

Registered number 1420028

BBC Worldwide Limited

**Annual Report and Financial Statements
for the year ended 31 March 2016**

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* 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 includes the Group's share of operating profits from joint ventures and associates. Specific items are set out on page 8. A reconciliation between headline profit and profit before tax is presented in the Chief Financial Officer's review on page 8.

Underlying growth is based on the comparison of 2015/16 results to 2014/15 results on a like-for-like basis, i.e. after adjusting for the impact of derecognising BBC AMERICA results. This differs from the separately disclosed seven months of headline sales and profit recorded in 2014/15 due to the subsequent share of BBC AMERICA profit recorded in both years and the impact of intragroup eliminations as content sales to BBC AMERICA are no longer being eliminated as an internal sale. BBC AMERICA was consolidated in the Group's results up to 23 October 2014. Thereafter, and throughout 2015/16, the Group recognised its share of the net profits of BBC AMERICA within continuing operations in the income statement.

Our business delivered solid growth in 2015/16. Headline sales were up 2.8%, or 6.7% on an underlying basis. Our performance enabled us to provide valuable returns well above £200m to the BBC, for a second consecutive year.

Highlights of the year

RETURNS TO THE BBC

£222.2m

(2014/15 £226.5m) -1.9%

+17.6% INCREASE ON PRIOR YEAR
RETURNS ADJUSTED FOR DISPOSALS
PROCEEDS

HEADLINE SALES

£1,029.4m

(2014/15 £1,001.8m) +2.8%

+6.7% UNDERLYING GROWTH IN
HEADLINE SALES

HEADLINE PROFIT

£133.8m

(2014/15 £138.6m) -3.5%

+4.0% UNDERLYING GROWTH IN
HEADLINE PROFITS

Supporting the BBC to make world-class programmes

Our primary measure of financial success is returns to the BBC. At £222.2m, returns for 2015/16 were almost in line with the previous year, and were up 17.6% adjusted for disposals, a record. Over the past five years, returns have totalled almost £1bn – money that has supplemented the licence fee to keep audiences in the UK informed, educated and entertained.

HEADLINE SALES

United Kingdom

£379.3m

(2014/15 £361.8m)

North America

£277.9m

(2014/15 £299.9m)

Australia and New Zealand

£79.1m

(2014/15 £81.9m)

Global Markets

£305.7m

(2014/15 £276.3m)

HEADLINE PROFIT

United Kingdom

£62.4m

(2014/15 £52.7m)

North America

£24.2m

(2014/15 £32.9m)

Australia and New Zealand

£19.2m

(2014/15 £16.3m)

Global Markets

£26.4m

(2014/15 £32.2m)

£994.2m

RETURNS TO THE BBC OVER PREVIOUS FIVE YEARS

(2014/15 £953.9m) +4.1%

Five-year returns to the BBC £m

2015/16	222.2
2014/15	226.5
2013/14	
2012/13	
2011/12	

Chairman's statement

BBC Worldwide's reported return for 2015/16 was £222.2m, a very strong performance. This result meant BBC Worldwide contributed the equivalent of £8.55 for every licence fee payer, or 13.0% of the BBC's spend on television content. The two largest elements of this return were investment in BBC commissions and dividends, at £92.7m (2014/15 £94.4m) and £105.5m (2014/15 £111.3m) respectively.

This financial return to the Corporation allows the BBC to commission with a level of ambition and production values that would simply not be possible within the licence fee alone. Prime examples of this during the year included *The Hunt*, narrated by Sir David Attenborough, from Silverback Films, and BBC Production's *War and Peace*, written by Andrew Davies. Almost three-quarters of *The Hunt*, watched by large audiences in the UK, was commercially funded via BBC Worldwide, including co-production deals with BBC AMERICA, China's CCTV-9 and Germany's NDR. For *War and Peace*, BBC Worldwide worked alongside partner Lookout Point to broker a major co-production partnership with The Weinstein Company. A significant success with audiences and critics alike, *War and Peace* has since been sold to 184 territories, including Russia.

These programme successes demonstrate the synergy between the public service BBC and BBC Worldwide. The BBC has been involved in commercial activity from the establishment of Radio Times in 1923 and while this activity has evolved over the intervening decades, it remains both essential and highly complementary to the success of the Corporation.

However, the benefits of BBC Worldwide are not limited to the BBC. BBC Worldwide is a unique content partner and facilitator, active throughout the creative process from initial idea to eventual export, using both the BBC brand and distinctive British content to light the way for UK programmes in international markets. This is one of several ways in which we fulfil our public purpose of 'bringing the UK to the world'. This halo effect helps both the BBC and the independent sector, as well as the writers, directors, actors and producers whose work is, in part, funded by overseas and secondary market demand for quality British content.

By helping put British television onto a global stage, BBC Worldwide contributes to the reputation of Britain as one of the world's most brilliantly creative countries. In this vein, it was fantastic to see *Sherlock: The Abominable Bride* receive global 'big screen' treatment in January, with cinema screenings for fans in over 20 countries complementing the television broadcast, with 6000 screenings in Asia alone.

BBC Worldwide's vitality and health will be a critical ingredient in the BBC's success over the course of the next Charter period. With a lower financial settlement and increased responsibilities to fund, maximising our commercial revenue is imperative, not optional. The Board of the BBC is looking to BBC Worldwide to provide £1.2bn of returns over the first five years of the next Charter. This represents more than a 15% uplift on the previous five years, or almost 30% adjusted for dividends relating to disposals during that term.

Fortunately, given these demands and its importance, BBC Worldwide is in solid shape. Despite a challenging operating environment, the BBC has high expectations for its future, which BBC Worldwide has the imagination and ambition to realise. With that in mind, I would like to thank Tim Davie and the staff of BBC Worldwide, whether in Sydney, Los Angeles, Johannesburg, Singapore, London or elsewhere, for their hard work and dedication during the year.

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

What we do

1 WE PARTNER

- Creative development
- Funding for BBC and independent productions
- Facilitating international co-production deals
- Investment in the UK production sector
- Nurturing talent
- Supporting new writers
- Building innovative partnerships
- Secondary rights acquisition

2 WE COMMERCIALISE

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

3 WE DELIVER RETURNS TO THE BBC

- Programme investment
 - Dividends
 - Other rights payment
 - Growing the brand across the globe
 - Building the reach of BBC programmes
- #### TO RIGHTSHOLDERS
- Royalties
 - Profit share
 - Showcasing UK creativity

Ethics

To ensure we fulfil our responsibilities as a leading corporate citizen, we are constantly looking at how to improve the way in which we conduct business

From an ethical trading perspective this includes working hand in hand with our licensing and supplier partners to ensure all manufacturers they work with meet the requirements of our ethical sourcing programme, prior to production of our consumer products

It is also vital that employees across BBC Worldwide understand the importance ethical sourcing plays within our business this year we introduced mandatory online training for all staff involved in the sourcing or licensing of our products

We also furthered our involvement with multi-stakeholder initiatives including the Ethical Trading Initiative and SEDEX, the Supplier Ethical Data Exchange, adding our voice to the wider debate around the challenges within this field

Environment

In April 2015, we completed the integration of our two London offices to a new HQ in the iconic Television Centre. To minimise our impact on the environment, our new HQ was refurbished to a SKA Gold standard and we have focused on ensuring the building is operated in an environmentally friendly manner. This has included introducing measures such as separate waste streams for food and ensuring fittings and equipment such as lights and printers automatically enter low energy settings outside of core business hours

Environmental impacts have also been considered in other offices including Sydney and New York

In the 2014/15 Annual Review we noted that we would begin implementing robust monitoring and improve data collection across our global offices. This ongoing commitment will enable us to identify opportunities for improvement

We also strengthened our working relationship with the other parts of the BBC, to ensure our environmental approaches are aligned

Chief Executive's review

It has been another year of major change for the industry. Subscription video-on-demand (SVOD) companies are rapidly expanding, content budgets are growing and only three of the UK's top 20 independents are domestically owned. Overnight ratings are in decline, as time-shifting has become mainstream. Yet consumption of premium long-form content has never been higher, while on a global basis pay-TV remains resilient.

Results

All these dynamics are reflected in the year's results. We are pleased to show good growth at the top and bottom lines, with underlying sales growth of 6.7%, well ahead of our industry's growth rate. Headline sales were £1,029.4m (2014/15 £1,001.8m), up 2.8%, despite the inclusion of seven months' full ownership of the BBC AMERICA channel in the previous year. Headline profit of £133.8m (2014/15 £138.6m) was diminished by the full year impact of BBC AMERICA. Removing this effect shows headline profit growth of 4.0%. Full details of our regional results are set out in the individual markets' operating reviews on pages 10-13 while further analysis of our overall results can be found in the Chief Financial Officer's (CFO) review on pages 7-9.

As the Director-General points out on the previous pages, this performance enabled us to return £222.2m (2014/15 £226.5m) to the BBC. This keeps our return above the £200m mark for a second year running, and is a 17.6% year-on-year improvement adjusted for disposal proceeds. I know that everyone at BBC Worldwide takes pride in the material contribution that our activities make towards the BBC's ability to fulfil its promise to UK audiences.

Market shifts

All this has been achieved in a time of rapid change, which has presented opportunities, as well as fundamental threats, to our business. Historically, BBC Worldwide's business model was significantly reliant on DVD, with consumer products our second largest profit segment until four years ago. Free to air and pay broadcasters drove growth in content sales, while traditional affiliate distribution underpinned channels. A shift to digital distribution and consumption has affected all these areas and necessitated a continuing transformation of the company. We have absorbed a 38.5% decline in DVD revenue in just three years, while supplementing our core sales customers with sales to digital platforms. We have committed substantial investment into our channels, re-branding the majority, while rationalising some, and partnering on others. At the same time, we have responded to supply-side changes – driven both by the digital revolution and by producer consolidation – by taking action to secure content through major international co-productions and closer indie relationships. This momentum also underpins our confidence in the decisions we are taking about our investments and strategic direction.

Strategic progress

We made considerable further progress on the strategy first announced in October 2013. That strategy was to achieve three things:

- to increase focus on premium, world-class content,
- to grow global brands, and
- to effect a gradual transformation to digital products and services.

Premium content

During the year we further strengthened both our content profile and our supply base, as outlined on page 6. For a second year, drama – a growth area for producers and broadcasters across the world – made up around half our total investment, a deliberate rebalancing, as well as the result of continuing increased costs in the content market. We took delivery of new titles from *Banished* to *War and Peace*, *Doctor Foster*, *Dickensian* and *Thirteen*, having invested alongside BBC channels, as well as new commissions from other British broadcasters including *Maigret* and *The Durrells*. Our returning titles were also in strong form, with *Doctor Who* in its ninth series, *Death in Paradise* and *Call the Midwife* completing their fifth and *Silent Witness* now at series 19. The strength and breadth of this slate was visible both at trade markets, and in a sales performance that saw drama make up 49% of all our programme licence revenue in the year.

Highlights in our second largest investment genre, natural history, included *Shark* and *Attenborough and the Giant Dinosaur*, alongside landmark *The Hunt*. Among our documentary deliveries was BBC Worldwide commission *Beckham: For the Love of the Game*, which secured 4.1m viewers on BBC One. In children's we were pleased to see two new high potential titles – *Go Jetters* and *Hey Duggee* – rating very well both at home and internationally, while BAFTA-winning *Sarah & Duck* was produced for a third series.

We also continued our strategy of long-term partnerships with high quality UK independent production companies. This allows us to secure content rights, frequently for BBC commissions, while supporting independents with access to our funding, distribution and expertise. In our equity relationships, some of which first date back a decade, BBC Worldwide is a long-term, stable shareholder. We can provide the financial and creative partnership that allows small and medium sized indies to expand, while retaining both their Britishness and the independence that keeps the UK production scene so dynamic. Our work with independents returned some £116.1m (2014/15 £113.1m) to the indie sector in the year. This is one of several ways in which BBC Worldwide performs an important role as a core part of the UK's creative economy.

The year saw us upgrade our offer and performance in content sales. We introduced a programme based around insight, customer relation management and marketing at the end of the previous year. Its implementation and initial success in 2015/16 helped us to an impressive 18.4% growth in revenue from content sales, a key benchmark of our competitiveness. Digital sales were particularly strong, reflecting new service launches from both global and local SVOD operators, and we welcomed around 700 sales clients for a third year running at our main trade event, BBC Worldwide Showcase. Building on global hits such as *Dancing with the Stars* and *The Great Bake Off*, we also brought renewed attention to format development, acquisition and sales, resulting in more local versions of our hit British shows than ever before and good growth in format sales.

Chief Executive's review (continued)

Global brands

Keeping our largest programme brands healthy and competitive was also a focus in the year. ABC's *Dancing with the Stars*, which we produce in Los Angeles, performed very strongly in its 20th and 21st series in the year. We also saw impressive international performances from *Doctor Who* S9. Meanwhile, *Top Gear* underwent an exciting re-casting, with established and new presenting talent secured for series 23, which premiered in May.

We made rapid progress on plans to upgrade our linear channels, resulting in a portfolio that looked quite different at year end from 12 months earlier. Having launched new scripted brand BBC First in Australia the previous year, we began to roll out two further genre brands: BBC Brit in factual entertainment and BBC Earth in premium factual in the year. Major launch markets for our new channel brands included Poland, the Nordics, South Africa and Latin America. We ended the year with 12 of our 33 international channel feeds carrying the new genre brands, making BBC Earth and BBC First available in at least 40 countries and BBC Brit in 61. Audience and affiliate reaction has largely been positive, and we will continue to re-brand most of our other channels in the year ahead. Distribution and revenue for the BBC World News channel, for which we provide an affiliate and advertising sales service globally, along with AMCN in the USA, also increased in the year.

Digital developments

Our direct to consumer focus extended beyond linear channels. November saw the launch of BBC Store in the UK, which allows viewers to buy and keep programmes they want to enjoy beyond the 30 day licence fee funded BBC iPlayer window. Outside the UK, we spent the year working up plans and partnerships for over the top services (OTT), namely a subscription 'best of British' archive proposition that we will launch in the USA in 2016, and an authenticated TV player to complement our existing channels in Asia, which will also launch later this year in Singapore.

BBC.com, the international website, for which BBC Worldwide sells advertising and creates international feature sections, continued to build on the previous year's success, reaching an average of 89.1m monthly unique browsers (2014/15: 85.5m) and generating 1.1bn page views. Our six features sections also achieved ongoing growth, attracting a monthly average of 11m unique browsers (2014/15: 8.3m), up 38% year on year.

Efficiencies

Against the context of the market changes, particularly the content costs outlined above, and the wider BBC efforts to reduce operating costs across the Group, we worked particularly hard on our operational cost base in the year. In total we ended the year

with 176 fewer employees than 12 months previously, a reduction equivalent to some 9% of our workforce. This resulted in in-year savings of some £10.8m versus prior year, with an additional £4.6m savings expected in the next financial year. This has enabled us to invest to meet clients' and audiences' future needs, while maintaining our financial performance in the face of very real margin pressure. While this involved some difficult decisions, I believe we can nonetheless keep the company competitive and appropriately invested in to achieve growth goals for the longer term.

Culture

I would like to thank BBC Worldwide's employees for approaching this exercise with such professionalism. Our overall company engagement score of 70% remained well above the global market norm of 55%. We made good progress on adopting a common way of working and behaving in every one of our offices: a 'commitment' developed out of feedback from employees, and designed to ensure everyone is able to contribute their very best work here. Building on those insights, we also introduced a global employee awards scheme to recognise exceptional effort and achievement, as well as a new training curriculum. We now have a network of over 40 Team Worldwide 'Champions' across our global offices, running very active interest communities from arts to sports, and planning a range of activities to benefit employees and our local communities alike.

Before closing, I would briefly like to pay tribute to two CFOs for their service during the year: Andrew Bott who, after more than a decade with the company, and two years in this role, left in January for a Group CFO role at FremantleMedia, and Suzanne Burrows, who covered the role on an interim basis over the busy year-end period until May, when we were joined by permanent CFO Tom Fussell. Both deserve my personal thanks, as well as those of the company's stakeholders.

The year ahead

As a result of all activity outlined here, we enter the new financial year on the back of strong results, with positive prospects. We take confidence from the full-year effect of cost efficiencies and strong financial discipline, and a content slate that includes a fourth series of *Sherlock*, *Doctor Who* companion piece *Class*, *SS-GB*, *The Collection*, the all-new *Top Gear*, and *Planet Earth II*, Sir David Attenborough's sequel to the globally successful natural history programme. We do, however, anticipate further market change in the year ahead, with the rising cost and accessibility of premium content a particular concern. We will nonetheless continue to target further top line growth and another strong year of returns.

Tim Davie

Chief Executive, BBC Worldwide and Director, Global

A global content partner

A strong year in content

2015/16 saw us deliver another unrivalled content slate, with top-selling titles including *Doctor Who* S9, *Orphan Black* S3, *The Hunt*, *War and Peace* and *Sherlock The Abominable Bride*, with the last being sold to 216 territories. There were further format sales of *Top Gear* and *The Great Bake Off*, while new format successes included *You're Back in the Room*.

Against a backdrop of industry consolidation, new market entrants and the rising cost of content, we remained committed to our strategy of focusing our investment into premium content. We invested £161.6m in content (2014/15 £180.5m), down on the previous year due to the full year effect of the part-disposal of BBC AMERICA, but with the underlying rate broadly consistent year on year.

An integral part of the BBC

BBC content remains vitally important to our business, with 55% of revenue generated from content made by BBC Production, now BBC Studios. In return, our funding underpins many programmes seen on screen by licence fee payers. In 2015/16, we invested £92.7m in BBC-commissioned content (2014/15 £94.4m). This supported programmes across the BBC's domestic channels, with stand-out successes from BBC Production including *Luther* S4 and *Thirteen*.

Other innovative ways of supporting BBC content-making included investment in Natural History Unit purchases of 4K cameras and in the increased post-production costs of delivering in UHD+HDR, with *Planet Earth II* being the first series to benefit. The pilot of *Getaway Car* came out of a *Top Gear* spin-off development project jointly funded by BBC Worldwide and BBC Entertainment.

With changes to BBC Production underway, we plan for BBC Studios to be a key strategic partner, remaining central to BBC Worldwide's content strategy.

Nurturing future talent

Nurturing on and off screen talent is a core part of our business and helps to support UK creativity. In the year we furthered this commitment through new development schemes. The Paper to Pitch Fund aids the development of new formats, helping indies and BBC Production bring their ideas closer to commission and strengthening our pipeline. The response has been overwhelming, with several shows in development. We have also worked with our production partners to increase the opportunity for new writers to secure commissions in the UK or internationally, with targeted support to fast-track development and strengthen our relationship with emerging talent.

Building creative partnerships

As well as working with the BBC's in-house production arm, BBC Worldwide works with over 250 UK independent production companies, who choose to partner with us. This year, we deepened long-standing relationships with indies and forged new ones, including equity stakes in Amazing Productions, Mighty Productions, Red Planet Pictures (Entertainment) and Greenbird Media.

We drove creative deal-making, facilitating international co-productions such as *The Hunt*, bringing on board digital partners like Amazon for Lookout Point and Artis Pictures Production's *The Collection*, securing deals beyond the TV screen with Shanghai Media Group for the *Earth One Amazing Day* (w/t) feature film, and forming innovative partnerships with new content-makers, such as YouTubers Joe Sugg and Caspar Lee.

Looking ahead

2016/17 promises to be another stellar year of content. We continued to focus our investment on premium content, notably in high-end drama, entertainment and natural history. We have secured natural history landmark series for the next five years and during the course of 2015/16 committed to a large number of investments in programmes delivering in 2016/17 and beyond. These included *Planet Earth II*, *Top of the Lake* S2, the *Top Gear* re-launch and *Doctor Who* spin-off *Class*.

The market for English language drama has continued its rapid growth and the BBC has been a strong player in this market, with runaway global hits such as *War and Peace*. We plan to keep around half of our content spend in drama in the coming year.

Chief Financial Officer's review

BBC Worldwide's new CFO, Tom Fussell, joined the company in May. However, given the timing of his arrival, I am presenting this year's financial review, having been interim CFO for the last quarter of the year and during the preparation of this set of accounts.

