

Registered number: 1420028

## **BBC Worldwide Limited**

### **Annual Report and Financial Statements for the year ended 31 March 2018**



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## Strategic Report

The Directors present their Strategic Report, Directors Report and Financial Statements of BBC Worldwide Limited (the "Company") and the BBC Worldwide Group (the "Group") for the year ended 31 March 2018.

BBC Worldwide group supports the BBC public service mission and generates income for the BBC group. This year, the group generated returns of £209.9 million to the benefit of the BBC group (which included dividends and investments in programmes), above £200 million for the fourth year running (2017: £210.5million). The group maximises the value of the BBC's intellectual property, providing income to fund high-quality, distinctive programming for the licence fee payer, whilst supporting the UK's television industry on the world stage. The Group monitors its business using a number of key performance indicators including Headline sales, EBITDA, Free Cash Flow and Returns to the BBC. These have been summarised below:

	2018 (£m)	2017 (£m)
Headline sales including joint ventures*	1,044.0	1,059.9
EBITDA*	118.3	83.5
Free Cash Flow**	121.4	90.8
Returns to the BBC	209.9	210.5

During 2017/18, BBC Worldwide generated headline sales (including income from JVs and associates) of £1,044 million, which is a 2% reduction from prior year (2017: £1,059.9 million). The business achieved growth in BBC-branded channels, acquired a majority stake in Sid Gentle Films Ltd (an independent production company) and matched the previous year record in content sales with the business again being the largest distributor of UK content. Furthermore, production and formats grew in Global Markets whilst a reduction in the Americas reflected fewer hours of Dancing With The Stars. This sales growth was offset by the inter-company transfer of advertising sales to Global News, continuing decline in the DVD market and the impact of contract renewals in UKTV.

EBITDA of £118.3 million was 42% higher than last year (2017: £83.5 million). This reflected a strong performance in content sales, cost efficiencies across branded services and overhead savings. These offset significant currency pressure and a decline in consumer products. 2016/17 also included a one-off accounting estimate change relating to amortisation of distribution rights (£68 million).

Free cash flow of £121.4 million was 34% higher than the prior year (2017: £90.8 million). Once adjusted for one-off specific items, alongside foreign exchange and joint venture performance, this represents a 41% increase in owned and operated free cash flow.

2017/18 saw the continuation of BBC Worldwide's transformation programme with an increased focus on intellectual property (IP) ownership on high-value customers and markets and on global franchise brands. The group invested £170.5 million in content in the year (2017: £173.9 million) with investment in BBC commissioned content increasing to £106.4 million (2017: £99 million), supporting on-screen programmes across the BBC's channels. Relationships continued to be built across the independent sector with total return to independent companies through rights investments, royalties and profit shares at £148.6 million during the year (2017: £146.4 million). BBC Worldwide made equity investments in three British independent drama production companies, supporting British entrepreneurship and IP generation whilst enhancing the future of its own content supply.

International BBC-branded services performed strongly, with BBC America posting a record 13th straight year of prime ratings growth, BBC First becoming the Netherlands' most watched international channel since the start of 2018 and Sony BBC Earth (a joint venture channel with Sony Pictures) marking its first birthday by becoming the most watched infotainment channel in six Indian metros. BBC Earth's linear channel footprint expanded across Greece and the Balkans. Blue Planet II proved a phenomenal success with international audiences, with the premiere becoming the most watched advertising-supported nature episode in nearly eight years in the USA. Blue Planet II content amassed over 250 million views on Chinese VOD platform Tencent between September 2017 and year-end.

BritBox, the subscription video on demand service partnership with ITV plc, had a strong first year in the USA. It also launched into Canada in February 2018 and reached a 250,000 total subscriber milestone collectively for USA and Canada by the end of February 2018. The group entered into several new global deals during 2017/18, including with Shanghai Media Group Pictures (a leading Chinese media company) which will see an expansion of the Doctor Who brand in China and partnerships with Foxtel, ABC, Sky and Fetch were cemented with new or continued deals in Australia and New Zealand.

\* Headline sales refer to gross revenue including the Group's share of revenues from joint ventures. EBITDA refers to operating profit including production tax credits before depreciation and amortisation (excluding distribution rights amortisation) and share of depreciation, amortisation, tax and interest of joint ventures and associates. A reconciliation between EBITDA and operating profit is shown in the Consolidated Income Statement.

\*\* Free cash flow is calculated as cash generated from operations less purchases of property, plant and equipment and other intangible assets.

**Ethical trading**

Ethical trading remains a core element of our company values. Our ethical policy and programme are designed to address issues within the supply chains used by our consumer products licensees. We review independent ethical audits and determine appropriate remedial action; we also undertake site visits to engage directly with our licensees and their factories.

This year we strengthened our commitment to ethical trading in a number of ways. We participated in the TV Industry Human Rights Forum, our Head of Global Ethical Policy joined the board of Sedex (a leading ethical data sharing platform) and members of our team shared their experiences within ethical trading at UK and international conferences and events.

Additionally, we published our updated Modern Slavery Statement and submitted our formal ethical trading report to the Ethical Trading Initiative, a multi-stakeholder initiative made up of companies, NGOs and trade unions.

**Environment**

We continue to work closely with sustainability teams across the BBC Group to develop environmental targets at a group level and assess BBC Worldwide's contribution in achieving these. In addition to improving environmental data collection across our global offices and implementing environmentally friendly practises in our activities, we help raise environmental awareness amongst our employees through our volunteering programme.

**Culture and people**

At BBC Worldwide one of our four strategic business priorities in the year was developing our people. We are committed to an organisation in which everyone is paid fairly, with no exceptions, and where we create opportunities for all employees to develop and grow their careers. Having more information about, and focus, on our gender and diversity performance can only support this aspiration and lead to better outcomes.

**The year ahead**

In November 2017, it was announced that BBC Worldwide would merge with BBC Studios to form a single integrated Group, in line with industry practice, combining the BBC's world-renowned television production arm, now a fully commercial subsidiary, with BBC Worldwide's activities across production, channels, sales and ancillaries. The merger, which completed on 3 April 2018, is intended to strengthen IP generation and enhance content supply, helping to secure the future of the BBC as a long-term creator and owner of the highest quality British content.

**Risk management**

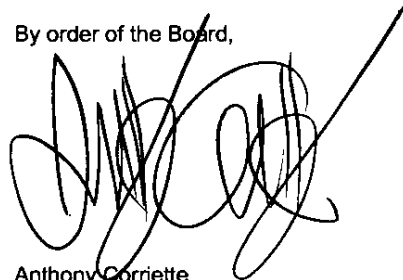
We are committed to effective risk management practices which safeguard our people, reputation, assets and commercial performance. These practices protect the BBC brand while it is showcased internationally through our branded services, content sales, productions and consumer products. They also ensure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

<b>Risk themes</b>	<b>Strategic impacts</b>	<b>Mitigation</b>
<b>Brand, reputation and standards</b> Audiences lose confidence in the integrity of the business, or its content and editorial values. Failure to represent the values of the BBC to global audiences, or improve workforce diversity, representation and gender pay balance.	Harm to reputation, relationship with audiences and to the BBC brand.	Leadership, managers and staff embody behaviours consistent with BBC values, supported by internal communications, leadership briefings, and HR processes. Editorial Policy framework supported by specialists, with experienced genre heads and deal approval frameworks. Executive sponsored programme for increasing ethnic and gender diversity. External review of disclosure and transparency.
<b>JV and associate relationships</b> Failure to achieve the full potential from joint venture (JV) and associate relationships.	Lower commercial returns for the UK license fee payer. Curtailing of ambitions and strategy for each invested service or entity.	Defined accountabilities for JV relationships with Executive Committee oversight. Business expertise with representation JV Boards. Approvals framework incorporates appropriate safeguards over BBC editorial values and control.
<b>Global Competitors and Customer Risk</b> Risk we do not reshape our business and sales strategy to remain global distributor of choice for independent production companies, secure new programme commissions from third parties, and win competitive tenders for returning series. Risk we are not transforming our business fast enough to keep pace with extraordinary content inflation, ongoing consolidation in the creative sector, and competitors with increasing financial strength.	Lower visibility for BBC content internationally. Fewer commissions and failure to secure tenders for returning series. Overdependence on key customers, lower commercial returns for the UK license fee payer.	Expertise inherent in the business and in-depth local knowledge of international markets. Sales strategy, sales infrastructure, people skills and business relationships in the best place to respond to challenges and offer a competitive return to the licence fee payer. Business Development teams focused on new opportunities. Growing experience responding to programme tenders. Internal transformation to support margins and growth.
<b>Information and content security</b> Risk that information security controls could be compromised and systems disrupted. Significant commercial and reputational damage from any uncontrolled release of content. Sales and margin erosion from piracy.	Loss of confidence in our role as a global distributor. Reduced editorial or commercial value from disclosed assets.	Robust information security infrastructure and controls. Careful supplier management and risk assessment with appropriate contracting. Technical controls include forensic watermarking and content attribution.
<b>Economic climate and trading performance</b> Uncertainty in UK and international economic conditions. Advertising sales revenues are the most vulnerable and risk third party commissioning budgets and UKTV returns. Risk from adverse exchange rate movements.	Adverse impact on cash flows and reported financial results.	Business is diversified as a producer and distributor, and across regions, titles and revenue streams. Central management of budgets, cash flow forecasting and prudent debtor management. Debt headroom with much improved cash conversion and balance sheet strength. Comprehensive quarterly performance review of every region and business.
<b>Regulatory and compliance</b> 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 Executive committee sponsorship, mandatory training programmes, policies, regular reporting and specialist committees. Group wide Code of Conduct. Commercial Holdings Board oversight, Executive committee and new Compliance and Risk Committee. Embedded regional expertise and local compliance champions. Fair Trading framework for compliance with OFCOM trading and separation rules. NAO Value for Money reviews providing transparency.

Risk themes	Strategic impacts	Mitigation
<b>Business continuity, safety and security</b> Disruption to operations, infrastructure and loss of revenue following a major incident. Global terrorism and the continued risk of physical threats.	Potential for injury, death and loss of infrastructure and services with disruption to business operations. Reputational risk if we fail to protect our staff and all others in our care.	Security and safety management arrangements supported by specialists, policy frameworks, forums, communications and risk assessments. Offices and business operations with business continuity leads and up-to-date continuity plans. Travel safety training, terrorism awareness training and a global emergency notification system.

The Strategic review as set out above, was approved by the Board of Directors and signed on its behalf.

By order of the Board,



Anthony Corriette  
Company Secretary  
19 June 2018

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

## 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 2018.

### 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 Studios Limited, BBC Public Service and from independent owners of intellectual property and are exploited through a number of businesses, both wholly-owned and partly owned through associates and joint ventures, across multiple formats. The business is structured into four reportable segments: UK, The Americas, Australia and New Zealand and 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 1 to 4. 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 3 to 4.

### Results and dividends

The consolidated profit for the year distributable to equity shareholders of the Company was £80.9m (2017: £40.4m).

Dividends of £71.4m (2017: £89.3m) were proposed and paid during the year and no further dividends have been proposed by the Directors post year-end (2017: £nil).

### Acquisitions and disposals

During the financial year, the Group acquired equity stakes in independent content production companies: a 20% stake in Various Artists Limited; an increased shareholding (from 25% to 48%) in Clerkenwell Films Limited; and a majority stake in Sid Gentle Films Limited. Meanwhile, the Company disposed of its interests in Left Bank Pictures Limited and Greenbird Media Limited. Full details of the Group's acquisitions and disposals are included in Note 15 and Note 25 to the Financial Statements.

### Directors

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

Tony Hall (Resigned on 18 September 2017)

Anne Bulford (Resigned 18 September 2017)

Dharmash Mistry (Resigned 18 September 2017)

Sir Howard Stringer (Resigned 18 September 2017)

Tim Davie

Tom Fussell

Martyn Freeman resigned as joint Company Secretary on 20 December 2017. Anthony Corriette continues as Company Secretary.

### Declaration of Major Shareholders

BBC Studios Group Limited (previously named BBC Ventures Group Limited) is the Company's only shareholder. BBC Studios Group Limited became the sole shareholder on 27 July 2005, acquiring 100% of The Companies shares.

### Going concern

After making enquiries, the Directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be adopted in the preparation of these accounts. Further information about the going concern assumption is given in note 1(b) to the consolidated financial statements.

## Directors' Report (continued)

### Directors' interests and indemnities

No Director had any interest in the share capital of the Group at 1 April 2017 or 31 March 2018. 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.

### Financial risk management

The Directors own BBC Worldwide's governance of risk management. The process is led by the BBC Risk Management and Internal Controls Committee which reviews and challenge the Company's corporate risk register on a quarterly basis. Details of key risks and mitigations are set out in the strategic review on pages 3 to 4. Note 30 to the accounts on pages 44 to 48 provides details of the Group's financial risk management objectives, policies and related exposures.

### Donations

The Group did not make any political or charitable donations during the year (2017: nil).

### Disabled employees

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

### Employee involvement

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

### Statement as to disclosure of information to auditors

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

### Auditors

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

By order of the Board,

  
Anthony Corbette  
Company Secretary  
19 June 2018

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



## 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****Opinion on financial statements**

I have audited the financial statements of BBC Worldwide Limited for the year ended 31 March 2018 which comprise the consolidated income statement and cash flow statement and consolidated and parent statements of comprehensive income, balance sheet, statements of changes in equity, and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the International Financial Reporting Standards as adopted by the European Union for the Group and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended; and
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

**Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of BBC Worldwide Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Responsibilities of the directors for the financial statements**

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

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the group's and the parent company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and BBC Worldwide Limited's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the BBC Worldwide Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

#### Other Information

Directors are responsible for the other information. The other information comprises information included in the annual report, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- in light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

#### Matters on which I report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for my audit have not been received from branches not visited by my staff; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit.



