) which will therefore close after any residual payments are made in 2015.

In addition to monitoring Executive Directors' remuneration, BBC Worldwide has been engaged in a major reappraisal of sales compensation within the organisation. We ask our sales people to achieve ambitious sales targets, whether they are selling BBC programmes, channels, advertising or consumer products (both digital and physical), and we follow the customary practice of paying sales commission or bonus to our sales staff in proportion to targets achieved. However, our sales compensation plans were designed some time ago and have grown in number and complexity over the years. In 2013/14 we conducted a review of sales compensation across the whole of BBC Worldwide, with a view to introducing a less complex Sales Compensation Framework that will be easier to administer, and will consistently focus our sales teams on delivering the best possible return to the BBC. Much work was done during the year to develop the Framework, and it will be implemented from the start of 2014/15.

Governance

During 2013, as part of the slimming down of boards and committees across the BBC, responsibility for supervising and approving the remuneration of BBC Worldwide executives was transferred to the BBC Executive Remuneration Committee.

Salary decisions affecting staff below the executive level, but earning more than £125,000 (or local equivalent) per year, and severance payments in excess of £75,000, are now approved by the BBC Senior Management Remuneration Committee.

The implementation of pay policy for staff below the executive level is monitored by the BBC Worldwide Pay Forum, comprising the CEO, CFO and People Director, supported by the Company Secretary and Head of Reward.

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

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

Tim Davie was CEO for the full year. Philip Vincent, CFO, resigned during the year and ceased to be an Executive Director on 20 December 2013. Andrew Bott assumed the position of Interim CFO and Executive Director of BBC Worldwide Limited on the same date. He was appointed into the role permanently in June 2014.

Report on Directors' remuneration (continued)

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 & 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	Bonus, calculated as a percentage of base pay earnings, is payable for achievement of profit[1] targets and, other than for members of the BBC Worldwide Executive, an agreed level of personal performance. The percentage varies by grade (and, at lower levels, by country, in some cases). 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. The levels of profit performance attracting threshold, target and maximum bonus are set by the BBC Executive Remuneration Committee.
Reward from discontinued incentive plans			
Bonus Matching Scheme	Align interest of management with the performance of the company and ultimately the BBC over the longer term.	3 years	Eligible participants were invited to defer up to 50% of their annual bonus for three years with a potential matching award of up to 25% of the deferred amount, subject to the achievement of a Return on Capital Employed (ROCE) threshold. No further contributions to the Plan are accepted, and it will be closed in 2015, at the end of the final cycle.
Profit Share Plan	Drive profit performance and returns to BBC Worldwide's shareholder over the long term while promoting the retention of key management.	5 years	The scheme is now closed. Balancing payments (earned during 2008-2013, but deferred for 1 or 2 years) will be made in June 2014 and June 2015, after which point, no further payments will be made. The Plan will not be replaced by any other Long Term Incentive Plan.
Benefits[2]			
Pensions	Pensions are offered in line with normal market practice.	Ongoing	Pensions are offered in accordance with the all-employee pension arrangements.
Life assurance	Life assurance is offered in line with normal market practice.	Ongoing	4x salary for those who join the pension plan: 2x salary for those who don't.
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.
Car allowance	With effect from 1 April 2014, BBC Worldwide removed the car allowance benefit for all new Executive Directors and senior managers, to align with arrangements for all BBC employees.	-	Those who were already in receipt of a car allowance have retained it. In 2013/14, the only Executive Director to receive a car allowance was Philip Vincent.

1 *Based on headline profit.*
2 *Andrew Bott was employed on a US contract during the year and received standard US benefits – medical, dental, life, accidental death and dismemberment, dependent life and short-term disability insurances.*

Report on Directors' remuneration (continued)

Components of reward (continued)

Base salary

In determining the base pay of Executive Directors, the BBC Executive Remuneration Committee takes into account the base pay of organisations with which BBC Worldwide competes for talent in the relevant local labour market. It also considers individual performance, experience and competence, the criticality of the role, its value to the business, and affordability.

The Committee reviews salaries annually. Any change in base salary is usually effective from 1 July.

Tim Davie's annual base salary remained unchanged throughout 2013/14. Andrew Bott's salary was uplifted by 10% during his term as Interim CFO. Following his confirmation as CFO in June 2014, remuneration for Andrew's new role will be reviewed and approved by the BBC Executive Remuneration Committee. Philip Vincent's annual base salary was uplifted by 3.6%, from £275,000 to £285,000 on 1 July 2013.

Annual incentives

Annual incentives are provided through the BBC Worldwide Annual Bonus Plan, in which all staff participate (other than those on sales schemes), with Target Bonus expressed as a percentage of base pay earnings.

The Plan is a relatively 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, the CFO and the Interim CFO is 50% of base pay earnings. Bonus for all Executive Directors is wholly dependent on the performance of BBC Worldwide as this is deemed to be the most appropriate indicator of their performance. Executive Directors' bonus opportunity, and Annual Bonus Plan targets, are set annually by the BBC Executive Remuneration Committee.

Long-term incentives

Bonus Matching Scheme

Between 2009/10 and 2011/12, Executive Directors were able to defer up to 50% of their annual bonus for three years. The deferred amount was then eligible for a 25% matching award at the end of the three years, subject to a cumulative return on capital employed (ROCE) threshold of 40% over the period having been met.

The scheme closed in 2012 (though Annual Bonus deferred in 2011/12 will be payable, with a matching award if the ROCE threshold is achieved, at the end of 2014/15).

Profit Share Plan

The Company's Profit Share Plan (PSP), which covered the five-year period beginning in 2008/09, provided participants with a share in profits above a set of absolute profit (PAIT, profit after interest and tax) hurdles linked to the five-year strategic plan. Annual payments commenced after three years of participation in the plan, with balancing (i.e. deferred) payments made after the end of the five-year period. For eligible participants, the payments shown on page 26 will be made in June 2014. These are the first of two balancing payments due under the PSP. Balancing payments are equal to 50% of the final, full-year payments. The second and final balancing payments will be made in June 2015.

The annual cash PSP payout was capped at 100% of base pay for each participant.

The Profit Share Plan (PSP) will not be replaced by any other Long Term Incentive Plan.

Report on Directors' remuneration (continued)

Components of reward (continued)

Long-term incentives (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 64.

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.

Tim Davie and Philip Vincent opted out of the New Benefits section of the BBC Pension Scheme on 31 December 2011 and joined the CAB 2011 section for future pension build up from 1 January 2012 and the information in the table below reflects their CAB 2011 benefits.

Scheme	**"Old" Benefits**	**"New" Benefits**	**CAB 2006**	**CAB 2011**	**LifePlan**	**National Employment Savings Trust (NEST) (Auto Enrolment Arrangement)**
Type	**Defined Benefit**	**Defined Benefit**	**Defined Benefit**	**Defined Benefit**	**Defined Contribution**	**Defined Contribution**
Date Closed	*30 Sept 1996*	*31 Oct 2006*	*30 Nov 2010*	*1 Jan 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	Capped at £141,000	Capped at £141,000	Capped at £138,000	Uncapped	Minimum Earnings £5,668p.a. Maximum Earnings £41,450p.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

Andrew Bott was employed on a US contract during the year and participated in the BBC Worldwide Americas Inc 401(k) Retirement Plan, under the terms of which employees may, immediately on joining the organisation, contribute up to 70% of pay, to a maximum of USD 17,500 per annum. BBC Worldwide Americas Inc provides matching contributions equal to 100% of the first 5% of employee contributions. Employee contributions are always 100% vested. 20% of matching contributions vest each year, becoming fully vested after 5 years.

Other benefits

In addition to pension, the other main contractual benefits are life assurance and private health insurance. A car allowance is no longer offered, with Philip Vincent being the last Executive Director to receive it.

Report on Directors' remuneration (continued)

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 now 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 Directors' development as well as bringing broader business skills to BBC Worldwide.

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, Zarin Patel (until 24 June 2013) and Anne Bulford (from the same date), none of whom received any remuneration in respect of their duties in this capacity.

Remuneration earned in the year ended 31 March 2014

£'000	Fee/base pay	Annual bonus	PSP	Taxable benefits	Pension Related Single Figure	Total 2013-14	2012-13 (including Pension Related Single Figure)	2012-13 (excluding Pension Related Single Figure)
Executive Directors								
Tim Davie[1]	400	231	-	2	37	670	-	-
Andrew Bott[2]	71	41	7	2	3	124	-	-
Philip Vincent[1,3]	211	-	-	13	28	252	515	479
	682	**272**	**7**	**17**	**68**	**1,046**	**515**	**479**
Former Executive Directors	-	-	-	-	-	-	1,783	1,783
Former Non-Executive Directors	-	-	-	-	-	-	77	77
Total	**682**	**272**	**7**	**17**	**68**	**1,046**	**2,375**	**2,339**

1 *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. This arrangement is also applicable to all Career Average Benefit members. Those Executive Directors indicated in the table above participated in the arrangement. From that date, the 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. Base salaries for Executive Directors have not been adjusted to reflect the impact of the salary sacrifice. The total salary sacrifice by Executive Directors was £14,490 (2012/13: £36,533).*

2 *Andrew Bott became an Executive Director of BBC Worldwide on 20 December 2013. The figures in the table above outline his remuneration, only for the period from that date to year-end. The base pay figure includes an Acting Up Allowance, calculated as 10% of his base pay for the period in question. He was employed on a US contract during the year and his remuneration has been converted from US$ at the rate of £1 = $1.6604.*

3 *Philip Vincent resigned from BBC Worldwide during the year and ceased to be an Executive Director on 20 December 2013. Under the terms of the Annual Bonus Plan and PSP, no payments were due under either scheme. His taxable benefits include £4,933 in lieu of holiday accrued during the year, but not taken before the end of his employment.*

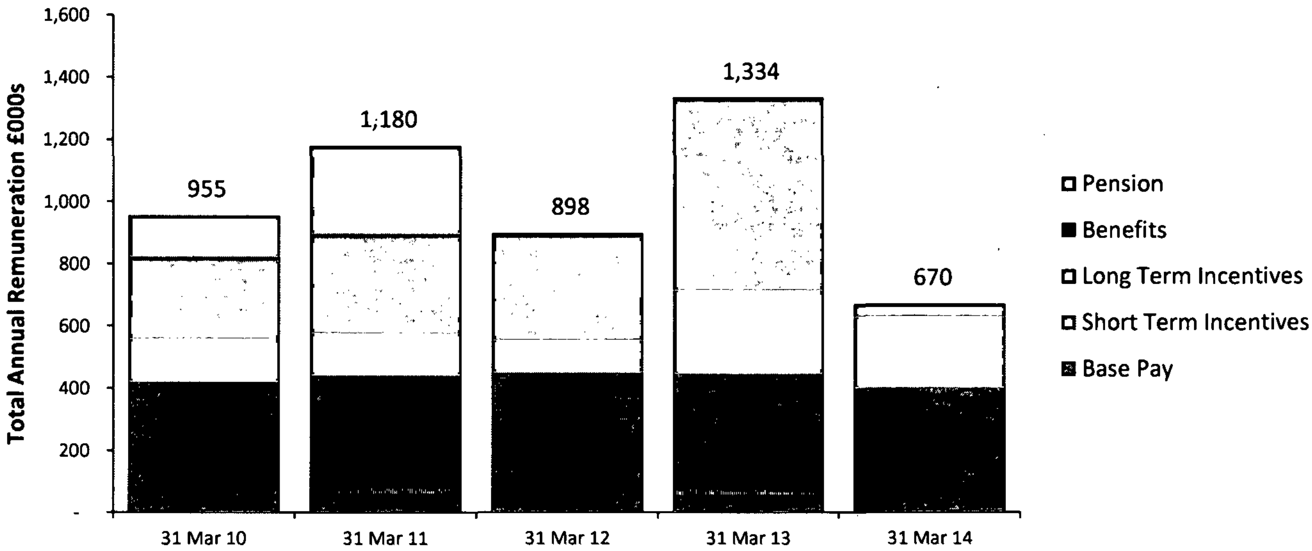
Pension entitlements

Executive Directors	Age as at 31 March 2014	New Benefits £ pa	CAB 2011 £ pa	Total Accrued pension 31 March 2014[1] £ pa
Tim Davie	46	14,970	5,100	20,070
Philip Vincent	44	29,044	4,531	33,575
Andrew Bott	46	14,577	-	14,577

1 *The accrued pension for Philip Vincent is as at date of leaving BBC Worldwide.*

Report on Directors' remuneration (continued)

Changes to CEO Remuneration



John Smith was CEO from the start of this five-year period until 31 December 2012.
Paul Dempsey was interim CEO from 1 December 2012 to 31 March 2013.
Tim Davie has been CEO from 1 April 2013.
Figures do not include compensation for loss of office.

