



BBC Full Financial  
Statements 2015/16



# BBC Full Financial Statements 2015/16

**Presented to Parliament by the Secretary of State  
for Culture, Media and Sport by command of Her Majesty**

The BBC's Annual Report and Accounts 2015/16, giving narrative context to the numbers contained in this document, were also laid before Parliament on 12 July 2016 and are available online at [bbc.co.uk/annualreport](http://bbc.co.uk/annualreport)

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## Full Financial Statements 2015/16

These financial statements comprise both the primary statements and additional supporting disclosure notes.

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## BBC in the Nations

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## Performance against public commitments 2015/16

The BBC is accountable for a number of public commitments each year, including programming and production quotas and service licence commitments. This section sets out the BBC's performance against these.

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# Review of the Managing Director, BBC Finance and Operations



“As we reach the end of the current Charter, the BBC is undergoing a substantial period of change and uncertainty alongside delivery of the final year of the DQF programme. We have plans in place to ensure the financial stability of the BBC.”

*Anne Bulford*

## Continued drive on efficiencies as we enter the final year of DQF

This year we have continued to build on our impressive track record of delivering efficiencies.

2015/16 was the penultimate year of the BBC's 'Delivering Quality First' (DQF) savings programme, which has delivered £621 million sustainable savings by 31 March 2016. The programme remains on track to deliver an annual total of £700 million in annual recurring savings by 31 March 2017. The focus of the efficiencies has been on people, property and procurement:

- **people:** pay restraint and headcount reductions has delivered over £150 million a year in reduced costs and a reduction of more than 2,000 employees over the past nine years. Senior manager pay bill has also fallen by more than £31 million since 2009, the equivalent of 40%
- **property** has significantly reduced since 2010, saving the BBC £75 million a year by 2016/17

- **procurement** is helping us make savings from contract negotiations. The past seven major procurements delivered a total of £649 million in savings over the life of the contracts

In 2015, the National Audit Office (NAO) and PricewaterhouseCoopers (PwC) independently verified the BBC's progress against its efficiency targets. The NAO examined the progress of the DQF programme, while PwC confirmed that the BBC will hit £1.6 billion of recurring cost efficiencies in 2016/17, more than 40% of the BBC's addressable costs. This has been possible in part due to the introduction of a new efficiency strategy known as Compete or Compare. This ensures that all costs are either challenged in the market or rated against it, helping establish a culture of continuous efficiency within the BBC. The key driver of Compete or Compare is to secure the best value for licence fee payers at every opportunity. PwC found that 87% of the current cost base controlled by the BBC has now been tested, up from around 80% in 2014. In 2016/17, we expect 90% of these controllable costs to be tested under Compete or Compare.

In July 2015, PwC also reviewed the calculation of the BBC overheads and compared our overhead ratio against industry benchmarks. In 2015/16, 94% of the BBC's controllable spend was focused on content and delivery, with just 6% spent on running the organisation. This places us in the top 25% of regulated organisations, against a public sector average of 11% and a regulated industry average of 9%. This focus on reducing our running costs ensures we are investing as much money as possible into content for licence fee payers.

When we began the DQF programme in 2011, the BBC set out the savings needed based on future licence fee income forecasts. During 2015, the BBC announced that forecast licence fee income in 2016/17 would be £150 million lower than the previous DQF forecast. This represents approximately one million fewer homes paying the licence fee. As more people rely on BBC iPlayer, mobiles and online catch-up, the percentage of households owning televisions is falling faster than previously predicted, and a loophole means that households watching only on-demand television are not subject to the licence fee. We welcome the Government's commitment

to close the iPlayer loophole by bringing BBC on-demand programme services into the legislation.

In the meantime, the BBC must find savings to make up this £150 million shortfall that will arise by the end of the current licence fee period. The Director-General has set out a package of proposals to save £50 million by making the BBC simpler and leaner. These will reduce the number of divisions, reduce the number of layers from the top to the bottom of the organisation and simplify and standardise procedures across the BBC. This work is now well under way. The remaining £100 million in savings will come from a mix of content savings and other pan-BBC initiatives. The BBC's sports rights budget will contribute £35 million of the savings, which has already been achieved from changes, including Open Golf coverage and the move of Formula 1 to Channel 4.

The 2015 licence fee settlement effectively requires the BBC to absorb inflation in the cost base equivalent to £400 million a year by 2021/22 and self fund any investment in new services. In addition, we face superinflation of costs of around £100 million a year by

2021/22 in areas such as sports and drama. The BBC cannot stand still and this investment in new services for audiences will require an additional £150 million by 2021/22. This means a total saving target of £800 million a year is required by 2021/22, representing over 20% of expected 2016/17 spend, or an average annual savings target of around 4% a year over the next five years.

This means that tough decisions will have to be made and we cannot rule out an impact on services and scope in the long term.

### Valued partnerships

In a typical year, the BBC spends £1.4 billion on goods and services using 12,000 suppliers (excluding freelancers and independent programme commissions). We are committed to working with our suppliers to find ways to reduce cost whilst preserving quality and timeliness. About half of the annual spend is on 11 major service contracts like technology (Atos); facilities management (Interserve); and transmission (Arqiva). The other half covers purchasing of regular goods and services associated with running the business, ranging from costumes and travel to cameras and

lighting. We are very grateful to our suppliers – they are an important part of our service delivery and we would not be able to meet our saving targets without their help.

During the year, the BBC brought its recruitment services back in-house to unify its HR function, bringing its 10-year contract with Capita to an end. This is expected to deliver a 20% saving. Capita continues to work with us in other areas, including our successful partnership for licence fee collection.