1 Headline results

£m	Headline sales		Headline profit	
	15/16	14/15	15/16	14/15
Reported result	1,029.4	1,001.8	133.8	138.6
BBC AMERICA impact ¹	–	(36.7)	–	(9.9)
Underlying result	1,029.4	965.1	133.8	128.7

¹ The overall impact differs from the separately disclosed seven months of headline sales and profit recorded in 2014/15 due to the subsequent share of BBC AMERICA profit recorded in both years and the impact of intragroup eliminations as content sales to BBC AMERICA are no longer being eliminated as an internal sale.

Headline results

Headline sales of £1,029.4m (2014/15 £1,001.8m) were up 2.8%, a very good achievement in a changing market. As the CEO review points out on page 4, this was equivalent to underlying growth in headline sales of 6.7% as the sale of a 49.9% interest in our US channel, BBC AMERICA, in 2014 meant the prior year's results benefited from seven months of full ownership, contributing £53.7m to headline sales (creating a year-on-year BBC AMERICA sales impact of £36.7m). The major growth drivers were healthy trading with SVOD services in a number of territories, continuing growth at our UK joint venture, UKTV, and a music licensing agreement. While the proliferation of SVOD services brought new opportunities to exploit our extensive catalogue, this growing revenue stream is also currently concentrated in a handful of dominant partners, whose commissioning and acquisition strategies remain under development.

Headline profit of £133.8m (2014/15 £138.6m) was also up 4.0% (after adjusting for a £9.9m year-on-year BBC AMERICA impact) despite a second year of investment in the transition to new channel brands. Margin erosion on content sales has continued in the year following pronounced increase in the costs of content. These costs, as a proportion of content sales, have increased by almost 10% in the past two years. A headline profit margin of 13.0% (2014/15 13.8%) reflected this inflationary pressure, in part but not wholly mitigated through an active programme of efficiencies undertaken in the year.

2015/16 saw a marginal benefit to revenue and a small profit downside from foreign exchange movements. This was the net effect of a number of currency hedges and a weaker pound against our key currencies of the US dollar and the Euro, particularly in the key last quarter of the year.

On a geographic basis, we delivered underlying growth in headline sales in every one of our regions. A decline in headline sales on an actual basis in North America reflected the impact of BBC AMERICA described above, and in Australia and New Zealand reflected the weakening of the Australian dollar during the year. Headline profit, after again adjusting for the impact of BBC AMERICA, was up in all geographical segments, aside from Western Europe, where the business was affected by investment in new channel launches, the closure of a small number of channel feeds and its above-average exposure to increased content costs. UK profitability was boosted in part by the aforementioned music licensing agreement.

2 Segmental results

£m	Headline sales		Headline profit	
	15/16	14/15	15/16	14/15
United Kingdom	379.3	361.8	62.4	52.7
North America	277.9	299.9	24.2	32.9
Western Europe	168.0	160.1	21.0	27.0
Australia and New Zealand	79.1	81.9	19.2	16.3
Rest of World	137.7	116.2	5.4	5.2
Eliminations	(12.6)	(18.1)	1.6	4.5
Total	1,029.4	1,001.8	133.8	138.6

While we manage our company by region, we are this year also providing our results by business area. With these changes we believe our transparency to be at least in line with the best-in-class in our sector, as set out in table 3 below.

3 Results by business area

£m	Headline sales		Headline profit	
	15/16	14/15	15/16	14/15
Content Sales	384.2	324.4	68.2	62.7
Branded Services	335.7	370.5	49.7	55.4
Production & Formats	173.0	163.0	10.6	15.8
Consumer Products	179.1	197.6	6.9	3.4
Eliminations	(42.6)	(53.7)	(1.6)	1.3
Total	1,029.4	1,001.8	133.8	138.6

The business classifications have been updated during the current year to better reflect the Board's operational view of the business. The Board views the business based on four business line segments: Branded Services (includes prior year's channels business as well as Ad Sales and BBC store), Content Sales (includes Production and Formats, and Consumer Products). The previously reported Other business lines have been reallocated across these four segments.

Chief Financial Officer's review (continued)

In Content Sales, growth of 18.4% speaks to a stable business in free-to-air and pay-TV, as well as the SVOD growth mentioned earlier. Headline sales in Branded Services (which includes our channels) increased 5.2% year on year, after adjusting for BBC AMERICA. Headline profit was up 10.5% on the same basis. Branded Services also includes the impact of a first full year of build and operating investment in BBC Store. In Production & Formats we delivered revenue growth of 6.1%. Profitability was affected by a greater proportion of our production income coming from lower margin scripted titles, some of which benefit from high end production tax credits (captured as a tax benefit outside of pre-tax profit). Consumer Products, which includes DVD, remains a difficult category in a market transitioning to digital product. A revenue decline of 9.4% here reflects the downward trend in that market, which also impacted profitability. At the profit level this was offset by a music licensing agreement in the UK.

Statutory results

One of the main differences between our headline results and the equivalent statutory measures relates to our investments in joint ventures and associates. We include our share of joint venture revenue – principally the results of UKTV – in headline sales. We also include the pre-tax and pre-interest results of our joint ventures and associates in headline profit, rather than our share of net profit, as included in the statutory measure. We do this because we view these investments as a fundamental part of our ongoing activities.

Headline profit also excludes a number of non-statutory 'specific items' – principally restructuring costs and other similar amounts customarily excluded from non-statutory measures – which help to provide further clarity about our underlying trading performance.

Our headline and statutory results are reconciled in table 4 below.

4 Statutory results

	15/16	14/15
Headline profit	133.8	138.6
Share of interest and tax of joint ventures and associates	(10.6)	(9.4)
Pension deficit reduction payment	(3.4)	(8.1)
Other specific items	(13.4)	(4.8)
Gains on disposals	1.5	115.9
Other gains and losses	(4.6)	(5.7)
Net finance expense	(2.8)	(2.7)
Profit before tax	100.5	223.8

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 our performance.

The presentation of these items is consistent with previous years.

Specific items are noted in table 4 and netted to a total of £13.4m (2014/15: £4.8m). The most significant item – reorganisation costs of £12.8m – reflects the company's efficiency programme carried out in the year. Reorganisation costs in the previous year mainly related to the relocation of our head office in London.

Corporate activity

Corporate activity in the year, in line with the content investment strategy set out on page 6, focused on shareholdings in independent production companies, four in the UK, as well as a majority shareholding in the strategically important market of South Africa. We also invested further in German production vehicle Tower Productions. These investments help us to enhance our content pipeline in an increasingly competitive market while also benefiting from a greater share of the success of titles produced through these partnerships.

Chief Financial Officer's review (continued)**Employees****5 Average number of employees**

	15/16	14/15
United Kingdom	460	438
North America	360	446
Western Europe	315	324
Australia and New Zealand	179	197
Rest of World	450	424
Total	1,764	1,829

Average headcount in the year was 1,764, down from 1,829 in 2014/15. The reduction in heads reflects the full year impact of transferring BBC AMERICA employees to AMC Networks (AMCN) in October 2014, as well as further reductions following the efficiency programme undertaken in the year, offset by an increase for BBC Advertising and BBC Store. Employee numbers by region are detailed in the table above.

Tax

The majority of our profits arise in the UK, where we are headquartered, and our main exposures to tax arise in the UK, the USA and Australia. The group does not adopt aggressive tax planning measures.

Our total tax charge for the year was £14.9m (2014/15: £38.3m) giving an effective tax rate of 14.8% (2014/15: 17.1%). The prior year tax charge included £26.6m in respect of BBC AMERICA, including tax incurred on the proceeds of the sale. The impact of this disposal, coupled with the higher rate of tax in the USA, largely explains the overall reduction in our effective tax rate.

Our tax rate is lower than the standard UK corporate rate largely due to the inclusion of our post-tax joint venture and associate profits in pre-tax income, as well as the production tax credits we receive on our UK-based production activity.

Cash and net debt

Operating cash flow of £152.3m (2014/15: £191.0m) reflects investment in working capital, particularly for digital content sales, offset in part by working capital released from production activity and a reduction in tax paid due to lower taxable profits and timing of tax payments.

The previous year saw a cash inflow from the partial disposal of BBC AMERICA; we received the remaining deferred proceeds in the year. This allowed us again to supplement returns to our parent, albeit to a lesser extent than last year.

Notwithstanding the boost that this transaction gave us both this year and last, our total shareholder return of £222.2m (2014/15: £226.5m), as described in the Chairman's statement, is close to last year's record. These returns primarily capture our corporate dividends and investment in BBC commissions, with the balance made up of brand licences and other smaller contributions to our parent.

Average net debt throughout the year was £77.8m (2014/15: £32.4m) and we ended the year with net debt of £122.1m (2014/15: £69.2m). 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.

Looking forward

BBC Worldwide begins the new financial year with a strong slate and future pipeline of content, with over a third of our 33-strong portfolio of owned and operated channels under new BBC brands, and well-advanced plans for direct-to-consumer digital products in a number of key markets. While we face market conditions that are changeable, with a relatively high degree of industry and consumer turbulence, these attributes nonetheless mean that we are well-equipped to continue to serve existing and new clients, audiences and partners with the premium British content on which our business has founded its success over many years.

Suzanne Burrows

Interim Chief Financial Officer, (January – May 2016) BBC Worldwide

United Kingdom**Growth at a time of investment**

Our United Kingdom business exists to extend audiences' enjoyment of the BBC programmes they love. Highlights this year included the launch of BBC Store, a new relationship with YouTube stars Joe Sugg and Caspar Lee, and growth in content sales.

We delivered a year of significant growth, with particularly strong performance from UKTV and content sales. Headline sales were up 4.8% to £379.3m (2014/15: £361.8m), while headline profit was up 18.4% at £62.4m (2014/15: £52.7m).

A strong content pipeline saw our content sales business enjoy 8.5% year-on-year growth, with the continuation of agreements with Amazon and a renewal with Netflix. Our 50% ownership of UKTV, a joint venture with Scripps Networks Interactive, Inc., remained a core contributor to our portfolio. UKTV reported revenue and profit growth in the 12 months to 31 December 2015 of 12.7% and 10.5% respectively, made around £148m investment in content and related launches, while delivering record share of commercial impacts of 9.3%, with BBC programmes featuring in an average 41% of UKTV's schedule but accounting for 47% of all impacts.

We expanded in digital, launching BBC Store, which enables UK audiences to buy, download and keep BBC programmes, from recent hits such as *Happy Valley* to TV favourites like *Only Fools and Horses*. At year end the service offered audiences almost 9000 hours, making it the largest collection of BBC programmes available to own.

Our focus on profitability, along with wider digital availability of titles through BBC Store, led us to close our retail website, BBC Shop.

Investment in BBC Good Food resulted in bbcgoodfood.com recording a 22.0% year-on-year increase in unique browsers and an all-time high of 20.5m in December alone, up 13.5%. The magazine held on to the top spot in the Core Food magazine market. We also relaunched topgear.com.

Our DVD and download businesses enjoyed widespread distribution thanks to a steady stream of BBC hits including *Peter Kay's Car Share*, *War and Peace* and *Doctor Foster*. We worked with YouTube stars Joe and Caspar to release their first DVD. At launch, *Joe & Caspar Hit the Road* achieved the biggest day one pre-orders for any title on Amazon.co.uk in 2015.

The UK licensing business continued to deliver global best in class partnerships that enable fans to engage with our brands. We announced Fisher Price as the master toy licensee for *Go Jetters* and launched *Doctor Who* LEGO® sets, with *Doctor Who* also featuring alongside Hollywood movie properties in the Warner Bros. Interactive Entertainment video game LEGO® DIMENSIONS.

We extended our publishing deal with Penguin Random House, which became the global publisher and distributor of BBC Audio content. Meanwhile in March we completed the licensing agreement of our extensive Radio and Music rights catalogue.

2015/16 was also a busy year for our Live Entertainment business. The *Doctor Who* Festival attracted over 14,000 visitors over three days in November. We also announced a new partnership with events company SME to bring *Countryfile Live* to audiences in August 2016.

As we move in to 2016/17 we will continue to operate multiple routes to market, protect the profit in our physical revenue streams and invest for growth in our digital businesses.

North America

Building global brands

Our largest business outside the UK, BBC Worldwide North America operates in a highly competitive media market. An unparalleled supply of British programming ensured ongoing success in content sales, co-productions and strategic partnerships. Our LA-based studios – BBC Worldwide Productions and Adjacent Productions – also remained strong, producing formats and originals.

2015/16 marked the first full year for BBC Worldwide North America without BBC AMERICA consolidated into its financial results, following the sale of a 49.9% stake to AMC. Headline sales and profit fell from £299.9m to £277.9m and £32.9m to £24.2m, mainly due to reduced ownership in BBC AMERICA. However, once adjusting for the derecognition of BBC AMERICA, headline sales saw underlying growth of 5.6% helped by strong sales in SVOD, resulting in 5.5% underlying profit growth.

BBC AMERICA's success continued with increased awareness and viewer engagement. In a year in which two-thirds of US entertainment networks posted declines, BBC AMERICA recorded its best year ever in total viewers. *Doctor Who* S9, *Orphan Black* S3 and *Top Gear* S22 helped to more than double the network's audience average.

Drama helped drive growth in the Adult 25-54 demographic with *Broadchurch* S2 and *Luther* S4, the latter delivering a 37% increase from series three. Out of 121 returning dramas in the USA, 16 recorded Adult 25-54 audience growth on prior series, three of these aired on BBC AMERICA.

Luther's Idris Elba earned Critics' Choice and Screen Actors Guild Awards, and Golden Globe® and NAACP Image Award nominations, and Tatiana Maslany received her first Emmy® nomination for *Orphan Black*.

BBC Worldwide Productions' hit show *Dancing with the Stars* continued to delight audiences with two new series for ABC, and retained its position as a Top 10 most watched entertainment programme, which it has held for the past decade. Meanwhile, Adjacent Productions' original series for National Geographic Channel, *Life Below Zero*, was the channel's number one programme for a third year.

PBS and BBC AMERICA deals underpinned the US co-production strategy, resulting in projects like *Big Blue Live* with PBS and *Thirteen* with BBC AMERICA. We also signed *Vikings Unearthed* and *Undercover* in the year with these partners.

The *Doctor Who* brand continued to grow across North America in 2015/16. A significant deal was signed towards year-end granting Amazon exclusive US SVOD rights for the series, allowing us to maximise digital revenue and reach new audiences. In Canada, a new, exclusive multi-platform licensing agreement for *Doctor Who* was signed with Bell Media for its terrestrial channel Space and SVOD service, CraveTV™. These deals helped boost overall digital content sales, by over 60% year on year.

In the USA and Canada, cinema events for BBC intellectual property have become a new revenue driver, with *Sherlock: The Abominable Bride* selling over 190,000 tickets at the beginning of 2016.

BBC.com traffic grew by 7.4% – reaching almost 39m unique browsers each month. With a focus on immersive content and social audience development, the feature sections were the site's fastest growing areas, increasing 40.0% year-on-year to 7.2m unique browsers. Meanwhile, BBC Advertising welcomed a significant uplift in the second half of 2015/16, with 12.7% year-on-year growth, largely driven by features content, programmatic sales and video.

In the year ahead, we plan to evolve the strategy further and capitalise on technology advances with the launch of a new OTT SVOD service in the USA. The service will support our ambition to grow our content offering and reach audiences looking for British programmes, while complementing the programming on BBC AMERICA and with other partners.

Australia and New Zealand

Strong across all businesses

BBC Worldwide Australia and New Zealand welcomed another year of growth, attributable to a number of factors including strong established partnerships, a proliferation of new ventures and the continued quality and breadth of our channel and content sales businesses

The Australia and New Zealand business strategy delivered well, with 5.3% headline sales growth in local currency, continuing with the growth achieved in 2014/15. Translated into sterling, headline sales were £79.1m (2014/15 £81.9m) while profits increased to £19.2m (2014/15 £16.3m)

In its first full year BBC First sustained strong audiences, reaching over 3m viewers and attracting a broader audience for dramas including *Banished*, the channel's first locally commissioned title. Aired in June 2015, the series became the highest rating title across all plays on BBC First, with a series audience average of 1.8m. Throughout the year the channel's tentpole titles – *Call the Midwife*, *War and Peace* and *The Night Manager* – regularly appeared in the Top 10 rating titles on the Foxtel platform.

2015/16 was an exceptional year for CBeebies, which delivered a 100% ratings increase on last year, with notable titles such as *Hey Duggee*. BBC UKTV delivered a 7.1% increase in audience share on the previous year in Australia, while in New Zealand it recorded its highest share in over three years at 3.8%. Our first full year on Fetch TV, and their growth in subscribers, also supported channel growth for BBC First, BBC UKTV and BBC Knowledge in Australia. The strength of the subscription television market, a full year of BBC First and significant sponsorship growth across our channels resulted in our advertising revenue recording a 19.9% increase year on year and 19.5% increase in profit.

We continued to reap the benefits of our new sales model, rolled out in 2014, focusing on showcasing premium drama titles on BBC First. These included *Doctor Foster*, *Wolf Hall*, *The Honourable Woman* and popular returning series *Call the Midwife* and *Death in Paradise*. The new sales agreement enabled ABC to broadcast important titles in a second window with some first window programmes too. Nine secured *The Hunt* as a pre-sale title, while Ten acquired a package of popular natural history titles featuring *Shark* and a range of Sir David Attenborough documentaries.

In our digital sales business, a new deal with Foxtel's streaming platform Presto saw 122 titles made available to their customers and increased our offering in the digital arena to 17 platforms. In a first for premium BBC drama distribution in Australia, *Sherlock: The Abominable Bride* premiered on SVOD service Stan.

TV format sales saw the 15th series of *Dancing with the Stars* on Seven in Australia and the return of the format in New Zealand after a six-year break, alongside new productions of *Rachel Khoo's Kitchen Notebook Melbourne* for SBS and *The Great Australian Bake Off* for Lifestyle FOOD. 2016 will see six new format commissions air, including the hypnosis entertainment show *You're Back in the Room* for Nine and TVNZ and a first series of *Coast* and *Mastermind* for TVNZ, while *Coast* returns to The History Channel later this year.

Away from programming we extended our live entertainment offerings to audiences, hosting Australia's first official *Doctor Who* Festival and a three-day event for YouTube stars Joe Suggs and Caspar Lee, with tickets to the duo's show selling out within 20 minutes and two further shows added. We were also delighted to announce BBC Proms Australia, which took place shortly after year end over four days in April, and marked the first time the BBC Proms had been held outside the UK in this way. In addition, wildlife presenter Steve Backshall sold over 35,000 tickets across Australia on his debut *Deadly 60* tour.

We did encounter some challenges within the year, most notably due to rapid changes in the online retail market. These changes, and the decline of the DVD market, led us to close BBC Shop Australia in March and withdraw from the consumer products wholesale market.

As we progress into the coming year our focus will remain on growing key business areas, looking for new growth opportunities and championing partnerships to ensure we remain on course to keep delivering against our strategy.

Global Markets

Growing international reach

It has been a record year for revenue in our Global Markets business. Consisting predominantly of the non-English speaking world, Global Markets now generates 30% of BBC Worldwide's total revenue.

Global Markets regions, reported as Western Europe and Rest of World – the latter consisting of CEMA (Central and Eastern Europe, Middle East and Africa), Asia and Latin America – have seen headline sales grow on prior year, and cumulatively delivered headline sales of £305.7m (2014/15 £276.3m). The sales growth was driven by strong content sales, the licensing of more UK formats than ever before and the continued roll-out of our new genre brands: BBC Brit, BBC Earth and BBC First.

Profit, down 18.0% to £26.4m (2014/15 £32.2m), has been depressed by investment in the new genre brands and the increased cost of content.

We reached new audiences by building and strengthening our channel brands and finding new homes for our content. We launched four new channel feeds and relaunched seven, including South Africa where all three brands were introduced, and Singapore, where BBC Earth became the most watched factual pay-TV channel in December and January, just two months after launching. Branded blocks were secured across OTT and free-to-air platforms including all three genre brands on Watchever in Germany, BBC Earth on TVN in Chile and BBC First on AXN Mystery in Japan. We worked with a wide range of new digital entrants, both local and global, while maintaining sales to traditional clients such as SVT in Sweden, where the premiere of *War and Peace* achieved an unprecedented 33.5% audience share. Elsewhere, we engaged fans beyond TV with the roll-out of a CBeebies app in Latin and Hispanic America, and the theatrical release of *Sherlock: The Abominable Bride*, which topped box offices from Russia and South Korea to Hong Kong and China.