**Stephen Smith (Senior Statutory Auditor)**  
19 June 2018

For and on behalf of the

**Comptroller and Auditor General (Statutory Auditor)**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**Consolidated income statement  
for the year ended 31 March 2018**

	Note	2018 £m	2017 £m
<b>Headline sales including joint ventures</b>	2	<b>1,044.0</b>	<b>1,059.9</b>
Less: Share of revenue of joint ventures		(175.7)	(183.6)
<b>Revenue</b>		<b>868.3</b>	<b>876.3</b>
Total operating costs	3	(819.8)	(875.5)
Share of results of joint ventures and associates		35.8	48.1
<b>Operating profit</b>		<b>84.3</b>	<b>48.9</b>
<i>Operating profit reconciled as:</i>			
EBITDA	2	118.3	83.5
Production tax credits	9	(3.4)	(0.1)
Depreciation and amortisation		(14.8)	(18.1)
Share of depreciation, amortisation, interest & tax of joint ventures and associates		(15.8)	(16.4)
		<b>84.3</b>	<b>48.9</b>
Gains on disposals	7	4.8	7.7
Other gains and losses	7	9.4	0.5
Finance income	8	1.4	2.0
Finance expense	8	(3.6)	(4.6)
<b>Profit before tax</b>		<b>96.3</b>	<b>54.5</b>
Tax charge for the year	9	(10.9)	(14.1)
<b>Profit for the year attributable to the equity shareholder</b>		<b>85.4</b>	<b>40.4</b>
<i>Attributable to:</i>			
Equity shareholders of the parent company		84.1	40.4
Non-controlling interests		1.3	-
<b>Profit for the year</b>		<b>85.4</b>	<b>40.4</b>

**Consolidated statement of comprehensive income  
for the year ended 31 March 2018**

	2018 £m	2017 £m
<b>Profit for the year</b>	<b>85.4</b>	<b>40.4</b>
<i>Items that are or may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	(28.4)	29.7
Net gains/(losses) on foreign exchange cash flow hedges	25.9	(10.1)
Tax on cash flow hedges taken directly to other comprehensive income	(4.9)	1.8
<b>Other comprehensive income for the year</b>	<b>(7.4)</b>	<b>21.4</b>
<b>Total comprehensive income for the year attributable to equity shareholder of the parent company</b>	<b>78.0</b>	<b>61.8</b>

**Consolidated balance sheet  
as at 31 March 2018**

	Note	2018 £m	2017 £m
<b>Non-current assets</b>			
Goodwill	11	35.7	35.5
Distribution rights	12	142.0	162.0
Other intangible assets	13	29.8	25.2
Property, plant and equipment	14	25.3	28.2
Interests in joint ventures and associates	15	226.0	245.0
Investments	16	2.8	13.8
Trade and other receivables	18	44.3	66.9
Deferred tax assets	9	9.5	11.8
Derivative financial assets	22	0.1	0.1
		<b>515.5</b>	<b>588.5</b>
<b>Current assets</b>			
Programme rights and other inventories	17	51.8	66.5
Trade and other receivables	18	356.3	384.6
Current tax receivable		11.8	17.9
Derivative financial assets	22	2.4	0.1
Cash and cash equivalents		39.7	44.3
		<b>462.0</b>	<b>513.4</b>
<b>Total assets</b>		<b>977.5</b>	<b>1,101.9</b>
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	21	0.9	-
Trade and other payables	19	361.4	429.1
Current tax liabilities		9.7	10.4
Provisions	20	7.1	5.6
Derivative financial liabilities	22	2.0	25.4
		<b>381.1</b>	<b>470.5</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	21	171.0	198.5
Trade and other payables	19	70.9	39.7
Provisions	20	1.4	1.1
Derivative financial liabilities	22	0.6	6.9
Deferred tax liabilities	9	17.0	31.5
		<b>260.9</b>	<b>277.7</b>
<b>Total liabilities</b>		<b>642.0</b>	<b>748.2</b>
<b>Net assets</b>		<b>335.5</b>	<b>353.7</b>
<b>Equity</b>			
Share capital	23	0.2	0.2
Hedging reserve	24	(0.3)	(21.3)
Translation reserve	24	20.6	49.0
Other reserves	24	(26.8)	(2.1)
Retained earnings	24	340.2	327.5
<b>Equity attributable to shareholder</b>		<b>333.9</b>	<b>353.3</b>
<b>Non-controlling interests</b>		<b>1.6</b>	<b>0.4</b>
<b>Total equity</b>		<b>335.5</b>	<b>353.7</b>

These consolidated financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors and authorised for issue on 19 June 2018 and were signed on its behalf by:



**Tom Fussell**  
Chief Financial Officer

**Consolidated cash flow statement  
for the year ended 31 March 2018**

	Note	2018 £m	2017 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	128.8	106.2
Tax paid		(15.1)	(11.0)
		<b>113.7</b>	<b>95.2</b>
<b>Cash flows from investing activities</b>			
Interest received		0.5	0.7
Purchases of other intangible assets	13	(5.0)	(10.5)
Purchases of property, plant and equipment	14	(2.5)	(4.9)
Acquisition of subsidiaries (net of cash acquired)	25	(8.2)	(1.7)
Proceeds on disposal of available-for-sale investments		8.7	-
Disposal of interests in JVs and associates, and other investments		1.9	2.7
Acquisition of interests in joint ventures and associates		(11.8)	(19.6)
Acquisition of investments	16	-	(0.4)
Amounts advanced to related parties		(0.3)	(4.6)
Repayments by related parties		4.3	3.6
		<b>(12.4)</b>	<b>(34.7)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(3.0)	(3.6)
(Repayment)/drawdown of loans and borrowings	21	(31.2)	30.6
Equity dividends paid	10	(71.4)	(89.3)
Dividends paid to non-controlling interests		-	(0.2)
		<b>(105.6)</b>	<b>(62.5)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4.3)</b>	<b>(2.0)</b>
Cash and cash equivalents at the beginning of the year		44.3	45.8
Foreign exchange translation gains		(0.3)	0.5
<b>Cash and cash equivalents at end of the year</b>		<b>39.7</b>	<b>44.3</b>

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 2018**

	Attributable to equity holders of the parent company					Non-controlling interests	Total equity
	Share capital	Hedging reserve	Translation reserve	Other reserves	Retained earnings		
	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2016</b>	<b>0.2</b>	<b>(13.0)</b>	<b>19.3</b>	<b>1.3</b>	<b>376.4</b>	<b>0.1</b>	<b>384.3</b>
Profit for the year	-	-	-	-	40.4	-	40.4
Net losses on foreign exchange cash flow hedges	-	(10.1)	-	-	-	-	(10.1)
Tax on items taken directly to equity	-	1.8	-	-	-	-	1.8
Exchange differences on translation of foreign operations	-	-	29.7	-	-	-	29.7
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(8.3)</b>	<b>29.7</b>	<b>-</b>	<b>40.4</b>	<b>-</b>	<b>61.8</b>
Changes in non-controlling interests (note 25)	-	-	-	(3.4)	-	0.5	(2.9)
Dividends paid (note 10)	-	-	-	-	(89.3)	(0.2)	(89.5)
<b>Balance at 31 March 2017</b>	<b>0.2</b>	<b>(21.3)</b>	<b>49.0</b>	<b>(2.1)</b>	<b>327.5</b>	<b>0.4</b>	<b>353.7</b>
Profit for the year	-	-	-	-	84.1	-	84.1
Profit attributed to non-controlling interests	-	-	-	-	-	1.3	1.3
Net gains on foreign exchange cash flow hedges	-	25.9	-	-	-	-	25.9
Tax on items taken directly to equity	-	(4.9)	-	-	-	-	(4.9)
Exchange differences on translation of foreign operations	-	-	(28.4)	-	-	-	(28.4)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>21.0</b>	<b>(28.4)</b>	<b>-</b>	<b>84.1</b>	<b>1.3</b>	<b>78.0</b>
Changes in non-controlling interests (notes 24 and 25)	-	-	-	(21.8)	-	(0.1)	(21.9)
Release of available for sale reserve	-	-	-	(2.9)	-	-	(2.9)
Dividends paid (note 10)	-	-	-	-	(71.4)	-	(71.4)
<b>Balance at 31 March 2018</b>	<b>0.2</b>	<b>(0.3)</b>	<b>20.6</b>	<b>(26.8)</b>	<b>340.2</b>	<b>1.6</b>	<b>335.5</b>

## Notes to the consolidated financial statements

### 1. Principal accounting policies

BBC Worldwide Limited (the "Company") is a company domiciled and incorporated in the United Kingdom, and its registered address is 1 Television Centre, 101 Wood Lane, London W12 7FA. The consolidated financial statements of the Company for the year ended 31 March 2018 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 rounded to the nearest £0.1 million because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out below.

#### (a) Basis of preparation

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

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

#### (b) Going concern

The Board remains satisfied with the Group's funding and liquidity position. The disclosures on page 5 in the Directors' Report in respect of going concern form part of the audited accounts.

As at 31 March 2018, the main source of debt funding was an unsecured credit facility with BBC Commercial Holdings Limited (BBCCH) expiring in September 2019. Further information in respect of this facility is included in note 21.

On the basis of its forecasts, the balance sheet position at 31 March 2018 and the significant operating cash flows of the group, 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 30.

#### (c) Basis of consolidation

##### i. Subsidiaries

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

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders are initially measured at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased in proportion to the non-controlling interests' share of any subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of non-controlling interests are adjusted to reflect any changes in their, and the Group's, relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

##### ii. Joint ventures and associates

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



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

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

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

Where the Group's share of losses exceeds the carrying amount of the joint venture or associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

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

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

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

At the beginning of the current period, the Group adopted the following accounting pronouncements, none of which had a significant impact on its results or financial position for the year ended 31 March 2018:

- Amendments to IAS 12 (2016) *Income Taxes* (effective for periods commencing on or after 1 January 2017)
- Amendments to IAS 7 (2016) *Statement of Cash Flows* (effective for periods commencing on or after 1 January 2017)
- Amendments resulting from *Annual Improvements 2014-2016 Cycle (2016)* (effective for periods commencing on or after 1 January 2017)

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

- IFRS 9 (2014) *Financial Instruments* (effective for periods commencing on or after 1 January 2018)
- IFRS 15 (2016) *Revenue from Contracts with Customers* (effective for periods commencing on or after 1 January 2018)
- Amendments to IFRS 2 (2016) *Classification and Measurement of Share-based Payment Transactions* (effective for periods commencing on or after 1 January 2018)
- Amendments to IFRS 4 (2016) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective when IFRS 9 is applied, on or after 1 January 2018)
- Amendments to IAS 40 (2016) *Transfers of Investment Property* (effective for periods commencing on or after 1 January 2018)
- Amendments resulting from *Annual Improvements 2014-2016 Cycle (2016)* (effective for periods commencing on or after 1 January 2018)
- IFRIC 22 (2016) *Foreign Currency Transactions and Advance Consideration* (effective for periods commencing on or after 1 January 2018, not yet endorsed by the EU)
- IFRS 16 (2016) *Leases* (effective for periods commencing on or after 1 January 2019)
- IFRIC 23 (2017) *Uncertainty over Income Tax Treatments* (effective for periods commencing on or after 1 January 2019, not yet endorsed by the EU)
- Amendments to IFRS 9 (2017) *Prepayment Features with Negative Compensation* (effective on or after 1 January 2019)
- Amendments to IAS 28 (2017) *Long-term Interests in Associates and Joint Ventures* (effective on or after 1 January 2019, not yet endorsed by the EU)
- Amendments to IAS 19 (2018) *Plan Amendment, Curtailment or Settlement* (effective on or after 1 January 2019, not yet endorsed by the EU)
- Amendments resulting from *Annual Improvements 2015-2017 Cycle (2017)* (effective for periods commencing on or after 1 January 2019, not yet endorsed by the EU)
- IFRS 17 (2017) *Insurance Contracts* (effective for periods commencing on or after 1 January 2021, not yet endorsed by the EU)

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:

- The directors adopted IFRS 9 on 1 April 2018 and accordingly the first period relevant for reporting will be the 2018/19 financial statements. The new standard includes certain simplifications to the classification and measurement of financial assets and liabilities and new hedge accounting requirements. The Group has confirmed that the current hedge relationships qualify as continuing hedges under IFRS 9. The new impairment model for financial assets requires the recognition of impairment provisions based on expected credit losses rather than losses incurred as under IAS 39. The application of this model is likely to result in earlier recognition of impairment losses. The adoption of the new standard is expected to have an impact on the notes to the financial statements, with additional disclosures and changes in presentation to Note 30 *Financial Instruments*. The Directors do not expect a material impact of the standard on the existing accounting treatment.

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

- The directors adopted IFRS 15 on 1 April 2018 on the modified retrospective basis and accordingly the first period relevant for reporting will be the 2018/19 financial statements. IFRS 15 requires the Group to identify distinct promises in contracts with customers that qualify as 'performance obligations'. The consideration receivable from customers must then be allocated between these performance obligations. An assessment of the Group's material revenue streams by line of business has been completed and the impact on Group results is not expected to be material. Had IFRS 15 been adopted for the 2017/18 financial statements, content sales revenues would have been £13.9m higher. No other significant impacts have been noted in other revenue lines.
- IFRS 16 Leases is effective from 1 January 2019 and replaces the current lease guidance including IAS 17 Leases and the related interpretations. The first period relevant for reporting will be the 2019/20 financial statements. This new standard requires the Group to recognise an asset to represent the right to use the leased item and a liability to represent the future lease payments. Expenses for operating leases currently reported as operating expenses in the consolidated income statement will be replaced with a depreciation expense relating to the right-of-use asset and an interest expense on the lease liability. As at 31 March 2018 the Group has non-cancellable operating lease commitments of £104.8 million as disclosed in Note 28. The adoption of the standard is likely to have a material impact on the amounts recognised in the consolidated financial statements, however as the Group's detailed impact assessment is continuing, it is not practicable to provide a reasonable estimate of the financial impact until the assessment is completed.