The repurchase of the BBC's Business Process Outsourcing (BPO) services for finance, accounting, payroll and associated technology completed recently with the contract being awarded to IBM. The new partnership with IBM will deliver significant savings to the BBC through a simplified and innovative approach. IBM will replace Sopra Steria from 1 November 2016.

We would like to thank both Capita and Sopra Steria for their valuable support over the past decade.

From April 2017, the BBC will move to a new IT service model, which will be delivered by a number of suppliers. As part of this, BT has

### Use of the licence fee\*

	2016			2015 <sup>^</sup>		
	Content, distribution and its support £m	General support £m	Total £m	Content, distribution and its support £m	General support £m	Total £m
Television	2,059.4	141.8	2,201.2	2,186.0	180.4	2,366.4
Radio	608.2	33.9	642.1	611.0	41.4	652.4
BBC Online	224.8	13.2	238.0	187.8	13.1	200.9
<b>Spend by service licence</b>	<b>2,892.4</b>	<b>188.9</b>	<b>3,081.3</b>	<b>2,984.8</b>	<b>234.9</b>	<b>3,219.7</b>
Orchestras and performing groups	26.2	2.1	28.3	29.7	2.8	32.5
S4C**	32.3	2.4	34.7	28.5	2.5	31.0
Development spend***	81.2	6.4	87.6	75.6	7.1	82.7
BBC World Service operating licence	246.2	15.0	261.2	236.2	17.2	253.4
<b>Total service spend</b>	<b>3,278.3</b>	<b>214.8</b>	<b>3,493.1</b>	<b>3,354.8</b>	<b>264.5</b>	<b>3,619.3</b>
<b>% spend</b>	<b>94%</b>	<b>6%</b>	<b>100%</b>	<b>93%</b>	<b>7%</b>	<b>100%</b>

<sup>^</sup> The BBC has reviewed its analysis of PSB Group expenditure support costs during the year and consequently restated this view to make the prior year classification consistent with the current year.

\* The licence fee after collection costs is also used to fund the BBC's obligations to broadband rollout and S4C as well as its pension deficit payments.

\*\* £34.7 million spent with S4C is the cost of content provided to S4C over and above the £75 million new obligation.

\*\*\* Development costs fund the near-term development of new platforms and services particularly for BBC Online and Red Button. This is primarily focused on new features for existing services, their related support and overhead costs. It is distinct from research costs which is focused on longer-term research of new technology and standards that benefit the BBC and the rest of the industry.

## Review of the Managing Director

been appointed as its broadcast network provider. This contract will also deliver considerable savings and is expected to pave the way for future digital innovation.

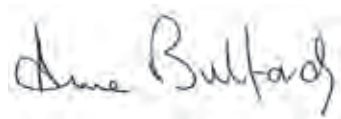
### Looking forward

The current Charter expires on 31 December 2016, with the new Charter in place from 1 January 2017. With that in mind, we welcome the recent publication of the Government's White Paper and the clarity it provides on the future of the BBC. The key things to note from the White Paper, from a financial and governance perspective, are:

- the next Charter will be an 11-year period, taking us up to 31 December 2027
- the licence fee has been secured for the Charter period and will increase in line with inflation for the first five years of the new Charter, which is the first increase in nearly a decade
- subject to regulatory approvals, we can now press ahead with plans to create BBC Studios as a commercial subsidiary – allowing us, for the first time, to make programmes for others, removing the in-house guarantees that have protected television production to date
- for the first time, we'll have a strong unitary board with an external regulator: Ofcom

We will hold conversations with the Government over the coming months to discuss the recommendations in the White Paper, specifically around the independence of the new Board and the exact role of the NAO. It is vital that the final Charter and Agreement delivers a strong independent system of governance that attracts wide support and ensures value for licence fee payers over the coming 11 years.

The current strong financial position of the BBC, along with the successful delivery of current saving plans, leaves us in a good position to meet our future obligations and continue delivering world-class content to our audiences.



**Anne Bulford**  
Managing Director,  
BBC Finance and Operations

16 June 2016



BBC Radio 3's new regular jazz slot *Jazz Now*



Popular crime drama *Silent Witness* returned for a 19th series



# Financial achievements



## Rationalising the BBC estate

There has been a particular focus on rationalising and modernising the BBC estate. We have exited both Television Centre and parts of White City and continue to move more of our business outside of London. During the year we successfully completed the sale of four acres of freehold land in London W12 alongside the sublease of six BBC Media Village buildings, recording a profit on sale of £96 million and annual recurring savings of £33 million. 55% of our employees are now based outside of the M25, an increase of 1% on last year.



## Senior manager remuneration

We have continued to reduce the number of senior managers and their cost. The senior manager paybill is now £47.0 million as compared to £78.5 million on 1 August 2009. The total number of senior managers is 356, 45 fewer than last year and 279 fewer than 2009.

# DELIVERING QUALITY FIRST

## Ongoing savings

The Delivering Quality First savings programme delivered £621 million sustainable savings by 31 March 2016. The programme remains on track to deliver an annual total of £700 million in annual recurring savings by 31 March 2017.



## Prioritising spend on content

In 2015/16, 94% of our core controllable spend is now spent on content, distribution and related support with only 6% spent on running the organisation. This focus on reducing our costs ensures we are investing as much money as possible directly into content for licence fee payers.



## Talent spend

Total talent spend of £200 million in 2015/16 represents 12% (2014/15: 12.2%) of internal spend on content and has reduced by £8.4 million (4%) on the prior year. We remain committed to keeping spend on on-screen and on-air talent to no more than 15% of overall internal spend on content (with a 1% tolerance).