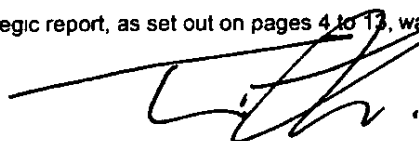
To capitalise on demand for local versions of our shows we strengthened our production and formats businesses. Our French production base achieved another successful year with five shows featuring in primetime including new commissions *Atelier Deco (Fill Your House for Free)* and *Hypnose, Le Grand Jeu (You're Back in the Room)*. Our Indian production business increased the number of shows on air including a Hindi version of *Tonight's the Night* for Star Plus and daily drama *Dil Ko Aaj Phir Jeene Ki Tamanna Hai* for Doordashan National, the country's leading public service channel.

We built our production footprint by setting up BBC Worldwide Productions Nordics in Denmark and signing an exclusive production agreement with Nordisk Film TV as well as purchasing a majority stake in Rapid Blue in South Africa. In Germany we invested further in Tower Productions, which produced a number of popular titles for the local market as well as co-developing original commission *One in a 1000* with German public service broadcaster ZDF. These initiatives will help us bring more world-class formats to local viewers, building on our current successes in this area. Series two of *Top Gear China* attracted over 300m views across digital platforms, local versions of *The Great Bake Off* proved popular in Brazil, South Africa and Romania, and Colombia's RCN gave *Dancing with the Stars* a 55-episode maiden run.

Partnerships have also been significant. In India we joined forces with Sony Corporation subsidiary Multi Screen Media on the forthcoming channel Sony BBC Earth. In China, we have gone from strength to strength, cementing partnership status with major broadcast and digital networks, including working with Shanghai Media Group on the *Sherlock* theatrical release and forthcoming big screen event *Earth: One Amazing Day (w/t)* and the signing of a memorandum of understanding with Mango TV, the internet platform of Hunan broadcasting system. CCTV also became one of the international co-production partners (alongside BBC AMERICA and NDR Naturfilm) on natural history landmark *The Hunt* – one of many examples of international money contributing to the funding of premium British television.

As well as a new affiliate deal with beIN to launch CBeebies in the Middle East and North Africa, major affiliate renewals were also secured amid difficult market conditions. This gives us a more settled channels environment, allowing us to concentrate on growing reach and, in some markets, advertising sales and to target growth opportunities in digital in the year ahead.

The strategic report, as set out on pages 4 to 13, was approved by the Board on 13 June 2016 and signed on its behalf by



Tim Davie
Chief Executive, BBC Worldwide and Director, Global

BBC Worldwide Executive Committee**Marcus Arthur**

President, UK, Eire, ANZ and BBC Advertising

Marcus moved into his current role in 2013. He is responsible for BBC Worldwide's businesses in the UK, Eire, ANZ and for BBC Advertising. Marcus joined BBC Worldwide in 1991 and has held roles including Managing Director, BBC Magazines, and MD of Brands, Consumers and New Ventures.

Tim Davie

Chief Executive, BBC Worldwide and Director, Global

Tim took up his current role in 2013. He is also Chairman of Comic Relief, a Trustee of the Tate and Vice-Chair of the RTS. During his 11 years at the BBC, Tim has held the positions of Acting Director-General, Director of Audio & Music and Director of Marketing, Communications & Audiences. Prior to this, he worked at PepsiCo and Procter & Gamble.

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 & Company Secretary

Martyn was appointed to his current role in 2011. He has responsibility for all legal, business affairs, policy and regulatory matters and from January 2015 became Company Secretary. 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.

Tom Fussell

Chief Financial Officer

Tom began his role with BBC Worldwide in May 2016. He joined from Shine Group, where he was CFO for two years and successfully completed the sale of Shine into a new joint venture, as part of its merger with Endemol. Prior to this Tom held positions at HarperCollins, Random House and the BBC. Tom is a Fellow of the Institute of Chartered Accountants in England and Wales.

David Gibbons

Chief Operations Officer

David is responsible for driving the operating model of the company. He is functionally accountable for Global Operations, Global Business Services and oversight of our relationship with the newly established BBC Technology division. He joined BBC Worldwide in 2013. Prior to this he held senior leadership positions in SEEK, GE Capital, Gap and Nike.

Helen Jackson

Chief Content Officer

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

Jackie Lee-Joe

Chief Marketing Officer

Jackie took up the position of CMO in November 2015, joining from Skype, where she was Global Director for Audience, Entertainment Marketing & Broadcast Media. Jackie has over 20 years of marketing experience in blue chip brands including Virgin Mobile, Carphone Warehouse and Orange.

David Moody

Director of Strategy

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

Ann Sarnoff

President, BBC Worldwide North America

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

Corporate governance report

At any time in the year, there were six Directors of the company. Four Non-executive Directors: Tony Hall (BBC Director-General) as Chairman, Anne Bulford (Managing Director, Finance & Operations, BBC), Dhamash Mistry and Sir Howard Stringer. There were also two executive Directors: Tim Davie (Chief Executive, BBC Worldwide and Director, Global) and Andrew Bott (Chief Financial Officer, BBC Worldwide).

In November, Andrew Bott took the decision to leave BBC Worldwide and stood down with immediate effect as a Director of the company. A search for a permanent Chief Financial Officer (CFO) culminated in the appointment of Tom Fussell on 3 May 2016 as CFO and a Director of the company. During the period between November 2015 and May 2016, Martyn Freeman (General Counsel & Company Secretary, BBC Worldwide) was temporarily appointed as a Director until January, when Suzanne Burrows took up the Directorship as interim CFO until 3 May.

Principal responsibility for the day-to-day management of BBC Worldwide rests with the BBC Worldwide Executive committee (WEx), which is chaired by the Chief Executive (CEO), Tim Davie. Further information about WEx may be found at www.bbcworldwide.com.

WEx delegates authority to two principal groups: the Content Investment Group (CIG) and the Investment Review Group (IRG).

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

IRG is responsible for reviewing and approving non-content financial investments, including proposals relating to independent production company funding arrangements above £1m. For investments that are greater than £2m, IRG reviews and recommends those investments to WEx for approval. IRG is chaired by the CFO.

Commercial Criteria and Fair Trading Framework

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

- fit with the 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 is embedded within our governance structure and ensures that key projects and investments are subject to rigorous evaluation, ensuring compliance with each of the 4CCs prior to the start of the service or, where relevant, the completion of any equity transaction.

The BBC's Fair Trading arrangements (which include the 4CC approvals arrangements) have been accredited with the ISO 9001:2008 quality standard and are subject to scrutiny by independent auditors commissioned by the BBC.

Editorial standards

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

Privacy, information and content security

Consumers, talent, employees and partners trust us with their personal information and expect us to protect their privacy. Our data protection 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. Within the year, our privacy framework was audited by the BBC's Internal Audit function and was found to be operating to satisfactory standards of control.

As a company that prides ourselves on the quality of the content we commission and create, it is vital we protect marketing and promotional assets, scripts and programmes from unauthorised release. With this in mind, we have continued to develop our content security framework as part of a wider project focused on the security of our information assets.

Our employees are an integral part of protecting and respecting information. Over the last 12 months, further work has focused on building a strong culture where our employees are able to display a good awareness of privacy and security risk. We also revised our Privacy and Information Security training module in line with possible threats to the company, which we will roll-out to our key content partners as part of a wider assurance initiative in the new financial year.

A new European law, the General Data Protection Regulation (GDPR), was finalised in April 2016, which will replace current data protection laws. It brings with it a range of enhanced requirements and substantially increased fines of up to 4% of global turnover. We will be reviewing and improving our processes over the next year to ensure we are compliant when the GDPR comes into force in 2018.

Risk management

We are committed to supporting effective risk management practices to safeguard our people, reputation, assets and commercial performance. These practices protect the reputation of the BBC brand as we showcase it internationally through branded services, content sales and other IP exploitation.

Commercially, risk management helps ensure stability of financial returns to support the UK licence fee. Operationally, it ensures continuity of operations and resilience against unpredictable events.

Our approach to and assessment of reputational risk is aligned to the BBC's public purposes, values and editorial standards.

Tim Davie, CEO, along with WEx, has ultimate sign-off on matters relating to risk management. A Risk Management and Internal Controls Committee comprised of WEx members and senior managers reviews and challenges our corporate risk register on a quarterly basis. We ensure employees are aware of the key risk themes through communicating these via a number of channels as detailed below.

Risk themes	Strategic impacts	Mitigation
Brand, reputation and standards Risk that audiences lose confidence in the integrity of our business or our content. Risk we fail to represent the values of the BBC to global audiences.	Harm to our reputation, our relationship with audiences and to the credibility of the BBC brand.	Leadership and management behaviours that promote the BBC values embedded within our company's culture. Commitment to delivering honest and open communications. Policy framework, internal communications and HR processes inform and demonstrate appropriate behaviours. Inductions, mandatory training and regular staff survey to drive engagement.
Indie and JV relationships Risk we do not achieve the potential from our indie, joint venture (JV) and associate relationships, principally UKTV, BBC AMERICA and Immediate Media.	Under-delivering against audience expectations, and our ambitions for the relationship.	Content and business expertise brought through representation on indie and JV Boards. Commitment that our objectives are focused on creativity and support content ambitions. JV formation is always backed by a detailed definition of the JV benefits, purpose, mechanics and governance, with appropriate safeguards over editorial control. The approvals framework, encompassing BBC Public Service, ensure that potential deal benefits to the UK licence fee payer are delivered.
Market transformation and disruption Risk that we do not adapt our content and business strategy responsively enough to meet audience priorities and respond to disruptive competitors in a consolidating market.	Lower visibility for BBC content internationally, poor commercial returns for indies and for the UK licence fee payer.	Strategy team supports the business and monitors market changes. Use expertise inherent in the business and in-depth local knowledge of international markets in regions. JV partners bring insight and knowledge. Internal transformation projects to anticipate market trends and ensure our sales strategy, sales infrastructure, people skills and business relationships are in the best place to respond to challenges.
Content supply Risk that ongoing acquisition and consolidation across the indie sector restricts the addressable market for rights in priority genres. Risk from BBC Studios as it makes the transition to full commercial operation.	Volume, affordability and commercial appeal of content at risk. Risk to the brand and channel strategies.	Dedicated Content division with expertise in content acquisition and relationship management. Output deals with key indies and investment stakes to increase our pipeline of creative output. Commitment to maximising indie returns alongside the BBC Store direct-to-consumer service and channels strategy.
Channels and services Risk that in-territory we do not extract the full value from our affiliate relationships, or the appropriate brand visibility or the right premium vs free-to-air channel mix. Risk that we do not achieve sufficient scale in some regional markets. Risk to launching new direct to consumer service such as BBC Store and forthcoming over the top offer in the USA.	Reduce our ability to showcase BBC content. More vulnerable to disruptive digital services. Risk operating with sub-scale regional businesses.	Experienced international channels team with a proven track record of leading negotiations and managing successful channel launches. Ensure regions have extensive knowledge of the affiliate landscape and the expertise to secure the right channel mix, platforms and relationships. Leadership experience and insight into markets to ensure we attract the right partners, build effective relationships and develop the best propositions in the context of global ambition and strategy.

Risk management (continued)

Risk themes	Strategic impacts	Mitigation
Information security Risk that information security controls are compromised and systems disrupted, data deleted or content assets misappropriated	Damage to reputation Disclosed assets have reduced editorial or commercial value Disruption to business operations Loss of data	New content path defined for high-value content, including dedicated infrastructure and a content handling team Centralised global solution for regional post-production activities New information security infrastructure capabilities, additional expertise and resources, and a global network convergence project in progress
Economic climate and trading performance Business performance is sensitive to UK and international economic conditions, especially in the USA and Australia, as well as exchange rate movements	Adverse impact on cash flows and reported financial results	Business is diversified across both regions and revenue streams Central management of budgets and performance, cash-flow forecasting and prudent debtor management Risk-averse approach to foreign currency management
Regulatory and compliance Potential for non-compliance with UK and international laws, especially regulatory changes and legislation with extra-territorial reach	Civil or criminal challenge Financial penalties Reputational damage	Robust, enforced framework including WEx sponsorship, mandatory training programme, policies, guidelines, regular reporting and specialist committees Oversight by BBC Worldwide Board, WEx and Compliance Steering Group Central Business and Legal Affairs resources include specialist advisers, regional expertise and local compliance champions to support the framework
Business continuity, safety and security Risk of disruption to operations, infrastructure and loss of revenue following a major incident Increase in global terrorism	Potential for injury or death Disruption to business operations Reputational damage	Security and safety management arrangements supported by policy framework, communications, forums, guides, specialist security and safety advice Offices and business operations covered by continuity plans International travel safety training

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 2016

Principal activities of the Group

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

Strategic Report

A review of business performance, including likely future developments, is included in the Strategic Report on pages 4 to 13. The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Group are discussed on pages 16 to 17.

Results and dividends

The consolidated profit for the year distributable to equity shareholders of the Company was £85.6m (2015: £185.5m).

Dividends of £105.5m (2015: £111.3m) were proposed and paid during the year and no further dividends have been proposed by the Directors post year end (2015: £nil).

Acquisitions and disposals

During the financial year the Group acquired equity stakes in UK independent production companies Amazing Productions Limited, Mighty Productions Limited and Red Planet Pictures (Entertainment) Limited. It also acquired a majority stake in South African production company Rapid Blue (Pty) Limited. Full details of the Group's acquisitions and disposals are included in the Chief Financial Officer's Review on pages 7 to 9.

Directors

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

Tony Hall (Chairman)

Tim Davie

Anne Bulford

Dharmash Mistry

Sir Howard Stringer

Andrew Bott (resigned on 9 November 2015)

Martyn Freeman (appointed 9 November 2015 and resigned on 29 January 2016)

Suzanne Burrows (appointed 29 January 2016 and resigned on 3 May 2016)

Tom Fussell (appointed on 3 May 2016)

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 1b to the consolidated financial statements.

Directors' interests and indemnities

No Director had any interest in the share capital of the Group at 1 April 2015 or 31 March 2016. No rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year. Directors' and Officers' insurance cover was in place throughout the financial year as appropriate. Additionally, an indemnity is in place for the Group's nominated Directors on the board of Australian entities and for BBC Worldwide Limited Directors and Officers in respect of Branch operations in Australia. The nominated Directors are held harmless in relation to legal claims against them in their capacity as Directors and Officers, except in the event of fraud, dishonesty or wilful default. The indemnity covers all liability incurred by nominated Directors and Officers to the fullest extent permitted by Australian law and is intended to offer protection to the nominated Directors and Officers in addition to the cover under the Group's Directors' & Officers' insurance policy.

Disabled employees

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

Directors' Report (continued)**Employee involvement**

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

Statement as to disclosure of information to auditors

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

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board,



Martyn Freeman
Company Secretary
13 June 2016

Registered office.
Television Centre
101 Wood Lane
London W12 7FA

Report on Directors' remuneration

Year ended 31 March 2016

We finalised our plans to simplify our Reward offering this year. Both Profit Share and Deferred Bonus plans are now closed and will not be replaced. Directors, senior managers and all other employees now have very simply structured pay packages, which comprise a basic salary and a performance-related bonus that is at risk if the required results are not achieved.

Wherever possible, we use salary survey data to identify the pay range in the market for a specific role in a particular location. As a matter of policy we continue to pay at or below the market median in the UK and no more than 10% above the local market median elsewhere. In the year we took the opportunity to regrade our roles to better support career paths. This work will form the foundations of a global job grading structure that will ensure pay is correctly positioned at all levels in BBC Worldwide, which will be fully implemented within the next financial year.

The Sales Compensation Framework, developed with the aim of consistently focusing our sales teams on delivering the best possible return to the BBC and our indie partners, was implemented in 2014/15, paying bonus to sales staff in proportion to targets achieved. We will continue to monitor the scheme, refining it as necessary, to ensure that it achieves maximum value for the BBC.

Governance

There were no significant changes to remuneration governance arrangements in 2015/16, with decisions affecting members of the BBC Worldwide Executive (WEx) team and company-wide reward being taken by the BBC Executive Remuneration Committee. Salary decisions affecting other staff earning more than £125,000 (or local equivalent) per year, and severance payments in excess of £75,000, continue to require approval by the BBC Senior Management Remuneration Committee. The BBC Worldwide Pay Committee, comprising the Chief Executive (CEO), Chief Financial Officer (CFO) and People Director, continues to review all significant pay decisions.

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 and Accounts.

Executive Directors

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

Tim Davie was CEO for the full year. Andrew Bott was CFO from the start of the year until he resigned from his post in January and as a Director of BBC Worldwide from the start of the year until November, following the submission of his resignation. In the interim Martyn Freeman, General Counsel & Company Secretary, was appointed a Director of BBC Worldwide followed by Suzanne Burrows, who was appointed a Director and interim CFO on 29 January. Further details on this are noted in Corporate Governance, page 15.

Base salary

Tim Davie's annual base salary has remained unchanged since April 2013. Andrew Bott's salary also remained unchanged, as did Martyn Freeman's.

Annual incentives

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

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

Target Bonus for the CEO and the CFO is 50% of base pay earnings. Bonus for 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.

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.

Report on Directors' remuneration (continued)

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 pensionable age, are provided in the table on page 23

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

Components of reward

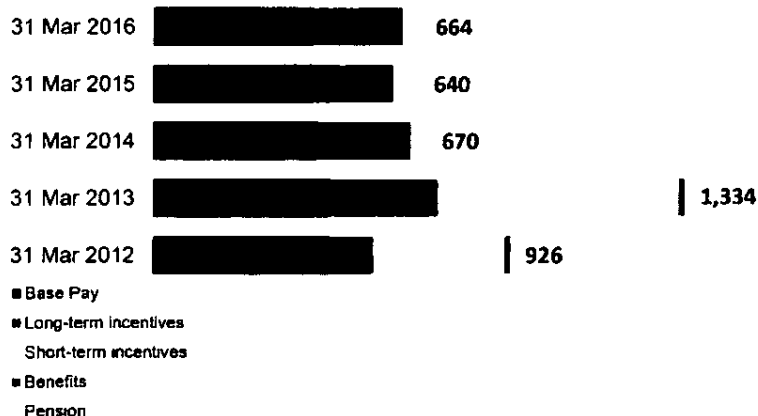
The following table summarises the current, key, fixed and variable components of reward (excluding sales incentives) for executives and employees

Element	Purpose and link to strategy	Performance period	Operation
Base salary	Maintain a competitive package, at the agreed position for the relevant local market, recognising individual contribution and the scope of the role	Not applicable	Reviewed annually, taking into account the industry in which BBC Worldwide operates, location, individual performance and responsibilities, and affordability
Reward from current incentive plans			
Annual Incentives	Reward achievement of short-term strategic goals and profit growth	1 year	<p>Bonus, calculated as a percentage of base pay earnings, is payable for achievement of headline profit targets and, other than for members of the BBC Worldwide Executive (WEx), an agreed level of personal performance. The percentage varies by grade (and, at lower levels, by country, in some cases)</p> <p>A reduced bonus is payable for achievement below Target, subject to reaching a threshold level of performance below which no bonus is payable, with additional bonus available for achievement above Target. For members of the Executive, bonus is between 20% and 70% of base pay earnings, with the top of that range payable at a level of profit considered to be achievable only in exceptional circumstances</p> <p>The levels of profit performance attracting threshold, target and maximum bonus are set by the BBC Executive Remuneration Committee</p>
Benefits			
Pensions	Pensions are offered in line with normal market practice	Ongoing	Pensions are offered in accordance with the all employee pension arrangements

Report on Directors' remuneration (continued)

Element	Purpose and link to strategy	Performance period	Operation
Life assurance	Life assurance is offered in line with normal market practice	Ongoing	4 x salary for those who join the pension plan 2 x salary for those who do not
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. The car allowance is £6,300 per year

CEO earnings for the last five years £000s



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

Report on Directors' remuneration (continued)

Scheme	'Old' Benefits Defined Benefit	'New' Benefits Defined Benefit	CAB 2006 Defined Benefit	CAB 2011 Defined Benefit	LifePlan Defined Contribution	National Employment Savings Trust (NEST) Defined Contribution (Auto Enrolment Arrangement)
Date closed	30 September 1996	31 October 2006	30 November 2010	1 January 2012	Open to all eligible employees	Open to all eligible employees
Accrual	60 ^{ths} accrual	60 ^{ths} 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

Employment contracts

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

Outside interests

Where there is no potential for conflict of interest, and with the prior agreement of the Chair of BBC Worldwide, Executive Directors may hold one paid external directorship. Remuneration which arises from directorships may be retained by the Director. This policy is to encourage the take-up of external Non-executive appointments as part of the Executive Director's development as well as bringing broader business skills to BBC Worldwide.