**(e) Non-statutory financial performance measures**

The Group believes that 'Headline sales' and 'EBITDA' are additional non-statutory measures of financial performance that provide further guidance to help understand the performance of the business on a comparable basis year on year. The Directors review these non-statutory measures on a regular basis to determine whether they are appropriate, and during 2017/18 this review resulted in the decision to utilise the 'EBITDA' measure rather than 'Headline profit' as previously disclosed.

Headline sales includes the Group's share of the revenues of its joint ventures, which are closely monitored by the Directors. EBITDA is defined as operating profit plus production tax credits, excluding the share of depreciation, amortisation, interest and tax of joint ventures and associates, and all other depreciation and amortisation with the exception of distribution rights amortisation.

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, tax and depreciation and amortisation charges borne by joint ventures and associates have been added back within EBITDA, in order to present an operating profit measure which more appropriately represents the way in which the business is reviewed and assessed internally.

**(f) Business combinations**

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

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

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

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

**(g) Non-current assets held for sale**

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

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

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

## Notes to the consolidated financial statements (continued)

### 1. Principal accounting policies (continued)

#### (h) Goodwill

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

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

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

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

#### (i) Revenue recognition

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

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

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

#### (j) Foreign currencies

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

Transactions in foreign currencies are translated into the applicable functional currency of each entity of the Group at a monthly average exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate ruling on that date. Foreign exchange differences which arise on translation are recognised in the income statement.

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

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

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

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

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

Employees of the Group also participate in defined benefit schemes operated by the Group's ultimate parent, the British Broadcasting Corporation. The 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 Willis Towers Watson, consulting actuaries, with formal valuations undertaken at least every three years. Accordingly, the Group accounts for contributions payable to the scheme as if the schemes were defined contribution schemes, as is required by IAS 19 Employee Benefits.

**(l) Taxation**

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

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

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

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

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

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

**(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 over its estimated average marketable life. The Group reviewed the amortisation profile of distribution rights during the 2016/2017 financial year and updated it in line with the overall revenue profile based on experience. The review resulted in a change in the expected average marketable life of investments to be over a three year period, instead of the previous range of one to ten years. This resulted in an amortisation charge in the 2016/2017 financial year as a result of the change in estimates.

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

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

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

• Leasehold improvements	Unexpired lease term
• Plant and machinery	3 to 8 years
• Fixtures and fittings	3 to 7 years

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

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

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

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

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

*ii. Effective interest method*

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

*iii. Impairment of financial assets*

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

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

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

**Notes to the consolidated financial statements (continued)****1. Principal accounting policies (continued)****(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. 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 11.

##### *iii. Revenue recognition*

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

##### *iv. Distribution rights and programme rights*

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

##### *v. Fair value of financial instruments*

Certain financial instruments are carried on the balance sheet at fair value, with changes in fair value reflected in the income statement. Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. Further information about fair value measurements is provided in note 30.



## Notes to the consolidated financial statements (continued)

## 2. Segment information

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

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

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

- United Kingdom
- Global Markets
- The Americas
- Australia and New Zealand

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

During the year, the Latin America business which was previously reported within Global Markets, was moved for management reporting purposes within the newly named "The Americas" region to match with how these are now managed and reviewed by the Board. Prior year disclosures have been restated accordingly.

The Board assesses the performance of reportable segments based on Headline sales and EBITDA (previously Headline Profit), as defined in note 1. Inter-segment sales are conducted on an arm's length basis. Line items between EBITDA and profit before tax are not allocated to segments. Prior year's results have been restated for the EBITDA measure.

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

	United Kingdom	Global Markets	The Americas	Australia and New Zealand	Eliminations	Total
	£m	£m	£m	£m	£m	£m
<b>2018</b>						
<b>Headline sales</b>	<b>401.0</b>	<b>296.2</b>	<b>279.3</b>	<b>77.5</b>	<b>(10.0)</b>	<b>1,044.0</b>
Share of revenue of joint ventures	(164.0)	(9.1)	(2.6)	-	-	(175.7)
<b>Revenue</b>	<b>237.0</b>	<b>287.1</b>	<b>276.7</b>	<b>77.5</b>	<b>(10.0)</b>	<b>868.3</b>
<b>EBITDA</b>	<b>63.2</b>	<b>24.7</b>	<b>14.6</b>	<b>15.9</b>	<b>(0.1)</b>	<b>118.3</b>
Production tax credits						(3.4)
Depreciation and amortisation						(14.8)
Share of depreciation, amortisation, interest & tax of joint ventures and associates						(15.8)
<b>Operating profit</b>						<b>84.3</b>
Gains on disposals						4.8
Other gains and losses						9.4
Finance income						1.4
Finance expense						(3.6)
<b>Profit before tax</b>						<b>96.3</b>
<b>2017</b>						
<b>Headline sales</b>	<b>381.3</b>	<b>310.8</b>	<b>294.4</b>	<b>79.5</b>	<b>(6.1)</b>	<b>1,059.9</b>
Share of revenue of joint ventures	(174.5)	(8.8)	(0.3)	-	-	(183.6)
<b>Revenue</b>	<b>206.8</b>	<b>302.0</b>	<b>294.1</b>	<b>79.5</b>	<b>(6.1)</b>	<b>876.3</b>
<b>EBITDA</b>	<b>40.1</b>	<b>23.6</b>	<b>3.1</b>	<b>17.3</b>	<b>(0.6)</b>	<b>83.5</b>
Production tax credits						(0.1)
Depreciation and amortisation						(18.1)
Share of depreciation, amortisation, interest & tax of joint ventures and associates						(16.4)
<b>Operating profit</b>						<b>48.9</b>
Gains on disposals						7.7
Other gains and losses						0.5
Finance income						2.0
Finance expense						(4.6)
<b>Profit before tax</b>						<b>54.5</b>

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. Line items between EBITDA and profit before tax are not allocated to segments.

2018	Content sales £m	Branded services £m	Production and formats £m	Consumer products £m	Eliminations £m	Total £m
Headline sales	422.9	330.6	180.5	136.4	(26.4)	1,044.0
Share of revenue of joint ventures	(0.1)	(166.4)	(9.1)	(0.1)	-	(175.7)
Revenue	422.8	164.2	171.4	136.3	(26.4)	868.3
EBITDA	22.5	76.3	9.1	7.0	3.4	118.3
Production tax credits						(3.4)
Depreciation and amortisation						(14.8)
Share of depreciation, amortisation, interest & tax of joint ventures and associates						(15.8)
Operating profit						84.3
Gains and losses on disposals						4.8
Other gains and losses						9.4
Finance income						1.4
Finance expense						(3.6)
Profit before tax						96.3

2017	Content sales £m	Branded services £m	Production and formats £m	Consumer products £m	Eliminations £m	Total £m
Headline sales	422.4	354.6	164.3	146.0	(27.4)	1,059.9
Share of revenue of joint ventures	(0.2)	(174.6)	(8.8)	-	-	(183.6)
Revenue	422.2	180.0	155.5	146.0	(27.4)	876.3
EBITDA	16.9	60.5	7.3	(5.5)	4.3	83.5
Production tax credits						(0.1)
Depreciation and amortisation						(18.1)
Share of depreciation, amortisation, interest & tax of joint ventures and associates						(16.4)
Operating profit						48.9
Gains and losses on disposals						7.7
Other gains and losses						0.5
Finance income						2.0
Finance expense						(4.6)
Profit before tax						54.5

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 2018 £m	Share of JV revenue 2018 £m	Revenue 2018 £m	Headline sales 2017 £m	Share of JV revenue 2017 £m	Revenue 2017 £m
United Kingdom	363.4	(164.0)	199.4	340.0	(174.5)	165.5
United States of America	258.2	(2.6)	255.6	273.7	(0.2)	273.5
Australia	76.1	-	76.1	76.4	-	76.4
Rest of World	346.3	(9.1)	337.2	369.8	(8.9)	360.9
	1,044.0	(175.7)	868.3	1,059.9	(183.6)	876.3

The Group's non-current assets, other than financial instruments and deferred tax assets, located in the UK are £296.4m (2017: £332.2m) and located outside of the UK are £209.5m (2017: £244.4m).

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:

	2018 £m	2017 £m
Cost of sales	603.4	653.8
Distribution costs	52.3	69.8
Administration costs	164.1	151.9
<b>Total operating costs</b>	<b>819.8</b>	<b>875.5</b>

Amortisation of distribution rights, including the £67.9m charge in 2017 in relation to the change in accounting estimates, is recorded within cost of sales.

Amortisation and impairment of other intangible assets, and depreciation of fixed assets are recorded within administration costs.

Net foreign exchange losses of £17.2m (2017: £17.6 gain) are recorded within administration costs.

**4. Profit for the year**

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

	2018 £m	2017 £m
Rentals on operating leases and similar arrangements	(8.7)	(9.4)
Sub-lease rentals received on operating leases	3.0	1.7
Net foreign exchange gains/(losses)	(17.2)	17.6
Government grants receivable	-	0.1
Programme rights and other inventories:		
Cost recognised as an expense:		
- programmes in the course of production	(86.5)	(100.0)
- broadcast rights and other inventories	(59.3)	(44.8)
Write-downs recognised as an expense	(4.4)	(7.1)

**5. Auditor's remuneration**

	2018 £m	2017 £m
<b>Fees payable to the Company's auditors for the audit of the Company's annual accounts</b>	<b>0.4</b>	<b>0.5</b>
<b>Fees payable to the Company's auditors and their associates for other services to the Group</b>		
The audit of the Company's subsidiaries pursuant to legislation	0.1	0.2
<b>Total audit fees</b>	<b>0.5</b>	<b>0.7</b>
Tax services	-	0.1
Other services	-	-
<b>Total non-audit fees</b>	<b>-</b>	<b>0.1</b>

The Company's auditor for the year was the National Audit Office (2017: Ernst & Young LLP).

## Notes to the consolidated financial statements (continued)

## 6. Employee numbers and costs

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

	2018 Number	2017 Number
United Kingdom	381	401
Americas	379	426
Australia and New Zealand	160	171
Global Markets	603	714
<b>Total number of employees</b>	<b>1,523</b>	<b>1,712</b>

Within the averages above, 84 (2017: 107) part-time employees have been included at their full-time equivalent of 62 (2017: 72), including casual staff.

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

	2018 £m	2017 £m
Salaries and wages	108.2	119.7
Social security costs	10.6	11.6
Other pension costs	9.0	10.1
	<b>127.8</b>	<b>141.4</b>

In addition to the above, redundancy costs totalling nil (2017: £1.5m) were incurred in the year.

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

	2018 £'000	2017 £'000
Emoluments	1,147	1,094
	<b>1,147</b>	<b>1,094</b>

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

	2018 Number of Directors	2017 Number of Directors
Defined benefit schemes	1	2
Money purchase schemes	-	-

Further information regarding the compensation earned by key management can be found in note 31.

The Group has made no contributions to money purchase schemes for its Directors in the year (2017: nil).

The remuneration of the highest paid Director during the year was £650,000 (2017: £642,000).

The accrued pension under a defined benefit scheme for the highest paid director at year end was £15,000 (2017: £12,000).

2018	Date appointed to Board	Salary	Benefits	Pension Related Single Figure	Performance Related	Total
		£'000	£'000	£'000	£'000	£'000
Tim Davie	01/11/2012	400	2	41	248	691
Tom Fussell	03/05/2016	292	2	-	181	475
Dharmash Mistry	16/02/2015	11	-	-	-	11
Howard Stringer	16/02/2015	11	-	-	-	11
<b>Total directors</b>		<b>714</b>	<b>4</b>	<b>41</b>	<b>429</b>	<b>1,188</b>

2017	Date appointed to Board	Salary	Benefits	Pension Related Single Figure	Performance Related	Total
		£'000	£'000	£'000	£'000	£'000
Tim Davie	01/11/2012	400	2	40	240	682
Tom Fussell	03/05/2016	265	2	-	158	425
Other directors		16	1	6	10	33
<b>Total directors</b>		<b>681</b>	<b>5</b>	<b>46</b>	<b>408</b>	<b>1,140</b>

The Company was responsible for the director remuneration of Dharmash Mistry and Howard Stringer for the period 1 April 2017 to 18 October 2017 (2017: nil).