# Financial overview

## How we use the licence fee

The way in which the BBC is funded places significant responsibilities on it as an organisation:

- to provide value for money by focusing expenditure on the programmes and services the public most wants from the BBC
- to ensure that the output is then delivered as cost efficiently as possible
- to ensure effective and efficient collection of the licence fee
- to maximise funding from other sources, most significantly BBC Worldwide, the BBC's commercial trading operation, in a manner consistent with the terms of its Charter and other obligations

## Results for the year

Our results for this year once again show that we have successfully managed the financial challenges facing us, giving a sound base to meet our future commitments and deliver our strategic ambitions. A reduction in operating costs through our efficiency programmes, along with a significant gain on the West London Media Village property transaction, have resulted in a group surplus of £59 million for the year (2015: deficit of £125 million).

The table below provides a summary of the income statement.

### Income

Total licence fee income increased by 0.2% or £8 million from £3,735 million to £3,743 million due to improved collection plans and modest household growth.

## Licence fee collection

Effective financial management is a key part of the BBC's unique relationship with its audiences. This includes spending the licence fee efficiently and collecting a television licence fee from everyone who is required to buy one.

This is the third year of the new licence fee contract and total cost savings of £220 million are expected to be delivered over the eight years of the contract, releasing more funding to be spent on our programmes and services. This is a huge achievement that has only been possible due to the strong relationship with Capita, our outsourced provider for collection of licence fee monies.

## Summary consolidated income statement

For year ended 31 March 2016

Income statement classification	What is it?	2016 £m	2015 £m	What has happened this year?
<b>Licence fee income</b>	The total of licence fees collected	<b>3,743</b>	3,735	0.2% increase reflects limited net growth in the number of households acquiring a licence
<b>Other income and revenue</b>	Commercial (mainly BBC Worldwide) income	<b>1,084</b>	1,070	
<b>Total income</b>		<b>4,827</b>	4,805	
<b>Operating costs</b>	The cost of producing all content and of running the BBC	<b>(4,776)</b>	(4,903)	Decrease due to major sporting events in 2014/15 such as the Commonwealth Games and FIFA World Cup
<b>Restructuring costs</b>	Sums provided to fund future efficiency initiatives	<b>(21)</b>	(11)	Costs to deliver DQF savings and reorganisation costs within BBC Worldwide
<b>Total operating costs</b>		<b>(4,797)</b>	(4,914)	
<b>Share of results of associates and joint ventures</b>	Our share of the profit of the businesses where we control 50% or less	<b>40</b>	33	Increase in 2015/16 reflects a full year share of the new BBC AMERICA associate following partial sale during 2014/15
<b>Gain on sale of operations</b>	Profit on disposal of operations	–	116	2014/15 reflects the gain on the partial sale of BBC AMERICA
<b>Gain on disposal of fixed assets</b>	Profit on disposal of fixed assets	<b>96</b>	8	Gain recorded on the sale of freehold land from the West London Media Village site
<b>Net financing costs</b>	The net interest on the BBC's pension assets and liabilities, interest on loans and fair value movements on derivatives	<b>(107)</b>	(143)	Lower accounting charge for the BBC pension plan liabilities
<b>Taxation charge</b>	The net tax liability of the BBC on its taxable profits	–	(30)	Tax charge arises on commercial activities. An overprovision in previous years has been used to reduce this year's tax charge
<b>Group surplus/(deficit) for the year</b>		<b>59</b>	(125)	

### Licence fee statement

As in previous years, the BBC prepares a licence fee revenue statement audited by the NAO. This account sets out the amounts we collected in the year and paid over to HM Government. Alongside their audit work, the NAO examines our collection arrangements and reports on them to Parliament. More on the licence fee revenue statement can be found on our website: [bbc.co.uk/aboutthebbc](http://bbc.co.uk/aboutthebbc)

### Commercial trading

The licence fee is supplemented by income from the commercial exploitation of licence fee funded content and infrastructure through three commercial subsidiaries – BBC Worldwide, BBC Global News and BBC Studioworks (previously BBC Studios and Post Production).

### BBC Worldwide

BBC Worldwide exists to support the BBC public service mission and to maximise income to the Group on its behalf. It returned £222 million to the BBC in 2015/16, well above £200 million for a second year running (2014/15: £227 million). Last year's record returns were boosted by the BBC AMERICA part sale proceeds, as were this year's returns to a lesser extent. After adjusting for disposal proceeds from both years, this year's return showed a 18% year-on-year improvement.

This contribution is increasingly important for the funding of programmes commissioned by the public service BBC.

In an increasingly complex world of multiple content producers and platforms, BBC Worldwide plays a vital role in supporting and showcasing the best of British creativity, from both the BBC and the wider UK creative industries. 2015/16 was another strong year for BBC Worldwide. It delivered headline sales of £1,029 million (2014/15: £1,002 million), a 3% increase from prior year and 7% in terms of underlying growth. It achieved this by growing its position as an active creative partner and driving forward its growth strategy. The key drivers of the revenue increase were healthy sales to third parties such as Netflix, which operates Subscription Video On Demand (SVOD) services, and UKTV. Headline profit of £134 million was £5 million lower than prior year (2014/15: £139 million) due to the full year impact of

the part-disposal of BBC AMERICA in October 2014, significant investment in new channel brands and the rising cost of content. Removing the BBC AMERICA effect, headline profit growth was 4%.

BBC Worldwide has delivered progress on each of the three pillars of its strategy: premium content; global brands; and gradual transformation to digital products and services.