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

Non-executive Directors

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

Report on Directors' remuneration (continued)

Remuneration earned in the year ended 31 March 2016

£'000	Fee/base pay	Car allowances	Annual bonus	Taxable benefits	Total 2015/16 (excluding Pension-Related Single Figure)	Pension-Related Single Figure	Total 2015/16 (including Pension-Related Single Figure)	Total 2014-15 (including Pension-Related Single Figure)	Total 2014-15 (excluding Pension-Related Single Figure)
Executive Directors									
Tim Davie ¹	400	–	224	2	626	38	664	640	603
Andrew Bott ²	177	–	–	1	178	18	196	489	466
Martyn Freeman ³	46	1	26	1	74	–	74	–	–
Suzanne Burrows ⁴	30	1	17	–	48	4	52	–	–
	653	2	267	4	926	60	986	1,129	1,069
Non-executive Directors									
Tony Hall ⁵	–	–	–	–	–	–	–	–	–
Anne Bulford ⁵	–	–	–	–	–	–	–	–	–
Dharmash Mistry ⁵	–	–	–	–	–	–	–	–	–
Sir Howard Stringer ⁵	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
Total	653	2	267	4	926	60	986	1,129	1,069

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 and for all Career Average Benefit members. From that date, terms and conditions of employment were changed for those employees opting for the salary sacrifice arrangement and, as a result, employee pension contributions made via the salary sacrifice have been treated as employer contributions, with a corresponding reduction in salary. Tim Davie's base salary has not been adjusted to reflect the impact of the salary sacrifice. His total salary sacrifice was £8,640 (2013/14 £8,532).

² Andrew Bott was a Director of BBC Worldwide until 9 November 2015. Andrew Bott's salary reflects the time he was a Director of the company.

³ Martyn Freeman joined the BBC in 1994 and was a Director of BBC Worldwide from 9 November 2015 until 29 January 2016.

⁴ Suzanne Burrows joined the BBC in 2009 and was a Director of BBC Worldwide from 29 January 2016 until 3 May 2016.

⁵ Non-executive Directors did not receive remuneration in relation to their duties for BBC Worldwide.

Defined benefit entitlements

Pension figures are all in £	Age as at 31 Mar 16	Section	Accrued pension 31 Mar 16	Accrued pension 01 Apr 15	Defined benefit contributions (via salary sacrifice)
Tim Davie ¹	48	CAB 2011	9,961	7,530	8,640
Martyn Freeman ²	51	Old benefits	68,533	67,627	3,570
Suzanne Burrows ³	48	CAB 2006	13,091	12,713	946

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

² Martyn Freeman joined the BBC in 1994 and served on the Board of BBC Worldwide from 9 November 2015 to 29 January 2016. The accrued pensions shown include the period before he was appointed as a Director.

³ Suzanne Burrows joined the BBC in 2009 and became a Director of BBC Worldwide on 29 January 2016. The accrued pensions shown include the period before she was appointed as a Director.

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 2016 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated cash flow statement and Consolidated statement of changes in equity the related notes 1 to 37, the Company balance sheet and the related notes a to s. 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 European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2016 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 European Union and as applied in
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework" and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

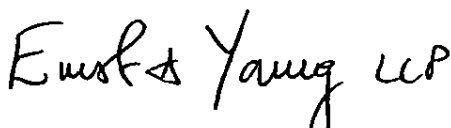
Opinion on other matter prescribed by the Companies Act 2006

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



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

13 June 2016

**Consolidated income statement
for the year ended 31 March 2016**

	Note	Ongoing businesses and total 2016 £m	Ongoing businesses 2015 £m	BBC AMERICA 2015 £m	Total 2015 £m
Headline sales including joint ventures	2	1,029.4	848.1	53.7	1,001.8
Less: Share of revenue of joint ventures		(174.0)	(150.5)	-	(150.5)
Revenue		855.4	797.6	53.7	851.3
Total operating costs	3	(790.8)	(728.5)	(42.3)	(770.8)
Share of results of joint ventures and associates		41.8	35.8	-	35.8
Operating profit		106.4	104.9	11.4	116.3
Analysed as					
Headline profit	2	133.8	127.2	11.4	136.6
Share of interest and tax of joint ventures and associates	4	(10.6)	(9.4)	-	(9.4)
Pension deficit reduction payment	4	(3.4)	(8.1)	-	(8.1)
Other specific items	4	(13.4)	(4.8)	-	(4.8)
		106.4	104.9	11.4	116.3
Gains on disposals	28	1.5	-	115.9	115.9
Other gains and losses	8	(4.6)	(5.7)	-	(5.7)
Finance income	9	0.9	0.8	-	0.8
Finance expense	9	(3.7)	(3.5)	-	(3.5)
Profit before tax		100.6	96.6	127.3	223.8
Profit before tax excluding gains and losses on disposals		99.0	96.5	11.4	107.9
Tax charge for the year	10	(14.9)	(11.7)	(26.6)	(38.3)
Profit for the year attributable to the equity shareholder	5	85.6	84.8	100.7	185.5
Attributable to					
Equity shareholders of the parent company		85.6	84.8	100.7	185.5
Non-controlling interests		-	-	-	-
Profit for the year		85.6	84.8	100.7	185.5

**Consolidated statement of comprehensive income
for the year ended 31 March 2016**

	Ongoing businesses and total 2016 £m	Ongoing businesses 2015 £m	BBC AMERICA 2015 £m	Total 2015 £m
Profit for the year	85.6	84.8	100.7	185.5
Items that are or may be reclassified to profit or loss				
Recycling of translation reserves on disposal of business	-	-	6.1	6.1
Exchange differences on translation of foreign operations	7.2	16.4	2.8	19.2
Revaluation of available-for-sale financial assets	2.9	-	-	-
Net losses on cash flow hedges	(12.5)	(10.9)	-	(10.9)
Tax on cash flow hedges taken directly to other comprehensive income	2.5	2.3	-	2.3
Other comprehensive income for the year	0.1	7.8	8.9	16.7
Total comprehensive income for the year attributable to equity shareholder of the parent company	85.7	92.6	109.6	202.2

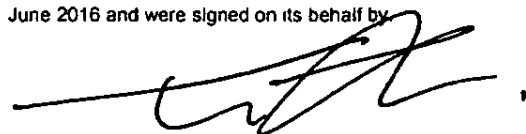
* BBC AMERICA 2015 comprises the results of New Video Channel America LLC ("NVCA") up to the date of disposal, together with the Group's gain on disposal (see note 28). Whilst the transaction did not meet the criteria of a discontinued operation under IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, it was considered to be of sufficient importance as to justify the presentation of a separate column for BBC AMERICA in order to provide a better understanding of the profit and other comprehensive income.

Post-disposal results are included within Share of results of joint ventures and associates in the Ongoing business columns.

**Consolidated balance sheet
as at 31 March 2016**

	Note	2016 £m	2015 £m
Non-current assets			
Goodwill	12	34.2	33.4
Distribution rights	13	210.3	202.8
Other intangible assets	14	35.5	27.9
Property, plant and equipment	15	29.7	28.6
Interests in joint ventures and associates	16	171.8	148.8
Investments	17	16.5	13.1
Trade and other receivables	19	56.5	27.1
Deferred tax assets	10	6.5	4.2
Derivative financial assets	24	0.1	2.9
		561.1	488.8
Current assets			
Programme rights and other inventories	18	52.9	67.3
Trade and other receivables	19	324.7	340.1
Current tax receivable		18.6	20.6
Derivative financial assets	24	0.9	8.4
Cash and cash equivalents		45.8	66.6
Assets classified as held for sale	21	-	3.0
		442.9	506.0
Total assets		1,004.0	994.8
Current liabilities			
Interest-bearing loans and borrowings	23	167.9	0.3
Trade and other payables	20	399.6	405.2
Current tax liabilities		6.2	4.6
Provisions	22	1.9	5.3
Derivative financial liabilities	24	14.0	10.2
		589.6	425.6
Non-current liabilities			
Interest-bearing loans and borrowings	23	-	135.5
Trade and other payables	20	2.3	0.8
Provisions	22	0.1	1.9
Derivative financial liabilities	24	8.0	6.2
Deferred tax liabilities	10	19.7	19.2
		30.1	163.6
Total liabilities		619.7	589.2
Net assets		384.3	405.6
Equity			
Share capital	25	0.2	0.2
Hedging reserve	26	(13.0)	(3.0)
Translation reserve	26	19.3	12.1
Other reserves	26	1.3	-
Retained earnings	26	376.4	396.3
Equity attributable to shareholder		384.2	405.6
Non-controlling interests		0.1	-
Total equity		384.3	405.6

These consolidated financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors on 13 June 2016 and were signed on its behalf by



Tim Davie
Chief Executive Officer

**Consolidated cash flow statement
for the year ended 31 March 2016**

		2016	2015
	Note	£m	£m
Cash flows from operating activities			
Cash generated from operations	29	161.0	217.5
Tax paid		(8.7)	(26.5)
		152.3	191.0
Cash flows from investing activities			
Interest received		0.9	0.8
Dividends received from joint ventures and associates	16	26.6	26.5
Dividends received from other investments	17	0.4	-
Purchases of distribution rights	13	(128.5)	(145.9)
Purchases of other intangible assets	14	(14.5)	(11.7)
Purchases of property, plant and equipment	15	(6.5)	(20.3)
Acquisition of subsidiaries (net of cash acquired)	27	(0.9)	-
Disposal of operations net of cash disposed	28	31.6	64.5
Acquisition of interests in joint ventures and associates	16	(2.9)	(3.6)
Acquisition of investments		(0.2)	(5.4)
Amounts advanced to related parties		(2.6)	(0.1)
Repayment by related parties		-	0.3
		(96.8)	(94.9)
Cash flows from financing activities			
Interest paid		(3.5)	(3.3)
Drawdown of loans and borrowings		32.0	36.4
Equity dividends paid	11	(105.5)	(111.3)
		(77.0)	(78.2)
Net (decrease)/increase in cash and cash equivalents		(21.3)	17.9
Cash and cash equivalents at the beginning of the year		66.6	45.1
Foreign exchange translation gains		0.5	3.6
Cash and cash equivalents at end of the year		45.8	66.6

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

**Consolidated statement of changes in equity
for the year ended 31 March 2016**

	Share capital £m	Hedging reserve £m	Translation reserve £m	Other reserves £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2014	0.2	6.6	(13.2)	-	322.1	-	314.7
Profit for the year	-	-	-	-	185.5	-	185.5
Recycling of translation reserves on disposal	-	-	6.1	-	-	-	6.1
Recognition and transfer of cash flow hedges	-	(10.9)	-	-	-	-	(10.9)
Tax on items taken directly to equity	-	2.3	-	-	-	-	2.3
Exchange differences on translation of foreign operations	-	-	19.2	-	-	-	19.2
Total comprehensive income for the year	-	(8.6)	25.3	-	185.5	-	202.2
Dividends paid (note 11)	-	-	-	-	(111.3)	-	(111.3)
Balance at 31 March 2015	0.2	(3.0)	12.1	-	396.3	-	405.6
Profit for the year	-	-	-	-	85.6	-	85.6
Revaluation of available-for-sale financial assets (note 26)	-	-	-	2.9	-	-	2.9
Net gain/(loss) on cash flow hedges	-	(12.5)	-	-	-	-	(12.5)
Tax on items taken directly to equity	-	2.5	-	-	-	-	2.5
Exchange differences on translation of foreign operations	-	-	7.2	-	-	-	7.2
Total comprehensive income for the year	-	(10.0)	7.2	2.9	85.6	-	85.7
Changes in non-controlling interests (notes 26 and 27)	-	-	-	(1.6)	-	0.1	(1.5)
Dividends paid (note 11)	-	-	-	-	(105.5)	-	(105.5)
Balance at 31 March 2016	0.2	(13.0)	19.3	1.3	376.4	0.1	384.3

Notes to the consolidated financial statements

1. Principal accounting policies

BBC Worldwide Limited (the "Company") is a company domiciled and incorporated in the United Kingdom, and its registered address is Television Centre, 101 Wood Lane, London W12 7FA. The consolidated financial statements of the Company for the year ended 31 March 2016 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.

For the year ended 31 March 2015, the BBC AMERICA column includes in the Income statement and the relevant notes comprises the results of NVCA up to the date of disposal, together with the Group's gain on disposal (see note 28). Whilst the transaction did not meet the criteria of a discontinued operation under IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, it was considered to be of sufficient importance to justify the presentation of a separate column for BBC AMERICA, in order to provide a better understanding of the profit and other comprehensive income for the year.

(b) Going concern

The Board remains satisfied with the Group's funding and liquidity position. The disclosures on page 18 in the Directors' Report in respect of going concern form part of the audited accounts.

As at 31 March 2016, the main source of debt funding was an unsecured credit facility with BBC Commercial Holdings Limited (BBCCH) expiring in September 2017. Further information in respect of this facility is included in note 23.

On the basis of stress-tested forecasts, and having regard to available and anticipated financing facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate. Further information in respect of liquidity risk is included in note 34.

(c) Basis of consolidation

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 Company's shareholder.

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

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 interest in the joint venture or associate, including the carrying value of the investment and any long-term interests, to nil, no further losses are recognised 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:

- Amendments resulting from Annual Improvements 2010-2012 Cycle (2013)
- Amendments resulting from Annual Improvements 2011-2013 Cycle (2013)
- Amendments to IAS 19 (2013) *Employee Benefits*

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

- Amendments resulting from Annual Improvements 2012-2014 Cycle (2014) (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 1 (2014) *Presentation of Financial Statements* (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 7 (2016) *Statement of Cash Flows* (effective for periods commencing on or after 1 January 2017)
- Amendments to IAS 12 (2016) *Income Taxes* (effective for periods commencing on or after 1 January 2017)
- Amendments to IAS 16 (2014) *Property, Plant and Equipment* (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 27 (2014) *Separate Financial Statements* (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 28 (2014, 2015) *Investments in Associates and Joint Ventures* (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 38 (2014) *Intangible Assets* (effective for periods commencing on or after 1 January 2016)
- Amendments to IAS 39 (2013) *Financial Instruments: Recognition and Measurement* (effective when IFRS 9 is applied, on or after 1 January 2018)
- Amendments to IAS 41 (2014) *Agriculture* (effective for periods commencing on or after 1 January 2016)
- Amendments to IFRS 7 (2011, 2013) *Financial Instruments: Disclosures* (effective when IFRS 9 is applied, on or after 1 January 2018)
- Amendments to IFRS 10 (2014) *Consolidated Financial Statements* (effective for periods commencing on or after 1 January 2016)
- Amendments to IFRS 11 (2014) *Joint Arrangements* (effective for periods commencing on or after 1 January 2016)
- Amendments to IFRS 12 (2014) *Disclosures of Interests in Other Entities* (effective for periods commencing on or after 1 January 2016)
- IFRS 9 (2014) *Financial Instruments* (effective for periods commencing on or after 1 January 2018)
- IFRS 14 (2014) *Regulatory Deferral Accounts* (effective for periods commencing on or after 1 January 2016)
- IFRS 15 (2014, 2015) *Revenue from Contracts with Customers* (effective for periods commencing on or after 1 January 2018)
- IFRS 16 (2016) *Leases* (effective for periods commencing on or after 1 January 2019)

Notes to the consolidated financial statements (continued)**1. Principal accounting policies (continued)****(d) Adoption of new and revised standards (continued)**

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

- IFRS 9 (2014) *Financial Instruments* (effective for periods commencing on or after 1 January 2018)
- IFRS 15 (2014, 2015) *Revenue from Contracts with Customers* (effective for periods commencing on or after 1 January 2018)
- IFRS 16 (2015) *Leases* (effective for periods commencing on or after 1 January 2019)

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

(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 include 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

(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

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

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

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

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

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

(i) Revenue recognition

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

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

- Licence fees are earned by the Group from programme content and programme formats. Once a contract has been signed, licence fees are recognised on the later of the start of the licence period or when the associated programme is available for delivery.
- Subscription fees from the broadcast of the Group's channels on pay television platforms, and from subscriptions to print and online publications and services, are recognised as earned pro-rata over the subscription period.
- Advertising revenue generated by 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 our 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.

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

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

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

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

(l) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 deferred tax liabilities are offset only where there is a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either

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

(m) 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 ten years, with some older assets for which the Group holds rights in perpetuity retaining a residual value. 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.

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

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

ii Internally-generated intangible assets development expenditure

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

iii Amortisation

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

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

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

(o) 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 10 years

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

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

(p) Impairment of tangible and intangible assets excluding goodwill

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

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

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

Notes to the consolidated financial statements (continued)**1 Principal accounting policies (continued)****(q) 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, which are ordinarily recovered through co-production agreements or through contracts for the provision of production services. Some production costs are borne by the Group with a view to exploiting the resulting content through licensing agreements, these are presented within Distribution rights.

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

(r) Financial instruments

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

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

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

i Classification and Measurement

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

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

ii Effective interest method

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

iii Impairment of financial assets

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

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

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

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

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

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

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

v Embedded Derivatives

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

vi Hedge accounting

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

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

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

(s) 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

(t) 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)****(u) Critical accounting estimates and key judgements**

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

i Basis of consolidation

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

ii Carrying value of goodwill

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

iii Revenue recognition

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

iv Distribution rights and programme rights

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

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 34.

vi Accounting treatment and valuation of NVCA as an associate

As described in note 28, in October 2014 the Group sold a 49.9% interest in its former subsidiary NVCA to AMC Networks Inc ("AMCN"). Despite the BBC Worldwide residual 50.1% shareholding in NVCA, AMCN obtained control over the key decision-making activities of NVCA. NVCA was therefore deconsolidated from the date of disposal and since that date, due to the significant influence retained by the Group, NVCA has been equity-accounted for as an associate. The carrying value initially ascribed to NVCA as an associate was based on the Board's assessment of the fair value of NVCA at the date of disposal, taking into account the proceeds received for the sale of the controlling interest, the significant influence retained by the Group, and the retained right to variable returns from the investment in NVCA. The carrying value of NVCA as at 31 March 2016 and 31 March 2015, including the Group's share of equity earnings arising since NVCA's reclassification as an associate, is a key judgement area for the Board to ensure that there are no indicators of impairment in the value of NVCA which might require a write-down of the Group's investment.

Notes to the consolidated financial statements (continued)

2 Segment information

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

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

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

- United Kingdom
- 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.

The Board assesses the performance of reportable segments based on Headline sales and Headline profit, as defined in note 1. Inter-segment sales are conducted on an arm's length basis. Specific items and net financing costs are not allocated to segments. In prior years, non-trading foreign exchange gains and losses were included within the segmental results; however, for the year ended 31 March 2016, these movements have not been allocated and have instead been included in the eliminations column. Prior year's results have not been restated as the effect of this was immaterial.

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

	United Kingdom £m	North America £m	Australia and New Zealand £m	Western Europe £m	Rest of World £m	Eliminations £m	Total £m
2016							
Headline sales	379.3	277.9	79.1	168.0	137.7	(12.6)	1,029.4
Share of revenue of joint ventures	(168.6)	(0.8)	(0.5)	(4.1)	-	-	(174.0)
Revenue	210.7	277.1	78.6	163.9	137.7	(12.6)	855.4
Headline profit	62.4	24.2	19.2	21.0	5.4	1.6	133.8
Specific items							(27.4)
Operating profit							106.4
Gains on disposals							1.5
Other gains and losses							(4.6)
Finance income							0.9
Finance expense							(3.7)
Profit before tax							100.5
2015							
Headline sales	361.8	299.9	81.9	160.1	116.2	(18.1)	1,001.8
Share of revenue of joint ventures	(148.9)	(0.8)	(0.8)	-	-	-	(150.5)
Revenue	212.9	299.1	81.1	160.1	116.2	(18.1)	851.3
Headline profit	52.7	32.9	16.3	27.0	5.2	4.5	138.6
Specific items							(22.3)
Operating profit							116.3
Gains on disposals							115.9
Other gains and losses							(5.7)
Finance income							0.8
Finance expense							(3.5)
Profit before tax							223.8

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

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

Notes to the consolidated financial statements (continued)

2 Segment information (continued)

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

The business classifications reported below have been updated during the current year to better reflect the Board's operational view of the business. The Board views the business based on four business line segments: Branded services (includes prior year's Channels business, as well as Ad sales and BBC Store), Content sales (includes prior year's Sales and distribution), Production and formats, and Consumer products. The previously reported Other business lines have been reallocated across these four segments.