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 2014 set out on pages 30 to 82. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 Statement of Directors' responsibilities set out on page 28, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements 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 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.

Matters on which we are required to report by exception

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 by the parent Company, 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.

John Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL

19 June 2014

Consolidated income statement
for the year ended 31 March 2014

	Note	Total 2014 £m	Total 2013 £m
Gross revenue including joint ventures	2	**1,042.3**	**1,115.8**
Less: Share of revenue of joint ventures		(150.3)	(147.2)
Revenue		**892.0**	**968.6**
Total operating costs	3	(782.3)	(862.4)
Share of results of joint ventures and associates		25.9	26.1
Operating profit		**135.6**	**132.3**
Analysed as:			
Headline profit	2	157.4	156.3
Share of interest and tax of joint ventures and associates	4	(9.7)	(9.4)
Pension deficit reduction payment	4	(2.3)	(2.3)
Other specific items	4	(9.8)	(12.3)
		135.6	**132.3**
Gains and losses on disposals	27	4.1	35.7
Other gains and losses	8	(9.3)	(0.8)
Finance income	9	0.4	0.3
Finance expense	9	(4.6)	(6.6)
Profit before tax		**126.2**	**160.9**
Profit before tax excluding gains and losses on disposals		122.1	125.2
Tax charge for the year	10	(28.1)	(33.3)
Profit for the year	5	**98.1**	**127.6**
Attributable to:			
Equity shareholders of the parent company		98.1	126.7
Non-controlling interests		-	0.9
Profit for the year		**98.1**	**127.6**

Consolidated statement of comprehensive income
for the year ended 31 March 2014

	2014 £m	2013 £m
Profit for the year	98.1	127.6
Items that are or may be reclassified to profit or loss:		
Recycling of translation and hedging reserves on disposal	-	(49.0)
Recognition and transfer of cash flow hedges	16.4	(10.8)
Tax on cash flow hedges taken directly to other comprehensive income	(3.7)	2.6
Exchange differences on translation of foreign operations	(7.1)	8.7
Other comprehensive income for the year	**5.6**	**(48.5)**
Total comprehensive income for the year	**103.7**	**79.1**
Attributable to:		
Equity shareholders of the parent company	103.7	78.2
Non-controlling interests	-	0.9
Total comprehensive income for the year	**103.7**	**79.1**

Consolidated balance sheet
as at 31 March 2014

	Note	2014 £m	2013 £m
Non-current assets			
Goodwill	12	34.1	36.1
Distribution rights	13	170.1	131.6
Other intangible assets	14	21.0	19.5
Property, plant and equipment	15	16.9	23.5
Interests in joint ventures and associates	16	12.8	31.3
Investments	17	8.5	8.5
Deferred tax assets	10	3.5	9.1
Derivative financial assets	24	3.4	0.3
		270.3	**259.9**
Current assets			
Programme rights and other inventories	18	102.6	98.0
Trade and other receivables	19	315.4	322.6
Current tax receivable		12.7	-
Derivative financial assets	24	9.5	1.6
Cash and cash equivalents		45.1	74.7
Assets classified as held for sale	21	-	9.9
		485.3	**506.8**
Total assets		**755.6**	**766.7**
Current liabilities			
Interest bearing loans and borrowings	23	0.7	-
Trade and other payables	20	327.6	360.7
Current tax liabilities		2.6	0.9
Provisions	22	4.7	1.8
Derivative financial liabilities	24	1.1	7.7
		336.7	**371.1**
Non-current liabilities			
Interest bearing loans and borrowings	23	98.7	79.2
Trade and other payables	20	0.8	2.7
Provisions	22	0.5	7.3
Derivative financial liabilities	24	2.0	6.9
Deferred tax liabilities	10	2.2	0.2
		104.2	**96.3**
Total liabilities		**440.9**	**467.4**
Net assets		**314.7**	**299.3**
Equity			
Share capital	25	0.2	0.2
Hedging reserve	26	5.6	(7.1)
Translation reserve	26	(13.2)	(6.1)
Retained earnings	26	322.1	312.3
Total equity		**314.7**	**299.3**

These consolidated financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors on 19 June 2014 and were signed on its behalf by:

Tim Davie
Chief Executive Officer

Consolidated cash flow statement
for the year ended 31 March 2014

	Note	2014 £m	2013 £m
Cash flows from operating activities			
Cash generated from operations	28	188.1	213.6
Tax paid		(37.6)	(34.4)
		150.5	**179.2**
Cash flows from investing activities			
Interest received		0.4	0.3
Dividends received from joint ventures and associates	16	18.2	19.4
Purchases of distribution rights	13	(142.2)	(104.2)
Purchases of other intangible assets	14	(7.7)	(15.6)
Purchases of property, plant and equipment	15	(1.9)	(6.2)
Acquisition of non-controlling interests	33	-	(14.4)
Proceeds on disposal of available-for-sale investments	33	1.8	-
Disposal of operations net of cash disposed	27	25.7	50.9
Disposal of distribution rights	27	-	1.8
Acquisition of interests in joint ventures and associates	16	(0.4)	(0.4)
Acquisition of investments	17	(2.6)	(1.7)
Amounts advanced to related parties		(0.4)	(0.2)
Repayment by related parties		2.0	1.0
		(107.1)	**(69.3)**
Cash flows from financing activities			
Interest paid		(4.6)	(6.7)
Repayment/(drawdown) of loans and borrowings		25.5	(19.3)
Equity dividends paid	11	(88.3)	(33.3)
Dividends paid to non-controlling interests		-	(8.1)
		(67.4)	**(67.4)**
Net (decrease)/increase in cash and cash equivalents		**(24.0)**	**42.5**
Cash and cash equivalents at the beginning of the year		74.7	31.1
Effect of foreign exchange rate changes		(5.6)	1.1
Cash and cash equivalents at end of the year		**45.1**	**74.7**

Consolidated statement of changes in equity
for the year ended 31 March 2014

	Attributable to equity holders of the parent company						
	Share capital £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2012	**0.2**	**1.2**	**34.1**	**219.3**	**254.8**	**7.2**	**262.0**
Profit for the year	-	-	-	126.7	126.7	0.9	127.6
Recycling of cumulative currency translation reserve on disposal	-	(0.1)	(48.9)	-	(49.0)	-	(49.0)
Recognition and transfer of cash flow hedges	-	(10.8)	-	-	(10.8)	-	(10.8)
Tax on items taken directly to equity	-	2.6	-	-	2.6	-	2.6
Exchange differences on translation of foreign operations	-	-	8.7	-	8.7	-	8.7
Total comprehensive income for the year	**-**	**(8.3)**	**(40.2)**	**126.7**	**78.2**	**0.9**	**79.1**
Dividends paid	-	-	-	(33.3)	(33.3)	(8.1)	(41.4)
Acquisition of non-controlling interests	-	-	-	(0.4)	(0.4)	-	(0.4)
Balance at 31 March 2013	**0.2**	**(7.1)**	**(6.1)**	**312.3**	**299.3**	**-**	**299.3**
Profit for the year	-	-	-	98.1	98.1	-	98.1
Recognition and transfer of cash flow hedges	-	16.4	-	-	16.4	-	16.4
Tax on items taken directly to equity	-	(3.7)	-	-	(3.7)	-	(3.7)
Exchange differences on translation of foreign operations	-	-	(7.1)	-	(7.1)	-	(7.1)
Total comprehensive income for the year	**-**	**12.7**	**(7.1)**	**98.1**	**103.7**	**-**	**103.7**
Dividends paid	-	-	-	(88.3)	(88.3)	-	(88.3)
Balance at 31 March 2014	**0.2**	**5.6**	**(13.2)**	**322.1**	**314.7**	**-**	**314.7**

Notes to the consolidated financial statements

1. Principal accounting policies

BBC Worldwide Limited (the "Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 31 March 2014 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 20 in the Directors' Report in respect of going concern form part of the audited accounts.

As at 31 March 2014, the main source of debt funding was an unsecured credit facility with BBC Commercial Holdings Limited (BBCCH) expiring in September 2015. Further information in respect of this facility is included in note 23.

On the basis of its forecasts, both base case and adjusted, 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 33.

(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.

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(c) Basis of consolidation (continued)

ii. Joint ventures and associates

A joint venture is an entity over which the Group exercises joint control, established through a contractual arrangement. An associate is an entity where the Group is in a position to exercise significant influence over, but not to control, the entity's financial and operating policies.

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:

- IFRS 1 (2010) *First-time Adoption of IFRSs*
- Amendment to IFRS 7 (2011) *Financial Instruments: Disclosures*
- IFRS 13 (2011) *Fair value measurement*
- Amendment to IAS 1 (2011) *Presentation of financial statements*
- IAS 19 (2011) *Employee Benefits (Revised)*
- *Improvements to IFRS* (2012)

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):

- IFRS 9 (2011) *Financial Instruments: Classification and Measurement*
- IFRS 10 (2011) *Consolidated financial statements*
- IFRS 11 (2011) *Joint arrangements*
- IFRS 12 (2011) *Disclosure of Interests in Other Entities*
- IFRS 10, IFRS 12 and IAS 27 (2013) *Investment Entities*
- IFRS 15 (2014) *Revenue from Contracts with Customers*
- IAS 27 (2011) *Separate Financial Statements (Revised)*
- IAS 28 (2011) *Investments in Associates and Joint Ventures (Revised)*
- Amendment to IAS 32 (2011) *Financial Instruments: Presentation*
- Amendment to IAS 36 (2013) *Impairment of Assets*
- Amendment to IAS 39 (2013) *Financial Instruments: Recognition and Measurement*

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 as follows:

- IFRS 9 will impact both the measurement and disclosures of Financial instruments;
- IFRS 12 will impact the disclosure of interest the Group has in other entities; and
- IFRS 15 will impact revenue recognition, in particular royalty based income.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(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.

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.

The Group also discloses profit before tax excluding gains and losses on disposals. This measure reflects the overall profitability of the group on a statutory basis, before taking into account business disposals. Business disposals do not generally attract a tax charge.

(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 *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.

(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 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.

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(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 weighted 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.

(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 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 Group accounts for contributions payable to the scheme as if the schemes were defined contribution schemes, as is required by IAS 19 *Employee Benefits*.

(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.

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(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 of the programme genre over its estimated average marketable life. The expected lives of distribution rights range from one to 10 years. In the case of royalty advances, amortisation is charged as the advances are recouped.

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.

(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:

• Masthead	20 years
• Carrier agreements	Unexpired term of agreement
• Software	1-5 years
• Other	3-8 years

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

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(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 finances 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 and where 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 then 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, if no impairment loss had been recognised.

(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 books, DVDs, paper stock, raw materials and work in progress are stated at the lower of cost and net realisable value.

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(s) Financial instruments

Financial assets and financial liabilities are recognised in the Group's 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 through 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 by any impairment loss directly 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 profit or loss.

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 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.

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(s) Financial instruments (continued)

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 on the balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains or losses within the 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 income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods in which the hedged items are recognised in the income statement, in the same line of the 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, 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 income statement at the same time as the forecast transaction affects profit or loss, or is recognised in the 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 or joint ventures. In such circumstances, the Group has assessed its ability to control or influence those entities. Control has been assessed with reference to the ability of the Group to direct, unilaterally, key policies of the entity. 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.

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 33.

Notes to the consolidated financial statements (continued)

2. Segment information

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 *Operating Segments*.

As explained on page 5, the Group changed from divisional to geographical reporting lines across seven regions, balanced by strong global functions for content, brands and digital. Each geographical region is responsible for business development and delivering sales and profit growth across all activities in the area. Accordingly, segmental information for the year ended 31 March 2013 has been re-stated to be consistent with the new geographical reporting lines.