### Premium content

World-class content remains at the heart of what the company does. In 2015/16, it invested £162 million in content (2014/15: £181 million), which was a reduction from the previous year due to the part-disposal of BBC AMERICA during 2014. Investment in BBC commissioned content remained fairly stable at £93 million (2014/15: £94 million), supporting on-screen programmes across the BBC's channels. BBC Worldwide also continued to build relationships with the independent sector,

	Headline sales		Headline profit	
	2015/16 £m	2014/15 £m	2015/16 £m	2014/15 £m
UK PSB Group	181	192	n/a	n/a
BBC Worldwide	1,029	1,002	134	139
Global News	101	93	0	(5)
BBC Studioworks (Previously S&PP)	22	29	2	(1)



Global brand *Dancing with the Stars* retained its position as a Top 10 most watched entertainment programme in the USA

## Financial overview



New CBeebies 3D animation *Go Jetters* rated well in the UK and internationally



© Silverback films/Jason Roberts

Almost three-quarters of Silverback Films' *The Hunt* was commercially funded via BBC Worldwide, including co-production deals with BBC AMERICA, CCTV-9 and NDR

returning £116 million during the year (2014/15: £113 million) by working with over 250 UK independent producers. 2015/16 also saw BBC Worldwide take equity stakes in Amazing Productions, Mighty Productions, Red Planet Pictures (Entertainment) and Greenbird Media. These deeper indie relationships, along with a close strategic partnership with BBC Studios, are expected to support the development of UK-owned intellectual property and secure BBC Worldwide's future pipeline of world-class content.

### Global brands

Key global brands continued to perform well during 2015/16. BBC Worldwide continued to build its channel genre brands this year, resulting in 12 of BBC Worldwide's 33 international channel feeds carrying its new channel brands by 31 March 2016. New channel brands were launched during the year in Poland, the Nordics, South Africa and Latin America and most of the other thematic BBC channels are expected to re-brand during 2016/17. BBC Earth and BBC First are now available in at least 40 countries with BBC Brit available in 61 countries.

*Dancing with the Stars* retained its position as a Top 10 most watched entertainment programme in the USA and *Sherlock: The Abominable Bride* was sold to 216 territories and also screened in cinemas in over 20 countries. In natural history, BBC Earth Films and Shanghai Media Group signed the first deal under the landmark Sino-UK Film Co-Production Treaty to co-produce a new documentary feature film for cinematic release in 2017.

### Digital products and services

Progress on BBC Worldwide's 'direct to consumer' offering included the launch of BBC Store in November 2015. With over 7,000 hours of contemporary and classic content at the time of launch, BBC Store allows viewers in the UK to buy and keep programmes they want to enjoy beyond the 30-day licence fee-funded BBC iPlayer window. Work continued on plans for Over The Top (OTT) services in selected markets outside the UK, with BBC Player announced just after year-end and expected to launch in Singapore later this year. The new authenticated multi-genre SVOD service will be available to Starhub customers in Singapore and offer audiences a wealth of BBC titles.

Highlights from BBC Worldwide's four business regions in the year included: growth in content sales; the best year to date for BBC AMERICA viewership and a significant *Doctor Who* SVOD deal signed with Amazon in North America; a strong first full year for BBC First and an exceptional year for CBeebies in Australia and New Zealand; and strong format licensing sales and the launch or relaunch of 11 new channel feeds in global markets.

In a challenging operating environment, BBC Worldwide continues to transform the way it works in order to build a world-class company that attracts and retains the best talent, while being run in an efficient way. To that end, an active programme of efficiencies was developed during 2015/16 to reduce operating costs and reduce the workforce by 11%. Nonetheless, a focus on company culture, training and engagement meant

BBC Worldwide's staff engagement score was 70% this year, well above the global market norm of 55%.

This commitment to running a world-class media company, investing in content, and delivering on its strategy puts BBC Worldwide in a good place to meet its target of returning £1.2 billion to the BBC over the first five years of the new Charter, as well as continuing to support the UK's creative industries during this time.

### BBC Global News

BBC Global News operates the BBC's two commercially-funded international news services: BBC World News, the 24-hour global news TV channel, and the digital platform BBC.com (including the BBC.com website, a News app and a Sport app). BBC Global News' mission is to be the best and most trusted international news provider in the world, while growing the BBC's international news audiences and operating as a commercially efficient business.





In 2015/16, BBC World News' global footprint expanded significantly, up 11% from previous year. The channel's distribution increased to a record 441 million households (up from 398 million in 2014/15).

Trends in the World News channel viewing figures varied by region. In Europe, viewing of news channels increased in 2015, bucking the trend of recent years, with World News gaining audience reach for the first time since 2008 and continuing to close the gap on CNN. In Asia, viewing of news channels continued to grow but at a slower pace than the previous year, with World News narrowing the gap on CNN. In the US, World News maintained consistent viewing figures in 2015/16, outranking Bloomberg TV by the end of the year.

Audience growth for BBC.com was on target in 2015/16, helped by strong performance in the US. BBC.com attracted, on average, over 89 million monthly unique browsers, up 4% from 2014/15. Total page views across all platforms (website, apps and IPTV) averaged 1.1 billion per month, down 7% from the previous year due to the ongoing shift in browsing habits from desktop to mobile.

Video continued on its trajectory of rapid growth, averaging 53 million video views per month (up 44% from 2014/15).

Digital innovation throughout the year delivered several enhancements to the BBC.com proposition. The BBC.com website saw numerous improvements to the video viewing experience and a major re-design of the News app more than doubled the number of videos viewed on it. In October 2015, a new Japanese-language edition of BBC.com was launched to serve strong demand in this major market.

Beyond BBC.com, off-platform consumption of BBC content is playing an increasingly important role in the Global News content distribution strategy. In 2015/16, Global News continued its successful partnerships with MSN, Yahoo!, AOL, Google, LinkedIn, Flipboard, Facebook and Apple, and entered into new agreements with Spotify and Smartnews.

On social media, BBC News has nearly 30 million Facebook fans globally and the BBC continues to be the world's most shared news source on Twitter.