	Branded services £m	Content sales £m	Production and formats £m	Consumer products £m	Eliminations £m	Total £m
2016						
Headline sales	335.7	384.2	173.0	179.1	(42.6)	1,029.4
Share of revenue of joint ventures	(164.7)	(0.7)	(4.1)	(4.5)	-	(174.0)
Revenue	171.0	383.5	168.9	174.6	(42.6)	855.4
Headline profit/(loss)	49.7	68.2	10.6	6.9	(1.6)	133.8
Specific items						(27.4)
Operating profit						106.4
Gains and losses on disposals						1.5
Other gains and losses						(4.6)
Finance income						0.9
Finance expense						(3.7)
Profit before tax						100.5
2015						
Headline sales	370.5	324.4	163.0	197.6	(53.7)	1,001.8
Share of revenue of joint ventures	(144.0)	(0.7)	-	(5.8)	-	(150.5)
Revenue	226.5	323.7	163.0	191.8	(53.7)	851.3
Headline profit	55.4	62.7	15.8	3.4	1.3	138.6
Specific items						(22.3)
Operating profit						116.3
Gains and losses on disposals						115.9
Other gains and losses						(5.7)
Finance income						0.8
Finance expense						(3.5)
Profit before tax						223.8

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

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

	Headline sales 2016 £m	Share of JV revenue 2016 £m	Revenue 2016 £m	Headline sales 2015 £m	Share of JV revenue 2015 £m	Revenue 2015 £m
United Kingdom	369.1	(168.6)	200.5	339.2	(145.1)	194.1
United States of America	267.9	(0.8)	267.1	278.5	(0.8)	277.7
Australia	69.1	(0.5)	68.6	72.4	(0.6)	71.8
Rest of World	323.3	(4.1)	319.2	311.7	(4.0)	307.7
	1,029.4	(174.0)	855.4	1,001.8	(150.5)	851.3

The Group's non-current assets, other than financial instruments and deferred tax assets, located in the UK are £353.4m (2015: £304.4m) and located outside of the UK are £201.1m (2015: £177.3m).

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

Notes to the consolidated financial statements (continued)

3 Total operating costs

Operating costs from continuing operations comprise the following categories of expense

	Ongoing businesses and total 2016 £m	Ongoing businesses 2015 £m	BBC America 2015 £m	Total 2015 £m
Cost of sales	572.7	499.0	29.0	528.0
Distribution costs	70.8	78.9	4.6	83.5
Administration costs	147.3	150.6	8.7	159.3
Total operating costs	790.8	728.5	42.3	770.8

4. Specific items

Share of interest and tax of joint ventures and associates

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

Pension deficit reduction payment

As described in note 32, the Group accounts for contributions to the BBC Pension Scheme as if it were a defined contribution scheme. During the year the Group incurred costs of £3.4m (2015: £8.1m) in relation to additional tax-deductible cash payments 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 32.

Other specific items

	Ongoing businesses and total 2016 £m	Ongoing businesses and total 2015 £m
Reorganisation costs	(12.8)	(2.8)
Amounts written back/(off) interests in joint ventures and associates	0.6	(2.0)
Impairment of other investments	(0.5)	-
Transaction fees	(0.7)	(0.2)
	(13.4)	(4.8)

Reorganisation costs in both years are tax-deductible and settled in cash, and include redundancy, business exit and other restructuring costs arising as a result of changes to the Group's organisation structure and, in the year ended 31 March 2015, costs associated with the relocation of the Group's head office.

Amounts written back to joint ventures and associates in the year ended 31 March 2016 relate to a reversal of an impairment loss recognised in the prior year. Amounts written off interests in joint ventures and associates in the prior year were derived from a comparison of their respective book values with discounted cash flow forecasts. Such write-offs are non-cash and non-deductible for tax purposes.

Notes to the consolidated financial statements (continued)

5. Profit for the year

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

	Ongoing businesses and total 2016 £m	Ongoing businesses 2015 £m	BBC America 2015 £m	Total 2015 £m
Rentals on operating leases and similar arrangements	9.9	13.7	0.4	14.1
Sub-lease rentals received on operating leases	(0.6)	(0.2)	-	(0.2)
Net foreign exchange losses/(gains)	1.4	(0.5)	-	(0.5)
Government grants receivable	(0.1)	(0.1)	-	(0.1)
Depreciation on property, plant and equipment (note 15)	6.0	7.8	0.2	8.0
Impairment of property, plant and equipment (note 15)	-	-	0.9	0.9
Amortisation of intangible assets				
Distribution rights (note 13)	121.0	113.0	-	113.0
Internally generated software assets (note 14)	5.6	3.4	-	3.4
Other intangible assets (note 14)	1.9	1.0	-	1.0
Programme rights and other inventories				
Cost recognised as an expense				
- programmes in the course of production	109.0	83.0	0.5	83.5
- broadcast rights and other inventories	48.5	48.8	14.6	63.4
Write-downs recognised as an expense	9.1	3.8	0.6	4.4
Employee costs (note 7)	139.9	142.8	6.1	148.9
Impairment loss recognised on trade receivables (note 19)	2.6	1.0	0.1	1.1
Reversal of impairment losses recognised on trade receivables (note 19)	(1.1)	(2.8)	-	(2.8)

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.

6 Auditor's remuneration

	Ongoing businesses and total 2016 £m	Ongoing businesses 2015 £m	BBC America 2015 £m	Total 2015 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0.4	0.4	0.1	0.5
Fees payable to the Company's auditors and their associates for other services to the Group				
The audit of the Company's subsidiaries pursuant to legislation	0.2	0.2	-	0.2
Total audit fees	0.6	0.6	0.1	0.7
Tax services	0.1	0.2	-	0.2
Other services	0.1	0.1	-	0.1
Total non-audit fees	0.2	0.3	-	0.3

Notes to the consolidated financial statements (continued)

7. Employee numbers and costs

The average number of employees during the year was as follows

	Ongoing businesses and total 2016 Number	Ongoing businesses 2015 Number	BBC America 2015 Number	Total 2015 Number
United Kingdom	460	438	-	438
North America	360	360	86	446
Australia and New Zealand	179	197	-	197
Western Europe	315	324	-	324
Rest of World	450	424	-	424
Total number of employees	1,764	1,743	86	1,829

Within the averages above, 108 (2015 93) part-time employees have been included at their full-time equivalent of 73 (2015 66), including casual staff

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

	Ongoing businesses and total 2016 £m	Ongoing businesses 2015 £m	BBC America 2015 £m	Total 2015 £m
Salaries and wages	115.3	114.4	5.6	120.0
Social security costs	11.0	10.4	0.3	10.7
Other pension costs	13.6	18.0	0.2	18.2
	139.9	142.8	6.1	148.9

In addition to the above redundancy costs totalling £5.2m (2015 £1.3m) were incurred in the year

The remuneration of the Directors during the year was as follows

	Ongoing businesses and total 2016 £'000	Ongoing businesses and total 2015 £'000
Emoluments	927	1,040
Long-term incentive schemes	-	29
	927	1,069

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

	Ongoing businesses and total 2016 Number of Directors	Ongoing businesses and total 2015 Number of Directors
Defined benefit schemes	3	1
Money purchase schemes	1	1

Further details of Directors' remuneration are provided in the Report on Directors' remuneration on pages 20 to 24. Further information regarding the compensation earned by key management can be found in note 35.

The Group contributed £14,000 (2015 £23,000) to money purchase schemes for its Directors in the year.

The remuneration of the highest paid Director during the year was £626,000 (2015 £603,000).

Notes to the consolidated financial statements (continued)

8. Other gains and losses

	Ongoing businesses and total 2016 £m	Ongoing businesses and total 2015 £m
Change in fair value of derivative financial instruments	(3.4)	(4.0)
Increase in earn-out payments due in respect of prior acquisitions	(1.2)	(1.3)
Reduction in earn-out proceeds receivable on prior disposals	-	(0.4)
	(4.6)	(5.7)

9 Net financing costs

	Ongoing businesses and total 2016 £m	Ongoing businesses and total 2015 £m
Interest receivable	0.9	0.8
Finance income	0.9	0.8
Interest payable on loan from parent undertaking	2.2	1.8
Interest payable on derivative financial instruments	0.9	1.2
Other interest payable	0.6	0.5
Finance expense	3.7	3.5

Notes to the consolidated financial statements (continued)

10 Taxation

Tax charge for the year

	Ongoing businesses and total 2016 £m	Ongoing businesses 2015 £m	BBC America 2015 £m	Total 2015 £m
Current tax				
UK corporation tax	4.7	-	5.7	5.7
Foreign tax	14.0	13.5	3.3	16.8
Adjustments in respect of prior years	(3.5)	(3.4)	-	(3.4)
	15.2	10.1	9.0	19.1
Deferred tax				
Origination and reversal of temporary differences	0.3	0.9	17.6	18.5
Reduction in rate of UK corporation tax	0.2	0.1	-	0.1
Adjustments in respect of prior years	(0.8)	0.6	-	0.6
	(0.3)	1.6	17.6	19.2
Tax on profit on ordinary activities	14.9	11.7	26.6	38.3

The UK corporation tax charge is net of a credit of £0.9m (2015: £7.8m) in respect of High-end television tax relief.

The tax charge for the year includes tax deductions of £3.4m (2015: £2.2m) in respect of specific items (note 4).

In addition to the amount charged to the Consolidated income statement, a tax credit of £2.5m (2015: charge of £2.3m) 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 (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The tax charge can be reconciled to the profit per the Consolidated income statement as follows:

	Ongoing businesses and total 2016 £m	Ongoing businesses 2015 £m	BBC America 2015 £m	Total 2015 £m
Profit before tax	100.5	96.5	127.3	223.8
Tax at the UK corporation tax rate of 20% (2015: 21%)	20.1	20.3	26.7	47.0
Effects of				
Disallowed expenditure	1.0	1.7	1.5	3.2
Non-taxable income	(0.3)	-	(11.3)	(11.3)
High-end television tax relief	(0.9)	(7.8)	-	(7.8)
Tax differential on wholly-owned overseas earnings	5.4	6.3	9.7	16.0
Tax effect of share of results of joint ventures and associates	(6.3)	(6.1)	-	(6.1)
Reduction in rate of UK corporation tax	0.2	0.1	-	0.1
Adjustments in respect of previous years	(4.3)	(2.8)	-	(2.8)
Tax charge for the year	14.9	11.7	26.6	38.3

Notes to the consolidated financial statements (continued)

10. Taxation (continued)

The amount of tax paid in the year is different from the tax charge, due mainly to the timings of payments. UK corporation tax is payable in four instalments, two of which are made after the end of the year in which the tax arises, i.e. some of the tax included in the 2014/15 tax charge was paid in 2015/16. The payments are based on the best estimate of the tax charge at the time the payment is made. The final tax liability is determined when the tax return for the year is prepared and submitted to HMRC some time after the year end. In addition, the tax charge in the accounts is a best estimate at the time the accounts are prepared. The charge is then adjusted in later years to reflect the actual tax liability arising from the submitted tax returns.

Factors affecting future tax expense

The UK corporation tax rate reduced from 21% to 20% on 1 April 2015.

On 26 October 2015 The Summer Finance Bill 2015, which reduces the main rate of corporation tax to 19% from April 2017 and 18% from April 2020 were substantively enacted. As these reductions to the rate were substantively enacted at the balance sheet date, the deferred tax assets have been calculated at 18% in line with when the company anticipates temporary differences to unwind.

The Chancellor announced his Budget 2016 on 16th March 2016 including the publication of the Business Tax Road Map, which sets out a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020 and measures relating to the OECD Base Erosion and Profit Shifting Actions. These include limiting the utilisation of brought forward losses and interest deductions, to be effective from 1 April 2017. Whilst a full analysis cannot be presently carried out until final legislation is published, it is expected that these measures will have limited impact on these current year financial statements.

Deferred tax

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

	JVs & Associates £m	Programme rights £m	Fixed asset temporary differences £m	Provisions £m	Financial instruments £m	Other £m	Total £m
At 1 April 2014	13	(57)	36	41	(19)	(01)	13
(Charged)/credited to the income statement	(281)	(08)	(03)	15	08	77	(192)
Credited to other comprehensive income	-	-	-	-	23	-	23
Foreign exchange translation gains and losses	-	04	-	11	-	(09)	06
At 31 March 2015	(268)	(61)	33	67	12	67	(150)
Credited/(charged) to the income statement	131	-	(06)	(34)	01	(89)	03
Credited to other comprehensive income	-	-	-	-	25	-	25
Foreign exchange translation gains and losses	(20)	(02)	(01)	03	-	10	(10)
At 31 March 2016	(157)	(63)	28	36	38	(12)	(132)

Deferred tax is recorded in the balance sheet as follows:

	2016 £m	2015 £m
Deferred tax assets	65	42
Deferred tax liabilities	(197)	(192)
Net deferred tax liability	(132)	(150)

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 £145.2m (2015: £170.0m). These assets have not been recognised on the basis that there is insufficient certainty that capital gains will arise against which the Group can utilise these losses. There is no time limit for the utilisation of those losses.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £0.2m (2015: £0.2m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and those differences are not expected to reverse in the foreseeable future.

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

Notes to the consolidated financial statements (continued)

11. Dividends

	2016 £m	2015 £m
Amounts recognised as distributions to equity holders in the period		
Interim dividends for the current year of £421.92 per share (2015: £445.36 per share)	105.5	111.3
	105.5	111.3

12 Goodwill

	2016 £m	2015 £m
Cost and net book value		
At beginning of the year	33.4	34.1
Additions	0.4	-
Foreign exchange translation gains/(losses)	0.4	(0.7)
Carrying amount	34.2	33.4

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

	2016 £m	2015 £m
Consumer distribution	25.4	25.4
Australian Channels	8.4	8.0
South African Production	0.4	-
	34.2	33.4

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

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

No goodwill impairment has been recognised to date.

Consumer distribution business

The goodwill in this CGU arose as a result of the acquisition of 2 entertain on 6 August 2009. The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected long term growth rate of -6% (2015: -6%).

A discount rate of 14.9% (2015: 11.7%) 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 (2015: five years) and a discount rate of 16.0% (2015: 11.9%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1.0% (2015: 1.0%).

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

Management believes that 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.

South African Production business

The goodwill in this CGU arose as a result of the acquisition of Rapid Blue (Pty) Ltd on 28 March 2016 (note 27). As the acquisition took place so close to year end, no impairment review has been conducted.

Notes to the consolidated financial statements (continued)

13. Distribution rights

	2016 £m	2015 £m
Cost		
At 1 April	622.0	474.6
Additions	128.5	145.9
Foreign exchange translation gains	0.5	1.7
Fully amortised rights written off	(2.8)	(0.2)
At 31 March	748.2	622.0
Amortisation		
At 1 April	419.2	304.5
Charge for the year	121.0	113.0
Foreign exchange translation losses	0.5	1.9
Fully amortised rights written off	(2.8)	(0.2)
At 31 March	537.9	419.2
Net book value	210.3	202.8

Included within distribution rights is self-funded content in the course of production totalling £0.3m (2015: £5.3m)

Notes to the consolidated financial statements (continued)

14. Other intangible assets

2016	Carrier Agreements £m	Software £m	Other £m	Total £m
Cost				
At 1 April	8.5	44.1	0.7	53.3
Additions	-	14.5	-	14.5
Acquired through business combinations	-	-	0.5	0.5
Disposals	-	(17.4)	-	(17.4)
Foreign exchange translation gains	0.3	-	0.1	0.4
At 31 March	8.8	41.2	1.3	51.3
Amortisation				
At 1 April	3.5	21.4	0.5	25.4
Charge for the year	0.5	7.0	-	7.5
Disposals	-	(17.4)	-	(17.4)
Foreign exchange translation losses	0.2	-	0.1	0.3
At 31 March	4.2	11.0	0.6	15.8
Net book value	4.6	30.2	0.7	35.5

2015	Carrier Agreements £m	Software £m	Other £m	Total £m
Cost				
At 1 April	9.2	46.1	0.7	56.0
Additions	-	11.7	-	11.7
Disposals	-	(13.7)	-	(13.7)
Foreign exchange translation losses	(0.7)	-	-	(0.7)
At 31 March	8.5	44.1	0.7	53.3
Amortisation				
At 1 April	3.1	31.3	0.6	35.0
Charge for the year	0.6	3.8	-	4.4
Disposals	-	(13.7)	-	(13.7)
Foreign exchange translation gains	(0.2)	-	(0.1)	(0.3)
At 31 March	3.5	21.4	0.5	25.4
Net book value	5.0	22.7	0.2	27.9

Other assets comprise of customer relationships and non-compete agreements

Of total software additions recognised during the year: £12.5m (2015: £10.6m) related to internally developed software

Notes to the consolidated financial statements (continued)

15. Property, plant and equipment

2016	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	24.5	37.0	12.5	-	74.2
Additions	-	0.6	3.3	2.6	-	6.5
Acquired through business combinations	-	-	0.1	0.1	-	0.2
Disposals	-	(9.5)	(15.0)	(4.9)	-	(29.4)
Foreign exchange translation gains	-	0.3	0.4	0.3	-	1.0
At 31 March	0.2	15.9	25.8	10.6	-	52.5
Depreciation						
At 1 April	-	12.4	22.9	10.3	-	45.6
Depreciation charge for the year	-	1.0	3.7	1.3	-	6.0
Disposals	-	(9.5)	(15.0)	(4.9)	-	(29.4)
Foreign exchange translation losses	-	0.3	0.2	0.1	-	0.6
At 31 March	-	4.2	11.8	6.8	-	22.8
Net book value	0.2	11.7	14.0	3.8	-	29.7
2015						
Cost						
At 1 April	0.2	12.7	30.4	11.5	1.4	56.2
Additions	-	12.2	6.8	1.3	-	20.3
Disposal of subsidiaries	-	(0.2)	-	-	-	(0.2)
Other disposals	-	(0.4)	(2.0)	(0.4)	-	(2.8)
Transfers	-	-	1.4	-	(1.4)	-
Foreign exchange translation gains	-	0.2	0.4	0.1	-	0.7
At 31 March	0.2	24.5	37.0	12.5	-	74.2
Depreciation						
At 1 April	-	9.0	20.9	9.4	-	39.3
Depreciation charge for the year	-	3.0	3.8	1.2	-	8.0
Impairment charge for the year	-	0.9	-	-	-	0.9
Disposal of subsidiaries	-	(0.1)	-	-	-	(0.1)
Other disposals	-	(0.4)	(2.0)	(0.4)	-	(2.8)
Foreign exchange translation losses	-	-	0.2	0.1	-	0.3
At 31 March	-	12.4	22.9	10.3	-	45.6
Net book value	0.2	12.1	14.1	2.2	-	28.6

At 31 March 2016, the Group had contractual commitments for the acquisition of property, plant and equipment totalling £nil (2015 £1.3m)

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 g to the Company financial statements

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

	Joint ventures 2015 £m	Associates 2015 £m	Total 2015 £m	Joint ventures 2016 £m	Associates 2016 £m	Total 2016 £m
At 1 April	0.6	151.2	151.8	0.7	12.1	12.8
Additions	0.6	2.3	2.9	0.6	122.9	123.5
Disposals	-	(3.0)	(3.0)	-	-	-
Loan converted to equity	-	1.8	1.8	-	0.8	0.8
Share of results	30.8	11.0	41.8	27.6	8.2	35.8
Adjustment to provision for unrealised profits	(0.3)	(0.3)	(0.6)	1.1	(0.5)	0.6
Dividends receivable	(19.6)	(7.0)	(26.6)	(29.6)	(2.4)	(32.0)
Foreign exchange translation gains	-	3.1	3.1	0.2	12.1	12.3
Amounts written back/(off)	-	0.6	0.6	-	(2.0)	(2.0)
At 31 March	12.1	159.7	171.8	0.6	151.2	151.8

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

	Joint ventures 2015 £m	Associates 2015 £m	Total 2015 £m	Joint ventures 2016 £m	Associates 2016 £m	Total 2016 £m
Interests in joint ventures and associates	12.1	159.7	171.8	0.6	148.2	148.8
Non-current assets held for sale (note 21)	-	-	-	-	3.0	3.0
	12.1	159.7	171.8	0.6	151.2	151.8

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

Interests in joint ventures

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

UKTV

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

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

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

	UKTV 2016 £m	Other JVs 2016 £m	Total 2016 £m	UKTV 2015 £m	Other JVs 2015 £m	Total 2015 £m
Aggregation of 100% of each joint venture						
Non-current assets	6 8	0 1	6 9	5 6	0 3	5 9
Current assets	220 0	5 4	225 4	186 5	4 7	191 2
Current liabilities	(137 9)	(7 3)	(145 2)	(127 8)	(4 9)	(132 7)
Non-current liabilities	(54 1)	-	(54 1)	(53 5)	(1 1)	(54 6)
Net assets	34 8	(1 8)	33 0	10 8	(1 0)	9 8
Group's share of net assets of joint ventures	17 3	0 1	17 4	5 3	0 3	5 6
Provision for unrealised profit	(5 3)	-	(5 3)	(5 0)	-	(5 0)
Interests in joint ventures at 31 March	12 0	0 1	12 1	0 3	0 3	0 6
Revenue	329 4	17 1	346 5	288 0	12 0	300 0
Expense	(248 4)	(17 6)	(266 0)	(216 4)	(11 1)	(227 5)
Interest payable	(3 8)	-	(3 8)	(3 7)	-	(3 7)
Taxation	(15 8)	(0 1)	(15 9)	(14 1)	(0 1)	(14 2)
Profit from joint ventures	61 4	(0 6)	60 8	53 8	0 8	54 6
Profit from joint ventures attributable to other parties	(30 7)	0 7	(30 0)	(26 9)	(0 4)	(27 3)
Other adjustments	-	-	-	-	0 3	0 3
Group's share of profit from joint ventures	30 7	0 1	30 8	26 9	0 7	27 6

Included within the UKTV balance sheet are cash and cash equivalents of £21 9m (2015 £13 5m), financial liabilities of £130 8m (2015 £125 2m) and non-current financial liabilities of £54 1m (2015 £53 5m). Included within UKTV's expense for the year is a depreciation charge of £2 3m (2015 £2 1m) and an amortisation charge of £118 3m (2015 £106 8m).