## Notes to the consolidated financial statements (continued)

## 7. Gains on disposals, and other gains and losses

	2018 £m	2017 £m
Gains on disposals of interest in joint ventures and associates (note 15)	0.4	2.7
Gains on disposals of available-for-sale financial assets	4.4	-
Gains on deemed disposals of interests in joint ventures (note 15)	-	8.1
Loss on deemed disposals of associates (note 25)	-	(1.1)
<b>Gains on disposals</b>	<b>4.8</b>	<b>7.7</b>
Change in fair value of derivative financial instruments	5.2	(1.0)
Change in fair value of put options over non-controlling interests	2.5	0.9
Decrease in earn-out payments due in respect of prior acquisitions	1.7	0.6
<b>Other gains and (losses)</b>	<b>9.4</b>	<b>0.5</b>

## 8. Net financing costs

	2018 £m	2017 £m
Unwind of discounted receivables	0.9	1.1
Other interest receivable	0.5	0.9
<b>Finance income</b>	<b>1.4</b>	<b>2.0</b>
Interest payable on loan from parent undertaking	2.7	3.3
Interest payable on derivative financial instruments	-	0.3
Unwind of discounted payables	0.6	1.0
Other interest payable	0.3	-
<b>Finance expense</b>	<b>3.6</b>	<b>4.6</b>

## Notes to the consolidated financial statements (continued)

## 9. Taxation

## Tax charge for the year

	2018 £m	2017 £m
<b>Current tax:</b>		
UK corporation tax	1.8	(2.2)
Foreign tax	21.6	20.4
Adjustments in respect of prior years	1.3	(9.2)
	<b>24.7</b>	<b>9.0</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(4.7)	(5.1)
Reduction in rate of global rates of taxation	(7.8)	1.2
Adjustments in respect of prior years	(1.3)	9.0
	<b>(13.8)</b>	<b>5.1</b>
<b>Tax on profit on ordinary activities</b>	<b>10.9</b>	<b>14.1</b>

In addition to the amount charged to the Consolidated income statement, a tax debit of £4.9m (2017: credit of £1.8m) 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 (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The tax charge can be reconciled to the profit per the Consolidated income statement as follows:

	2018 £m	2017 £m
<b>Profit before tax</b>	<b>96.3</b>	<b>54.5</b>
Tax at the UK corporation tax rate of 19% (2017: 20%)	18.3	10.9
<i>Effects of:</i>		
Disallowed expenditure and non-taxable income	(3.2)	(1.8)
High-end television tax relief	(3.4)	(0.1)
Tax differential on wholly-owned overseas earnings	12.5	11.6
Tax effect of share of results of joint ventures and associates	(5.5)	(7.6)
Reduction in global rates of taxation	(7.8)	1.2
Adjustments in respect of previous years	-	(0.1)
<b>Tax charge for the year</b>	<b>10.9</b>	<b>14.1</b>

## Notes to the consolidated financial statements (continued)

## 9. Taxation (continued)

The amount of tax paid in the year is different from the tax charge mainly due to the timings of tax payments. UK corporation tax is payable in four instalments, two of which are made after the year in which the tax arises i.e. some of the tax in the 2016/17 tax charge was paid in 2017/18. 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 within one year after the year end. In addition, the tax charge in the accounts is a best estimate at the time the accounts are prepared. The tax charge is then adjusted in later years to reflect the actual tax liability arising from the submitted tax returns.

## Factors affecting future tax expense

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

The Finance Bill 2016 was enacted on 6 September 2016. This reduced the rate of corporation tax to 17% from 1 April 2020. As this reduction to the rate has been substantively enacted at the balance sheet date, the deferred tax assets have been calculated at 17% in line with when the company anticipates temporary differences to unwind. As part of the 2016 Budget the Chancellor announced the Business Tax Road Map, which included measures to limit the utilisation of brought forward losses and interest deductions. These were included in Finance (No.2) Act 2017, which was substantively enacted on 31 October 2017, and apply from 1 April 2017.

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

## Deferred tax

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

	JVs & Associates	Programme rights	Fixed asset temporary differences	Provisions	Financial instruments	Other	Total
	£m	£m	£m	£m	£m	£m	£m
<b>At 1 April 2016</b>	<b>(15.7)</b>	<b>(6.3)</b>	<b>2.6</b>	<b>3.6</b>	<b>3.8</b>	<b>(1.2)</b>	<b>(13.2)</b>
(Charged)/credited to the income statement	(2.3)	0.3	2.4	(2.2)	(0.2)	(3.1)	(5.1)
Charged to other comprehensive income	-	-	-	-	1.8	-	1.8
Acquisition/ disposal of subsidiaries, JVs and Associates	-	-	-	-	-	(0.1)	(0.1)
Foreign exchange translation gains and losses	(2.8)	(1.0)	(0.1)	0.2	-	0.6	(3.1)
<b>At 31 March 2017</b>	<b>(20.8)</b>	<b>(7.0)</b>	<b>4.9</b>	<b>1.6</b>	<b>5.4</b>	<b>(3.8)</b>	<b>(19.7)</b>
Credited/(charged) to the income statement	-	-	1.2	0.7	(0.7)	12.6	13.8
Charged to other comprehensive income	-	-	-	-	(4.9)	-	(4.9)
Foreign exchange translation gains and losses	-	-	-	2.7	-	0.6	3.3
<b>At 31 March 2018</b>	<b>(20.8)</b>	<b>(7.0)</b>	<b>6.1</b>	<b>5.0</b>	<b>(0.2)</b>	<b>9.4</b>	<b>(7.5)</b>

Deferred tax is recorded in the balance sheet as follows:

	2018 £m	2017 £m
Deferred tax assets	9.5	11.8
Deferred tax liabilities	(17.0)	(31.5)
<b>Net deferred tax liability</b>	<b>(7.5)</b>	<b>(19.7)</b>

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 £139.2m (2017: £137.3m) and trade losses totalling £28.2m (2017: nil). These assets have not been recognised on the basis that there is insufficient certainty that future gains or profits will arise against which the Group can utilise these losses. There is no time limit for the utilisation of these losses.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £0.5m (2017: £0.4m). 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)

## 10. Dividends

	2018 £m	2017 £m
<b>Amounts recognised as distributions to equity holders in the period:</b>		
Interim dividends for the current year of £285.40 per share (2017: £357.08 per share)	71.4	89.3
	<b>71.4</b>	<b>89.3</b>

## 11. Goodwill

	2018 £m	2017 £m
<b>Cost and net book value</b>		
At beginning of the year	35.5	34.2
Additions	1.8	-
Foreign exchange translation gains/(losses)	(1.1)	1.3
	<b>36.2</b>	<b>35.5</b>
<b>Accumulated impairment losses</b>		
At beginning of the year	-	-
Impairments	0.5	-
	<b>0.5</b>	<b>-</b>
<b>Carrying amount</b>	<b>35.7</b>	<b>35.5</b>

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

	2018 £m	2017 £m
Consumer distribution	25.4	25.4
Australian Channels	8.5	9.6
South African Production	-	0.5
Independent Production Company	1.8	-
	<b>35.7</b>	<b>35.5</b>

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.

Prior to this year no impairments to goodwill have been recognised. This year £0.5m of goodwill relating to the South African production business was impaired.

**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 -4% (2017: -6%).

A discount rate of 15.3% (2017: 13.9%) has been applied to the cash flows.

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



**Notes to the consolidated financial statements (continued)****11. Goodwill (continued)****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 (2017: five years) and a discount rate of 9.9% (2017: 13.9%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of nil (2017: 1.0%).

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

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

**South African production business**

The goodwill in this CGU arose as a result of the acquisition of Rapid Blue (Pty) Ltd on 28 March 2016. The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected long term growth rate of 2.5% (2017: 2.5%) and a discount rate of 26.2% (2017: 22.5%).

Management made the decision to impair the Goodwill in Rapid Blue by £0.5m.

**Independent production company**

The goodwill in this CGU arose as a result of the acquisition of Sid Gentle Films Limited on 25 January 2018. As the acquisition took place so close to year end, no impairment tests have been deemed necessary.

**12. Distribution rights**

	2018 £m	2017 £m
<b>Cost</b>		
At 1 April	904.4	748.2
Additions	149.3	153.3
Foreign exchange translation gains/(losses)	(2.3)	2.9
<b>At 31 March</b>	<b>1,051.4</b>	<b>904.4</b>
<b>Amortisation</b>		
At 1 April	742.4	537.9
Charge for the year	169.4	133.9
Amortisation charge as a result of change in estimates	-	67.9
Foreign exchange translation (gains)/losses	(2.4)	2.7
<b>At 31 March</b>	<b>909.4</b>	<b>742.4</b>
<b>Net book value</b>	<b>142.0</b>	<b>162.0</b>

Included within distribution rights is self-funded content in the course of production totalling £0.6m (2017: £0.6m).

## Notes to the consolidated financial statements (continued)

## 13. Other intangible assets

2018	Carrier Agreements £m	Software £m	Other £m	Total £m
<b>Cost</b>				
At 1 April	10.1	51.6	4.5	66.2
Additions	-	5.0	-	5.0
Acquired through business combinations	-	-	10.0	10.0
Fully written down assets removed from ledger	-	(18.0)	-	(18.0)
Foreign exchange translation losses	(1.1)	-	(0.1)	(1.2)
<b>At 31 March</b>	<b>9.0</b>	<b>38.6</b>	<b>14.4</b>	<b>62.0</b>
<b>Amortisation</b>				
At 1 April	5.5	33.8	1.7	41.0
Charge for the year	0.7	6.0	3.3	10.0
Fully written down assets removed from ledger	-	(18.0)	-	(18.0)
Foreign exchange translation gains	(0.7)	-	(0.1)	(0.8)
<b>At 31 March</b>	<b>5.5</b>	<b>21.8</b>	<b>4.9</b>	<b>32.2</b>
<b>Net book value</b>	<b>3.5</b>	<b>16.8</b>	<b>9.5</b>	<b>29.8</b>
<hr/>				
2017	Carrier Agreements £m	Software £m	Other £m	Total £m
<b>Cost</b>				
At 1 April	8.8	41.2	1.3	51.3
Additions	-	10.4	0.1	10.5
Acquired through business combinations	-	-	3.0	3.0
Foreign exchange translation gains	1.3	-	0.1	1.4
<b>At 31 March</b>	<b>10.1</b>	<b>51.6</b>	<b>4.5</b>	<b>66.2</b>
<b>Amortisation</b>				
At 1 April	4.2	11.0	0.6	15.8
Charge for the year	0.6	8.7	1.0	10.3
Impairment	-	14.1	-	14.1
Foreign exchange translation losses	0.7	-	0.1	0.8
<b>At 31 March</b>	<b>5.5</b>	<b>33.8</b>	<b>1.7</b>	<b>41.0</b>
<b>Net book value</b>	<b>4.6</b>	<b>17.8</b>	<b>2.8</b>	<b>25.2</b>

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

Of total software additions recognised during the year, £7.5m (2017: £7.1m) related to internally developed software. An amortisation charge of £5.4m has been incurred in relation to these assets (2017: £4.7m).

## Notes to the consolidated financial statements (continued)

## 14. Property, plant and equipment

2018	Freehold buildings £m	Leasehold improvements £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
<b>Cost</b>					
At 1 April	0.2	17.6	27.5	12.8	58.1
Additions	-	-	1.1	1.4	2.5
Disposals	-	-	(2.2)	(1.2)	(3.4)
Foreign exchange translation losses	-	(0.6)	(0.4)	(0.6)	(1.6)
<b>At 31 March</b>	<b>0.2</b>	<b>17.0</b>	<b>26.0</b>	<b>12.4</b>	<b>55.6</b>
<b>Depreciation</b>					
At 1 April	-	5.8	15.7	8.4	29.9
Depreciation charge for the year	-	0.9	2.8	1.1	4.8
Disposals	-	-	(2.2)	(1.2)	(3.4)
Foreign exchange translation gains	-	(0.4)	(0.2)	(0.4)	(1.0)
<b>At 31 March</b>	<b>-</b>	<b>6.3</b>	<b>16.1</b>	<b>7.9</b>	<b>30.3</b>
<b>Net book value</b>	<b>0.2</b>	<b>10.7</b>	<b>9.9</b>	<b>4.5</b>	<b>25.3</b>

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

At 31 March 2018, the Group had no contractual commitments for the acquisition of property, plant and equipment (2017 £nil).

**Notes to the consolidated financial statements (continued)****15. 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 of the Company financial statements.

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

	Joint ventures 2018 £m	Associates 2018 £m	Total 2018 £m	Joint ventures 2017 £m	Associates 2017 £m	Total 2017 £m
At 1 April	39.9	205.1	245.0	12.1	159.7	171.8
Additions	1.1	6.3	7.4	10.4	19.7	30.1
Disposals	-	(1.5)	(1.5)	-	-	-
Reclassified from associates (note 25)	-	-	-	-	(2.6)	(2.6)
Share of results	23.5	12.3	35.8	33.8	14.3	48.1
Adjustment to provision for unrealised profits	0.8	(1.4)	(0.6)	(0.6)	0.3	(0.3)
Dividends receivable	(30.1)	(9.2)	(39.3)	(15.6)	(9.2)	(24.8)
Foreign exchange translation gains/(losses)	(0.6)	(19.8)	(20.4)	(0.2)	23.4	23.2
Amounts written off	-	(0.4)	(0.4)	-	(0.5)	(0.5)
<b>At 31 March</b>	<b>34.6</b>	<b>191.4</b>	<b>226.0</b>	<b>39.9</b>	<b>205.1</b>	<b>245.0</b>

Additions relate predominantly to investments in independent production companies.

**Changes in interests in joint ventures and associates**

The Group invested £1.1m into BB Rights LLC a joint venture with ITV formed in 2016.

The Group held a 25% share of Clerkenwell Films Limited ("Clerkenwell") as at 31 March 2017 and accounted for the investment as an associate. In December 2017, BBCW acquired an additional 23% of the shares of Clerkenwell for a consideration of £3.8m increasing its shareholding to 48%. The Group continues to account for the investment as an associate.

In addition to the above, the Group acquired interests or additional interests in a further two companies during the year with stakes between 10-20% for a total consideration of £2.5m; both are accounted for as associates.

In February 2018, the Group disposed of its interest in Greenbird Media Limited resulting in a gain on disposal of £0.4m.

Costs directly attributable to equity transactions are capitalised.

## Notes to the consolidated financial statements (continued)

## 15. Interests in joint ventures and associates (continued)

## Interests in joint ventures

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

## UKTV

BBC Worldwide has a major partnership deal with Southbank Media Limited 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"). Southbank Media Limited was ultimately owned by Scripps Networks Interactive Inc. until 6 March 2018 when ownership transferred to Discovery Inc.