In 2015/16, Global News maintained its position as the most trusted international news provider. It was recognised for the excellence of its journalism with a number of awards, including a Peabody for coverage of the European Migrant Crisis, and an award from ENBA India for the best news coverage by an international news channel in India, for the second year running. The redesigned BBC News app also won the People's Voice Webby Award for the best mobile site or app in the News category.

Global News achieved break-even in 2015/16, one year ahead of its five-year plan target, returning an operating profit of £0.2 million (2014/15: loss of £4.6 million). Year-on-year sales growth was coupled with a significant cost reduction exercise.

## BBC Studioworks (Previously BBC Studios and Post Production)

BBC Studioworks is a wholly-owned commercial subsidiary of the BBC serving both the BBC and external clients. Until May 2016, the company traded as BBC Studios and Post Production. Following the year end, the company undertook a full rebranding exercise, which included changing its name to BBC Studioworks Limited.

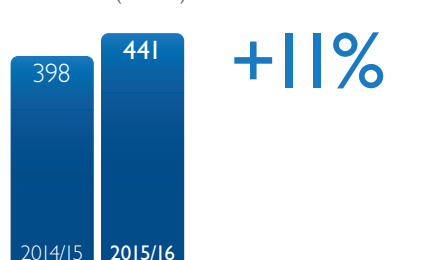
The company has historically been divided into two operating divisions; Studios and Post Production Services (S&PP) and Digital Media Services (DMS). At year end, the Digital Media Services division was closed as part of a refocusing exercise, allowing the company to concentrate on its core strengths in delivering studios, post production and related services. These remaining core areas have returned an underlying operating profit over each of the last two years.

In the year ended 31 March 2016, the company returned an underlying operating profit of £1.3 million, representing profit growth of 33% since 2014/15 on the same basis. Underlying operating profits exclude DMS and are stated before the deduction of non-trading items such as contributions to the BBC pension deficit.

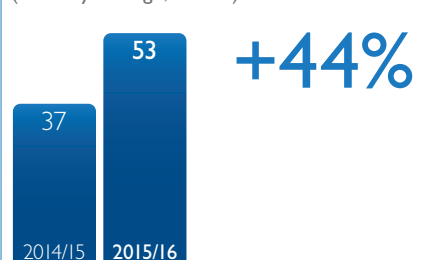
During the year, S&PP delivered an impressive range of creative projects for numerous broadcasters, media companies and content owners – including:

- many elements of the BBC's General Election broadcasting in May 2015. Elections broadcasting represents one of the most technically demanding studio productions to host due to the mix of virtual and augmented reality technologies employed as well as managing a complex connectivity arrangement
- a range of studios and post production technical services to the BBC's multi award-winning continuing drama, *EastEnders*

World News distribution – full and part-time households (million)



Video views – all platform (monthly average, million)



## Financial overview

— post production services for a number of broadcasters including ITV's game show, *Keep it in the Family*, and the BBC's consistent ratings winner, *Strictly Come Dancing*

— other successful studio productions including Sky's *A League of their Own*, Channel 5's *Lip Sync Battle UK*, BBC's *The Voice UK* live shows, BBC's *Strictly Come Dancing* as well as comedy panel quiz shows such as E4's *Virtually Famous* and ITV's *Celebrity Juice*

During 2015/16, the company has been overseeing the refurbishment of its studios on the Television Centre site in West London. The structural work has been completed and the technical fit-out is now under way in anticipation of three Television Centre studios reopening in 2017.

### Results for the year

#### UK Public Service Broadcasting (UK PSB) Group expenditure

2016 Service	Content £m	Distribution £m	Content and distribution support £m	General support £m	Total £m
BBC One	1,052.5	35.8	154.1	88.0	1,330.4
BBC Two	399.0	20.2	60.2	34.1	513.5
BBC Three	52.9	7.7	13.5	4.4	78.5
BBC Four	44.2	4.1	7.7	3.8	59.8
CBBC	70.6	7.7	12.4	6.1	96.8
CBeebies	29.1	4.1	6.6	2.5	42.3
BBC ALBA	5.5	0.9	0.9	0.5	7.8
BBC News channel*	46.6	7.0	6.5	2.2	62.3
BBC Parliament	1.9	6.3	1.4	0.2	9.8
<b>Television</b>	<b>1,702.3</b>	<b>93.8</b>	<b>263.3</b>	<b>141.8</b>	<b>2,201.2</b>
BBC Radio 1	36.2	6.0	5.2	1.3	48.7
BBC Radio 2	44.6	6.0	4.8	2.1	57.5
BBC Radio 3	37.7	6.0	6.3	3.1	53.1
BBC Radio 4	88.6	6.4	13.2	6.6	114.8
BBC Radio 5 Live	45.5	4.4	7.0	3.6	60.5
BBC Radio 5 Live Sports Extra	2.5	1.6	1.3	0.2	5.6
BBC iXtra	4.6	1.7	3.0	0.3	9.6
BBC 6Music	7.9	1.7	2.4	0.6	12.6
BBC 4 Extra	3.1	1.7	1.4	0.2	6.4
BBC Asian Network	6.6	2.1	1.8	0.5	11.0
BBC Local Radio	119.8	14.8	15.0	9.3	158.9
BBC Radio Scotland	22.9	2.9	4.3	1.9	32.0
BBC Radio nan Gàidheal	3.9	1.3	0.7	0.3	6.2
BBC Radio Wales	15.1	1.6	3.0	1.2	20.9
BBC Radio Cymru	14.2	1.5	2.9	1.2	19.8
BBC Radio Ulster/BBC Radio Foyle	17.7	1.8	3.5	1.5	24.5
<b>Radio</b>	<b>470.9</b>	<b>61.5</b>	<b>75.8</b>	<b>33.9</b>	<b>642.1</b>
<b>BBC Online and Red Button**</b>	<b>153.3</b>	<b>37.9</b>	<b>33.6</b>	<b>13.2</b>	<b>238.0</b>
<b>Spend regulated by service licence</b>	<b>2,326.5</b>	<b>193.2</b>	<b>372.7</b>	<b>188.9</b>	<b>3,081.3</b>
Orchestras and performing groups	23.2	—	3.0	2.1	28.3
S4C (service spend)	28.0	—	4.3	2.4	34.7
Development spend*****	72.0	—	9.2	6.4	87.6
BBC World Service operating licence***	224.3	—	21.9	15.0	261.2
<b>Other service spend</b>	<b>347.5</b>	<b>—</b>	<b>38.4</b>	<b>25.9</b>	<b>411.8</b>
<b>Total service spend</b>	<b>2,674.0</b>	<b>193.2</b>	<b>411.1</b>	<b>214.8</b>	<b>3,493.1</b>