Notes to the consolidated financial statements (continued)

16 Interests in joint ventures and associates (continued)

Interests in associates

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

New Video Channel America, LLC ("NVCA")

As set out in Note 28, on 23 October 2014, the Group sold a 49.9% stake in NVCA, formerly a wholly-owned subsidiary of BBC Worldwide Americas Inc., and retained an investment of 50.1% in NVCA. Whilst the Group retains significant influence over NVCA, and has the right to variable returns, it no longer has control, and hence the Group has deconsolidated NVCA from the date of the sale and accounts for its retained interest since that date as an associate.

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

	NVCA 2016 £m	Other 2016 £m	Total 2016 £m	NVCA 2015 £m	Other 2015 £m	Total 2015 £m
Aggregation of 100% of each associate						
Non-current assets	135.9	4.4	140.3	133.2	6.1	139.3
Current assets	69.2	40.5	109.7	63.6	34.1	97.7
Current liabilities	(25.5)	(25.8)	(51.3)	(26.9)	(17.9)	(44.8)
Non-current liabilities	(6.0)	(8.4)	(14.4)	(7.3)	(8.1)	(15.4)
Net assets	173.6	10.7	184.3	162.6	14.2	176.8
Group's share of net assets	87.0	3.5	90.5	81.5	4.0	85.5
Goodwill on acquisition	60.2	12.9	73.1	58.7	10.5	69.2
Provision for unrealised profit	(3.7)	(0.2)	(3.9)	(3.5)	-	(3.5)
Interests in associates at 31 March	143.5	16.2	159.7	136.7	14.5	151.2
Revenue	113.6	43.2	156.8	42.8	39.9	82.7
Result for the year	18.0	1.7	19.7	15.0	4.2	19.2
Group's share of results of associates	10.0	1.0	11.0	7.5	0.7	8.2

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

Notes to the consolidated financial statements (continued)

17 Investments

	2016 £m	2015 £m
Available-for-sale investments		
Unquoted equities	7.5	4.4
Loans receivable carried at amortised cost		
Loans to joint ventures and associates (note 35)	6.0	0.5
Loans to other entities	3.0	8.2
	9.0	8.7
Total investments	16.5	13.1

18 Programme rights and other inventories

	2016 £m	2015 £m
Programme rights for broadcast	34.7	31.4
Programmes in the course of production	6.0	17.8
Raw materials and consumables	1.8	1.7
Format rights	0.1	-
Work in progress	0.3	1.4
Finished goods and goods for resale	10.0	15.0
	52.9	67.3

19. Trade and other receivables

	2016 £m	2015 £m
Current		
Trade receivables	200.5	172.4
Prepayments	13.3	13.3
Royalty advances	7.0	10.3
Accrued income	71.8	65.6
Amounts owed by joint ventures and associates (note 35)	24.5	43.2
Other receivables	7.6	35.3
	324.7	340.1
Non-current		
Trade receivables*	56.5	27.1
	56.5	27.1
	381.2	367.2

* In 2015, this balance was classified within current assets

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

Notes to the consolidated financial statements (continued)**19. Trade and other receivables (continued)**

Included in the Group's trade and other receivables at 31 March 2016 are balances of £28.0m (2015: £21.7m) which are past due at the reporting date but are not impaired because the Group expects to recover these balances in full, and has historical analysis to support the recovery profile. The aged analysis of these balances is as follows:

	2016 £m	2015 £m
Up to 3 months	22.6	16.7
3 to 6 months	3.1	2.9
Over 6 months	2.3	2.1
	28.0	21.7

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Trade receivables are provided against based on estimated irrecoverable amounts, determined by reference to past default experience of the counterparty and an analysis of the counterparty's financial situation (see note 34).

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 £1.6m at 31 March 2016 (2015: £1.2m).

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

	2016 £m	2015 £m
Balance at the beginning of the year	1.2	3.6
Impairment losses recognised	2.6	1.1
Amounts written off	(1.1)	(0.7)
Impairment losses reversed	(1.1)	(2.8)
	1.6	1.2

Notes to the consolidated financial statements (continued)

20. Trade and other payables

	2016 £m	2015 £m
Current		
Trade payables	40.6	44.1
Rights creditors	150.0	106.0
Accruals	50.8	60.2
Deferred income	50.7	58.0
Amounts owed to ultimate parent undertaking	50.3	47.6
Amounts owed to fellow subsidiary undertakings	16.7	16.0
Amounts owed to joint ventures and associates (note 35)	4.2	3.4
Other payables including other tax and social security	36.3	69.9
	399.6	405.2
Non-current		
Trade and other payables	2.3	0.8
	2.3	0.8
	401.9	406.0

Rights creditors comprise royalty payments owing to producers of and contributors to television programmes, DVDs and other media. Other payables include £4.0m relating to contingent considerations (2015: £1.8m) (see note 34).

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

21. Assets held for sale

As at 31 March 2015, following the Board's approval for disposal of the Temple Street associate, the investment was reclassified as an asset held for sale at its carrying value of £3.0m. The investment was sold during the year ending 31 March 2016 (see note 28).

Notes to the consolidated financial statements (continued)

22. Provisions

	Property related £m	Onerous contracts £m	Other £m	Total £m
At 1 April	4.3	2.0	0.9	7.2
Additional provision in the year	0.3	-	1.3	1.6
Utilisation of provision	(2.1)	(1.6)	(0.8)	(4.5)
Released to the Consolidated income statement	(2.0)	(0.3)	-	(2.3)
At 31 March 2016	0.5	0.1	1.4	2.0

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

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

Other provisions primarily comprise restructuring provisions

Provisions are analysed between current and non-current as follows

	2016 £m	2015 £m
Current	1.9	5.3
Non-current	0.1	1.9
	2.0	7.2

Notes to the consolidated financial statements (continued)

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 2016 £m	Indian Rupee 2016 £m	Total 2016 £m	Sterling 2015 £m	Indian Rupee 2015 £m	Total 2015 £m
Unsecured borrowings at amortised cost						
Loans from related parties	167.6	-	167.6	135.5	-	135.5
Bank loans	-	0.3	0.3	-	0.3	0.3
	167.6	0.3	167.9	135.5	0.3	135.8
Total borrowings						
Amount due for settlement within 12 months	167.6	0.3	167.9	-	0.3	0.3
Amount due for settlement after more than 12 months	-	-	-	135.5	-	135.5
	167.6	0.3	167.9	135.5	0.3	135.8

The Group's principal source of funding is a multi-currency loan facility of £202.2m (2015: £202.2m) with BBC Commercial Holdings Limited (BBCCH) its intermediate parent undertaking of which £30.0m (2015: £30.0m) is available only on condition that an equivalent cash balance is maintained. As at 31 March 2016, the facility expiry date was 30 September 2016, however, this has since then been extended until 30 September 2017. The facility attracts interest based on BBCCH's borrowing cost plus a margin of 1.0%.

The Group also has a loan facility in India of INR 220m (£2.3m) (2015: INR 120m (£1.3m)), which includes a working capital facility of INR 120m (£1.3m) (2015: £1.3m) and an overdraft limit within this facility of INR 140m (£1.5m) (2015: 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 a margin.

In addition, the Group has a multi-currency collective net overdraft facility with a limit of £2m and a base currency of GBP. This attracts interest of 1% above base rate if drawn down in GBP, and interest of the bank's currency overdraft rate plus a 1% margin if drawn down in other currencies. As at 31 March 2016 and 31 March 2015, the facility was unutilised.

There are no charges over cash at bank or other financial assets in respect of borrowings or other liabilities (2015: none).

Notes to the consolidated financial statements (continued)

24 Derivative financial instruments

2016	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Derivatives that are designated as cash flow hedges					
Forward foreign currency contracts	0.1	0.7	(11.9)	(5.0)	(16.1)
Interest rate swaps	-	-	(0.1)	-	(0.1)
	0.1	0.7	(12.0)	(5.0)	(16.2)
Derivatives that are not in a formal hedge relationship					
Forward foreign currency contracts	-	0.1	(1.6)	(0.8)	(2.3)
Foreign currency swaps	-	0.1	-	-	0.1
Embedded derivatives	-	-	(0.4)	(2.2)	(2.6)
	-	0.2	(2.0)	(3.0)	(4.8)
	0.1	0.9	(14.0)	(8.0)	(21.0)
2015					
Derivatives that are designated as cash flow hedges					
Forward foreign currency contracts	2.7	7.5	(8.6)	(4.7)	(3.1)
Interest rate swaps	-	-	-	(0.6)	(0.6)
	2.7	7.5	(8.6)	(5.3)	(3.7)
Derivatives that are not in a formal hedge relationship					
Forward foreign currency contracts	0.1	0.9	(1.1)	(0.9)	(1.0)
Embedded derivatives	0.1	-	(0.5)	-	(0.4)
	0.2	0.9	(1.6)	(0.9)	(1.4)
	2.9	8.4	(10.2)	(6.2)	(5.1)

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

The total notional principal amount of the outstanding forward foreign exchange contracts at 31 March 2016 was £328.9m (2015: £356.6m). 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 losses (before tax) recognised in the hedging reserve on forward foreign exchange contracts in cash flow hedge relationships at 31 March 2016 were £12.5m (2015: losses of £10.9m). Future relevant amounts will be recognised in the income statement in the period when the hedged forecast transaction affects the income statement at various dates over the next 48 months.

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2016 were £60.0m (2015: £60.0m). 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.

Notes to the consolidated financial statements (continued)**25. Called up share capital**

	2016 £m	2015 £m
Authorised		
1,000,000 ordinary shares of £1 each	1 0	1 0
Issued, allotted, called up and fully paid		
250,000 ordinary shares of £1 each	0 2	0 2

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

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). During the current year, losses of £0.7m were removed from the hedging reserve and debited to revenue in the income statement (2015: gains of £6.2m).

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, £3.5m of exchange losses on foreign currency borrowings have been offset in reserves against exchange gains on the related investment in overseas subsidiaries (2015: £4.7m).

Other reserves

Other reserves includes revaluation of available-for-sale financial assets of £2.9m (2015: £nil) and to the fair value of the put option liabilities arising on acquisition of new subsidiaries (note 27).

Retained earnings

At 31 March 2016, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14.2m. This amount is unchanged from the prior year, and remained in equity upon transition to IFRS as permitted by IFRS 1.

27. Acquisitions**Rapid Blue**

On 28 March 2016, the Group acquired 70% of the shares of Rapid Blue (Pty) Ltd ('Rapid Blue'), a production company based in South Africa, for a total consideration of £0.9m (net of cash acquired). The operations of Rapid Blue have been integrated in the CEMA business line, reported in the Rest of the World reporting segment. The acquisition has been accounted for using the purchase method of accounting in accordance with IFRS 3, *Business Combinations*. The full acquisition note has not been presented as the acquisition is not considered to be material.

As part of the acquisition, the Group holds a call option for the remaining 30% of the shares, and the non-controlling interest party holds a put option. The fair value of the expected consideration for the remaining shares has been recognised as a financial liability of £1.6m, through Other reserves. Until options are exercised or expire, the changes in the fair value of the expected consideration will be recognised in the Consolidated income statement.

Notes to the consolidated financial statements (continued)**28 Disposals**

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

Temple Street

On 25 April 2015, the Group disposed of its interest in Temple Street Productions for cash consideration of £4.5m, resulting in a gain on disposal of £1.5m. Net assets at the date of disposal were £3.0m.

BBC AMERICA

On 23 October 2014, BBC Worldwide sold a 49.9% stake in NVCA, formerly a wholly-owned subsidiary of BBC Worldwide Americas Inc., to AMC Networks Inc. ("AMCN") in return for proceeds of \$200m (£123.0m), with BBCW retaining an investment of 50.1% in NVCA. The \$200m proceeds comprised \$160m in cash and \$40m deferred consideration in the form of a six-month promissory note, due by 23rd April 2015, settled during the year ended 31 March 2016.

The disposal was a strategic move to take advantage of the greater negotiating power and sector knowledge of the larger US networks. While the Group retained a 50.1% shareholding in NVCA, AMCN gained control over the key decision-making activities. Therefore, whilst the Group retained significant influence over NVCA, and has the right to variable returns, it no longer had control, and hence the Group deconsolidated NVCA from the date of the sale and started to account for its retained interest as an associate.

The net assets of NVCA at the date of disposal were

	23 October 2014
	£m
Property, plant and equipment	0.1
Programme rights and other inventories	54.8
Trade and other receivables	22.0
Trade and other payables	(15.7)
Cash and cash equivalents	0.1
	61.3
Net gain on disposal	
	£m
Consideration for disposal	123.0
Fair value of associate recognised	119.9
Net assets disposed of	(61.3)
Fair value of retained liabilities, and transaction costs, in respect of business disposal	(59.6)
Cumulative currency translation losses	(6.1)
Net gain	115.9
Satisfied by	
Cash and cash equivalents	98.4
Deferred consideration	24.6
	123.0
Net cash inflow arising on disposal	
Consideration received in cash	98.4
Less: Cash and cash equivalents disposed of	(0.1)
Less: Settlement of retained liabilities and transaction costs in respect of business disposal	(33.8)
	64.5

Notes to the consolidated financial statements (continued)

29. Notes to the cash flow statement

	2016 £m	2015 £m
Operating profit	106.4	116.3
<i>Adjustments for</i>		
Share of results of joint ventures and associates (including movements in provisions for unrealised profits)	(41.2)	(36.4)
Depreciation and impairment of property, plant and equipment	6.0	8.0
Amortisation and impairment of intangible assets	128.5	117.4
Impairment of investments	(0.1)	2.1
Impairment loss recognised on trade and other receivables	2.6	1.1
Reversal of impairment losses recognised on trade and other receivables	(1.1)	(2.8)
Net foreign exchange losses/(gains)	1.4	(0.5)
Decrease in provisions	(5.2)	-
Cash flows before movements in working capital	197.3	205.2
Increase in trade and other receivables	(43.1)	(33.6)
Decrease/(increase) in programme rights and other inventories	16.2	(16.5)
(Decrease)/Increase in trade and other payables	(9.4)	62.4
Cash generated from operations	161.0	217.6

Notes to the consolidated financial statements (continued)

30 Commitments and contingent liabilities

	2016 £m	2015 £m
Capital commitments		
Distribution rights	98.5	96.0
Property, plant and equipment	-	1.3
Intangible assets	3.1	6.3
	101.6	103.6
Other financial commitments		
Programme rights for broadcast	-	1.5
Other commitments	28.1	29.2
	28.1	30.7
Total unrecognised commitments	129.8	134.3

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 £76.7m and £109.6m, respectively (2015: £10.4m and £59.6m, respectively)

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

The Group has given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement (see note 23). At 31 March 2016, total amounts drawn down under this facility were £45.0m (2015: £35.0m). In addition the Group has given guarantees in relation to a US private placement in the name of BBC Commercial Holdings Limited which at year end was £177.9m (2015: £175.2m). At 31 March 2016, the total amount of this debt was £222.9m (2015: £210.2m).

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

31. 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:

	2016 £m	2015 £m
Within one year	8.1	9.0
In the second to fifth years inclusive	27.7	30.0
After five years	84.3	88.5
	120.1	127.5

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

Notes to the consolidated financial statements (continued)**32 Retirement benefits**

The Group operates a number of its own defined contribution pension schemes. The assets of those 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 £5.7m (2015: £5.0m).

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 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 and was the main pension plan of the Group. 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). Although it covers the majority of current employees, it is 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 £7.9 million in the year (2015: £13.2 million). No contributions were prepaid or accrued at 31 March 2016 (2015: £nil).

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

	2016 £m	2015 £m
BBC Pension Scheme	1,003.4	940.7
Unfunded Scheme	7.3	7.5
Total	1,010.7	948.2

The actuarial valuation for the BBC Pension Scheme was updated for IAS 19 purposes to 31 March 2016 by Willis Towers Watson, consulting actuaries. Additional disclosure about the scheme and its financial position under IAS 19 is presented below.

Scheme financial position

	2016 £m	2015 £m
Scheme assets**	12,821.4	12,766.3
Scheme liabilities	(13,824.8)	(13,707.0)
Deficit	(1,003.4)	(940.7)

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

Notes to the consolidated financial statements (continued)

32. Retirement benefits (continued)

Changes in the present value of plan liabilities

The table below illustrates the movement on the 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

	2016 £m	2015 £m
At 1 April	13,707.0	12,192.7
Current service cost	185.4	181.0
Past service cost	(30.9)	1.1
Administration costs	7.7	8.4
Interest on pension plan liabilities	459.3	533.1
Experience (gains)/losses arising on plan liabilities	(179.1)	(317.4)
Changes in assumptions underlying plan liabilities	125.3	1,499.4
Contributions by plan participants	0.9	0.8
Benefits paid and expenses	(417.9)	(392.1)
Liabilities extinguished on settlements	(32.9)	-
At 31 March	13,824.8	13,707.0

Changes in the fair value 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 paid via a salary sacrifice arrangement and have therefore been treated as employer contributions.