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

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

	UKTV 2018 £m	Other JVs 2018 £m	Total 2018 £m	UKTV 2017 £m	Other JVs 2017 £m	Total 2017 £m
<b>Aggregation of 100% of each joint venture:</b>						
Non-current assets	8.9	3.0	11.9	8.6	3.2	11.8
Current assets	241.3	23.1	264.4	256.3	27.2	283.5
Current liabilities	(128.5)	(14.0)	(142.5)	(134.0)	(13.0)	(147.0)
Non-current liabilities	(51.2)	(0.1)	(51.3)	(54.3)	(0.1)	(54.4)
<b>Net assets</b>	<b>70.5</b>	<b>12.0</b>	<b>82.5</b>	<b>76.6</b>	<b>17.3</b>	<b>93.9</b>
<b>Group's share of net assets of joint ventures</b>	<b>35.1</b>	<b>4.5</b>	<b>39.6</b>	<b>38.2</b>	<b>7.6</b>	<b>45.8</b>
Provision for unrealised profit	(4.2)	(0.8)	(5.0)	(5.1)	(0.8)	(5.9)
<b>Interests in joint ventures at 31 March</b>	<b>30.9</b>	<b>3.7</b>	<b>34.6</b>	<b>33.1</b>	<b>6.8</b>	<b>39.9</b>
Revenue	328.0	24.5	352.5	348.7	17.7	366.4
Expense	(252.4)	(31.3)	(283.7)	(253.4)	(22.6)	(276.0)
Depreciation	(3.6)	(1.0)	(4.6)	(3.4)	(0.2)	(3.6)
Interest payable	(3.6)	-	(3.6)	(3.7)	-	(3.7)
Taxation	(14.7)	-	(14.7)	(15.7)	-	(15.7)
<b>Profit after taxation</b>	<b>53.7</b>	<b>(7.8)</b>	<b>45.9</b>	<b>72.5</b>	<b>(5.1)</b>	<b>67.4</b>
Results not recognised	-	-	-	-	-	-
<b>Profit/(loss) from joint ventures</b>	<b>53.7</b>	<b>(7.8)</b>	<b>45.9</b>	<b>72.5</b>	<b>(5.1)</b>	<b>67.4</b>
(Profit)/loss from joint ventures attributable to other parties	(26.9)	4.5	(22.4)	(36.3)	2.7	(33.6)
<b>Group's share of profit from joint ventures</b>	<b>26.8</b>	<b>(3.3)</b>	<b>23.5</b>	<b>36.2</b>	<b>(2.4)</b>	<b>33.8</b>

Included within the UKTV balance sheet are cash and cash equivalents of £28.9m (2017: £46.4m), financial liabilities of £111.8m (2017: £127.5m) and non-current financial liabilities of £51.4m (2017: £54.3m). Included within UKTV's expense for the year is a depreciation charge of £3.1m (2017: £3.0m) and an amortisation charge of £114.5m (2017: £128.9m).

## Notes to the consolidated financial statements (continued)

## 15 Interests in joint ventures and associates (continued)

## Interests in associates

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

## New Video Channel America, LLC. ("NVCA")

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

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

	NVCA 2018 £m	Other 2018 £m	Total 2018 £m	NVCA 2017 £m	Other 2017 £m	Total 2017 £m
<b>Aggregation of 100% of each associate:</b>						
Non-current assets	145.1	24.2	169.3	162.9	5.7	168.6
Current assets	89.6	63.9	153.5	92.1	67.5	159.6
Current liabilities	(28.4)	(37.4)	(65.8)	(28.0)	(31.2)	(59.2)
Non-current liabilities	(8.2)	(14.8)	(23.0)	(13.5)	(17.3)	(30.8)
<b>Net assets</b>	<b>198.1</b>	<b>35.9</b>	<b>234.0</b>	<b>213.5</b>	<b>24.7</b>	<b>238.2</b>
<b>Group's share of net assets</b>	<b>99.2</b>	<b>7.6</b>	<b>106.8</b>	<b>107.0</b>	<b>6.3</b>	<b>113.3</b>
Goodwill on acquisition	61.7	27.9	89.6	69.6	26.3	95.9
Provision for unrealised profit	(4.7)	(0.3)	(5.0)	(3.8)	(0.3)	(4.1)
<b>Interests in associates at 31 March</b>	<b>156.2</b>	<b>35.2</b>	<b>191.4</b>	<b>172.8</b>	<b>32.3</b>	<b>205.1</b>
Revenue	130.5	91.9	222.4	128.9	63.8	192.7
Result for the year	24.0	(2.3)	21.7	26.3	(0.6)	25.7
(Profit)/loss from associates attributable to other parties	(11.8)	2.4	(9.4)	(12.7)	1.3	(11.4)
<b>Group's share of results of associates</b>	<b>12.2</b>	<b>0.1</b>	<b>12.3</b>	<b>13.6</b>	<b>0.7</b>	<b>14.3</b>

The Group has board representation and participates in policy-making decisions affecting Educational Publishers LLP, 72 Films Limited, Original Talent Limited 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.

## 16. Investments

	2018 £m	2017 £m
<b>Available-for-sale investments</b>		
Unquoted equities	0.6	7.9
<b>Other investments carried at amortised cost</b>		
Other investments with joint ventures and associates	2.2	5.9
Other investments with other entities	-	-
	<b>2.2</b>	<b>5.9</b>
<b>Total investments</b>	<b>2.8</b>	<b>13.8</b>

## Notes to the consolidated financial statements (continued)

## 17. Programme rights and other inventories

	2018 £m	2017 £m
Programme rights for broadcast	37.5	43.3
Programmes in the course of production	6.0	13.1
Work in progress	1.5	1.4
Finished goods and goods for resale	6.8	8.7
	<b>51.8</b>	<b>66.5</b>

## 18. Trade and other receivables

	2018 £m	2017 £m
<b>Current</b>		
Trade receivables	208.4	249.7
Prepayments	12.1	11.3
Royalty advances	3.3	2.8
Accrued income	94.2	85.2
Amounts owed by joint ventures and associates	29.8	29.4
Other receivables	8.5	6.2
	<b>356.3</b>	<b>384.6</b>
<b>Non-current</b>		
Trade receivables	44.3	66.9
	<b>44.3</b>	<b>66.9</b>
	<b>400.6</b>	<b>451.5</b>

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

Included in the Group's trade and other receivables at 31 March 2018 are balances of £27.2m (2017: £20.8m) 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:

	2018 £m	2017 £m
Up to 3 months	20.7	15.4
3 to 6 months	3.9	1.6
Over 6 months	2.6	3.8
	<b>27.2</b>	<b>20.8</b>

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 30).

Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the Income Statement. The impairment provision stands at £3.1m at 31 March 2018 (2017: £4.2m).

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

	2018 £m	2017 £m
Balance at the beginning of the year	4.2	1.6
Impairment losses recognised	1.4	4.3
Amounts written off	(1.6)	(0.8)
Impairment losses reversed	(0.9)	(0.9)
	<b>3.1</b>	<b>4.2</b>

## Notes to the consolidated financial statements (continued)

## 19. Trade and other payables

	2018 £m	2017 £m
<b>Current</b>		
Trade payables	34.0	33.8
Rights creditors	156.2	170.7
Accruals	46.4	54.6
Deferred income	39.2	80.9
Amounts owed to ultimate parent undertaking	26.1	38.2
Amounts owed to fellow subsidiary undertakings	27.4	18.6
Amounts owed to joint ventures and associates (note 31)	1.2	8.2
Other payables including other tax and social security	30.9	24.1
	<b>361.4</b>	<b>429.1</b>
<b>Non-current</b>		
Accruals and deferred income	5.5	7.7
Rights creditors	39.3	20.2
Other payables	26.1	11.8
	<b>70.9</b>	<b>39.7</b>
	<b>432.3</b>	<b>468.8</b>

Rights creditors comprise royalty payments owing to producers of and contributors to television programmes, DVDs and other media. Other payables includes the fair value of put option liabilities of £25.6m (2017: £4.7m) and nil relating to contingent considerations (2017: £1.9m) (see note 30).

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

## 20. Provisions

	Property related £m	Onerous contracts £m	Other £m	Total £m
At 1 April	1.6	4.8	0.3	6.7
Additional provision in the year	0.1	-	7.1	7.2
Utilisation of provision	-	(3.6)	-	(3.6)
Released to the Consolidated income statement	(0.1)	(0.7)	(0.4)	(1.2)
Foreign exchange translation gain	(0.1)	(0.5)	-	(0.6)
<b>At 31 March 2018</b>	<b>1.5</b>	<b>-</b>	<b>7.0</b>	<b>8.5</b>

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 legal and restructuring provisions.

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

	2018 £m	2017 £m
Current	7.1	5.6
Non-current	1.4	1.1
	<b>8.5</b>	<b>6.7</b>



**Notes to the consolidated financial statements (continued)****21. 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 2018 £m	Total 2018 £m	Sterling 2017 £m	Total 2017 £m
<b>Unsecured borrowings at amortised cost</b>				
Loans from related parties	171.0	171.0	198.5	198.5
Bank loans	0.9	0.9	-	-
	<b>171.9</b>	<b>171.9</b>	<b>198.5</b>	<b>198.5</b>
<b>Total borrowings</b>				
Amount due for settlement within 12 months	0.9	0.9	-	-
Amount due for settlement after more than 12 months	171.0	171.0	198.5	198.5
	<b>171.9</b>	<b>171.9</b>	<b>198.5</b>	<b>198.5</b>

The Group's principal source of funding is a multi-currency loan facility of £235.0m (2017: £235.0m) with BBC Commercial Holdings Limited ("BBCCH"), its intermediate parent undertaking, of which £30.0m (2017: £30.0m) is available only on condition that an equivalent cash balance is maintained. As at 31 March 2018, the loan facility expiry date is 30 September 2019. The facility attracts interest at a rate which broadly reflects the cost of funding to BBCCH including any applicable margin; currently this is 2% (2017: 2%).

In January 2018 the Group acquired an external loan facility of £8.6m, of which £0.9m was drawn down at 31 March 2018, with Aver Media Finance as part of the acquisition of Sid Gentle (note 25). As at 31 March 2018, the loan facility expiry date is 31 August 2018.

In the prior period the Group had a loan facility in India of INR 220.0m (£2.7m), which included a working capital facility of INR 120.0m (£1.5m) and an overdraft limit within this facility of INR 140.0m (£1.7m). As at 31 March 2017, this facility was unutilised. This loan facility is no longer in place as at 31 March 2018.

In addition, the Group has a multi-currency collective net overdraft facility with a limit of £2.0m and a base currency of GBP. This attracts interest of 1% above base rate if drawn down in GBP, and interest of the bank's currency overdraft rate plus a 1% margin if drawn down in other currencies. As at 31 March 2018 and 31 March 2017, the facility was unutilised.

There are no charges over cash at bank or other financial assets in respect of borrowings or other liabilities (2017: none).

## Notes to the consolidated financial statements (continued)

## 22. Derivative financial instruments

	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
<b>2018</b>					
<b>Derivatives that are designated as cash flow hedges</b>					
Forward foreign currency contracts	-	1.2	(1.7)	-	(0.5)
	-	1.2	(1.7)	-	(0.5)
<b>Derivatives that are not in a formal hedge relationship</b>					
Forward foreign currency contracts	0.1	1.2	(0.3)	-	1.0
Foreign currency swaps	-	-	-	-	-
Embedded derivatives	-	-	-	(0.6)	(0.6)
	0.1	1.2	(0.3)	(0.6)	0.4
	0.1	2.4	(2.0)	(0.6)	(0.1)
<b>2017</b>					
<b>Derivatives that are designated as cash flow hedges</b>					
Forward foreign currency contracts	0.1	0.1	(21.5)	(5.0)	(26.3)
	0.1	0.1	(21.5)	(5.0)	(26.3)
<b>Derivatives that are not in a formal hedge relationship</b>					
Forward foreign currency contracts	-	-	(3.8)	(0.1)	(3.9)
Foreign currency swaps	-	-	(0.1)	-	(0.1)
Embedded derivatives	-	-	-	(1.8)	(1.8)
	-	-	(3.9)	(1.9)	(5.8)
	0.1	0.1	(25.4)	(6.9)	(32.1)

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 2018 was £125.1m (2017: £251.9m). The hedged forecast transactions denominated in foreign currency are expected to occur at various dates in the future.

The Group applies cash flow hedge accounting for trades taken out in respect of its forecast foreign currency transactions. Hedge accounting is only applied where appropriate designation and documentation, and trades with parties external to the Group, exist. Net gains (before tax) recognised in the hedging reserve on forward foreign exchange contracts in cash flow hedge relationships at 31 March 2018 were £25.9m (2017: losses of £10.1m). Future relevant amounts will be recognised in the income statement in the period when the hedged forecast transaction affects the income statement at various dates over the next 48 months.

There were no interest rate swaps as at 31 March 2018 (2017: nil).

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)****23. Called up share capital**

	2018 £m	2017 £m
<b>Authorised</b>		
1,000,000 ordinary shares of £1 each	1.0	1.0
<b>Issued, allotted, called up and fully paid</b>		
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.

**24. 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, adverse movements of £17.4m were removed from the hedging reserve and recognised in revenue in the income statement (2017: losses of £28.1m).

**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. In the prior period, £2.1m of exchange losses on foreign currency borrowings were offset in reserves against exchange gains on the related investment in overseas subsidiaries. Since 1 April 2017 this net investment in foreign subsidiaries has been reclassified as a loan under repayment and as such is no longer offset in reserves but revalued through the profit and loss.

**Other reserves**

Other reserves include revaluations of available-for-sale financial assets and the fair value of put option liabilities arising on acquisition of subsidiaries. There has been a decrease in the available-for-sale reserve of £2.9m due to a disposal during the period, and an additional put option liability of £21.8m has been recognised during the year in relation to the acquisition of Sid Gentle and Clerkenwell (note 25).

**Retained earnings**

At 31 March 2018, 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.

**25. Acquisitions****Sid Gentle**

On 25 January 2018, the Group acquired a 51% share of Sid Gentle Films for a consideration of £11m, with further payments depending on performance of the company over the next financial year. The acquisition has been accounted for using the purchase method of accounting in accordance with IFRS 3, Business Combinations. The full acquisition note has not been presented as the acquisition is not considered to be material. As part of the acquisition, the non-controlling interest party holds a put option for 49% of the shares. The fair value of the expected consideration for the remaining shares was recognised as a financial liability of £13.5m, 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.