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
- North America
- Australia and New Zealand
- Western Europe
- Rest of World

Segment information as presented is consistent with the Group's internal reporting to the Board. As explained in note 27, in the year ended 31 March 2013 the Group disposed of its Lonely Planet operations, which were recorded in the Australia and New Zealand segment.

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, non-trading gains and losses, and net financing costs are not allocated to segments.

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

2014	United Kingdom £m	North America £m	Australia and New Zealand £m	Western Europe £m	Rest of World £m	Eliminations £m	Total £m
Headline sales	**362.2**	**342.5**	**76.0**	**156.2**	**122.9**	**(17.5)**	**1,042.3**
Share of revenue of joint ventures	(146.1)	(3.0)	(1.2)	-	-	-	(150.3)
Reported revenue	**216.1**	**339.5**	**74.8**	**156.2**	**122.9**	**(17.5)**	**892.0**
Headline profit/(loss)	**55.2**	**50.7**	**12.4**	**31.7**	**7.8**	**(0.4)**	**157.4**
Specific items							(21.8)
Operating profit							**135.6**
Gains and losses on disposals							4.1
Other gains and losses							(9.3)
Finance income							0.4
Finance expense							(4.6)
Profit before tax							**126.2**

2013	United Kingdom £m	North America £m	Australia and New Zealand £m	Western Europe £m	Rest of World £m	Eliminations £m	Total £m
Headline sales	**380.3**	**361.2**	**132.7**	**142.9**	**108.9**	**(10.2)**	**1,115.8**
Share of revenue of joint ventures	(141.3)	(2.7)	(3.2)	-	-	-	(147.2)
Reported revenue	**239.0**	**358.5**	**129.5**	**142.9**	**108.9**	**(10.2)**	**968.6**
Headline profit/(loss)	**57.9**	**53.5**	**17.8**	**24.2**	**3.0**	**(0.1)**	**156.3**
Specific items							(24.0)
Operating profit							**132.3**
Gains and losses on disposals							35.7
Other gains and losses							(0.8)
Finance income							0.3
Finance expense							(6.6)
Profit before tax							**160.9**

Notes to the consolidated financial statements (continued)

2. Segment information (continued)

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 therefore as follows:

	Headline sales 2014 £m	Share of JV revenue 2014 £m	Reported revenue 2014 £m	Headline sales 2013 £m	Share of JV revenue 2013 £m	Reported revenue 2013 £m
United Kingdom	363.7	141.7	222.0	395.1	137.4	257.7
United States of America	315.7	3.0	312.7	349.8	2.7	347.1
Australia	66.6	2.1	64.5	81.3	4.3	77.0
Rest of World	296.3	3.5	292.8	289.6	2.8	286.8
	1,042.3	**150.3**	**892.0**	**1,115.8**	**147.2**	**968.6**

The Group's non-current assets, other than financial instruments and deferred tax assets, located in the UK are £241.6m (2013: £211.5m) and located outside of the UK are £21.9m (2013: £39.0m).

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.

3. Total operating costs

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

	2014 £m	2013 £m
Cost of sales	524.7	557.7
Distribution costs	86.1	126.7
Administration costs	171.5	178.0
Total operating costs	**782.3**	**862.4**

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 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.

Pension deficit reduction payment

As described in note 31, the Group accounts for contributions to the BBC Pension Scheme as if it were a defined contribution scheme. In June 2013, the Group made an additional cash payment of £2.3m (October 2012: £2.3m) to the BBC in connection with the BBC's deficit reduction plan. As this payment is not reflective of the ongoing service cost of active scheme participants, management believes it is appropriate to present this cost as a specific item. Further payments are expected to be made in future years as described in note 31.

Notes to the consolidated financial statements (continued)

4. Specific items (continued)

Other specific items

	2014 £m	2013 £m
Reorganisation costs	(7.0)	(10.9)
Amounts written off joint ventures and associates	(2.2)	(0.6)
Impairment of available-for-sale investments	-	(0.6)
Transaction fees	(0.6)	(0.2)
	(9.8)	**(12.3)**

Reorganisation costs relate to redundancy and similar costs arising as a result of changes to the Group's organisation structure and costs associated with the relocation of the Group's head office.

Reorganisation costs in the year ended 31 March 2013 also included the discontinuation of the BBC Entertainment Channel in India and additional redundancy costs arising from restructuring within the Lonely Planet business.

Amounts written off joint ventures and associates in the year ended 31 March 2014 relate to the associate AudioGO, which has been written down to £nil due to the associate being in administration.

5. Profit for the year

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

	2014 £m	2013 £m
Rentals on operating leases and similar arrangements	11.7	16.2
Sub-lease rentals received on operating leases	(0.6)	(0.5)
Net foreign exchange losses/(gains)	6.1	(1.1)
Government grants	(1.0)	(0.5)
Insurance recoveries	-	(5.5)
Depreciation on property, plant and equipment (note 15)	7.7	7.1
Amortisation of intangible assets:		
Distribution rights (note 13)	103.4	104.1
Internally generated software assets	3.0	15.8
Other intangible assets	1.7	3.4
Programme rights and other inventories:		
Cost recognised as an expense	71.5	97.3
Write downs recognised as an expense	5.3	6.5
Employee costs (note 7)	144.5	179.0
Impairment loss recognised on loan receivables	0.6	0.7
Impairment loss recognised on trade receivables (note 19)	4.1	7.7
Reversal of impairment losses recognised on trade receivables (note 19)	-	(0.1)

Amortisation of distribution rights is recorded within cost of sales. Amortisation of other intangible assets, including internally generated software assets, is recorded within administration costs.

Notes to the consolidated financial statements (continued)

6. Auditor's remuneration

	2014 £m	2013 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.3	0.3
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	0.3
Total audit fees	**0.5**	**0.6**
Tax services	0.1	0.1
Corporate finance services	-	-
Other services	-	0.4
Total non-audit fees	**0.1**	**0.5**

7. Employee costs

As explained in Note 2, the Group changed from divisional to geographical reporting lines across seven regions. Accordingly, the year ended 31 March 2013 average number of employees has been re-stated consistent with the new reportable segments as per Note 2.

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

	2014 Number	2013 Number
United Kingdom	453	509
North America	514	556
Australia and New Zealand	179	597
Western Europe	288	284
Rest of World	390	387
Total number of employees	**1,824**	**2,333**

Within the averages above, 96 (2013: 186) part-time employees have been included at their full-time equivalent of 64 (2013: 119) including casual staff.

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

	2014 £m	2013 £m
Salaries and wages	123.3	155.3
Social security costs	8.7	9.6
Other pension costs	12.5	14.1
	144.5	**179.0**

In addition to the above, redundancy costs and compensation for loss of office payments totalling £5.1m (2013: £8.4m) were incurred in the year.

Notes to the consolidated financial statements (continued)

7. Employee costs (continued)

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

	2014 £'000	2013 £'000
Emoluments	971	1,598
Compensation for loss of office	-	449
Long-term incentive schemes	7	292
	978	**2,339**

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

	2014 Number of Directors	2013 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 22 to 27. Further information regarding the compensation earned by key management can be found in note 34.

The Group contributed £3,000 (2013: £nil) to money purchase schemes for its Directors in the year.

The remuneration of the highest paid Director during the year was as follows:

	2014 £'000	2013 £'000
Emoluments	633	956
Compensation for loss of office	-	449
Long-term incentive schemes	-	196
	633	**1,601**

The emoluments above in 2013 include £387,000 refunded from the Group's bonus matching scheme.

8. Other gains and losses

	2014 £m	2013 £m
Change in fair value of derivative financial instruments	6.1	1.0
Change in fair value of available-for-sale financial instruments (note 33)	1.1	-
Change in fair value of put options over non-controlling interests (note 33)	-	(1.8)
Recognition of share of net liabilities of joint ventures (note 16)	(16.5)	-
	(9.3)	**(0.8)**

9. Net financing costs

	2014 £m	2013 £m
Other interest receivable	0.4	0.3
Finance income	**0.4**	**0.3**
Interest payable on loan from parent undertaking	1.7	4.1
Interest payable on bank loans	-	0.1
Interest payable on derivative financial instruments	2.3	2.2
Other interest payable	0.6	0.2
Finance expense	**4.6**	**6.6**

Notes to the consolidated financial statements (continued)

10. Tax

Tax strategy and governance

BBC Worldwide is committed to being a prudent tax payer in all the countries in which it operates and to conducting its tax affairs with integrity. As part of its remit as a subsidiary of the BBC, BBC Worldwide will undertake acceptable tax planning measures, which are in accordance with the spirit and intention of laws and regulations, to minimise its tax cost. It will not undertake measures purely for tax purposes and it will never knowingly contribute to other companies' tax evasion.

Effective, well-documented and controlled processes are in place to ensure compliance with tax disclosure and filing obligations. BBC Worldwide employs high-quality tax professionals and takes appropriate advice from reputable professional firms.

Tax charge for the year

	Total 2014 £m	2013 £m
Current tax:		
UK corporation tax	4.2	13.1
Foreign tax	20.2	22.4
Adjustments in respect of prior years	(0.4)	(3.3)
	24.0	**32.2**
Deferred tax:		
Origination and reversal of timing differences	2.6	1.2
Reduction in rate of UK corporation tax	0.4	0.3
Adjustments in respect of prior years	1.1	(0.4)
	4.1	**1.1**
Tax on profit on ordinary activities	**28.1**	**33.3**

The UK corporation tax charge is net of a credit of £5.1m in respect of high end TV tax credits.

A tax credit of £2.2m (2013: £3.3m) is included in the Income Statement in respect of other specific items (see note 4).

In addition to the amount charged to the income statement, a tax charge of £3.7m (2013: credit of £2.6m) 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 lower (2013: lower) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The tax charge can be reconciled to the profit per the income statement as follows:

	2014 £m	2013 £m
Profit before tax	**126.2**	**160.9**
Tax at the UK corporation tax rate of 23% (2013: 24%)	29.0	38.6
Effects of:		
Disallowed expenditure	2.3	5.3
Production tax credits	(5.1)	-
Tax exempt disposals of businesses	(1.2)	(9.0)
Tax differential on wholly-owned overseas earnings	4.1	8.1
Tax effect of share of results of joint ventures and associates	(2.1)	(6.3)
Reduction in rate of UK corporation tax	0.4	0.3
Adjustments in respect of previous years	0.7	(3.7)
Tax charge for the year	**28.1**	**33.3**

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 2012/13 tax charge was paid in 2013/14. 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 tax liability on the submitted tax returns.

Notes to the consolidated financial statements (continued)

10. Taxation (continued)

Factors affecting future tax expense

The UK Government has announced a phased reduction in the main rate of corporation tax in the UK. On 1 April 2014, the rate was reduced from 23% to 21%. A further annual reduction is expected to follow in the next year, reducing the corporation tax rate to 20% from 1 April 2015. The impact of the future rate reductions will be accounted for in future periods, to the extent that they are enacted at the balance sheet date; however, it is estimated that this will not have a material effect on the Group.

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.

	Fixed asset temporary differences £m	Provisions £m	Financial instruments £m	Other £m	Total £m
At 1 April 2012	**(4.3)**	**6.3**	**0.6**	**1.2**	**3.8**
Credited/(charged) to the income statement	1.4	(2.9)	(0.3)	0.7	(1.1)
Charged to other comprehensive income	-	-	2.6	-	2.6
Disposal of subsidiary	7.3	-	0.2	(3.8)	3.7
Foreign exchange translation gains and losses	(0.6)	-	-	0.5	(0.1)
At 31 March 2013	**3.8**	**3.4**	**3.1**	**(1.4)**	**8.9**
Credited/(charged) to the income statement	(0.6)	(0.5)	(1.3)	(1.7)	(4.1)
Charged to other comprehensive income	-	-	(3.7)	-	(3.7)
Foreign exchange translation gains and losses	0.4	1.2	-	(1.4)	0.2
At 31 March 2014	**3.6**	**4.1**	**(1.9)**	**(4.5)**	**1.3**

Other deferred tax balances predominantly relate to temporary differences arising on tax losses and intragroup eliminations.