	2016 £m	2015 £m
At 1 April	12,766.3	10,684.2
Expected rate of return on plan assets	429.4	473.6
Actuarial gains/(losses) on plan assets	(146.5)	1,672.5
Contributions by employer	219.8	327.4
Contributions by plan participants	0.9	0.8
Benefits paid	(417.9)	(392.2)
Assets distributed on settlements	(30.6)	-
At 31 March	12,821.4	12,766.3

Plan Assets

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, on the Scheme see <http://www.bbc.co.uk/my pension>

Type of asset	2016 £m	2016 %	2015 £m	2015 %
Equities - quoted	1,279.2	10.0	1,491.8	11.7
Equities - unquoted	4.9	0.1	6.6	0.1
Pooled vehicles - quoted	1,222.9	9.5	1,228.8	9.5
Pooled vehicles - unquoted	767.0	6.0	840.8	6.6
Repurchase agreements	(1,718.1)	(13.4)	(763.2)	(6.0)
Derivatives	(33.5)	(0.3)	(54.6)	(0.4)
Fixed interest bonds - public sector	617.0	4.8	558.9	4.4
Fixed interest bonds - other	1,076.7	8.4	1,055.9	8.3
Index-linked bonds - public sector	4,939.0	38.5	4,377.5	34.3
Property - UK	855.1	6.7	743.1	5.8
Property - overseas	391.7	3.1	430.5	3.4
Alternatives*	3,055.1	23.8	2,494.0	19.5
Cash and other current assets	364.4	2.8	356.2	2.8
At 31 March	12,821.4	100.0	12,766.3	100.0
Actual return on pension plan assets**	282.9		1,672.5	

*Alternatives include private equity, debt and currency

**This constitutes realised gains from the receipt of investment income (e.g. dividends and rent), transactions where assets are sold and unrealised fair value changes

Notes to the consolidated financial statements (continued)

32. Retirement benefits (continued)

Funding the Scheme

The 2013 actuarial valuation by Willis 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 which details the contribution amounts to be paid by the BBC over a 12 year period commencing 2014.

As described in note 4, additional contributions of £3.4m paid by the Group to the BBC in 2016 (2015: £8.1m) have been presented outside Headline profit.

The contributions to the scheme by members are mainly paid via a salary sacrifice arrangement.

The next formal actuarial valuation is currently being performed as at 1 April 2016.

	2017	Projected 2018	2016
Contribution rates	%	%	%
Employer	16.7	16.7	14.5
Employee (Old and New Benefits)	7.5	7.5	7.5
Employee (Career Average Benefits 2006)	4.0	4.0	4.0
Employee (Career Average Benefits 2011)	6.0	6.0	6.0

On the basis of pension assumptions made, the BBC Group expects to make contributions to the scheme totalling £132.2 million in 2016/2017.

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:

	2016	2015
	%	%
Rate of increase in salaries	1.0	1.0
Rate of increase in pension payments		
Old Benefits	3.0	2.9
New Benefits	2.8	2.7
Career Average Benefits (2006)	2.4	2.4
Career Average Benefits (2011)	1.9	1.8
Inflation assumption (RPI)	3.0	2.9
Inflation assumption (CPI)	2.0	1.9
Discount rate	3.4	3.4

The sensitivities regarding the principal assumptions used to measure the scheme's liabilities are set out below.

2016	Assumption used	Movement	Impact on scheme liabilities %	Impact on scheme liabilities £m
Discount rate	3.4%	Decrease 0.1%	2.2	(294)
Discount rate	3.4%	Increase 0.1%	1.6	221
Retail price inflation rate	2.9%	Decrease 0.1%	1.7	231
Retail price inflation rate	2.9%	Increase 0.1%	1.8	(237)
Mortality rates	See below	Decrease 0.1%	3.4	464
Mortality rates	See below	Increase 0.1%	3.6	(480)

2015	Assumption used	Movement	Impact on scheme liabilities %	Impact on scheme liabilities £m
Discount rate	3.4%	Decrease 0.1%	2.2	(308)
Discount rate	3.4%	Increase 0.1%	1.7	230
Retail price inflation rate	2.9%	Decrease 0.1%	1.8	245
Retail price inflation rate	2.9%	Increase 0.1%	1.8	(251)
Mortality rates	See below	Decrease 0.1%	3.5	477
Mortality rates	See below	Increase 0.1%	3.6	(494)

Notes to the consolidated financial statements (continued)**32. Retirement benefits (continued)**

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

Principal demographic assumptions

	2015	2016
	Number of years	Number of years
Retiring today		
Male	27.6	27.5
Female	30.0	29.9
Retiring in 20 years		
Male	29.5	29.4
Female	32.0	31.9

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% for both males and females.

Notes to the consolidated financial statements (continued)**33. 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.

As a diversified portfolio of businesses, the Group operates a framework for calculating investment discount rates that are tailored to different types of investment. This framework applies appropriate risk premiums to the discount rate in order to ensure all risks relating to the investment are taken into account and that the required rate of return is commensurate with this level of risk. This in turn allows the BBC and the Group to achieve the optimal allocation of capital and balance its short term and long term return goals.

34 Financial instruments and risk management**Financial risk management objectives**

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

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

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

Currency risk

BBC Worldwide is exposed to foreign exchange risk arising from various currency exposures, principally in relation to the US dollar, the Euro and the Australian dollar. The Group generates a surplus in most currencies in which it operates. The Group's share of revenue from operations generated outside the UK was 64.1% in 2016 versus 66.1% in 2015.

Foreign exchange transaction risk arises from recognised assets and liabilities and forecast future commercial transactions that are denominated in a currency that is not the transacting entity's functional currency. Due to movements in exchange rates over time, the amount the Group expects to receive or pay when it enters into a transaction may differ from the amount that it actually receives or pays when it settles the transaction. A small proportion of related operating expenses will also be denominated in these foreign currencies providing some level of offset to these revenue exposures.

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

Notes to the consolidated financial statements (continued)**34. Financial instruments and risk management (continued)****Currency risk (continued)**

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

Some sales contracts also contain clauses whereby changes in currency rates outside of an agreed range impact on the contract price, in the majority of cases the value of the individual contracts and other features within the contract limit the currency risk exposure to a level that is not significant to the Group. Such clauses have been separated from the host contracts and recorded as embedded derivatives. The movement in fair values in these derivatives is recorded through the income statement. Further details of the embedded derivatives are given in note 24.

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 2016 or 31 March 2015.

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/(loss) and equity impact on the Group's derivative financial instruments of a 10% weakening of GBP compared to other foreign currency rates.

	2016 £m	2015 £m
Forward foreign currency contracts	(34.4)	(36.1)
Embedded derivatives	(0.3)	0.5
Total impact on derivatives	(34.7)	(35.6)
Impact on income statement	(6.8)	(6.9)
Impact on other comprehensive income	(27.9)	(28.7)
Total impact on comprehensive income	(34.7)	(35.6)

The same movement in currency rates would result in an income statement gain of £2.5m (2015: £4.7m) 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 uses 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 2016 would have increased by £1.3m (2015: £0.9m). 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. The carrying amount of financial assets included in the financial statements represents the Group's maximum exposure to credit risk in relation to these assets. For 2016, one (2015: nil) customer comprised 10.9% of the Group's total revenues. This same customer comprised 31.4% of the Group's trade receivables balance as at 31 March 2016. No other customer accounted for 10% or more of the Group's revenue for 2016 or 2015.

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)

34. 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 33. At 31 March 2016, the net debt limit imposed by BBC Group on BBC Worldwide was £172.2m (2015: £172.2m), with a gross debt limit of £202.2m (2015: £202.2m) subject to an equivalent £30.0m (2015: £30.0m) cash balance being held. These limits are subject to review going forward.

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

Maturity analysis of financial liabilities

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

	Due in less than 1 year £m	Due in 1 to 2 years £m	Due in 2 to 3 years £m	Due after more than 3 years £m	Total £m
2016					
Financial liabilities at fair value through profit and loss					
Derivative financial instruments	13.6	5.8	-	-	19.4
Embedded derivatives	0.4	0.6	-	1.6	2.6
Other creditors	2.0	0.6	-	2.9	5.5
Financial liabilities measured at amortised cost					
Bank loans	0.3	-	-	-	0.3
Loan from intermediate parent undertaking	169.2	-	-	-	169.2
Trade and other payables	347.2	-	-	-	347.2
2015					
Financial liabilities at fair value through profit and loss					
Derivative financial instruments	10.1	5.5	0.5	-	16.1
Embedded derivatives	0.5	-	-	-	0.5
Other creditors	1.1	1.0	-	-	2.1
Financial liabilities measured at amortised cost					
Bank loans	0.3	-	-	-	0.3
Loan from intermediate parent undertaking	2.0	136.4	-	-	138.4
Trade and other payables	346.2	-	-	-	346.2

Notes to the consolidated financial statements (continued)

34. Financial instruments and risk management (continued)

Categorisation of financial assets and liabilities

	Available-for-sale	Loans and receivables	Derivatives	Total	Available-for-sale	Loans and receivables	Derivatives	Total
	2016	2016	2016	2016	2016	2016	2016	2016
	£m	£m	£m	£m	£m	£m	£m	£m
Assets as per Balance Sheet								
Derivative financial instruments	-	-	10	10	-	-	11.2	11.2
Embedded derivatives	-	-	-	-	-	-	0.1	0.1
Assets held for sale	-	-	-	-	3.0	-	-	3.0
Unquoted equities	7.5	-	-	7.5	4.4	-	-	4.4
Loans receivable	-	9.0	-	9.0	-	8.7	-	8.7
Trade and other receivables	-	311.4	-	311.4	-	353.9	-	353.9
Cash and cash equivalents	-	45.8	-	45.8	-	66.6	-	66.6
	7.5	366.2	1.0	374.7	7.4	429.2	11.3	447.9

	Other financial liabilities	Derivatives	Total	Other financial liabilities	Derivatives	Total
	2016	2016	2016	2016	2016	2016
	£m	£m	£m	£m	£m	£m
Liabilities as per Balance Sheet						
Derivative financial instruments	-	19.4	19.4	-	15.9	15.9
Embedded derivatives	-	2.6	2.6	-	0.5	0.5
Non-controlling interest	0.1	-	0.1	-	-	-
Bank loans	0.3	-	0.3	0.3	-	0.3
Loan from intermediate parent undertaking	167.6	-	167.6	135.5	-	135.5
Trade and other payables	351.2	-	351.2	348.0	-	348.0
	519.2	22.0	541.2	483.8	16.4	500.2

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

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

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

Notes to the consolidated financial statements (continued)

34. 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 2015 £m	Level 2 2015 £m	Level 3 2015 £m	Total 2015 £m	Level 1 2016 £m	Level 2 2016 £m	Level 3 2016 £m	Total 2016 £m
Financial assets at fair value through profit and loss								
Derivative financial instruments	-	10	-	10	-	11.2	-	11.2
Embedded derivatives	-	-	-	-	-	-	0.1	0.1
Available-for-sale financial assets								
Unquoted equities	-	-	7.5	7.5	-	-	4.4	4.4
	-	10	7.5	8.5	-	11.2	4.5	15.7
Financial liabilities at fair value through profit and loss								
Derivative financial instruments	-	(19.4)	-	(19.4)	-	(15.9)	-	(15.9)
Embedded derivatives	-	-	(2.6)	(2.6)	-	-	(0.5)	(0.5)
Other payables	-	-	(4.0)	(4.0)	-	-	(1.8)	(1.8)
	-	(19.4)	(6.6)	(26.0)	-	(15.9)	(2.3)	(18.2)

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

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

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

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

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

	Financial Assets £m	Financial Liabilities £m	Total 2015 £m	Financial Assets £m	Financial Liabilities £m	Total 2016 £m
Opening balance	4.5	(2.3)	2.2	4.4	(1.6)	2.8
Change in fair value recorded in other gains and losses	0.1	(3.3)	(3.2)	0.1	(0.6)	(0.5)
Change in fair value recorded in reserves	2.9	-	2.9	-	-	-
Unwinding of discount recorded within finance expense	-	(0.1)	(0.1)	-	(0.1)	(0.1)
Acquisitions	-	(1.6)	(1.6)	-	-	-
Settlements	-	0.7	0.7	-	-	-
Closing balance	7.5	(6.6)	0.9	4.5	(2.3)	2.2

Notes to the consolidated financial statements (continued)

35 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 32.

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.

	2016 £m	2015 £m
Dividends paid	(105.5)	(111.3)
Interest costs	(2.2)	(1.8)
Acquisition of distribution rights	(61.0)	(59.9)
Royalties and other programme related fees	(19.5)	(19.5)
Other expense	(34.6)	(42.6)
Pension top-up	(3.4)	(8.1)
Ad sales commission	16.9	17.1
Programme licence income	11.3	16.9
Other income	2.2	7.9
	(195.8)	(201.3)

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

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

Name of related party	Relationship	Income 2016 £m	Expense 2016 £m	Dividends receivable 2016 £m	Income 2015 £m	Expense 2015 £m	Dividends receivable 2015 £m
UKTV Media Holdings Limited	Joint Venture	50.0	-	18.8	47.9	-	28.7
Other joint ventures	Joint Venture	0.7	(0.6)	0.8	0.7	(0.8)	0.9
New Video Channel America LLC	Associate	20.7	(9.2)	6.4	12.7	(3.6)	2.1
Other associates	Associate	4.5	(5.4)	0.6	2.5	(14.7)	0.3
		75.9	(15.2)	26.6	63.8	(19.1)	32.0

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 2016 £m	Payables 2016 £m	Net balance 2016 £m	Receivables 2015 £m	Payables 2015 £m	Net balance 2015 £m
UKTV Media Holdings Limited	Joint Venture	14.4	-	14.4	24.1	-	24.1
Other joint ventures	Joint Venture	0.1	-	0.1	-	-	-
New Video Channel America LLC	Associate	9.4	(4.0)	5.4	17.4	(3.3)	14.1
Other associates	Associate	6.6	(0.2)	6.4	2.2	(0.1)	2.1
		30.5	(4.2)	26.3	43.7	(3.4)	40.3

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

At 31 March 2016, the Group also had an outstanding balance of £1.0m (2015: £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)**35. 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:

	2016 £m	2015 £m
Short-term employee benefits	5.2	5.6
Post-employment benefits	0.3	0.4
Other long-term benefits	0.1	0.2
	5.6	6.2

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

36. 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.

37. Events after the balance sheet date

On 1 April 2016, the Group acquired an additional 47% of the shares of Baby Cow Productions Ltd ('Baby Cow') a production company based in the UK, for a total of £2.8m. Prior to the transaction, the Group held a 25% stake in the company, and as a result of this transaction the Group has gained control of the acquiree. The full acquisition note has not been presented as the acquisition is not considered to be material.

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

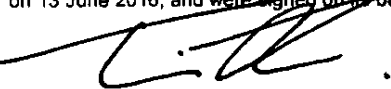
**Company statement of comprehensive income
for the year ended 31 March 2016**

	Note	2016 £m	2015 £m
Profit for the year	b	85.2	91.4
Items that can be reclassified to profit or loss			
Available-for-sale financial assets			
Profit/(losses) on re-measurement of available-for-sale financial assets	n	2.9	-
Recognition and transfer of cash flow hedges	n	(12.5)	(10.8)
Tax on cash flow hedges taken directly to other comprehensive income	n	2.5	2.2
Other comprehensive income/(loss) for the year		(7.1)	(8.6)
Total comprehensive income for the year		78.2	82.8

Company balance sheet
As at 31 March 2016

		2016	2015
	Note	£m	£m
Fixed assets			
Goodwill	c	13.8	13.8
Distribution rights	d	206.2	195.2
Other intangible assets	e	30.8	23.4
Tangible fixed assets	f	23.4	23.8
Investments	g	127.1	129.0
Trade and other receivables	i	32.8	8.9
		434.1	394.1
Current assets			
Programme rights and other stocks	h	25.3	43.7
Trade and other receivables	i	358.0	372.5
Cash at bank and in hand		13.7	163.0
		397.0	579.2
Current liabilities			
Trade and other payables	j	(492.4)	(656.2)
Net current liabilities		(95.4)	(77.0)
Total assets less current liabilities		338.7	317.1
Trade and other payables	j	(175.4)	(141.7)
Provisions for liabilities	k	(1.6)	(6.3)
Net assets		161.7	169.1
Capital and reserves			
Called up share capital	m	0.2	0.2
Hedging Reserve	n	(13.0)	(3.0)
Available-for-sale Reserve	n	6.8	3.9
Retained Earnings		167.7	168.0
Shareholder's funds		161.7	169.1

These financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors and authorised for issue on 13 June 2016, and were signed on its behalf by



Tim Davie
Chief Executive Officer

**Company statement of changes in equity
for the year ended 31 March 2016**

	Note	Share capital	Hedging reserve	Available-for-sale reserve	Retained Earnings	Total Equity
		£m	£m	£m	£m	£m
At 1 April 2014		0.2	5.6	3.9	187.9	197.6
Profit for the financial year	b	-	-	-	91.4	91.4
Recognition and transfer of cash flow hedges	n	-	(10.8)	-	-	(10.8)
Tax on items taken directly to equity	n	-	2.2	-	-	2.2
Total comprehensive income for the year		-	(8.6)	-	91.4	82.8
Dividends paid		-	-	-	(111.3)	(111.3)
At 31 March 2015		0.2	(3.0)	3.9	168.0	169.1
Profit for the financial year	b	-	-	-	85.2	85.2
Recognition and transfer of cash flow hedges	n	-	(12.5)	-	-	(12.5)
Tax on items taken directly to equity	n	-	2.5	-	-	2.5
Revaluation of available-for-sale financial assets		-	-	2.9	-	2.9
Total comprehensive income for the year		-	(10.0)	2.9	85.2	78.2
Equity dividends paid		-	-	-	(105.5)	(105.5)
At 31 March 2016		0.2	(13.0)	6.8	147.7	141.8

Notes to the company financial statements

a. Principal accounting policies

Basis of accounting

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

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. A list of the FRS 101 exemptions adopted by the Company has been provided in note 5, along with reconciliations of all material adjustments made retrospectively as a result of the transition. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2016.

Going concern

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

Investments

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

Foreign currency

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

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

Distribution rights

Distribution rights represent rights to programmes and associated intellectual property acquired with the primary intention of exploiting the rights commercially as part of the 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.

Other intangible assets

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.

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

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

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

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

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

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

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

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

- Short leasehold buildings Unexpired lease term
- Plant and machinery 3 to 8 years
- Fixtures and fittings 3 to 10 years

Leased assets

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

Impairment of fixed assets

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

Programme rights and stocks

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

Financial instruments

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

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

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

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

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

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

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

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

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

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

Dividends on shares presented within shareholder's funds

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

Goodwill

Goodwill arising on the acquisition of business trade and assets representing any excess of the fair value of the considerations given over the fair value of the identifiable assets and liabilities acquired, is capitalised and reviewed annually for impairment. On transition to FRS 101, the Company reversed previous amortisation on Goodwill and recognised this change for the periods 1 April 2014 onwards. The Company has invoked the 'true and fair override' of paragraph 10(2) of Schedule 1 to the Regulations to overcome the conflict which the 'non amortisation' of Goodwill has with paragraph 22 of Schedule 1 of the Regulations. The effect of this change has meant a reversal of £1.6m amortisation in the prior year.

Critical accounting estimates and key management judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting assumptions, and requires management to exercise its judgement and to make estimates in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed within note 1 (u) of the Group accounts.

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 2016 of £105.2m (2015: £91.4m). A statement of comprehensive income has been included in line with IFRS 1 to reflect the items of income and expense that are not recognised in profit or loss as required or permitted by FRS 101.