**Baby Cow**

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

During the year ended 31 March 2018 the Group increased its shareholding in Baby Cow by a further 2% to 75% by acquiring a portion of the put-options noted above for a consideration of £0.1m.

## Notes to the consolidated financial statements (continued)

## 26. Notes to the cash flow statement

	2018 £m	2017 £m
<b>Operating profit</b>	<b>84.3</b>	<b>48.9</b>
<i>Adjustments for:</i>		
Share of results of joint ventures and associates (including movements in provisions for unrealised profits)	(35.2)	(47.8)
Depreciation and impairment of property, plant and equipment	4.8	6.8
Impairment of goodwill	0.5	-
Amortisation and impairment of intangible assets	10.0	24.4
Impairment of investment in associates	0.4	4.5
Impairment loss recognised on trade and other receivables	1.4	4.3
Reversal of impairment losses recognised on trade and other receivables	(0.9)	(0.9)
Net foreign exchange (gains)/losses	7.0	(9.2)
Increase in provisions	2.2	4.7
<b>Cash flows before movements in working capital</b>	<b>74.5</b>	<b>35.7</b>
Decrease/(increase) in trade and other receivables	38.4	(54.0)
Purchases of distribution rights	(149.3)	(148.5)
Amortisation of distribution rights	169.4	201.8
Decrease/(increase) in programme rights and other inventories	11.0	(10.8)
(Decrease)/increase in trade and other payables	(54.5)	57.2
<b>Net movements in working capital</b>	<b>15.0</b>	<b>45.7</b>
		-
Dividends received from joint ventures and associates	39.3	24.8
<b>Cash generated from operations</b>	<b>128.8</b>	<b>106.2</b>

## Notes to the consolidated financial statements (continued)

## 27. Commitments and contingent liabilities

	2018 £m	2017 £m
<b>Capital commitments</b>		
Distribution rights	113.8	116.1
	<b>113.8</b>	<b>116.1</b>
<b>Other financial commitments</b>		
Programme rights for broadcast	1.1	3.6
Other commitments	53.7	30.3
	<b>54.8</b>	<b>33.9</b>
<b>Total unrecognised commitments</b>	<b>168.6</b>	<b>150.0</b>

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 21). At 31 March 2018, total amounts drawn down under this facility were nil (2017: £nil). 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 £181.6m (2017: £201.3m). At 31 March 2018, the total amount of this debt was £181.6m (2017: £201.3m).

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.

Included in Other commitments is £16.0m of commitments to Joint Ventures and £21.7m to Associates.

## 28. 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:

	2018 £m	2017 £m
Within one year	8.2	9.8
In the second to fifth years inclusive	24.3	29.0
After five years	72.3	79.6
	<b>104.8</b>	<b>118.4</b>

The majority of operating lease payments represent rentals payable by the Group for certain 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)

### 29. Capital management

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 21 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as detailed in the Consolidated statement of changes in equity.

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

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

The BBC's Charter and Agreement require strict compliance with the four Commercial Criteria: fit with the BBC's public purposes, brand reputation and brand values, commercial efficiency, and fair trading policy. The Group's policy in making investment decisions is governed by these principles and commercial efficiency of the investment. The commercial efficiency of an investment is determined on a case-by-case basis, with respect to financial metrics such as net present value, internal rate of return, payback period and profit margin.

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

### 30. Financial instruments and risk management

#### Financial risk management objectives

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

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

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

#### Currency risk

BBC Worldwide is exposed to foreign exchange risk arising from various currency exposures, principally in relation to the US dollar, the Euro and the Australian dollar. The Group generates a surplus in most currencies in which it operates. Operations generated outside the UK amounted to 65.2% of the Group's Headline sales in 2018 (2017: 67.9%).

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 a proportion of its forecast net foreign currency trading covering a period of up to two years. 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)****30. 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 22.

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

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

	2018 £m	2017 £m
Forward foreign currency contracts	(11.5)	(26.2)
Embedded derivatives	(0.1)	(0.6)
<b>Total impact on derivatives</b>	<b>(11.6)</b>	<b>(26.8)</b>
Impact on income statement	(6.0)	(4.5)
Impact on other comprehensive income	(5.6)	(22.3)
<b>Total impact on comprehensive income</b>	<b>(11.6)</b>	<b>(26.8)</b>

**Interest rate risk**

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

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 31 March 2018 would have decreased by £1.4m (2017: £1.7m).

**Credit risk**

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

The Group's credit risk management policy in relation to trade receivables involves regularly assessing the financial reliability of customers, taking into account several factors such as their financial position and historical performance. The carrying amount of financial assets included in the financial statements represents the Group's maximum exposure to credit risk in relation to these assets. For 2018, one (2017: one) customer comprised 10.1% of the Group's total revenues (2017: 11.5%). This same customer comprised 27.9% of the Group's trade receivables balance as at 31 March 2018 (2017: 29.6%). No other customer accounted for 10% or more of the Group's revenue for 2018 or 2017.

## Notes to the consolidated financial statements (continued)

## 30. 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 29. At 31 March 2018, the net debt limit imposed by BBC Group on BBC Worldwide was £205.0m (2017: £205.0m), with a gross debt limit of £235.0m (2017: £235.0) subject to an equivalent £30.0m (2017: £30.0m) cash balance being held. These limits are subject to review going forward.

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

## Maturity analysis of financial liabilities

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

	Due in less than 1 year	Due in 1 to 2 years	Due in 2 to 5 years	Due after more than 5 years	Total
2018	£m	£m	£m	£m	£m
<b>Financial liabilities at fair value through profit and loss</b>					
Derivative financial instruments	2.0	-	-	-	2.0
Embedded derivatives	-	-	0.6	-	0.6
Other creditors	-	-	37.8	-	37.8
<b>Financial liabilities measured at amortised cost</b>					
Loan from intermediate parent undertaking	4.0	173.0	-	-	177.0
Bank loan	0.9	-	-	-	0.9
Trade and other payables	280.4	52.4	24.9	0.5	358.2
	Due in less than 1 year	Due in 1 to 2 years	Due in 2 to 5 years	Due after more than 5 years	Total
2017	£m	£m	£m	£m	£m
<b>Financial liabilities at fair value through profit and loss</b>					
Derivative financial instruments	25.4	5.1	-	-	30.5
Embedded derivatives	-	0.6	-	1.2	1.8
Other creditors	1.4	0.6	-	8.5	10.5
<b>Financial liabilities measured at amortised cost</b>					
Loan from intermediate parent undertaking	4.0	200.5	-	-	204.5
Trade and other payables	346.9	19.5	6.5	0.4	373.3



## Notes to the consolidated financial statements (continued)

## 30. 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
	2018	2018	2018	2018	2017	2017	2017	2017
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Assets as per Balance Sheet</b>								
Derivative financial instruments	-	-	1.2	1.2	-	-	0.2	0.2
Unquoted equities	0.6	-	-	0.6	7.9	-	-	7.9
Loans receivable	-	2.2	-	2.2	-	5.9	-	5.9
Trade and other receivables	-	388.5	-	388.5	-	440.2	-	440.2
Cash and cash equivalents	-	39.7	-	39.7	-	44.3	-	44.3
	<b>0.6</b>	<b>430.4</b>	<b>1.2</b>	<b>432.2</b>	<b>7.9</b>	<b>490.4</b>	<b>0.2</b>	<b>498.5</b>

	Other financial liabilities	Derivatives	Total	Other financial liabilities	Derivatives	Total
	2018	2018	2018	2017	2017	2017
	£m	£m	£m	£m	£m	£m
<b>Liabilities as per Balance Sheet</b>						
Derivative financial instruments	-	2.0	2.0	-	30.5	30.5
Embedded derivatives	-	0.6	0.6	-	1.8	1.8
Non-controlling interest	1.6	-	1.6	0.4	-	0.4
Bank loans	0.9	-	0.9	-	-	-
Loan from intermediate parent undertaking	171.0	-	171.0	198.5	-	198.5
Trade and other payables	382.3	-	382.3	380.5	-	380.5
	<b>555.8</b>	<b>2.6</b>	<b>558.4</b>	<b>579.4</b>	<b>32.3</b>	<b>611.7</b>

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 18 and 19, respectively).

## Notes to the consolidated financial statements (continued)

## 30. 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 2018 £m	Level 2 2018 £m	Level 3 2018 £m	Total 2018 £m	Level 1 2017 £m	Level 2 2017 £m	Level 3 2017 £m	Total 2017 £m
<b>Financial assets at fair value through profit and loss</b>								
Derivative financial instruments	-	1.2	-	1.2	-	0.2	-	0.2
<b>Available-for-sale financial assets</b>								
Unquoted equities	-	-	0.6	0.6	-	-	7.9	7.9
	-	1.2	0.6	1.8	-	0.2	7.9	8.1
<b>Financial liabilities at fair value through profit and loss</b>								
Derivative financial instruments	-	(2.0)	-	(2.0)	-	(30.5)	-	(30.5)
Embedded derivatives	-	-	(0.6)	(0.6)	-	-	(1.8)	(1.8)
Other payables	-	-	(25.2)	(25.2)	-	-	(7.2)	(7.2)
	-	(2.0)	(25.8)	(27.8)	-	(30.5)	(9.0)	(39.5)

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 2018 £m	Financial Assets £m	Financial Liabilities £m	Total 2017 £m
Opening balance	7.9	(9.0)	(1.1)	7.5	(6.6)	0.9
Change in fair value recorded in other gains and losses	-	3.9	3.9	-	2.3	2.3
Disposal of available for sale asset (Note 16)	(7.3)	-	(7.3)	-	-	-
Unwinding of discount recorded within finance expense	-	(0.6)	(0.6)	-	(1.0)	(1.0)
Acquisitions	-	(21.8)	(21.8)	0.4	(3.4)	(3.0)
Settlements	-	1.7	1.7	-	0.2	0.2
Foreign exchange losses	-	-	-	-	(0.5)	(0.5)
<b>Closing balance</b>	<b>0.6</b>	<b>(25.8)</b>	<b>(25.2)</b>	<b>7.9</b>	<b>(9.0)</b>	<b>(1.1)</b>

## Notes to the consolidated financial statements (continued)

## 31. Related party transactions

## Trading transactions

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

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Amounts owed by and to the BBC, the intermediate parent undertaking and fellow subsidiary undertakings within the BBC Group are reported in notes 18 and 19 respectively.

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

	2018 £m	2017 £m
Dividends paid	(71.4)	(89.3)
Interest costs	(2.7)	(3.3)
Acquisition of distribution rights	(63.0)	(56.3)
Royalties and other programme related fees	(27.8)	(16.9)
Other	(20.8)	(27.5)
Advertising sales commission	6.0	17.5
	<b>(179.7)</b>	<b>(175.8)</b>

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 2018 £m	Expense 2018 £m	Dividends receivable 2018 £m	Income 2017 £m	Expense 2017 £m	Dividends receivable 2017 £m
UKTV Media Holdings Limited	Joint Venture	54.8	-	30.0	54.9	-	15.4
Other joint ventures	Joint Venture	3.4	3.4	0.1	0.2	4.8	0.2
New Video Channel America LLC	Associate	29.0	(5.9)	7.7	22.0	(9.1)	8.1
Other associates	Associate	2.4	(27.1)	1.5	2.3	(16.9)	1.1
		<b>89.6</b>	<b>(29.6)</b>	<b>39.3</b>	<b>79.4</b>	<b>(21.2)</b>	<b>24.8</b>

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 2018 £m	Payables 2018 £m	Net balance 2018 £m	Receivables 2017 £m	Payables 2017 £m	Net balance 2017 £m
UKTV Media Holdings Limited	Joint Venture	19.5	-	19.5	20.8	-	20.8
Other joint ventures	Joint Venture	3.7	-	3.7	2.9	-	2.9
New Video Channel America LLC	Associate	2.5	(1.2)	1.3	3.6	(2.9)	0.7
Other associates	Associate	6.6	-	6.6	8.0	(5.3)	2.7
		<b>32.3</b>	<b>(1.2)</b>	<b>31.1</b>	<b>35.3</b>	<b>(8.2)</b>	<b>27.1</b>

The receivables balance includes amounts loaned to joint ventures and associates disclosed in note 16.

At 31 March 2018, the Group also had an outstanding balance of £1.0m (2017: £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)****31. 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:

	2018 £m	2017 £m
Short-term employee benefits	5.3	5.3
Post-employment benefits	0.3	0.3
Other long-term benefits	0.1	0.2
Termination benefits	0.1	-
	<b>5.8</b>	<b>5.8</b>

The above figures for emoluments include the remuneration of Directors (note 6).

**32. 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](http://www.bbc.co.uk/annualreport).

**33. Events after the balance sheet date**

On 3 April 2018 BBC Ventures Group Limited was renamed to BBC Studios Group Limited, which acts as the holding company for BBC Studios Limited and BBC Worldwide Limited. As a result, BBC Studios Group is a global content group, embodying the very best of bold British creativity, and investing in quality content. Its profits contribute to significant financial returns that are reinvested into the BBC for the benefit of the UK licence fee payer.

On 23 April 2018 the Group acquired a 15% stake in Moonage Pictures Limited. The group will account for this investment as an associate.