	Content £m	Distribution £m	Content and distribution support £m	General support £m	Total £m
<b>2016 Service</b>					
Licence fee collection costs					114.6
S4C (direct funding)					75.3
Monitoring					5.8
PSB Group pension deficit reduction payment					95.8
Costs incurred to generate intra-group income					64.5
Costs incurred to generate third-party income					71.3
Restructuring costs					15.1
<b>Total PSB Group content expenditure</b>					<b>3,935.5</b>
<b>Local TV****</b>					<b>3.5</b>
Broadband rollout*****					150.0
<b>Total PSB Group expenditure</b>					<b>4,089.0</b>
Lease reclassification*****					(78.3)
<b>PSB Group expenditure</b>					<b>4,010.7</b>

- \* Included within BBC News channel are production costs of £24.7 million, Newsgathering costs of £21.3 million and other costs of £0.6 million (2015: production costs of £23.5 million, Newsgathering costs of £22.1 million and other costs of £0.6 million).
- \*\* BBC Online and Red Button spend is monitored by annexe (relating to editorial areas of the service). Non-annexe spend covers costs relating to central editorial activities such as the BBC Homepage, technologies which operate across the service and overheads. The spend for each annexe was: News, Travel & Weather £50.9 million (2015: £43.5 million), Sport, £16.7 million (2015: £17.2 million), Children's £9.4 million (2015: £9.0 million), BBC Three £10.4 million (2015: nil), Knowledge & Learning £18.6 million (2015: £15.5 million), TV & iPlayer £16.3 million (2015: £13.7 million) and Radio & Music £13.5 million (2015: £14.1 million), giving a total annexe spend of £135.8 million (2015: £113.0 million). Non-annexe spend was £17.5 million (2015: £11.6 million).
- \*\*\* The BBC World Service operating licence includes distribution spend of £36.6 million. Total Grant-in-aid funding equivalent spend on BBC World Service was £240.2 million.
- \*\*\*\* Under the terms of the latest licence fee agreement, the BBC has committed to contribute funding toward broadband rollout across the UK and funding for the development of Local TV channels.
- \*\*\*\*\* In order to reflect the full cost of the PSB Group expenditure by service, finance lease interest is included, although it is not included in the Group operating expenditure.
- \*\*\*\*\* Development costs fund the near-term development of new platforms and services particularly for BBC Online and Red Button. This is primarily focused on new features for existing services, their related support and overhead costs. It is distinct from research costs which is focused on longer-term research of new technology and standards that benefit the whole industry.

### PSB support costs include the following

	Content and distribution support £m	General support £m	2016 £m	Content and distribution support £m	General support <sup>^</sup> £m	2015 £m
Property	68.3	43.3	111.6	69.5	92.1	161.6
HR and training	14.0	31.5	45.5	16.5	26.6	43.1
Policy and strategy	–	9.5	9.5	–	6.6	6.6
Finance and operations	10.7	49.1	59.8	19.7	65.4	85.1
Marketing, audiences and communication	86.8	–	86.8	79.6	–	79.6
<b>Total central costs</b>	<b>179.8</b>	<b>133.4</b>	<b>313.2</b>	<b>185.3</b>	<b>190.7</b>	<b>376.0</b>
Technology	106.6	59.8	166.4	115.6	55.2	170.8
Libraries, learning support and community events	28.5	–	28.5	33.0	–	33.0
Production and digital support	25.0	–	25.0	28.3	–	28.3
Research department	17.9	–	17.9	17.0	–	17.0
Contribution to JVs and spend in other PSB entities	28.3	–	28.3	26.1	–	26.1
BBC Trust Unit (excluding restructuring)	–	9.9	9.9	–	10.2	10.2
Other	25.0	11.7	36.7	11.2	8.4	19.6
<b>Total support costs</b>	<b>411.1</b>	<b>214.8</b>	<b>625.9</b>	<b>416.5</b>	<b>264.5</b>	<b>681.0</b>

<sup>^</sup>The BBC has reviewed its analysis of PSB Group expenditure support costs during the year and consequently restated this view to make the prior year classification consistent with the current year.

## Financial overview

### BBC World Service

In 2014/15, BBC World Service became licence fee funded again and, as a result, an operating licence was established for the service. The operating licence sets out the remit and scope of BBC World Service, its annual budget and its main commitments. The Trust regularly reviews the performance of the service against its licence, in the same way as it does for the other BBC services.

The current operating licence sets out a target for total cash spend of at least £245 million per annum. This year, the total BBC World Service spend of £240 million was £5 million lower than the target owing to a reduction in discretionary and business development spend and a drive for efficiencies in areas such as network News. This is a 1% reduction in spend from prior year. Total expenditure including depreciation, support costs and other charges was £260 million.