Deferred tax is recorded in the balance sheet as follows:

	2014 £m	2013 £m
Deferred tax assets	3.5	9.1
Deferred tax liabilities	(2.2)	(0.2)
Net deferred tax asset	**1.3**	**8.9**

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 £170.0m (2013: £156.2m). 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.

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 £nil (2013: £nil). 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.

11. Dividends

	2014 £m	2013 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividends for the year ended 31 March 2013 of £120.24 per share (2012: £25.56 per share)	30.1	6.4
Interim dividends for the year ended 31 March 2014 of £232.80 per share (2013: £107.79 per share)	58.2	26.9
	88.3	**33.3**
Amounts not yet recognised as distributions:		
Interim dividend declared but not yet paid for the year ended 31 March 2014 of £nil per share (2013: £118.64 per share)	-	29.7
Interim dividend proposed but not yet declared for the year ended 31 March 2014 of £1.60 per share (2013: £2.00 per share)	0.4	0.5
	0.4	**30.2**

Notes to the consolidated financial statements (continued)

12. Goodwill

	2014 £m	2013 £m
Cost		
At beginning of the year	36.1	126.3
Foreign exchange translation gains and losses	(2.0)	5.9
Disposals	-	(96.1)
	34.1	**36.1**
Accumulated impairment losses		
At beginning of the year	-	68.1
Foreign exchange translation gains and losses	-	4.0
Disposals	-	(72.1)
	-	-
Carrying amount	**34.1**	**36.1**

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

	2014 £m	2013 £m
Consumer distribution	25.4	25.4
Australian Channels	8.7	10.7
	34.1	**36.1**

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

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

Lonely Planet

The goodwill in the prior year relating to this CGU arose as a result of the acquisition of Lonely Planet on 1 October 2007 and was disposed of during the year ended 31 March 2013 (see note 27).

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% (2013: -5%).

A discount rate of 14.4% (2013: 12.8%) has been applied to the cash flows.

Management is of the view that any reasonably possible change in key assumptions would not cause the carrying amount to exceed its recoverable amount.

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 (2013: five years) and a discount rate of 14.9% (2013: 11.7%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1% (2013: 1%). The terminal growth rate assumes contractual rates remaining in place and a modest growth of subscribers as per external sources. Cash flow projections are consistent with the business acquisition plans and those used in the previous year.

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 recent contracted terms.

Management believes that any reasonably possible change in the key assumptions on which the value in use of UK.TV is based would not result in any impairment.

Notes to the consolidated financial statements (continued)

13. Distribution rights

	2014 £m	2013 £m
Cost		
At 1 April	326.9	330.9
Additions	142.2	104.2
Disposals	-	(5.0)
Foreign exchange translation gains and losses	5.5	(10.4)
Fully amortised rights written off	-	(92.8)
	474.6	**326.9**
Amortisation		
At 1 April	195.3	196.1
Charge for the year	103.4	104.1
Disposals	-	(3.0)
Foreign exchange translation gains and losses	5.8	(9.1)
Fully amortised rights written off	-	(92.8)
	304.5	**195.3**
Net book value	**170.1**	**131.6**

Included within distribution rights is self-funded content in the course of production totalling £9.8m (2013: £1.5m).

Notes to the consolidated financial statements (continued)

14. Other intangible assets

2014	Masthead £m	Carrier Agreements £m	Software £m	Other £m	Total £m
Cost					
At 1 April	-	11.3	39.8	0.9	52.0
Additions	-	-	7.7	-	7.7
Disposals	-	-	(1.5)	-	(1.5)
Foreign exchange translation gains and losses	-	(2.1)	0.1	(0.2)	(2.2)
	-	**9.2**	**46.1**	**0.7**	**56.0**
Amortisation					
At 1 April	-	3.1	28.7	0.7	32.5
Charge for the year	-	0.7	4.0	-	4.7
Disposals	-	-	(1.5)	-	(1.5)
Foreign exchange translation gains and losses	-	(0.7)	0.1	(0.1)	(0.7)
	-	**3.1**	**31.3**	**0.6**	**35.0**
Net book value	-	**6.1**	**14.8**	**0.1**	**21.0**

2013	Masthead £m	Carrier Agreements £m	Software £m	Other £m	Total £m
Cost					
At 1 April	33.0	10.7	57.4	4.0	105.1
Additions	-	-	15.6	-	15.6
Disposals	-	-	(0.6)	-	(0.6)
Disposal of subsidiary	(35.0)	-	(34.0)	(3.4)	(72.4)
Foreign exchange translation gains and losses	2.0	0.6	1.4	0.3	4.3
	-	**11.3**	**39.8**	**0.9**	**52.0**
Amortisation					
At 1 April	7.4	2.2	41.2	3.5	54.3
Charge for the year	1.7	0.7	16.4	0.4	19.2
Disposals	-	-	(0.6)	-	(0.6)
Disposal of subsidiary	(9.6)	-	(29.4)	(3.4)	(42.4)
Foreign exchange translation gains and losses	0.5	0.2	1.1	0.2	2.0
	-	**3.1**	**28.7**	**0.7**	**32.5**
Net book value	-	**8.2**	**11.1**	**0.2**	**19.5**

Other assets comprise advertising relationships, non-compete agreements and software assets under construction.

Of total software additions recognised during the period, £7.5m (2013: £15.3m) related to internally developed software.

Notes to the consolidated financial statements (continued)

15. Property, plant and equipment

2014	Freehold buildings £m	Short leasehold buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost						
At 1 April	0.2	13.6	33.1	11.9	2.2	61.0
Additions	-	-	1.5	0.4	-	1.9
Disposals	-	(0.1)	(4.1)	(0.4)	-	(4.6)
Transfers	-	-	0.8	-	(0.8)	-
Foreign exchange translation gains and losses	-	(0.8)	(0.9)	(0.4)	-	(2.1)
	0.2	**12.7**	**30.4**	**11.5**	**1.4**	**56.2**
Depreciation						
At 1 April	-	6.8	21.9	8.8	-	37.5
Charge for the year	-	2.7	3.8	1.2	-	7.7
Disposals	-	(0.1)	(4.1)	(0.4)	-	(4.6)
Foreign exchange translation gains and losses	-	(0.4)	(0.7)	(0.2)	-	(1.3)
	-	**9.0**	**20.9**	**9.4**	**-**	**39.3**
Net book value	**0.2**	**3.7**	**9.5**	**2.1**	**1.4**	**16.9**

2013	Freehold buildings £m	Short leasehold buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost						
At 1 April	0.2	12.4	36.6	14.0	1.4	64.6
Additions	-	1.0	3.2	1.2	0.8	6.2
Disposals	-	(0.1)	(0.1)	(0.2)	-	(0.4)
Disposal of subsidiary	-	-	(7.2)	(3.4)	-	(10.6)
Foreign exchange translation gains and losses	-	0.3	0.6	0.3	-	1.2
	0.2	**13.6**	**33.1**	**11.9**	**2.2**	**61.0**
Depreciation						
At 1 April	-	4.9	23.3	10.0	-	38.2
Charge for the year	-	1.8	3.8	1.5	-	7.1
Disposals	-	(0.1)	(0.1)	(0.2)	-	(0.4)
Disposal of subsidiary	-	-	(5.7)	(2.7)	-	(8.4)
Foreign exchange translation gains and losses	-	0.2	0.6	0.2	-	1.0
	-	**6.8**	**21.9**	**8.8**	**-**	**37.5**
Net book value	**0.2**	**6.8**	**11.2**	**3.1**	**2.2**	**23.5**

At 31 March 2014, the Group had contractual commitments for the acquisition of property, plant and equipment totalling £7.9m (2013: £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 f to the Company financial statements.

The movement in joint ventures and associates during the year was as follows:

	Joint ventures 2014 £m	Associates 2014 £m	Total 2014 £m	Joint ventures 2013 £m	Associates 2013 £m	Total 2013 £m
At 1 April	19.3	16.0	35.3	14.0	17.0	31.0
Additions	0.4	-	0.4	0.4	-	0.4
Disposals	(9.9)	(1.4)	(11.3)	(0.5)	(1.9)	(2.4)
Recognition of share of net liabilities	(16.5)	-	(16.5)	-	-	-
Share of results	25.4	0.5	25.9	24.8	1.4	26.2
Adjustment to provision for unrealised profits	(0.1)	0.1	-	(0.2)	0.1	(0.1)
Dividends received	(17.9)	(0.3)	(18.2)	(19.2)	(0.2)	(19.4)
Foreign exchange translation gains and losses	-	(0.6)	(0.6)	-	0.2	0.2
Amounts written off	-	(2.2)	(2.2)	-	(0.6)	(0.6)
At 31 March	**0.7**	**12.1**	**12.8**	**19.3**	**16.0**	**35.3**

Joint ventures and associates are recorded in the balance sheet as follows:

	Joint ventures 2014 £m	Associates 2014 £m	Total 2014 £m	Joint ventures 2013 £m	Associates 2013 £m	Total 2013 £m
Interests in joint ventures and associates	0.7	12.1	12.8	15.3	16.0	31.3
Non-current assets held for sale (note 21)	-	-	-	9.9	-	9.9
Provisions (note 22)	-	-	-	(5.9)	-	(5.9)
	0.7	**12.1**	**12.8**	**19.3**	**16.0**	**35.3**

Interests in joint ventures

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

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 Limited ("UKTV").

UKTV is financed by Scripps and has both trade and debt in a number of subsidiary operating companies. These companies previously formed a number of discrete legal groups with ownership of each held directly by the joint venture partners. In accordance with IAS 28 *Joint Ventures and Associates*, BBC Worldwide equity accounted only for those joint ventures which were cumulatively profitable. Accordingly, the Group did not account for two companies within the UKTV group which had net liabilities and where BBC Worldwide had no obligation to provide further funding.

During the current year, UKTV management agreed in principle to a reorganisation of the unified UKTV Group, which will involve collapsing the disparate trading subsidiaries into a single trading entity. As a result of this change, BBC Worldwide has recognised a 50% share of those net liabilities not previously recognised, recording a charge of £16.5m in the income statement. As at 31 March 2014, the consolidated UKTV group was in an overall net asset position.

Ragdoll Worldwide Limited

In April 2006, BBC Worldwide entered into an agreement with Ragdoll Limited to form a joint venture. The purpose of the joint venture was to exploit and manage existing Children's intellectual properties and to invest in the development of new intellectual property rights.

In May 2011, the Board resolved to dispose of the Group's interest in the joint venture and the joint venture was classified as held for sale. The joint venture was disposed of in the year ended 31 March 2014 (see note 27).

Notes to the consolidated financial statements (continued)

16. Interests in joint ventures and associates (continued)

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

	2014 £m	2013 £m
Non-current assets	8.5	10.9
Current assets	99.2	104.4
Current liabilities	(46.3)	(53.8)
Non-current liabilities	(54.6)	(54.2)
Shareholders' equity	**6.8**	**7.3**
Share of net liabilities not recognised	-	16.5
Group's share of net assets of joint ventures	**6.8**	**23.8**
Revenue	153.0	150.4
Expense	(120.5)	(115.8)
Taxation	(7.5)	(8.2)
Share of profit from joint ventures	**25.0**	**26.4**
Share of results not recognised	0.4	(1.6)
Share of profit from joint ventures recognised in income statement	**25.4**	**24.8**

Interests in associates

Representing 100% of each associate:

	2014 £m	2013 £m
Total assets	77.3	80.7
Total liabilities	(67.9)	(69.3)
Net assets	**9.4**	**11.4**
Group's share of net assets	**3.5**	**4.4**
Revenue	53.3	105.4
Result for the year	4.6	6.9
Group's share of results of associates	**0.5**	**1.4**

The Group has board representation and participates in policy-making decisions affecting Educational Publishers LLP, Woodlands Books Limited and Audio London 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

	2014 £m	2013 £m
Available-for-sale investments carried at fair value		
Unquoted equities	4.4	5.1
Loans receivable carried at amortised cost		
Loans to related parties	0.4	1.7
Loans to other entities	3.7	1.7
	4.1	**3.4**
Total investments	**8.5**	**8.5**

Notes to the consolidated financial statements (continued)

18. Programme rights and other inventories

	2014 £m	2013 £m
Programme rights for broadcast	72.5	77.0
Programmes in the course of production	13.2	6.2
Raw materials and consumables	2.7	2.8
Work in progress	2.1	0.7
Finished goods and goods for resale	12.1	11.3
	102.6	**98.0**

19. Trade and other receivables

	2014 £m	2013 £m
Current		
Trade receivables	192.0	191.7
Prepayments	27.5	21.0
Royalty advances	11.2	18.1
Accrued income	55.6	47.2
Amounts owed by joint ventures and associates (note 34)	19.4	27.7
Other receivables	9.7	16.9
	315.4	**322.6**

Included within Trade and other receivables is £6.8m (2013: £nil) due in greater than one year.