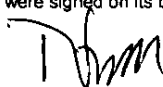
**Company statement of comprehensive income**  
for the year ended 31 March 2018

	2018 £m	2017 £m
<b>Profit for the year</b>	<b>65.7</b>	<b>16.3</b>
<b>Items that can be reclassified to profit or loss:</b>		
Recognition and transfer of cash flow hedges	25.9	(10.1)
Tax on cash flow hedges taken directly to other comprehensive income	(4.9)	1.8
<b>Other comprehensive loss for the year</b>	<b>21.0</b>	<b>(8.3)</b>
<b>Total comprehensive income for the year</b>	<b>86.7</b>	<b>8.0</b>

**Company balance sheet**  
**As at 31 March 2018**

		2018	2017
	Note	£m	£m
<b>Non-current assets</b>			
Goodwill	c	13.8	13.8
Distribution rights	d	136.7	156.4
Other intangible assets	e	17.2	18.3
Tangible fixed assets	f	19.9	22.0
Investments	g	132.8	138.5
Deferred tax assets	l	7.9	11.6
Trade and other receivables	i	19.9	30.6
		<b>348.2</b>	<b>391.2</b>
<b>Current assets</b>			
Programme rights and other stocks	h	29.1	34.7
Current tax receivable		6.2	6.6
Trade and other receivables	i	326.8	316.2
Cash at bank and in hand		13.6	13.4
		<b>375.7</b>	<b>370.9</b>
<b>Current liabilities</b>			
Provisions for liabilities	k	7.1	5.2
Trade and other payables	j	398.1	433.6
<b>Net current liabilities</b>		<b>(29.5)</b>	<b>(67.9)</b>
<b>Total assets less current liabilities</b>		<b>318.7</b>	<b>323.3</b>
<b>Non-current liabilities</b>			
Trade and other payables	j	217.0	230.1
Provisions for liabilities	k	1.0	1.0
<b>Net assets</b>		<b>100.7</b>	<b>92.2</b>
<b>Capital and reserves</b>			
Called up share capital	m	0.2	0.2
Hedging reserve	n	(0.3)	(21.3)
Available-for-sale reserve	n	-	6.8
Retained earnings		100.8	106.5
<b>Shareholder's funds</b>		<b>100.7</b>	<b>92.2</b>

These financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors and authorised for issue on 19 June 2018, and were signed on its behalf by:



**Tom Fussell**  
Chief Financial Officer

**Company statement of changes in equity**  
**for the year ended 31 March 2018**

	Share capital	Hedging reserve	Available-for-sale reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m
<b>At 1 April 2016</b>	<b>0.2</b>	<b>(13.0)</b>	<b>6.8</b>	<b>179.5</b>	<b>173.5</b>
Profit for the financial year (note b)	-	-	-	16.3	16.3
Recognition and transfer of cash flow hedges (note n)	-	(10.1)	-	-	(10.1)
Tax on items taken directly to equity (note n)	-	1.8	-	-	1.8
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(8.3)</b>	<b>-</b>	<b>16.3</b>	<b>8.0</b>
Equity dividends paid	-	-	-	(89.3)	(89.3)
<b>At 31 March 2017</b>	<b>0.2</b>	<b>(21.3)</b>	<b>6.8</b>	<b>106.5</b>	<b>92.2</b>
Profit for the financial year (note b)	-	-	-	65.7	65.7
Recognition and transfer of cash flow hedges	-	25.9	-	-	25.9
Tax on items taken directly to equity	-	(4.9)	-	-	(4.9)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>21.0</b>	<b>-</b>	<b>65.7</b>	<b>86.7</b>
Release of available for sale reserve	-	-	(6.8)	-	(6.8)
Equity dividends paid	-	-	-	(71.4)	(71.4)
<b>At 31 March 2018</b>	<b>0.2</b>	<b>(0.3)</b>	<b>-</b>	<b>100.8</b>	<b>100.7</b>

## Notes to the company financial statements

### a. Principal accounting policies

#### Basis of accounting

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

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

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2018.

#### Going concern

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

#### Investments

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

#### Foreign currency

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

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

#### Distribution rights

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

Amortisation of distribution rights is charged to the income statement to match the average revenue profile over its estimated average marketable life. The Company reviewed the amortisation profile of distribution rights during the 2016/17 financial year and updated it in line with the overall revenue profile based on experience. The review resulted in a change in the expected average marketable life of investments to be over a three year period, instead of the previous range of one to ten years. This resulted in an amortisation charge in the 2016/17 financial year as a result of the change in estimates.

#### Other intangible assets

##### *Internally-generated intangible assets: development expenditure*

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

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

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

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



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

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

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

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

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

• Leasehold improvements	Unexpired lease term
• Plant and machinery	3 to 8 years
• Fixtures and fittings	3 to 7 years

**Leased assets**

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

**Impairment of fixed assets**

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

**Programme rights and stocks**

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

**Financial instruments**

Financial assets and liabilities are initially recognised as either financial assets/liabilities at fair value through profit or loss, loans and receivables, available for sale financial assets or held to maturity investments and are measured at fair value less any directly attributable transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Policies applied by the Company in respect of financial instruments are consistent with those applied by the Group, the Company has therefore adopted the FRS 101 paragraph 8(d) disclosure exemptions as equivalent disclosures have been provided in the note 1 (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 those for deferred tax, that are payable over a number of years are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

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

**Pension costs**

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

Employees of the Company also participate in defined benefit schemes operated by the Company's ultimate parent, the British Broadcasting Corporation. 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 Willis Towers Watson, consulting actuaries, with formal valuations undertaken at least every three years. Accordingly, the Company accounts for contributions payable to the scheme as if the schemes were defined contribution schemes, as is required by IAS 19 Employee Benefits.

## Notes to the company financial statements (continued)

### a. Principal accounting policies (continued)

#### Taxation

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

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

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

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

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

#### Dividends on shares presented within shareholder's funds

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

#### Goodwill

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

#### Critical accounting estimates and key management judgements

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

### 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 2018 of £65.7m (2017: £16.3m). 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 5 of the consolidated financial statements.

## Notes to the company financial statements (continued)

## c. Goodwill

	£m
<b>Cost and Net book value</b>	
As at 1 April 2017 and 31 March 2018	13.8
Goodwill arose in the year ended 31 March 2013 following the hive-up of trade and assets from the Company's then subsidiary, Bedder 6 Limited.	

## d. Distribution rights

	£m
<b>Cost</b>	
At 1 April 2017	899.8
Additions	147.2
At 31 March 2018	1,047.0
<b>Amortisation</b>	
At 1 April 2017	743.4
Charge for the year	166.9
At 31 March 2018	910.3
<b>Net book value at 31 March 2018</b>	<b>136.7</b>
Net book value at 31 March 2017	156.4

## e. Other intangible assets

	Software £m
<b>Cost</b>	
At 1 April 2017	40.5
Additions	4.8
Fully written down assets removed from ledger	(18.0)
At 31 March 2018	27.3
<b>Amortisation</b>	
At 1 April 2017	22.2
Charge for the year	5.9
Fully written down assets removed from ledger	(18.0)
At 31 March 2018	10.1
<b>Net book value at 31 March 2018</b>	<b>17.2</b>
Net book value at 31 March 2017	18.3

## f. Tangible fixed assets

	Leasehold improvements £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
<b>Cost</b>				
At 1 April 2017	7.5	39.2	3.8	50.5
Additions	-	0.5	0.7	1.2
Disposals	-	(2.1)	(1.2)	(3.3)
At 31 March 2018	7.5	37.6	3.3	48.4
<b>Depreciation</b>				
At 1 April 2017	0.8	25.4	2.3	28.5
Charge for the year	0.6	2.2	0.5	3.3
Disposals	-	(2.1)	(1.2)	(3.3)
At 31 March 2018	1.4	25.5	1.6	28.5
<b>Net book value at 31 March 2018</b>	<b>6.1</b>	<b>12.1</b>	<b>1.7</b>	<b>19.9</b>
Net book value at 31 March 2017	6.7	13.8	1.5	22.0

The Company does not hold any assets under finance leases (2017: £nil).

## Notes to the company financial statements (continued)

## g. Investments

	Subsidiaries	Joint ventures	Associates	Other investments	Total
	£m	£m	£m	£m	£m
<b>Cost</b>					
At 1 April 2017	195.4	0.4	32.8	14.4	243.0
Additions	12.0	-	6.3	-	18.3
Share capital return	(9.5)	-	-	-	(9.5)
Disposals	(1.5)	-	(2.2)	(11.1)	(14.8)
At 31 March 2018	196.4	0.4	36.9	3.3	237.0
<b>Provisions for impairment</b>					
At 1 April 2017	101.9	-	1.7	0.9	104.5
Charge for the year	0.2	-	1.1	(0.1)	1.2
Disposals	(1.5)	-	-	-	(1.5)
At 31 March 2018	100.6	-	2.8	0.8	104.2
<b>Net book value at 31 March 2018</b>	<b>95.8</b>	<b>0.4</b>	<b>34.1</b>	<b>2.5</b>	<b>132.8</b>
Net book value at 31 March 2017	93.5	0.4	31.1	13.5	138.5

	Note	Country of incorporation or establishment	Principal activity	Ownership interest
<b>Principal Subsidiary Undertakings</b>				
2 entertain Limited	1, +	United Kingdom	Holding company	100.0%
Baby Cow Productions Limited	2, +	United Kingdom	Content production	75.0%
BBC Worldwide Americas Incorporated	3, +	USA	Holding company	100.0%
BBC Worldwide Australia Holdings Pty Ltd	4, +	Australia	Holding company	100.0%
BBC Worldwide Canada Limited	5, +	Canada	Programme distributor	100.0%
BBC Worldwide France Sarl	6, +	France	Programme distributor	100.0%
BBC Worldwide Germany GmbH	7, +	Germany	Programme distributor	100.0%
BBC Worldwide Holdings B.V	8, +	Netherlands	Holding Company	100.0%
BBC Worldwide Japan Limited	9, +	Japan	Programme distributor	100.0%
Rapid Blue Pty Limited	10, +	South Africa	Programme distributor	70.0%
Sid Gentle Films Limited	2, +	United Kingdom	Content production	51.0%
Tonto Films and Television Limited	1, +	United Kingdom	Content production	100.0%
UK Programme Distribution Limited *	1, +	United Kingdom	Programme distributor	100.0%
Worldwide Channel Investments Limited	1, +	United Kingdom	Holding company	100.0%

	Note	Country of incorporation or establishment	Ownership interest		Note	Country of incorporation or establishment	Ownership interest
<b>Other Subsidiary undertakings</b>							
2 Entertain Management Ltd	1	United Kingdom	100.0%	BBC Video Ltd	1	United Kingdom	100.0%
2 entertain Video Ltd	1	United Kingdom	100.0%	BBC Worldwide (Africa) (Pty) Ltd	12	Africa	100.0%
2004370 Ontario Incorporated	11	Canada	100.0%	BBC Worldwide Americas (401) k Plan Trustees	3	USA	100.0%
Adjacent Productions, LLC	27	USA	100.0%	BBC Worldwide Australia Productions Pty Ltd	13	Australia	100.0%
Alan Partridge Limited	2	United Kingdom	100.0%	BBC Worldwide Australia Pty Ltd	4	Australia	100.0%
Baby Cow Animation (Warren) Ltd	2	United Kingdom	100.0%	BBC Worldwide Channels (Singapore) Pte. Ltd	14, +	Singapore	100.0%
Baby Cow Animation (Wussywat) Ltd	2	United Kingdom	100.0%	BBC Worldwide Channels Mexico S.A de C.V	15, +	Mexico	100.0%
Baby Cow Animation Limited	2	United Kingdom	100.0%	BBC Worldwide Corporate Services Ltd	1, +	United Kingdom	100.0%
Baby Cow Films (Zoe) Limited	2	United Kingdom	100.0%	BBC Worldwide Intermediadora de			
Baby Cow Films Limited	2	United Kingdom	100.0%	Programadora Estangeira Ltd	16, +	Brazil	100.0%
Baby Cow Manchester Limited	2	United Kingdom	100.0%	BBC Worldwide Investments Ltd	1, +	United Kingdom	100.0%
Baby Cow Pictures Limited	2	United Kingdom	80.0%	BBC Worldwide Media Private Ltd	17	India	100.0%
Baby Cow Productions (Hunderby) Ltd	2	United Kingdom	100.0%	BBC Worldwide Mexico S.A de C.V	15, +	Mexico	100.0%
Baby Cow Productions (Partridge) Limited	2	United Kingdom	100.0%	BBC Worldwide Polska	18, +	Poland	100.0%
Baby Cow Productions (Red Dwarf) Ltd	2	United Kingdom	100.0%	BBC Worldwide Productions (Africa) (Pty) Ltd	19	Africa	100.0%
Bad Wolf Productions LLC	27	USA	100.0%	BBC Worldwide Productions (UK) Ltd	1, +	United Kingdom	100.0%
BBC Earth MD (WWD) Ltd	1, +	United Kingdom	100.0%	BBC Worldwide Productions Nordics ApS	20, +	Denmark	100.0%
BBC Earth Productions (Giant Films) Ltd	1	United Kingdom	100.0%	BBC Worldwide Reality Productions LLC	27	USA	100.0%
BBC Earth Productions (Life) Ltd	1, +	United Kingdom	100.0%	BBC.com US, Incorporated	21, +	USA	100.0%
BBC Earth Productions Ltd	1, +	United Kingdom	100.0%	beeb Rights Ltd**	1, +	United Kingdom	100.0%
BBC Magazine Holdings Ltd	1, +	United Kingdom	100.0%	Cnmson Productions Ltd	1, +	United Kingdom	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
<b>Other Subsidiary undertakings (continued)</b>							
Demon Music Group Ltd	1	United Kingdom	100.0%	Rapid Blue Africa Ltd	26	Nigeria	100.0%
Demon Records Ltd	1	United Kingdom	100.0%	Sid Gentle Films (Corfu) Limited	2	United Kingdom	100.0%
DVDS3 Limited	1	United Kingdom	100.0%	Sid Gentle Films (Gaiman) Limited	2	United Kingdom	100.0%
Earth Film Productions Ltd	1	United Kingdom	100.0%	Sid Gentle Films (Killing Eve) Limited	2	United Kingdom	100.0%
Erste Weltweit Medien GmbH	22, +	Germany	100.0%	Sid Gentle Films (SS-GB) Limited	2	United Kingdom	100.0%
F-Beat Records Ltd	1	United Kingdom	100.0%	Sid Gentle Films (The Durrells) Limited	2	United Kingdom	100.0%
Global Hybrid Productions LLC	27	USA	100.0%	Sun Never Sets Productions LLC	27	USA	100.0%
Lime Grove Productions LLC	27	USA	100.0%	The Last Holiday Limited	2	United Kingdom	100.0%
Lost Child Limited	2	United Kingdom	50.0%	Worldwide Americas Investments Incorporated	28	USA	100.0%
MCI Music Publishing Ltd	1	United Kingdom	100.0%	Worldwide Channel Investments (Ontario) Ltd	24	Canada	100.0%
Moone Boy (UK) Limited	2	United Kingdom	50.0%	Worldwide Competition Productions LLC	27	USA	100.0%
Nine Productions <sup>1</sup> Incorporated	23, +	Canada	100.0%	Worldwide Knowledge (Beijing) Business			
Philomena Lee Limited	2	United Kingdom	50.0%	Consulting Company Ltd	25	China	100.0%
<b>Associates</b>				<b>Joint Ventures</b>			
72 Films Limited	+	United Kingdom	15.0%	BB Rights, LLC		USA	50.0%
Amazing Productions Limited	+	United Kingdom	25.0%	BBC Earth Productions (Africa) Ltd	+	United Kingdom	100.0%
Burning Bright Productions Limited	+	United Kingdom	25.0%	Britbox, LLC		USA	40.5%
Children's Character Books Limited	+	United Kingdom	25.0%	JV Programs LLC		USA	50.0%
Clerkenwell Films Limited	+	United Kingdom	48.1%	Sub-Zero Events Limited	+	United Kingdom	50.0%
Cliffhanger Productions Limited	+	United Kingdom	25.0%	Tower Productions GmbH	+	Germany	50.0%
Curve Media Limited	+	United Kingdom	25.0%	UKTV Media Holdings Limited	+	United Kingdom	50.0%
Educational Publishers LLP	+	United Kingdom	15.0%				
Expectation Entertainment Limited	+	United Kingdom	22.6%	<b>Investments</b>			
House Productions Limited	+	United Kingdom	25.0%	Masher Technologies	+	United Kingdom	5.4%
Jasper Broadcasting Incorporated		Canada	50.0%	MSM-Worldwide Factual Media Private Limited	+	United Kingdom	26.0%
Knowledge-West Communications Inc.		Canada	50.0%	NC Internet Limited	+	United Kingdom	10.0%
Lookout Point Limited	+	United Kingdom	49.9%				
Mighty Productions Limited	+	United Kingdom	25.0%	<b>Subsidiaries dissolved during the year</b>			
New Video Channel America LLC***		USA	50.1%	Bedder 6 Limited	+	United Kingdom	100.0%
Original Talent Limited	+	United Kingdom	10.0%	beeb Ventures Ltd	+	United Kingdom	100.0%
Rapid Blue Format Limited		Nigeria	38.0%	DVDS2 Limited		United Kingdom	100.0%
Red Planet Pictures (Entertainment) Ltd	+	United Kingdom	22.7%				
Sprout Pictures (TV) Limited	+	United Kingdom	25.0%	<b>Sold during the year</b>			
Two Cities Television Limited	+	United Kingdom	25.0%	Left Bank Pictures Limited	+	United Kingdom	12.2%
Various Artists Limited	+	United Kingdom	20.0%	Greenbird Media Limited	+	United Kingdom	29.0%
Woodlands Books Limited	+	United Kingdom	15.0%				