During this year, it was announced that the BBC World Service will receive new grant funding from the Government from 2016/17 to 2019/20 to meet the cost of additional services. Details are still being finalised but the expectation is to receive a grant of £34 million in 2016/17 and £85 million a year from 2017/18. This new funding is the single biggest increase in the World Service budget ever committed by any Government. The funding will be spent on digital, television and radio services around the world to build the global reach of the World Service and increase access to news and information.

### Delivering efficiencies

2015/16 was the penultimate year of the BBC's DQF programme that delivered another £157 million of annual savings, bringing the total of savings to £641 million (of which £621 million are sustainable savings). The BBC's annual savings achievement is reviewed by our auditors, Ernst & Young LLP. The BBC remains on track to achieve the full savings target of £700 million per annum by 31 March 2017.

During 2014, the Compete or Compare framework was introduced by the Director-General, announcing that the BBC would formalise market testing and benchmarking activity through applying a rigorous comparison across all areas of expenditure. The aim is to extend competition wherever it can bring greater choice, value for money or innovation. The BBC has now established a strong culture of market testing and benchmarking activities and an independent study undertaken by PwC during the year concluded that 87% of BBC controllable spend satisfied the Compete or Compare criteria. The BBC expects to cover nearly 90% of its cost base by the end of this Charter period, either through direct competition or rigorous comparison and benchmarking.

The PwC study concluded that the BBC was amongst the most efficient organisations in the public sector and regulated industries in terms of managing overheads. In 2015/16, 94% of the BBC's controllable spend was focused on content and delivery, with just 6% spent on running the organisation. This is well below both the public sector average of 11%, and the regulated industry average of 9%.

During the year, the Director-General announced proposals for modernisation at the BBC, introducing the idea of creating an open BBC for the internet age. This investment is expected to cost £150 million a year by 2021/22. Delivering this, at the same time as financing a £550 million funding gap, will be a significant challenge.

The BBC is committed to protecting programmes and services and making the BBC simpler, leaner and more effective. The total required savings of £800 million per annum will be partially funded by reprioritisation, changes to services, as well as commercial income and policy changes. New saving measures will also be introduced such as streamlining back office functions, cutting management and management layers and reducing historic levels of BBC bureaucracy. 1,000 posts are targeted to close by 2017.



BBC Arabic filmmaker Safa Al Ahmad on the front line with anti-Houthi militias in Taiz – *Under Siege*



### Focusing spend

The BBC concentrates its expenditure on the production of programmes and other content and its delivery to audiences and users, and the essential infrastructure to support this. Year-on-year spend can vary significantly because of the cycle of major sports events. Total content spend reduced by 2% to £2,674 million (2014/15: £2,728 million) this year,

which was largely due to additional investment in our coverage of the Commonwealth Games and FIFA World Cup in 2014/15.

No service licences spent above or below the regulated baseline threshold during 2015/16.

Following a detailed and rigorous public value assessment, BBC Three closed as a linear television channel in February 2016 and was

reinvented as an online-only service.

BBC Three Online offers news and sport in collaboration with other parts of the BBC. It also collaborates with other BBC services to provide an editorial perspective on major sporting events and festivals, and with Radio 1 to develop new talent, cross-commission and produce short-form content.

### Summary consolidated balance sheet

For year ended 31 March 2016

Balance sheet classification	What is it?	2016 £m	2015 £m	What has happened this year?
Non-current assets	Mainly the BBC's property, plant, equipment and investments	1,807	1,750	Increase in the interest in associates in respect of BBC AMERICA along with increased long-term receivables in BBCW
Current assets	Programme and other stocks and amounts to be received in the next 12 months	2,025	2,096	Reduction in cash due to planned pension deficit payment is partially offset by increased other receivables
Current liabilities	Amounts to be paid in the next 12 months	(1,158)	(1,186)	Decrease in accruals and deferred income at the year end
Non-current liabilities (excluding pension liabilities)	Amounts to be paid after the next 12 months	(1,112)	(1,126)	Broadly consistent with prior year
<b>Net assets (excluding pension liabilities)</b>		<b>1,562</b>	<b>1,534</b>	
Net pension liabilities	The net deficit of the BBC's pension scheme	(1,011)	(948)	Increase reflecting changes in financial assumptions
<b>Net assets</b>		<b>551</b>	<b>586</b>	
Represented by:				
BBC reserves	The net resources available to the BBC for future use	551	586	

### Balance sheet

The high-level property strategy through to 2020 (the 2020 Vision) agreed by the BBC Executive Board in 1998 included a financial target that the cost of its property estate would be no greater in real terms by 2010 than it was in 1998. The 2020 Vision was designed to allow the BBC to continue to modernise older buildings to meet its digital innovation aims as well as improving its spaces and facilities, fostering the BBC's creative ambitions at the same time as reducing costs, striking the right balance between efficiency and creativity.

Exiting the Media Centre and Garden House buildings within the West London Media Village was a significant part of the property rationalisation required to deliver this strategy as well as delivering a significant element of the DQF savings. As a result £74 million was re-categorised within non-current assets, from Land and Buildings to Investment Properties.

The BBC's cash balance at the end of the year is £335 million which is a £71 million reduction from prior year (2014/15: £406 million) including a £100 million planned pension deficit payment. The reduction in cash has been partly offset within current assets by a £67 million receivable in respect of the West London Media Village sale.

### Pension costs

At 31 March 2016, the accounting pension deficit (as defined by IAS 19) had increased by 7% to £1,011 million compared to £948 million a year ago. The increase during the current year was due to a net loss from changes in the valuation assumptions of £93 million, an annual operating charge of £160 million and net finance costs of £30 million, offset by contributions paid of £220 million.

This accounting valuation is only a 'snapshot' at a particular date in time, and is therefore sensitive to short-term market fluctuations. It also has no immediate impact on the cash cost of paying down the current pension

scheme deficit which is reviewed at triennial actuarial valuations.