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 2014 are balances of £29.1m (2013: £32.1m) which are past due at the reporting date but 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:

	2014 £m	2013 £m
Up to 3 months	23.5	26.5
3 to 6 months	3.5	4.5
Over 6 months	2.1	1.1
	29.1	**32.1**

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 for based on estimated irrecoverable amounts, determined by reference to past default experience of the counterparty and an analysis of the counterparty's financial situation. The concentration of credit risk is limited due to the customer base being large and unrelated (see note 33).

Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the Income Statement. The impairment provision stands at £3.6m at 31 March 2014 (2013: £9.3m).

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

	2014 £m	2013 £m
Balance at the beginning of the period	9.3	2.9
Impairment losses recognised	4.1	7.7
Amounts written off as uncollectible	(9.8)	(0.6)
Impairment losses reversed	-	(0.1)
On disposal of subsidiary	-	(0.5)
Foreign exchange translation gains and losses	-	(0.1)
	3.6	**9.3**

Notes to the consolidated financial statements (continued)

20. Trade and other payables

	2014 £m	2013 £m
Current		
Trade payables	33.0	51.5
Rights creditors	96.8	88.4
Accruals	57.8	57.5
Deferred income	52.0	55.1
Amounts owed to ultimate parent undertaking	43.8	50.4
Amounts owed to fellow subsidiary undertakings	9.1	14.7
Amounts owed to joint ventures and associates (note 34)	0.4	2.1
Other payables including other tax and social security	34.7	41.0
	327.6	**360.7**
Non-current		
Accruals	0.8	2.7
	0.8	**2.7**
	328.4	**363.4**

Rights creditors comprise royalty payments owing to producers of and contributors to television programmes, DVDs and other media. Other payables include £0.5m relating to contingent consideration (2013: £0.4m) (see note 33).

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

21. Assets held for sale

There are no assets and liabilities classified as held for sale in the current year. In the prior year, these related to the Group's investment in the Ragdoll joint venture (see note 16).

	2014 £m	2013 £m
Investments in joint ventures and associates	-	9.9
Total assets classified as held for sale	**-**	**9.9**
Net assets of disposal groups	**-**	**9.9**

Notes to the consolidated financial statements (continued)

22. Provisions

	Property related £m	Onerous contracts £m	Share of joint venture liabilities £m	Other £m	Total £m
At 31 March 2013	1.3	-	5.9	1.9	9.1
Additional provision in the year	0.6	2.1	-	5.6	8.3
Utilisation of provision	-	-	(5.9)	(5.8)	(11.7)
Released to the income statement	(0.4)	-	-	(0.1)	(0.5)
Foreign exchange translation gains and losses	-	-	-	-	-
At 31 March 2014	**1.5**	**2.1**	**-**	**1.6**	**5.2**

Provisions in the prior year in respect of the Group's share of joint venture liabilities related to UKTV. In the current year, the UKTV group is in a net assets position (see note 16).

Other provisions primarily comprise reorganisation provisions.

Provisions have been analysed between current and non-current as follows:

	2014 £m	2013 £m
Current	4.7	1.8
Non-current	0.5	7.3
	5.2	**9.1**

23. 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 2014 £m	Indian Rupee 2014 £m	Total 2014 £m	Sterling 2013 £m	Australian dollars 2013 £m	Total 2013 £m
Unsecured borrowing at amortised cost						
Loans from related parties	98.7	-	98.7	51.6	27.6	79.2
Bank loans	-	0.7	0.7	-	-	-
	98.7	**0.7**	**99.4**	**51.6**	**27.6**	**79.2**
Total borrowings						
Amount due for settlement within 12 months	-	0.7	0.7	-	-	-
Amount due for settlement after 12 months	98.7	-	98.7	51.6	27.6	79.2
	98.7	**0.7**	**99.4**	**51.6**	**27.6**	**79.2**

The Group's principal source of funding is a multi-currency loan facility of £202.2m (2013: £202.2m) with BBC Commercial Holdings Limited (BBCCH), of which £30.0m (2013: £30.0m) is available only on condition that an equivalent cash balance is maintained. The loan facility expires on 30 September 2015 and attracts interest based on interbank rates plus a margin of 1.00%. Interbank rates are based on the period of the loan and are based on LIBOR for the relevant currency except for EUR and AUD drawdowns which are based on EURIBOR and BBSW, respectively.

The Group also has a working capital loan facility in India of INR 120m (£1.2m) with an overdraft limit within this of INR 40m (£0.4m). The loan facility has no expiration date but can be called upon for repayment at any time and therefore has been classed as current. The balance attracts interest of base rate plus average rate of 6%.

Notes to the consolidated financial statements (continued)

24. Derivative financial instruments

2014	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Derivatives that are designated in effective hedges					
Forward foreign currency contracts	2.8	5.7	(0.5)	(0.1)	7.9
Interest rate swaps	-	-	-	(0.7)	(0.7)
	2.8	**5.7**	**(0.5)**	**(0.8)**	**7.2**
Derivatives that are held for trading					
Forward foreign currency contracts	0.6	3.8	(0.5)	(0.1)	3.8
Interest rate swaps	-	-	(0.1)	-	(0.1)
Embedded derivatives	-	-	-	(1.1)	(1.1)
	0.6	**3.8**	**(0.6)**	**(1.2)**	**2.6**
	3.4	**9.5**	**(1.1)**	**(2.0)**	**9.8**

2013	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Derivatives that are designated in effective hedges					
Forward foreign currency contracts	0.1	0.5	(5.4)	(2.9)	(7.7)
Interest rate swaps	-	-	-	(1.5)	(1.5)
	0.1	**0.5**	**(5.4)**	**(4.4)**	**(9.2)**
Derivatives that are held for trading					
Forward foreign currency contracts	0.1	1.1	(1.2)	(0.2)	(0.2)
Interest rate swaps	-	-	(1.1)	(0.9)	(2.0)
Embedded derivatives	0.1	-	-	(1.4)	(1.3)
	0.2	**1.1**	**(2.3)**	**(2.5)**	**(3.5)**
	0.3	**1.6**	**(7.7)**	**(6.9)**	**(12.7)**

Fair value movements on derivative financial instruments that are held for trading are recorded through the income statement within other gains and losses.

The total notional principal amount of the outstanding forward foreign exchange contracts at 31 March 2014 was £292.5m (2013: £337.6m). 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 gains (before tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in cash flow hedge relationships at 31 March 2014 were £16.4m (2013: losses of £10.8m). 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 24 months.

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2014 were £100.0m (2013: £200.7m). All outstanding interest rate swaps mature by July 2016.

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.

25. Called up share capital

	2014 £m	2013 £m
Authorised		
1,000,000 ordinary shares of £1 each	1.0	1.0
Issued, alloted, 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.

Notes to the consolidated financial statements (continued)

26. 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).

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.

Retained earnings

At 31 March 2014, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14.2m. This amount is unchanged on prior year and remained in equity upon transition to IFRS as permitted by IFRS 1.

27. Disposals

The following summarises the disposals of the Group for both the current and prior year.

Ragdoll

On 13 September 2013, the Group disposed of its interest in Ragdoll Worldwide Limited for cash consideration of £8.7m and a £3.5m dividend immediately prior to disposal, resulting in a gain on disposal of £2.3m. Net assets at the date of disposal were £9.9m.

In September 2012, the Group disposed of distribution rights relating to Ragdoll properties back to its Ragdoll joint venture. Distribution rights with a book value of £2.0m were disposed of for cash proceeds of £1.8m, resulting in a loss on disposal of £0.2m.

Big Talk

On 26 July 2013, the Group disposed of its interest in Big Talk Productions Limited for cash consideration of £3.1m and £1.3m loan settlement, resulting in a gain on disposal of £1.7m. Net assets at the date of disposal were £1.5m.

Haymarket

On 12 August 2013, the Group disposed of its interest in BBC Haymarket Exhibitions Limited for cash consideration of £0.1m resulting in a gain on disposal of £0.1m. Net assets at the date of disposal were £nil.

In the year ended 31 March 2013, the following disposals took place:

Lonely Planet

On 31 March 2013, the Group disposed of its interest in the Lonely Planet group of companies for cash consideration of US$62.1m and deferred consideration of US$15.5m. Deferred consideration was receivable in the year ended 31 March 2014 and was secured against 20% of the equity of the Lonely Planet group. As a result of the disposal, cumulative currency translation gains of £48.4m and hedged derivative gains of £0.1m were removed from reserves and recorded in the prior year income statement.

Cash consideration of £51.5m was received, of which £10.3m related to deferred consideration and was received in the year ended 31 March 2014, giving rise to a gain on disposal of £15.0m.

BBC.com

The Group transferred its interest in the news operations of BBC.com to BBC Global News, a fellow subsidiary of BBC Commercial Holdings, on 30 September 2012. Immediately prior to the transfer, the Group waived £12.0m of intercompany borrowings owed by BBC.com. Disposal proceeds of £12.0m were received in cash, giving rise to a gain on disposal of £12.4m.

BBC Worldwide continues to own and operate the non-news elements of BBC.com and now provides advertising sales and distribution services to BBC Global News through a new commercial arrangement.

Left Bank

On 17 August 2012 the Group disposed of its interest in Left Bank Pictures, a UK production company, for consideration of £10.1m. Consideration received was comprised of cash, contingent consideration and a retained interest, recorded as an available-for-sale investment. The carrying value of the group's associate interest in Left Bank Pictures as at the date of disposal was £1.9m (March 2012: £1.8m) and the group incurred £0.2m of transaction fees, giving rise to a profit on disposal of £8.0m.

Freehand

On 30 April 2012, the Group disposed of its interest in Freehand International Pty Ltd, by way of a share buy back, for proceeds of AU$0.8m. Net assets at the date of disposal were AU$0.8m (March 2012: AU$0.8m). Translation gains of £0.5m were reclassified from reserves to the income statement as a result of the disposal, giving rise to a disposal gain of £0.5m.

Notes to the consolidated financial statements (continued)

28. Notes to the cash flow statement

	2014 £m	2013 £m
Operating profit	**135.6**	**132.3**
Adjustments for:		
Share of results of joint ventures and associates	(25.9)	(26.1)
Depreciation and impairment of property, plant and equipment	7.7	7.1
Amortisation and impairment of intangible assets	108.1	123.3
Impairment of investments	2.8	1.9
Impairment loss recognised on trade and other receivables	4.1	7.7
Reversal of impairment losses recognised on trade and other receivables	-	(0.1)
Net foreign exchange gains and losses	6.1	(1.1)
Increase in provisions	2.0	1.3
Cash flows before movements in working capital	**240.5**	**246.3**
Increase in trade and other receivables	(21.4)	(31.1)
Increase in programme rights and other inventories	(12.1)	(12.4)
(Decrease)/increase in trade and other payables	(18.9)	10.8
Cash generated from operations	**188.1**	**213.6**

29. Commitments and contingent liabilities

	2014 £m	2013 £m
Capital commitments		
Distribution rights	75.4	63.9
Property, plant and equipment	7.9	7.2
Intangible assets	0.6	1.0
	83.9	**72.1**
Other financial commitments		
Programme rights for broadcast	16.8	24.0
Other commitments	32.7	28.5
	49.5	**52.5**
Total unrecognised commitments	**133.4**	**124.6**

In addition to the above, the Group's share of commitments for programme acquisitions and other commitments in respect of its UKTV joint venture amount to £19.1m and £72.6m, respectively (2013: £8.6m and £59.2m, respectively).