+ 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.

\*\*\* BBC Worldwide holds 50.1% of the issued share capital but has limited power over the operational activities and therefore accounts for its interest as an associate.

\*\*\*\* BBC Worldwide holds 54.7% of the issued share capital but is only entitled to 49.9% of the 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 2018. The exemption is taken in accordance with Companies Act 2006 s479A.

Subsidiary	Reg. No.
2 Entertain Management Ltd	05087003
BBC Earth Productions (Africa) Ltd	07451708
BBC Earth Productions (Life) Ltd	05705186
BBC Magazines Holdings Limited	05699560
BBC Video Limited	04840888
BBC Worldwide Investments Ltd	02701369
Demon Music Group Limited	01622224
DVDS3 Limited	08822790
MCI Music Publishing Limited	02994545
Worldwide Channel Investments Limited	03309240
BBC Worldwide Productions (UK) Limited	08305652
Tonto Films and Television Limited	05221185

**Address reference**

- (1) 1 Television Centre, 101 Wood Lane, London, W12 7FA, United Kingdom
- (2) Ground Floor Charles House 5-11 Regent Street, London, SW1Y 4LR, United Kingdom
- (3) 1120 Avenue of the Americas, 5th Floor, New York 10036-6700, United States
- (4) Level 1, 35-51 Mitchell Street, McMahon's Point 2060, Sydney, Australia
- (5) 409 King Street West, 5th Floor, Toronto M5V 1K1, Canada
- (6) 18-20 Quai du Point du Jour, Bat. A, Boulogne-Billancourt 92100, France
- (7) Kaiser-Wilhelm-Ring 17-21, Köln 50672, Germany
- (8) Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands
- (9) Tokyo Club Building, Floor 10, 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo, 100-0013, Japan
- (10) 263 Oak Avenue, Randburg, Johannesburg, 2194, South Africa
- (11) 66 Wellington Street West 470, Toronto Dominion Bank Tower, Toronto M5K 1E6, Canada
- (12) Office 003H3 Ground Floor, 10 Melrose Boulevard, Melrose Arch, Melrose North 2196, South Africa
- (13) 1st Floor, No.1 Amwell Street, London EC1R 1UL, United Kingdom
- (14) #12-08/08 Shaw Tower, 100 Beach Road, Singapore 189702, Singapore
- (15) Calle Andres Bello 10 Piso 10, Chapultepec Polanco, Delg. Miguel Hidalgo, Ciudad de Mexico CP 11560, Mexico
- (16) Rue Ferreira de Araujo, 741 Andar 1, Pinheiros, Sao Paulo SP 05428-002, Brazil
- (17) Construction House A Wing, 401-4th Floor, Off Linking Road 24th Road, Khar West, Mumbai 400 052, India
- (18) Pl. Bankowy 1, 00-139, Warsaw, Poland
- (19) 24 18th Street, Menlo Park 0081, Mazars House, 5 St Davids Place, Parktown 2193, South Africa
- (20) Mosedalvej 14, Valby, 2500, Denmark
- (21) Corporation Trust Centre, 1209 Orange Street, Wilmington, 19801, United States
- (22) Kaiser-Wilhelm-Ring 17-21, Köln, 50672, Germany
- (23) 650-699 Howe Street, Vancouver, British Columbia, V6C0B4, Canada
- (24) Toronto Dominion Bank Tower, Toronto Dominion Center, Toronto, M5K1E6, Canada
- (25) Unit 7, Floor 9, West Tower, Genesis Building, 8 Xinyuan South Road, Chaoyang District, 100027, China
- (26) Bamako Studios, 1 Bamako Street, Omole Phase 1, Ojodu Berger, Lagos, Nigeria
- (27) 10351 Santa Monica Boulevard, Suite 250, Los Angeles 90025, United States
- (28) 1209 Orange Street, Wilmington, 19801, United States

## Notes to the company financial statements (continued)

## h. Programme rights and other stock

	2018 £m	2017 £m
Programme rights for broadcasting	24.8	28.7
Programmes in the course of production	4.1	5.7
Finished goods for resale	0.2	0.3
	<b>29.1</b>	<b>34.7</b>

## i. Trade and other receivables

	2018 £m	2017 £m
<b>Amounts falling due within one year:</b>		
Trade receivables	114.8	135.8
Prepayments and accrued income	66.8	51.2
Amounts owed by ultimate parent undertaking	-	2.1
Amounts owed by subsidiary undertakings	85.5	95.0
Amounts owed by fellow subsidiary undertakings	17.9	-
Amounts owed by joint ventures and associates	26.3	26.8
Derivative financial instruments	2.4	0.1
Other receivables	13.1	5.2
	<b>326.8</b>	<b>316.2</b>
<b>Amounts falling due after more than one year:</b>		
Trade receivables	19.8	30.5
Derivative financial instruments	0.1	0.1
	<b>19.9</b>	<b>30.6</b>
	<b>346.7</b>	<b>346.8</b>

## j. Trade and other payables

	2018 £m	2017 £m
<b>Amounts falling due within one year:</b>		
Bank loans and overdraft	28.2	31.3
Trade payables	30.4	26.1
Rights creditors	116.9	122.3
Accruals and deferred income	62.9	105.6
Amounts owed to ultimate parent undertaking	26.1	38.2
Amounts owed to subsidiary undertakings	78.4	45.3
Amounts owed to fellow subsidiary undertakings	28.2	10.4
Amounts owed to joint ventures and associates	1.2	5.3
Derivative financial instruments	2.0	25.4
Other payables including other taxes and social security	23.8	23.7
	<b>398.1</b>	<b>433.6</b>
<b>Amounts falling due after more than one year:</b>		
Loan owed to intermediate parent undertaking	171.0	198.5
Derivative financial instruments	0.6	6.9
Rights creditors and deferred income	45.4	24.7
	<b>217.0</b>	<b>230.1</b>
	<b>615.1</b>	<b>663.7</b>

Details of bank loans and loans owed to the Company's intermediate parent undertaking are given in note 21 to the consolidated financial statements.

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

## Notes to the company financial statements (continued)

## k. Provisions for liabilities

	Property related £m	Onerous contracts £m	Other provisions £m	Total £m
At 1 April 2017	1.1	4.8	0.3	6.2
Provided during the year	-	-	7.0	7.0
Released in the year	-	-	(0.2)	(0.2)
Utilised in the year	(0.1)	(3.6)	-	(3.7)
Released to the consolidated income statement	-	(0.7)	-	(0.7)
Foreign exchange translation gain	-	(0.5)	-	(0.5)
<b>At 31 March 2018</b>	<b>1.0</b>	<b>-</b>	<b>7.1</b>	<b>8.1</b>

Property-related provisions include onerous leases in respect of properties held under non-cancellable leases, when 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, together with provisions for dilapidations in respect of leasehold properties.

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

Other provisions primarily comprise legal and restructuring costs.

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

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

	2018 £m	2017 £m
Current	7.1	5.2
Non-current	1.0	1.0
	<b>8.1</b>	<b>6.2</b>

## 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 2017	5.3	5.6	0.7	11.6
Charged to profit and loss	1.1	(5.5)	0.7	(3.7)
<b>At 31 March 2018</b>	<b>6.4</b>	<b>0.1</b>	<b>1.4</b>	<b>7.9</b>

Deferred tax is recorded in the balance sheet as follows:

	2018 £m	2017 £m
Deferred tax assets	7.9	11.6
<b>Net deferred tax asset</b>	<b>7.9</b>	<b>11.6</b>



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

	2018 £m	2017 £m
<b>Issued and fully paid</b>		
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. There has been a decrease in the available-for-sale reserve of £6.8m due to a disposal during the period

**Hedging Reserves**

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred (net of tax). During the current year, losses of £17.4m were removed from the hedging reserves and recognised in revenue in the income statement (2017: losses of £28.1m).

**o. Commitments and contingent liabilities**

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

	2018 £m	2017 £m
<b>Capital commitments</b>		
Distribution rights	113.5	116.0
	<b>113.5</b>	<b>116.0</b>
<b>Other financial commitments</b>		
Programme rights for broadcast	1.1	3.6
Other commitments	37.3	30.3
	<b>38.4</b>	<b>33.9</b>
<b>Total unrecognised commitments</b>	<b>151.9</b>	<b>149.9</b>

The Company has given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement, see note 27 of the Group accounts for further detail.

Included in Other commitments is £21.7m to Associates.

**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:

	2018 £m	2017 £m
Within one year	6.3	3.8
Between two and five years	18.5	12.2
After more than five years	70.1	75.4
<b>Total</b>	<b>94.9</b>	<b>91.4</b>

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

The Group's consolidated financial statements for the year ended 31 March 2018 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 2018 £m	Expense 2018 £m	Dividends received 2018 £m	Income 2017 £m	Expense 2017 £m	Dividends received 2017 £m
UKTV Media Holdings Limited	Joint Venture	54.8	-	30.0	54.9	-	15.4
Other joint ventures	Joint Venture	-	-	-	-	(0.1)	-
New Video Channel America LLC	Associate	29.0	-	-	21.9	-	-
Other associates	Associate	1.4	(27.1)	0.6	1.4	(16.9)	0.4
<b>Total</b>		<b>85.2</b>	<b>(27.1)</b>	<b>30.6</b>	<b>78.2</b>	<b>(17.0)</b>	<b>15.8</b>

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

Name of related party	Relationship	Receivables 2018 £m	Payables 2018 £m	Net balance 2018 £m	Receivables 2017 £m	Payables 2017 £m	Net balance 2017 £m
UKTV Media Holdings Limited	Joint Venture	19.5	-	19.5	20.8	-	20.8
Other joint ventures	Joint Venture	0.3	-	0.3	0.7	-	0.7
New Video Channel America LLC	Associate	2.5	(1.2)	1.3	3.6	-	3.6
Other associates	Associate	6.6	-	6.6	8.0	(5.3)	2.7
<b>Total</b>		<b>28.9</b>	<b>(1.2)</b>	<b>27.7</b>	<b>33.1</b>	<b>(5.3)</b>	<b>27.8</b>

At 31 March 2018, the Company also had an outstanding balance of £1.0m (2017: £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 23 April 2018 the Company acquired a 15% stake in Moonage Pictures Limited. The Company will account for this investment as an associate.