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

Notes to the company financial statements (continued)

c. Goodwill

	£m
Cost and Net book value	
As at 1 April 2015 and 31 March 2016	13.8
Goodwill arose in the year ended 31 March 2013 following the hive-up of trade and assets from the Company's subsidiary, Bedder 6 Limited	

d. Distribution rights

	£m
Cost	
At 1 April 2015	618.1
Additions	130.3
Fully amortised rights written off	(2.7)
At 31 March 2016	745.7
Amortisation	
At 1 April 2015	422.9
Charge for the year	119.3
Fully amortised rights written off	(2.7)
At 31 March 2016	539.5
Net book value at 31 March 2016	206.2
Net book value at 31 March 2015	195.2

e Other intangible assets

	Software £m
Cost	
At 1 April 2015	34.8
Additions	14.3
Disposals	(17.4)
At 31 March 2016	31.7
Amortisation	
At 1 April 2015	11.4
Charge for the year	6.9
Disposals	(17.4)
At 31 March 2016	0.9
Net book value at 31 March 2016	30.8
Net book value at 31 March 2015	23.4

f Tangible fixed assets

	Short leasehold buildings £m	Plant & Machinery £m	Fixtures & Fittings £m	Total £m
Cost				
At 1 April 2015	14.1	49.5	6.1	69.7
Additions	0.4	2.6	0.8	3.8
Disposals	(7.9)	(14.3)	(4.5)	(26.7)
At 31 March 2016	6.6	37.8	2.4	46.8
Depreciation				
At 1 April 2015	7.7	32.4	5.8	45.9
Charge for the year	0.5	3.2	0.5	4.2
Disposals	(7.9)	(14.3)	(4.5)	(26.7)
At 31 March 2016	0.3	21.3	1.8	23.4
Net book value at 31 March 2016	6.3	16.5	0.6	23.4
Net book value at 31 March 2015	6.4	17.1	0.3	23.8

The Company does not hold any assets under finance leases (2015: £nil)

Notes to the company financial statements (continued)

g Investments

	2016 £m	2015 £m
Subsidiaries	95.9	101.9
Joint ventures	0.2	-
Associates	14.4	14.0
Other investments	16.6	13.1
	127.1	129.0

The Company has investments in the following subsidiaries, joint ventures and associates which principally affected the profits or net assets of the Group

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

	Note	Country of incorporation or establishment	Ownership interest	Note	Country of incorporation or establishment	Ownership interest
Subsidiary undertakings						
BBC Worldwide Investments Ltd	+	United Kingdom	100.0%	+	United Kingdom	100.0%
BBC Earth MD (WWD) Ltd	+	United Kingdom	100.0%	+	Africa	100.0%
BBC Earth Productions (Life) Ltd	+	United Kingdom	100.0%	+	Africa	100.0%
BBC Earth Productions Ltd	+	United Kingdom	100.0%	+	Australia	100.0%
BBC Worldwide Productions (UK) Ltd	+	United Kingdom	100.0%	+	Australia	100.0%
BBC Magazines Rights Ltd	+	United Kingdom	100.0%	+	Canada	100.0%
BBC Magazine Holdings Ltd	+	United Kingdom	100.0%	+	Canada	100.0%
BBC World Service Television Ltd	+	United Kingdom	100.0%	+	Canada	100.0%
beeb Ventures Ltd	+	United Kingdom	100.0%	+	China	100.0%
European Channel Management Ltd	+	United Kingdom	100.0%	+	Denmark	100.0%
BBC Worldwide Corporate Services Ltd	+	United Kingdom	100.0%	+	Germany	100.0%
beeb Rights Ltd**	+	United Kingdom	100.0%	+	India	100.0%
European Channel Broadcasting Ltd	+	United Kingdom	100.0%	+	Mexico	100.0%
2 entertain Video Ltd		United Kingdom	100.0%	+	Mexico	100.0%
Demon Music Group Ltd		United Kingdom	100.0%	+	Poland	100.0%
DVDS2 Ltd		United Kingdom	100.0%	+	Singapore	100.0%
DVDS3 Ltd		United Kingdom	100.0%	+	USA	100.0%
BBC Earth Productions (Giant Films) Ltd		United Kingdom	100.0%		USA	100.0%
Earth Film Productions Ltd		United Kingdom	100.0%		USA	100.0%
BBC Magazines Rights 3 Ltd		United Kingdom	100.0%		USA	100.0%
BBC Magazines Rights 5 Ltd		United Kingdom	100.0%		USA	100.0%
2 Entertain Management Ltd		United Kingdom	100.0%		USA	100.0%
BBC Video Ltd		United Kingdom	100.0%		USA	100.0%
MCI Music Publishing Ltd		United Kingdom	100.0%		USA	100.0%
Crimson Productions Ltd		United Kingdom	100.0%		USA	100.0%
F-Beat Records Ltd		United Kingdom	100.0%		USA	100.0%
Demon Records Ltd		United Kingdom	100.0%		USA	100.0%
Bedder 6 Limited	+	United Kingdom	100.0%	+	Brazil	100.0%

Notes to the company financial statements (continued)

g Investments (continued)

	Note	Country of incorporation or establishment	Ownership interest		Note	Country of incorporation or establishment	Ownership interest
Joint Ventures				Associates			
UKTV Media Holdings Limited	+	United Kingdom	50 0%	New Video Channel America LLC		USA	50 1%
Sub-Zero Events Limited	+	United Kingdom	50 0%	Jasper Broadcasting Incorporated		Canada	50 0%
Tower Productions GmbH	+	Germany	50 0%	Baby Cow Productions Limited	+	United Kingdom	25 0%
BBC Earth Productions (Africa) Ltd	+	United Kingdom	100 0%	Burning Bright Productions Limited	+	United Kingdom	25 0%
UKTV Media Limited		United Kingdom	50 0%	Clerkenwell Films Limited	+	United Kingdom	25 0%
Knowledge-West Communications Inc		Canada	50 0%	Slim Film & TV Limited	+	United Kingdom	25 0%
JV Programs LLC		USA	50 0%	Sprout Pictures (TV) Limited	+	United Kingdom	25 0%
				Children's Character Books Limited	+	United Kingdom	25 0%
				Educational Publishers LLP	+	United Kingdom	15 0%
				Woodlands Books Limited	+	United Kingdom	15 0%
				Lookout Point Limited	+	United Kingdom	35 0%
Viki, Inc	+	USA	1 8%	Curve Media Limited	+	United Kingdom	25 0%
Left Bank Pictures Limited	+	United Kingdom	12 2%	Next Radio Limited		India	18 2%
NC Internet Limited	+	United Kingdom	5 5%	MSM- Worldwide Factual Media Private Ltd	+	India	26 0%
Masher Technologies	+	United Kingdom	10 0%	Amazing Productions Limited	+	United Kingdom	25 0%
				Cliffhanger Films Limited	+	United Kingdom	25 0%
				Greenbird Media Limited	+	United Kingdom	29 0%
				Mighty Productions Limited	+	United Kingdom	25 0%
				Red Planet Pictures (Entertainment) Limited	+	United Kingdom	25 0%
+ Held directly by BBC Worldwide Limited							
* BBC Worldwide holds 92.7% of the issued share capital but the non-controlling shareholders have no right to distributions							
** BBC Worldwide holds 88.4% of issued share capital but the non-controlling shareholders have no right to distributions							

Listed below are subsidiaries controlled by the Group, where the Directors have taken the exemption from having an audit of its financial statements for the year ended 31 March 2016. The exemption is taken in accordance with Companies Act 2005 s479A.

Subsidiary	Reg No	Subsidiary	Reg No
Bedder 6 Limited	05982502	BBC Magazines Rights 3 Ltd	06185864
Worldwide Channel Investments Limited	03309240	BBC Magazines Rights 5 Ltd	06185843
BBC Worldwide Investments Ltd	02701369	2 Entertain Management Ltd	05087003
BBC Earth MD (WWD) Ltd	07499958	BBC Video Ltd	04840888
BBC Earth Productions (Life) Ltd	05705188	Crimson Productions Ltd	02270191
BBC Magazines Rights Ltd	06186397	F-Best Records Ltd	01459034
BBC World Service Television Ltd	02592868	Demon Records Ltd	01495331
beeb Ventures Ltd	04359440	BBC Worldwide Music Limited	02512074
European Channel Management Ltd	02948023		
BBC Worldwide Corporate Services Ltd	07393413		
beeb Rights Ltd**	04400579		
European Channel Broadcasting Ltd	02964835		

Notes to the company financial statements (continued)

g. Investments (continued)

	Subsidiaries £m	JVs £m	Associates £m	Other investments £m	Total £m
Cost					
At 1 April 2015	210.1	-	15.8	14.8	240.7
Additions	-	0.2	2.1	2.8	5.1
Fair value uplift	-	-	-	2.9	2.9
Transfer	-	-	1.8	(1.8)	-
Disposals	(12.3)	-	(3.6)	(1.4)	(17.3)
At 31 March 2016	197.8	0.2	16.1	17.3	231.4
Provisions for impairment					
At 1 April 2015	108.2	-	1.8	1.7	111.7
Charge for the year	-	-	1.3	-	1.3
Disposals	(6.3)	-	(1.4)	(1.0)	(8.7)
At 31 March 2016	101.9	-	1.7	0.7	104.3
Net book value at 31 March 2016	95.9	0.2	14.4	16.6	127.1
Net book value at 31 March 2015	101.9	-	14.0	13.1	129.0

h. Programme rights and other stock

	2016 £m	2015 £m
Programme rights for broadcasting	20.5	18.0
Programmes in the course of production	4.3	21.2
Finished goods for resale	0.5	4.5
	25.3	43.7

i. Trade and other receivables

	2016 £m	2015 £m
Amounts falling due within one year		
Trade receivables	90.7	90.0
Prepayments and accrued income	52.0	44.3
Amounts owed by ultimate parent undertaking	2.1	0.1
Amounts owed by subsidiary undertakings	178.4	182.9
Amounts owed by joint ventures and associates	24.0	38.6
Derivative financial instruments	0.9	8.4
Corporation tax recoverable	6.3	2.4
Other receivables	3.6	5.8
	358.0	372.5
Amounts falling due after more than one year		
Trade receivables	24.5	-
Derivative financial instruments	0.1	2.8
Deferred tax	8.2	6.1
	32.8	8.9
	390.8	381.4

Notes to the company financial statements (continued)

j Trade and other payables

	2016 £m	2015 £m
Amounts falling due within one year		
Bank loans and overdraft	64.0	240.7
Trade payables	34.6	36.9
Rights creditors	98.5	60.5
Accruals and deferred income	79.3	83.8
Amounts owed to ultimate parent undertaking	47.5	46.0
Amounts owed to subsidiary undertakings	116.5	130.1
Amounts owed to fellow subsidiary undertakings	8.6	12.1
Amounts owed to joint ventures and associates	0.2	0.4
Derivative financial instruments	14.6	10.2
Other payables including other taxes and social security	28.6	35.5
	492.4	656.2
Amounts falling due after more than one year		
Loan owed to intermediate parent undertaking	167.6	135.5
Other payables	0.5	-
Derivative financial instruments	7.3	6.2
	175.4	141.7
	667.8	797.9

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

k Provisions for liabilities

	Deferred tax £m	Onerous contracts £m	Other provisions £m	Total £m
At 1 April 2015	2.2	1.6	2.5	6.3
Provided during the year	-	-	1.2	1.2
Released in the year	(2.0)	(0.3)	(0.7)	(3.0)
Utilised in the year	-	(1.3)	(1.6)	(2.9)
At 31 March 2016	0.2	-	1.4	1.6

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

Other provisions primarily relate to reorganisation costs, property-related provisions including onerous, non-cancellable leases where the expected benefits to be derived by the Company from subletting those properties are lower than the unavoidable costs payable over the remaining term of the respective leases, and provisions for dilapidations in respect of leasehold properties

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.

l. Deferred tax

Deferred tax is provided as follows

	Fixed asset timing differences £m	Derivative timing differences £m	Provisions £m	Total £m
At 1 April 2015	2.8	1.1	-	3.9
Charged to profit and loss	0.5	2.7	0.9	4.1
At 31 March 2016	3.3	3.8	0.9	8.0

Deferred tax is recorded in the balance sheet as follows

	2016 £m	2015 £m
Deferred tax assets	8.2	6.1
Deferred tax liabilities	(0.2)	(2.2)
Net deferred tax asset	8.0	3.9

Notes to the company financial statements (continued)

m. Called up share capital

	2016 £m	2015 £m
Issued and fully paid		
250,000 Ordinary shares of £1 each	0.2	0.2

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

n. Reserves

Available-for-sale Reserve

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

Hedging Reserves

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, gains of £10.0m were removed from the hedging reserves and credited to revenue in the income statements (2015: £8.6m)

o. Commitments and contingent liabilities

Contracts placed for future capital expenditure not provided are as follows

	2016 £m	2015 £m
Capital commitments		
Tangible fixed assets	3.1	6.3
Distribution rights	98.5	96.0
	101.6	102.3
Other financial commitments		
Programme rights for broadcast	-	1.5
Other commitments	28.1	25.2
	28.1	26.7
Total unrecognised commitments	129.7	129.0

In addition to the above, the Company's share of commitments for programme acquisitions and other commitments in respect of its UKTV joint venture amount to £76.7m and £109.6m, respectively (2015: £20.8m and £119.2m, respectively)

The Company has given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement, see note 23 of the Group accounts for further detail

p. Operating lease arrangements

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

	2016 £m	2015 £m
Within one year	3.4	4.8
Between two and five years	12.3	14.3
After more than five years	80.6	52.4
Total	96.3	71.5

q. Related party transactions

The Group's consolidated financial statements for the year ended 31 March 2016 contain related party disclosures. Consequently, the Company has taken advantage of the exemption under FRS 101 (IAS 24 Related Party Disclosures) not to disclose transactions with other members of the BBC Group. The value of transactions conducted with non wholly-owned subsidiaries and with other related parties was as follows

Name of related party	Relationship	Income 2016 £m	Expense 2016 £m	Dividends received 2016 £m	Income 2015 £m	Expense 2015 £m	Dividends received 2015 £m
UKTV Media Holdings Limited	Joint Venture	50.0	-	18.8	47.9	-	28.7
New Video Channel America LLC	Associate	17.6	-	-	11.2	-	-
Other associates	Associate	3.6	(5.4)	0.4	0.8	14.2	0.1
Total		71.2	(5.4)	19.2	59.9	14.2	28.8

Notes to the company financial statements (continued)**q Related party transactions (continued)**

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

Name of related party	Relationship	Receivables	Payables	Net balance	Receivables	Payables	Net balance
		2016	2016	2016	2015	2015	2015
		£m	£m	£m	£m	£m	£m
UKTV Media Holdings Limited	Joint Venture	14.4	-	14.4	24.1	(0.3)	23.8
New Video Channel America LLC	Associate	8.9	-	8.9	12.8	-	12.8
Other associates	Associate	0.7	(0.2)	0.5	1.8	(0.1)	1.7
Total		24.0	(0.2)	23.8	38.7	(0.4)	38.3

At 31 March 2016, the Company also had an outstanding balance of £1.3m (2015: £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.

r. Post balance sheet events

On 1 April 2016, the Company acquired an additional 47% of the shares of Baby Cow Productions Ltd ('Baby Cow'), a comedy production company based in the UK, for a total of £2.8m. Prior to the transaction, the Company held a 25% stake in the company, and as a result of this transaction the Group has gained control of the acquiree. The full acquisition note has not been presented as the acquisition is not considered to be material.

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

s. Transition to FRS 101

For all periods up to and including the year ended 31 March 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 March 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 April 2015 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 April 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 April 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 March 2015.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 'First time adoption of International Financial Reporting Standards'.

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for March 2016 year ends retrospectively. The Company has taken advantage of the following exemptions:

Per FRS 101 paragraph 7A, the Company has taken exemption from the requirement of paragraphs 6 and 21 of IFRS 1, to present an opening statement of financial position at the date of transition.

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

- (a) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations, equivalent disclosures have been included in the consolidated financial statements of the Group,
- (b) the requirements of IFRS 7 Financial Instruments Disclosures
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- (d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment,
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets,
 - (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property, and
 - (v) paragraph 50 of IAS 41 Agriculture
- (e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements,
- (f) the requirements of IAS 7 Statement of Cash Flows,
- (g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors,
- (h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures,
- (i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member, and
- (j) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

Notes to the company financial statements (continued)

s Transition to FRS 101 (continued)

Reconciliation of Equity as at 1 April 2014	Notes	UK GAAP £m	FRS 101 Re-classifications Re-measurements £m	FRS 101 £m
Fixed assets				
Goodwill	1	13 8		13 8
Distribution rights		164 2		164 2
Other intangible assets	2	-	11 4	11 4
Tangible fixed assets		26 7	(11 4)	15 3
Investments	3	121 6	3 9	125 5
Trade and other receivables		7 8		7 8
		334 1	3 9	338 0
Current assets				
Programme rights and other stocks		32 3		32 3
Trade and other receivables		316 0		316 0
Cash at bank and in hand		53 5		53 5
		401 8	-	401 8
Trade and other payables	4	(432 2)	(0 8)	(433 0)
Net current liabilities		(30 4)	(0 8)	(31 2)
Total assets less current liabilities		303 7	3 1	306 8
Trade and other payables		(101 5)		(101 5)
Provisions for liabilities		(7 7)		(7 7)
Net assets		194 5	3 1	197 6
Capital and reserves				
Called up share capital		0 2		0 2
Hedging Reserve	5	-	5 6	5 6
Available-for-sale reserve	3		3 9	3 9
Retained Earnings		194 3	(6 4)	187 9
Shareholder's funds		194 5	3 1	197 6

Reconciliation of Equity as at 31 March 2015	Notes	UK GAAP £m	FRS 101 Re-classifications Re-measurements £m	FRS 101 £m
Fixed assets				
Goodwill	1	12 2	1 6	13 8
Distribution rights		195 2	-	195 2
Other intangible assets	2	-	23 4	23 4
Tangible fixed assets		47 2	(23 4)	23 8
Investments	3	125 1	3 9	129 0
Trade and other receivables		8 9	-	8 9
		388 6	5 5	394 1
Current assets				
Programme rights and other stocks		43 7	-	43 7
Trade and other receivables		372 5	-	372 5
Cash at bank and in hand		163 0	-	163 0
		579 2	-	579 2
Trade and other payables	4	(655 5)	(0 7)	(656 2)
Net current liabilities		(76 3)	(0 7)	(77 0)
Total assets less current liabilities		312 3	4 8	317 1
Trade and other payables		(141 7)	-	(141 7)
Provisions for liabilities		(6 3)	-	(6 3)
Net assets		164 3	4 8	169 1
Capital and reserves				
Called up share capital		0 2	-	0 2
Hedging Reserve	5	-	(3 0)	(3 0)
Available-for-sale reserve	3	-	3 9	3 9
Retained Earnings		164 1	3 9	168 0
Shareholder's funds		164 3	4 8	169 1

Notes to the company financial statements (continued)

s Transition to FRS 101 (continued)**1 Goodwill**

On transition to FRS 101, £1.6m amortisation on Goodwill has been reversed in the 14/15 financial year. Goodwill has been assessed for impairment in accordance with IAS 28.

Goodwill arising on the acquisition of business trade and assets, representing any excess of the fair value of the considerations given over the fair value of the identifiable assets and liabilities acquired, is capitalised and reviewed annually for impairment. The Company reversed previous amortisation on Goodwill incurred since 1 April 2014, and adopted this accounting practice for the periods 1 April 2014 onwards. The change in basis is to comply with FRS 101. The Company has invoked the 'true and fair override' of paragraph 10(2) of Schedule 1 to the Regulations to overcome the conflict which the 'non amortisation' of Goodwill has with paragraph 22 of Schedule 1 of the Regulations. The effect of this change has meant a reversal of £1.6m amortisation in the prior year.

2 Other Intangible assets

Under IAS 38, software – unless integral to hardware, is recognised as an intangible asset. Company software previously recognised under tangible assets has been transferred to 'Other intangible assets' on the balance sheet, resulting in a £23.4m decrease in tangible assets at 31 March 2015 (£11.4m at 1 April 2014).

3 Investment Revaluation

Under previous UK GAAP, the Company recognised its 12.2% investment in Left Bank Pictures Limited at cost of £0.5m. This has been remeasured at fair value per IFRS 39 and resulted in a £3.9m retrospective adjustment to the balance of the investment at 1 April 2014.

4 Employee Benefits

On transition to FRS 101, a holiday pay accrual has been accounted for of £0.7m at 31 March 2015 (£0.8m at 1 April 2014).

5 Hedging Reserve

On transition to FRS 101 under IAS 39, the fair value movements from forward contracts designated as hedges has been accounted for under 'Hedging Reserve'. This has meant a £3.0m charge to the Hedging Reserves at 31 March 2015 (£5.6m credit at 1 April 2014).

6 Other remeasurements

The effect of the other remeasurement differences on reported profit of the Company for the year ended 31 March 2015 is as follows:

	2015 £m
Profit for the year ended 31 March 2015 under UK GAAP	81.1
Goodwill (note 1)	1.6
Holiday pay accrual (note 2)	0.0
Hedge Reserves (note 3)	8.7
Increase in reported profit for the year	10.3
Profit for the year ended 31 March 2015 under FRS 101	91.4
Items that can be reclassified to profit or loss:	
Hedging Reserves	
Recognition and transfer of cash flow hedges	(10.8)
Tax on cash flow hedges taken directly to other comprehensive income	2.2
Other comprehensive (loss) for the year	(8.6)
Total comprehensive income for the year ended 31 March 2015 under FRS 101	82.8