The Group has a number of contingent liabilities arising from litigation and from the rights of our customers and suppliers to undertake routine audits. These arise from our 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 23). At 31 March 2014, total amounts drawn down under this facility were £98.7m (2013: £172.4m). In addition the Group has given guarantees in relation to a US private placement in the name of BBC Commercial Holdings Limited. At 31 March 2014, the total amount of this debt was £157.8m (2013: £nil).

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 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.

Notes to the consolidated financial statements (continued)

30. 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:

	2014 £m	2013 £m
Within one year	12.4	13.0
In the second to fifth years inclusive	21.8	25.0
After five years	59.6	66.0
	93.8	**104.0**

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.

Notes to the consolidated financial statements (continued)

31. Retirement benefits

The Group operates a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. Pension costs, representing contributions payable by the Group during the year, were £4.7m (2013: £5.4m).

Many BBC Worldwide employees are members of the BBC Group's pension schemes. These comprise the BBC Pension Scheme (a defined benefit scheme which is now closed to new members), a small unfunded plan (the unfunded scheme, which is also closed to new members) and defined contribution schemes (Lifeplan and the Group Personal Pension Scheme).

The BBC Pension Scheme provides benefits on a defined benefit basis funded from assets held in separate trustee-administered funds. There are four sections to the BBC Pension Scheme: Old Benefits and New Benefits, which both provide benefits based on final salary (subject to differing inflation caps), Career Average Benefits 2006 (CAB 2006) and Career Average Benefits 2011 (CAB 2011). All sections are now closed to new entrants.

BBC Worldwide, following the provisions within IAS 19 *Employee Benefits* for accounting in respect of Group schemes, accounts for its participation in the scheme as if it were a defined contribution scheme. This is because there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants. The pension cost for this scheme therefore represents contributions payable by the Group to the scheme and the costs amounted to £7.8m in the year (2013: £8.7m). No contributions were prepaid or accrued at 31 March 2014 (2013: £nil).

The following liabilities in respect of retirement benefits have been recorded in the financial statements of the BBC:

	2014 £m	Restated* 2013 £m
BBC Pension Scheme	1,508.5	1,608.7
Unfunded Scheme	7.2	7.1
	1,515.7	**1,615.8**

** IAS 19 (revised) 'Employee Benefits' has been adopted for 2014. The effect on the British Broadcasting Corporation (BBC) Group's result for the year ended 31 March 2013 is to reduce the surplus by £171m. Accordingly, the 2013 comparatives have been restated. There has been no impact on the BBC Worldwide Consolidated income statement in the current or preceding year.*

The actuarial valuation for the BBC Pension Scheme was updated for IAS 19 purposes to 31 March 2014 by Towers Watson, consulting actuaries. Additional disclosure about the scheme and its financial position under IAS 19 is presented below.

Scheme financial position

	2014 £m	Restated* 2013 £m	Restated* 2012 £m	Restated* 2011 £m	Restated* 2010 £m
Scheme assets**	10,684.2	10,201.1	9,198.5	8,835.8	8,154.8
Scheme liabilities	(12,192.7)	(11,809.8)	(10,270.5)	(9,656.3)	(9,695.7)
Net deficit	**(1,508.5)**	**(1,608.7)**	**(1,072.0)**	**(820.5)**	**(1,540.9)**

** IAS 19 (revised) 'Employee Benefits' has been adopted for 2014 and accordingly the 2013 comparatives have been restated.*

*** excluding funds relating to additional voluntary contributions (AVCs)*

Reconciliation of plan liabilities

The table below illustrates the movement in plan liabilities during the year. The most significant variables which affect this are the additional year of pension benefits earned, interest charged on existing liabilities, any gains or losses relating to participants leaving the pension scheme, changes in assumptions made and benefits paid out during the year.

	2014 £m	Restated* 2013 £m
At 1 April	11,809.8	10,270.5
Current service cost	167.2	149.8
Past service cost	2.4	3.4
Administration costs	8.3	8.0
Interest on pension plan liabilities	523.1	524.9
Experience gains arising on plan liabilities	(62.3)	(12.7)
Changes in assumptions underlying plan liabilities	114.1	1,224.4
Contributions by plan participants	1.1	0.8
Benefits and expenses paid	(371.0)	(359.3)
At 31 March	**12,192.7**	**11,809.8**

Notes to the consolidated financial statements (continued)

31. Retirement benefits (continued)

Reconciliation of plan assets

The table below illustrates the movement on the plan assets during the year. The most significant variables which affect this are the additional year of contributions made, changes in the value of the pension plan assets (including the investment return) and benefits paid during the year.

Employee contributions to the scheme are mainly paid via a salary sacrifice arrangement and have therefore been treated as employer contributions.

	2014 £m	Restated* 2013 £m
At 1 April**	10,201.1	9,198.5
Expected rate of return on plan assets	453.5	472.7
Actuarial gains on plan assets	177.0	695.6
Contributions by employer	222.5	192.8
Contributions by plan participants	1.1	0.8
Benefits and expenses paid	(371.0)	(359.3)
At 31 March**	**10,684.2**	**10,201.1**

** IAS 19 (revised) 'Employee Benefits' has been adopted for 2014 and accordingly the 2013 comparatives have been restated.*

*** excluding AVC funds*

The allocation of assets by the Trustees is governed by a need to manage risk against the desire for high returns and any liquidity needs. A high percentage of assets are held in equities which the Trustees expect will produce higher returns in the long term. For more information, including target asset allocations, about the Scheme, is available at http://www.bbc.co.uk/mypension.

	2014 £m	2014 %	2013 £m	2013 %
Equities	3,486.8	32.7%	3,948.2	38.7%
Bonds	3,793.9	35.5%	3,229.1	31.7%
Property	1,028.5	9.6%	1,059.7	10.4%
Alternatives***	1,964.8	18.4%	1,800.7	17.6%
Cash	410.2	3.8%	163.4	1.6%
At 31 March	**10,684.2**	**100.0%**	**10,201.1**	**100.0%**

***Alternatives include private equity, debt and currency.

The actual return on scheme assets (being realised gains from the receipt of investment income such as dividends and rent, transactions where assets are sold and unrealised fair value changes) in the year to 31 March 2014 was £631.0m (2013: £1,168.0m*).

Funding the Scheme

The 2013 actuarial valuation by Towers Watson of the pension scheme showed a funding shortfall of £2,054m. Consequently a recovery plan was agreed between the BBC and the pension scheme Trustees whereby additional contributions totalling £2,055m will be paid by the BBC over a period of 12 years commencing in 2014. BBC Worldwide expects to contribute towards these payments.

As described in note 4, additional contributions of £2.3m paid by the Group to the BBC in June 2013 (October 2012: £2.3m) have been presented outside Headline profit.

The contributions to the scheme by members are mainly paid via a salary sacrifice arrangement. These have been treated as employer contributions.

The next formal actuarial valuation is expected to be performed as at 1 April 2016.

	Projected 2015 %	2014 %	2013 %	2012 %	2011 %
Employer*	16.7	14.5	14.5	14.5/15.5	18.2
Employee (Old and New Benefits)	7.5	7.5	7.5	7.5	7.5
Employee (CAB 2006)	4.0	4.0	4.0	4.0	4.0
Employee (CAB 2011)	6.0	6.0	6.0	6.0	-

* *Includes an allowance for BBC AVC matching contributions of 0.1% (2013: 0.1%) but excludes the cost effectively paid for by the employee and the salary sacrifice element.*

On the basis assumed above, the BBC expects to make contributions to the scheme totalling £242.2m in the year to 31 March 2015.

Notes to the consolidated financial statements (continued)

31. Retirement benefits (continued)

Principal actuarial assumptions

The calculation of the scheme liabilities and pension charges, for IAS 19 purposes, requires a number of assumptions, both financial and demographic, to be made.

The principal financial assumptions used by the actuaries, at the balance sheet date were:

	2014 %	2013 %
Rate of increase in salaries	1.0	1.0
Rate of increase in pension payments:		
Old Benefits	3.4	3.4
New Benefits	3.2	3.2
CAB 2006	2.4	2.4
CAB 2011	2.3	2.3
Inflation:		
Retail Prices Index (RPI)	3.4	3.4
Consumer Prices Index (CPI)	2.4	2.4
Discount rate	4.4	4.5

The average life expectancy assumptions, for members after retirement at 60 years of age, are as follows:

	2014 Years	2013 Years
Retiring today:		
Male	27.4	28.0
Female	29.8	28.6
Retiring in 20 years:		
Male	29.3	30.5
Female	31.8	30.3

The mortality assumptions have been selected to reflect the characteristics and experience of the membership of the scheme and are based on those used for the actuarial investigation which was carried out for funding purposes as at 1 April 2013. The standard 'S1' series of tables, published by the CMI, reflect recent research into mortality experience in the UK. A subset of these tables has been used for males and females, with a multiplier of 122% for males and 107% for females. For the allowance for future improvements, the CMI 2012 core projection has been adopted with a long term trend of 1.25%.

The sensitivities to changes in the principal assumptions used to measure the scheme's liabilities are set out below:

	Movement	Impact on scheme liabilities %	Impact on scheme liabilities £m
Discount rate	Decrease 0.1%	2.1	(258)
Discount rate	Increase 0.1%	1.6	195
Retail price inflation rate	Decrease 0.1%	1.8	215
Retail price inflation rate	Increase 0.1%	1.8	(220)
Mortality rates	Decrease 0.1%	3.3	404
Mortality rates	Increase 0.1%	3.4	(418)

Notes to the consolidated financial statements (continued)

32. Capital management

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 23 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 £350m. 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 Trust's principles 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 the BBC Trust's 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.

The Group's diversified portfolio of businesses means that generalisation of benchmarks is neither desirable nor possible. Therefore, the Group operates a framework for calculating investment discount rates that are tailored to each investment. This framework applies appropriate risk premiums to the discount rate in order to ensure all risks relating to the investment are taken into account and that the required rate of return is commensurate with this level of risk. This in turn allows the BBC and BBC Worldwide to achieve the optimal allocation of capital and balance its short term and long term return goals.

33. 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 (including 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. The Group's share of income from continuing operations generated outside the UK was 65.1% in 2014 versus 64.6% in 2013.

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.

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 value of embedded derivatives is given in note 24.

Notes to the consolidated financial statements (continued)

33. Financial instruments and risk management (continued)

Currency risk (continued)

Foreign exchange translation risk arises from the translation of overseas subsidiaries' income statements and balance sheets into sterling. This translation currency risk may be hedged by funding overseas investments with loans in the same functional currency as the overseas investment. No such net investment hedges were in place at 31 March 2014 or 31 March 2013.

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 profit or loss and equity impact on the Group's derivative financial instruments of a 10% weakening of Sterling compared to other foreign currency rates:

	2014 £m	2013 £m
Forward foreign currency contracts	(25.2)	(20.7)
Embedded derivatives	(0.7)	1.4
Total impact on derivatives	**(25.9)**	**(19.3)**
Impact on income statement	(10.5)	2.7
Impact on other comprehensive income	(15.4)	(22.0)
Total impact on comprehensive income	**(25.9)**	**(19.3)**

The same movement in currency rates would result in an income statement gain of £2.1m (2013: gain of £7.3m) in respect of the Group's interest bearing loans and borrowings and intragroup monetary assets and liabilities not eliminated on consolidation.

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. BBC Worldwide then use interest rate swaps, caps and collars to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group uses interest rate swaps to fix interest rates so that greater certainty about the level of future interest payments can be achieved. Interest rate swaps, caps and collars are taken out based on projected borrowing requirements, therefore differences will occur between the notional amount of swaps, caps and collars and the actual borrowing requirements.

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 31 March 2014 would increase by £0.6m (2013: increase by £0.7m). The incremental increase in profit is primarily attributable to the effect that such a change in interest rates would have on the fair value of interest rate swaps, which fix all of the Group's external floating rate interest.

Other price risk

Other price risk is any price change other than those arising from changes in currency or interest rates.

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 banks of A+ rating or better.

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. Despite the existence of some key customers in major geographies, there is no material concentration of credit risk with respect to trade receivables as the Group has a large number of customers, geographically dispersed. Credit terms, where given, are generally for a 30-day period. 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.

The Group's other classes of financial assets do not contain impaired assets and are not past due.

Notes to the consolidated financial statements (continued)

33. 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 32. At 31 March 2014, the net debt limit imposed by BBC Group on BBC Worldwide was £172.2m (2013: £172.2m), with a gross debt limit of £202.2m (2013: £202.2m) subject to an equivalent £30m cash balance being held. These limits are subject to review going forward.

BBC Worldwide's loan with the European Investment Bank (EIB), which expired during the previous financial year, was subject to debt covenants based on the Group's earnings before interest, taxation, depreciation and amortisation, and in addition excluding charges arising from business disposals or restructuring (EBITDA). The covenants were:

- Net borrowings not to exceed three times EBITDA; and
- EBITDA to exceed three times net interest cost.

The Group was active in monitoring its debt covenants which were met throughout the term of the EIB facility.

In order to comply with these ceilings 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.

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.

2014	Due in less than 1 year £m	Due in 1 to 2 years £m	Due in 2 to 3 years £m	Due after more than 3 years £m	Total £m
Financial liabilities at fair value through profit and loss					
Derivative financial instruments	0.5	0.4	-	-	0.9
Embedded derivatives	-	1.1	-	-	1.1
Other creditors	0.3		0.1	0.1	0.5
Financial liabilities measured at amortised cost					
Bank loans	0.7	-	-	-	0.7
Loans owed to intermediate parent undertaking	1.9	98.7	-	-	100.6
Trade and other payables (excluding accruals and deferred income)	215.8	-	-	-	215.8

2013	Due in less than 1 year £m	Due in 1 to 2 years £m	Due in 2 to 3 years £m	Due after more than 3 years £m	Total £m
Financial liabilities at fair value through profit and loss					
Derivative financial instruments	8.0	3.7	-	-	11.7
Embedded derivatives	-	-	1.4	-	1.4
Other creditors	-	0.3	-	0.1	0.4
Financial liabilities measured at amortised cost					
Loans owed to intermediate parent undertaking	1.2	79.6	-	-	80.8
Trade and other payables (excluding accruals and deferred income)	248.1	-	-	-	248.1

Notes to the consolidated financial statements (continued)

33. 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 2014 £m	Level 2 2014 £m	Level 3 2014 £m	Total 2014 £m	Level 1 2013 £m	Level 2 2013 £m	Level 3 2013 £m	Total 2013 £m
Financial assets at fair value								
Derivative financial instruments	-	12.8	-	12.8	-	1.8	-	1.8
Embedded derivatives	-	0.1	-	0.1	-	0.1	-	0.1
Available-for-sale financial assets								
Unquoted equities	-	-	4.4	4.4	-	-	5.1	5.1
	-	**12.9**	**4.4**	**17.3**	**-**	**1.9**	**5.1**	**7.0**
Financial liabilities at fair value								
Derivative financial instruments	-	(2.0)	-	(2.0)	-	(13.2)	-	(13.2)
Embedded derivatives	-	(1.1)	-	(1.1)	-	(1.4)	-	(1.4)
Other payables	-	-	(0.5)	(0.5)	-	-	(0.4)	(0.4)
	-	**(3.1)**	**(0.5)**	**(3.6)**	**-**	**(14.6)**	**(0.4)**	**(15.0)**

There were no transfers between levels during the year.

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 quote interest rates.

Level 3 financial liabilities recorded at fair value and included within other payables relate to contingent consideration and in the prior year related to 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.

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:

	Assets £m	Liabilities £m	2014 £m	Assets £m	Liabilities £m	2013 £m
Opening balance	5.1	(0.4)	4.7	0.6	(14.0)	(13.4)
Change in fair value recorded in other gains and losses	1.1	-	1.1	(0.6)	(1.8)	(2.4)
Unwinding of discount recorded within finance expense	-	(0.1)	(0.1)	-	-	-
Purchases	-	-	-	5.0	-	5.0
Settlements	(1.8)	-	(1.8)	-	14.0	14.0
Transfers out of level 3	-	-	-	-	1.4	1.4
Foreign exchange translation gains and losses	-	-	-	0.1	-	0.1
Closing balance	**4.4**	**(0.5)**	**3.9**	**5.1**	**(0.4)**	**4.7**

Level 3 financial assets settled in the year relate to the Group's minority investment in Viki, Inc, which was acquired in the year by a third party. The prior year settlement related to written put options issued over non-controlling interests in the Group's subsidiary, Bedder 6 Limited.

Notes to the consolidated financial statements (continued)

34. 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 BBC and BBC Worldwide Group pension schemes are detailed in note 31.

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:

	2014 £m	2013 £m
Dividends paid	(88.3)	(33.3)
Interest costs	(1.7)	(4.1)
Acquisition of distribution rights	(52.1)	(59.3)
Royalties and other programme related fees	(23.7)	(18.1)
Web syndication rights and hosting fees	-	(3.2)
Other expense	(24.7)	(25.1)
Ad sales commission	19.2	16.4
Programme licence income	9.3	-
Other income	4.2	2.0
	(157.8)	**(124.7)**

Other income and expense includes recharges of administrative and other similar costs including property recharges, pension charges, 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 2014 £m	Expense 2014 £m	Dividends received 2014 £m	Income 2013 £m	Expense 2013 £m	Dividends received 2013 £m
UKTV Media Limited	Joint Venture	46.6	-	16.5	49.9	-	17.9
JV Programmes LLC	Joint Venture	-	(0.1)	1.4	2.5	(1.1)	-
Other joint ventures	Joint Venture	0.8	(1.8)	-	1.9	(0.9)	1.3
Other associates	Associate	2.1	(12.9)	0.3	5.3	(9.3)	0.2
		49.5	**(14.8)**	**18.2**	**59.6**	**(11.3)**	**19.4**

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 2014 £m	Payables 2014 £m	Net balance 2014 £m	Receivables 2013 £m	Payables 2013 £m	Net balance 2013 £m
UKTV Media Limited	Joint Venture	18.4	-	18.4	25.3	(1.5)	23.8
JV Programmes LLC	Joint Venture	-	-	-	-	(0.1)	(0.1)
Other joint ventures	Joint Venture	-	(0.3)	(0.3)	0.6	(0.5)	0.1
Other associates	Associate	1.4	(0.1)	1.3	3.5	-	3.5
		19.8	**(0.4)**	**19.4**	**29.4**	**(2.1)**	**27.3**

At 31 March 2014, the Group also had an outstanding balance of £1.0m (2013: £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)

34. 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:

	2014 £m	2013 £m
Short-term employee benefits	5.7	7.8
Post-employment benefits	0.4	0.5
Other long-term benefits	0.2	1.5
Termination benefits	-	0.2
	6.3	**10.0**

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

35. 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.

36. Events after the balance sheet date

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

Company balance sheet
As at 31 March 2014

	Note	2014 £m	2013 £m
Fixed assets			
Goodwill	c	13.8	15.4
Distribution rights	d	164.2	99.5
Tangible fixed assets	e	26.7	27.0
Investments	f	121.6	131.9
		326.3	**273.8**
Current assets			
Programme rights and other stocks	g	32.3	45.1
Debtors			
- amounts falling due within one year	h	316.0	355.3
- amounts falling due after more than one year	h	7.8	11.9
		356.1	**412.3**
Creditors: amounts falling due within one year	i	(378.7)	(375.1)
Net current (liabilities)/assets		**(22.6)**	**37.2**
Total assets less current liabilities		**303.7**	**311.0**
Creditors: amounts falling due after more than one year	i	(101.5)	(88.1)
Provisions for liabilities	j	(7.7)	(2.8)
Net assets		**194.5**	**220.1**
Capital and reserves			
Called up share capital	l	0.2	0.2
Profit and loss account	m	194.3	219.9
Shareholder's funds		**194.5**	**220.1**

The financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors and authorised for issue on 19 June 2014. They were signed on its behalf by:

Tim Davie
Chief Executive Officer

Notes to the company financial statements

a. Principal accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). They are principally prepared under the historical cost convention. Areas where an alternative basis of accounting has been applied are identified in the accounting policies below. These policies have been applied consistently throughout the year and the preceding year.

In the prior year the trade and net assets of a subsidiary undertaking were transferred to the Company at their book value which was less than their fair value. The cost of the Company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the Company's investment in that subsidiary undertaking fell below the amount at which it was stated in the Company's accounting records.

Schedule 1 to the Companies Act 2006 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the Directors considered that, as there was no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's profit and loss account for the prior year and it instead was re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the Company's individual balance sheet the effective cost to the Company of those net assets and goodwill.

The effect of this departure was to increase the Company's profit for the year ended 31 March 2013 by £15.4m and increase the amount of goodwill in the Company's balance sheet by a corresponding amount. The Group financial statements were not affected by this transfer.

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 to the consolidated financial statements.

Investments

Fixed asset investments in subsidiaries, joint ventures and associates are shown at cost less provision for impairment. Investments are reviewed for impairment if there are indicators that the carrying value may not be recoverable. Only dividends received and receivable are credited to the Company's profit and loss account.

Foreign currency

The Company's presentational 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 Group'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 of the programme genre over its estimated average marketable life. The expected lives of distribution rights range from 1 to 10 years.

Tangible fixed assets

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

Expenditure on fixed assets is capitalised together with directly attributable costs incurred on capital projects. 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

The Company reviews the carrying amounts of its fixed assets in accordance with FRS 11 *Impairment of Fixed Assets and Goodwill* whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount.

Notes to the company financial statements (continued)

a. Principal accounting policies (continued)

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

The Company has chosen to adopt FRS 26 *Financial Instruments: Recognition and Measurement*. Policies applied by the Company in respect of financial instruments are therefore consistent with those applied by the Group. Further details about the Group's financial instrument policies and their application is provided in the note 1 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 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

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The Company also participates in the BBC Pension Scheme, a multi-employer defined benefit scheme. As there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants, the Company has taken the exemption in FRS 17: *Retirement benefits* to account for its contributions to the scheme as if it were a defined contribution scheme.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences arise where transactions or events occurring prior to the balance sheet date result in an obligation to pay more tax, or a right to pay less tax, in a future period owing to differences between the Company's taxable profits and its profit for the year as stated in its financial statements.

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences that have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it is more likely than not that they will be recovered.

Dividends on shares presented within shareholders' 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 written off on a straight-line basis over its useful economic life, which is 10 years. Provision is made for any impairment.

Notes to the company financial statements (continued)

b. 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 2014 of £62.7m (2013: £18.2m). There have been no recognised gains or losses in the current or preceding year other than the profit for the year and accordingly, no statement of recognised gains and losses has been presented in these financial statements.

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

c. Goodwill

	£m
Cost	
At 1 April 2013 and 31 March 2014	**16.3**
Amortisation	
At 1 April 2013	0.9
Charge for the year	1.6
	2.5
Net book value at 31 March 2014	**13.8**
Net book value at 31 March 2013	15.4

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.

d. Distribution rights

	£m
Cost	
At 1 April 2013	315.6
Additions	161.7
	477.3
Amortisation	
At 1 April 2013	216.1
Charge for the year	97.0
	313.1
Net book value at 31 March 2014	**164.2**
Net book value at 31 March 2013	99.5

Notes to the company financial statements (continued)

e. Tangible fixed assets

	Short leasehold buildings £m	Plant & Machinery £m	Fixtures & Fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2013	7.3	69.4	5.8	1.2	83.7
Additions	-	8.8	0.3	-	9.1
Transfer to completed assets	-	0.8	-	(0.8)	-
Disposals	-	(1.4)	(0.2)	-	(1.6)
	7.3	**77.6**	**5.9**	**0.4**	**91.2**
Depreciation					
At 1 April 2013	4.2	47.5	5.0	-	56.7
Charge for the year	1.9	6.8	0.7	-	9.4
Disposals	-	(1.4)	(0.2)	-	(1.6)
	6.1	**52.9**	**5.5**	**-**	**64.5**
Net book value at 31 March 2014	**1.2**	**24.7**	**0.4**	**0.4**	**26.7**
Net book value at 31 March 2013	3.1	21.9	0.8	1.2	27.0

The Company does not hold any assets under finance leases (2013: £nil).

Notes to the company financial statements (continued)

f. Investments

	2014 £m	2013 £m
Subsidiaries	106.8	106.8
Joint ventures	-	10.8
Associates	10.2	13.2
Other investments	4.6	1.1
	121.6	131.9

The Company has investments in the following subsidiaries, joint ventures and associates which principally affected the profits or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

All ownership interests relate to ordinary share capital with a corresponding interest in voting rights unless otherwise stated.

	Note	Country of incorporation or principal business address	Principal activity	Ownership interest
Subsidiary undertakings				
BBC Worldwide Americas Inc.	+	USA	Holding company	100%
BBC Worldwide Australia Pty Limited	+	Australia	Programme distributor	100%
BBC Worldwide Canada Limited	+	Canada	Programme distributor	100%
BBC Worldwide France Sarl	+	France	Programme distributor	100%
BBC Worldwide Germany GmbH	+	Germany	Programme distributor	100%
BBC Worldwide Japan KK	+	Japan	Programme distributor	100%
BBC Worldwide Productions LLC		USA	Content production	100%
BBC Worldwide Reality Productions LLC		USA	Content production	100%
BBC Worldwide Channels Australasia Pty Limited		Australia	TV channel operator	100%
New Video Channel America LLC		USA	TV channel operator	100%
UK Programme Distribution Limited *	+	England & Wales	Programme distributor	100%
Tonto Films & Television Limited	+	England & Wales	Content production	100%
BBC Worldwide Australia Holdings Pty Limited	+	Australia	Holding company	100%
2 entertain Limited	+	England & Wales	Holding company	100%
2 entertain Video Limited		England & Wales	DVD/video publisher	100%
Demon Music Group Limited		England & Wales	CD/music publisher	100%
Worldwide Channel Investments Limited	+	England & Wales	Holding company	100%
Joint ventures				
UKTV Media Limited	+	England & Wales	TV channel operator	50%
JV Programmes LLC		USA	Content creation	50%
Park Publishing Partnership		Australia	Magazine producer	50%
Sub-Zero Events Limited	+	England & Wales	Live stage-performance operator	50%

+ Held directly by BBC Worldwide Limited
* BBC Worldwide holds 93% of the issued share capital but the non-controlling shareholders have no right to distributions.

Notes to the company financial statements (continued)

f. Fixed asset investments (continued)

Name	Note	Country of incorporation or principal business address	Principal activity	Ownership interest
Associates				
Knowledge West Communications Corporation *		Canada	TV channel operator	50%
Baby Cow Productions Limited	+	England & Wales	Content creation	25%
Burning Bright Productions Limited	+	England & Wales	Content creation	25%
Clerkenwell Films Limited	+	England & Wales	Content creation	25%
Slim Film & TV Limited	+	England & Wales	Content creation	25%
Sprout Pictures (TV) Limited	+	England & Wales	Content creation	25%
Temple Street Productions Inc.	+	Canada	Content creation	25%
Tower Productions GmbH	+	Germany	Content creation	49%
Children's Character Books Limited	+	England & Wales	Children's book publisher	25%
AudioGo Limited		England & Wales	Audiobook publisher	14%
Educational Publishers LLP	+	England & Wales	Educational product licensor	15%
Woodlands Books Limited	+	England & Wales	Book publisher	15%
Other Investment				
Left Bank Pictures Limited	+	England & Wales	Content creation	12.2%

+ Held directly by BBC Worldwide Limited
* The shares held by BBC Worldwide entitle it to 20% of voting rights

	Subsidiaries £m	Joint ventures £m	Associates £m	Other investments £m
Cost				
At 1 April 2013	212.5	14.0	13.6	1.7
Additions	-	-	-	5.1
Disposals	-	(14.0)	(1.6)	(0.6)
	212.5	**-**	**12.0**	**6.2**
Provisions for impairment				
At 1 April 2013	105.7	3.2	0.4	0.6
Written down	-	-	1.4	1.0
Disposals	-	(3.2)	-	-
	105.7	**-**	**1.8**	**1.6**
Net book value	**106.8**	**-**	**10.2**	**4.6**

On 13 September 2013, the Company disposed of its interest in Ragdoll Worldwide Limited for cash consideration of £8.7m and a £3.5m dividend immediately prior to disposal, resulting in a gain on disposal of £1.5m. Net assets at the date of disposal were £10.8m.

On 26 July 2013, the Company disposed of its interest in Big Talk Productions Limited for cash consideration of £3.1m and £1.3m loan settlement, resulting in a gain on disposal of £1.5m.

On 3 September 2013, the Company disposed of its interest in Viki, Inc for cash consideration of £1.7m resulting in a gain on disposal of £1.1m.

Following an assessment of the respective carrying values of these investments, the Company has written down its investment in AudioGO London Limited (AudioGO) to its recoverable amount. The recoverable amount of AudioGO has been determined as £nil due to the associate being in administration.

Notes to the company financial statements (continued)

g. Programme rights and other stock

	2014 £m	2013 £m
Programme rights for broadcasting	22.2	38.1
Programmes in the course of production	7.9	6.2
Work in progress	0.3	-
Finished goods for resale	1.9	0.8
	32.3	**45.1**

h. Debtors

	2014 £m	2013 £m
Amounts falling due within one year:		
Trade debtors	88.0	91.1
Prepayments and accrued income	41.9	37.8
Amounts owed by ultimate parent undertaking	0.3	-
Amounts owed by subsidiary undertakings	137.4	179.5
Amounts owed by fellow subsidiary undertakings	1.5	6.1
Amounts owed by joint ventures and associates	19.4	26.2
Derivative financial instruments	9.5	1.6
Corporation tax recoverable	9.3	6.9
Other debtors	8.7	6.1
	316.0	**355.3**
Amounts falling due after more than one year:		
Loans receivable	-	1.7
Amounts owed by joint ventures and associates	-	1.7
Derivative financial instruments	3.4	0.3
Deferred tax	4.4	8.2
	7.8	**11.9**
	323.8	**367.2**

i. Creditors

	2014 £m	2013 £m
Amounts falling due within one year:		
Bank loans and overdraft	57.9	27.7
Trade creditors	22.7	31.5
Rights creditors	54.5	48.1
Accruals and deferred income	77.0	81.4
Amounts owed to ultimate parent undertaking	43.8	61.6
Amounts owed to subsidiary undertakings	98.2	97.2
Amounts owed to fellow subsidiary undertakings	3.9	1.7
Amounts owed to joint ventures and associates	0.2	0.4
Derivative financial instruments	1.1	7.7
Other creditors including other taxes and social security	19.4	17.8
	378.7	**375.1**
Amounts falling due after more than one year:		
Loan owed to intermediate parent undertaking	98.7	79.2
Accruals and deferred income	0.8	2.0
Derivative financial instruments	2.0	6.9
	101.5	**88.1**
Total creditors	**480.2**	**463.2**

Details of bank loans and loans owed to the Company's intermediate parent undertaking are given in note 23 to the consolidated financial statements.

Notes to the company financial statements (continued)

j. Provisions for liabilities and contingent liabilities

	Deferred tax £m	Onerous contracts £m	Other provisions £m	Total £m
At 1 April 2013	0.4	-	2.4	2.8
Provided during the year	2.7	2.1	6.1	10.9
Released in the year	-	-	(0.1)	(0.1)
Utilised in the year	(0.4)	-	(5.5)	(5.9)
At 31 March 2014	**2.7**	**2.1**	**2.9**	**7.7**

Other provisions primarily relate to property dilapidations and reorganisation costs.

The Company also has a number of contingent liabilities arising from litigation as a result of activities undertaken in its ordinary course of business. BBC Worldwide makes specific provision for the best estimate of any damages and costs which might be awarded. 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.

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.

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.

The Company and some of its fellow BBC Commercial Holdings subsidiaries have given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement. At 31 March 2014, total amounts drawn down by the BBC Commercial Holdings Group under this facility were £98.7m (2013: £172.4m).

k. Deferred tax

Deferred tax is provided as follows:

	Fixed asset timing differences £m	Derivative timing differences £m	Total £m
At 1 April 2013	4.8	3.0	7.8
Charged to profit and loss	(1.1)	(5.0)	(6.1)
At 31 March 2014	**3.7**	**(2.0)**	**1.7**

l. Called up share capital

	2014 £m	2013 £m
Issued and fully paid		
250,000 Ordinary shares of £1 each	0.2	0.2

The company has one class of shares which carry no right to fixed income.

m. Reconciliation of movements in shareholder's funds

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2012	0.2	235.0	235.2
Profit for the year	-	18.2	18.2
Dividends paid	-	(33.3)	(33.3)
At 31 March 2013	**0.2**	**219.9**	**220.1**
Profit for the year	-	62.7	62.7
Dividends paid	-	(88.3)	(88.3)
At 31 March 2014	**0.2**	**194.3**	**194.5**

Notes to the company financial statements (continued)

n. Financial commitments

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

	2014 £m	2013 £m
Tangible fixed assets	7.8	8.2
Distribution rights	75.4	62.9
Total	**83.2**	**71.1**

Future minimum rental payments under non-cancellable operating leases, payable in the next year, are as follows:

			2014			2013
	Land & buildings £m	Other £m	Total £m	Land & buildings £m	Other £m	Total £m
Leases which expire:						
Within one year	5.4	0.6	6.0	0.1	0.5	0.6
Between two and five years	0.4	0.6	1.0	5.1	2.7	7.8
After more than five years	0.2	0.6	0.8	-	-	-
Total	**6.0**	**1.8**	**7.8**	**5.2**	**3.2**	**8.4**

The Company also has the following unprovided financial commitments:

	2014 £m	2013 £m
Programme rights for broadcast	6.5	4.7
Other commitments	12.8	28.5
Total	**19.3**	**33.2**

o. Related party transactions

The Group consolidated financial statements for the year ended 31 March 2014 contain related party disclosures. Consequently, the Company has taken advantage of the exemption in FRS 8 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 2014 £m	Expense 2014 £m	Dividends received 2014 £m	Income 2013 £m	Expense 2013 £m	Dividends received 2013 £m
Bedder 6 Limited	Subsidiary	-	-	-	2.6	-	7.5
UK Programme Distribution Limited	Subsidiary	42.5	-	-	44.5	-	-
		42.5	**-**	**-**	**47.1**	**-**	**7.5**
UKTV Media Limited	Joint Venture	46.6	-	16.5	49.9	-	17.8
JV Programmes LLC	Joint Venture	-	(0.1)	-	2.5	-	-
Other joint ventures	Joint Venture	-	-	-	1.9	(0.9)	-
Associates	Associate	1.9	(12.9)	0.3	5.1	(9.2)	0.2
		48.5	**(13.0)**	**16.8**	**59.4**	**(10.1)**	**18.0**
		91.0	**(13.0)**	**16.8**	**106.5**	**(10.1)**	**25.5**

Notes to the company financial statements (continued)

o. Related party transactions (continued)

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

Name of related party	Relationship	Receivables 2014 £m	Payables 2014 £m	Net balance 2014 £m	Receivables 2013 £m	Payables 2013 £m	Net balance 2013 £m
Bedder 6 Limited	Subsidiary	-	(1.0)	(1.0)	-	(1.4)	(1.4)
UK Programme Distribution Limited	Subsidiary	15.9	-	15.9	16.7	-	16.7
		15.9	**(1.0)**	**14.9**	**16.7**	**(1.4)**	**15.3**
UKTV Media Limited	Joint Venture	18.4	-	18.4	23.9	-	23.9
Other joint ventures	Joint Venture	-	(0.1)	(0.1)	0.5	(0.4)	0.1
Associates	Associate	1.4	(0.1)	1.3	3.5	-	3.5
		19.8	**(0.2)**	**19.6**	**27.9**	**(0.4)**	**27.5**
		35.7	**(1.2)**	**34.5**	**44.6**	**(1.8)**	**42.8**

At 31 March 2014, the Company also had an outstanding balance of £1.0m (2013: £1.0m) payable to a joint venture of the Company's ultimate parent in respect of group relief. This balance is included within other payables.

p. 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.

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