The most recent actuarial valuation was completed in 2013 and showed a funding shortfall of £2,054 million. The next formal actuarial valuation of the Scheme is underway and will present a valuation as at 1 April 2016. The valuation will be agreed with the pension scheme Trustees later this year in advance of the statutory deadline of 30 June 2017. We intend on finalising the valuation by 1 April 2017, in line with the next scheduled pension deficit payment. The current repayment plan, agreed between the BBC and the pension scheme Trustees in 2013, continues to be followed. It is considered to represent a sensible and affordable plan to address the deficit, without compromising programmes or pension scheme members. The BBC will continue to work with the pension scheme's Trustees to ensure the Scheme delivers the best value to both members and licence fee payers.

## Summary consolidated cash flow statement

For year ended 31 March 2016

Cash flow classification	What is it?	2016 £m	2015 £m	What has happened this year?
Net cash inflow from operating activities	Surplus of the BBC's income over its operating costs	182	147	Increase reflecting the Income and Expenditure surplus this year
Net cash used in investing activities	Cash invested in property, plant and equipment	(174)	(205)	Reduced spend on programme rights this year
Net cash used in financing activities	Proceeds and repayments from borrowings and net interest paid on the BBC's borrowings	(80)	(66)	Repayment of loans
Net decrease in cash and cash equivalents		(72)	(124)	
<b>Cash and cash equivalents at the beginning of the year</b>	The BBC's cash balance at the beginning of the year	406	526	
Effect of foreign exchange rate changes on cash and cash equivalents	The impact of foreign exchange rates on the BBC's cash	1	4	Positive movements in exchange rates impacting the sterling value of our cash
<b>Cash and cash equivalents at the end of the year</b>	The BBC's cash at the end of the year	335	406	

### Cash

The BBC's cash balance at the end of the year of £335 million will be used to fund new obligations, strategic initiatives and the pension deficit repayment plan. The cash position is forecast to fall into an overdraft position in 2017/18, whilst remaining within our DCMS borrowing limits. The BBC will need to successfully deliver efficiency saving schemes in order for the cash flow to return to a long-term positive position and fund future investment plans.

### Tax

The BBC is a committed and prudent tax payer in all the countries in which it operates. Its commercial operations undertake appropriate and legitimate tax planning measures in accordance with the spirit and intention of all laws and regulations.



BBC One's 20 part drama *Dickensian* set within the fictional realms of Charles Dickens' critically acclaimed novels

# Statement of Executive Board responsibilities in respect of the Annual Report and accounts

The Charter requires the BBC to prepare an audited annual report and statement of accounts.

The Trustees' responsibilities are detailed in Part One of the Annual Report and Accounts.

The Executive Board has accepted its responsibility for the preparation of a strategic report, statements of compliance with applicable codes and regulations (including the Executive Board Remuneration Report) and the statement of accounts which are intended by them to give a true and fair view of the state of affairs of the BBC and its subsidiaries (the 'Group') and of the income and expenditure for that period. The Executive Board has prepared the accounts in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The Executive Board must not approve the statement of accounts (or 'financial statements') unless it is satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and of the surplus or deficit for that period.

In preparing the financial statements the Executive Board has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that are reasonable and prudent
- stated whether they have been prepared in accordance with IFRS as adopted by the EU
- prepared the financial statements on the going concern basis as they believe that the BBC will continue in business

The Executive Board is responsible for keeping proper accounting records that are sufficient to show and explain the BBC's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements and the Executive Board Remuneration Report comply with the Charter. It also has a general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the BBC and to prevent and detect fraud and other irregularities.

The Executive Board is responsible for the maintenance and integrity of the BBC's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Executive Board members who held office at the date of approval of the Annual Report and Accounts, whose names and functions are listed in the Governance section of Part Two of the Annual Report and Accounts, confirm that, to the best of each of their knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and deficit of the Group; and
- the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

## Statement of disclosure of information to auditors

The Executive Board members who held office at the date of approval of the Annual Report and Accounts confirm that, so far as they are each aware, there is no relevant audit information of which the BBC's auditors are unaware; and each Executive Board member has taken all the steps that they ought to have taken as an Executive Board member to make themselves aware of any relevant audit information and to establish that the BBC's auditors are aware of that information.

## Going concern

The directors have prepared cash flow forecasts for a period in excess of a year from the date of approval of these financial statements, and have reviewed these forecasts, together with the sensitivities and mitigating factors in the context of available funds. The directors are satisfied that the BBC is well placed to manage the risks and has adequate resources to continue in operation for the foreseeable future. As a result the going concern basis has been adopted in the preparation of the financial statements.

This statement was approved by the Executive Board.



**Tony Hall**  
Director-General

16 June 2016

# Independent Auditor's report to the Trustees of the BBC only

## Opinion on financial statements

In our opinion:

- BBC's financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2016 and of the Group's surplus 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.

## What we have audited

BBC's financial statements comprise:

Consolidated balance sheet as at 31 March 2016

Consolidated income statement for the year then ended

Consolidated statement of comprehensive (loss)/income for the year then ended

Consolidated statement of changes in equity for the year then ended

Consolidated cash flow statement for the year then ended

Related notes A to H to the financial statements

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Respective responsibilities of Executive Board and auditor

As explained more fully in the Trustees' and Executive Board responsibilities statements set out on page 15, the Executive Board is responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with the Royal Charter and Schedule 8 to the Large and Medium sized Companies and Groups (Accounts and Reports) regulations 2008 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Trustees on terms that have been agreed. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and, in respect of the separate opinions in relation to the Remuneration Report and reporting on Corporate Governance, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the BBC and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Overview

Risks of material misstatement	<ul style="list-style-type: none"> <li>— completeness and occurrence of licence fee revenue around year end</li> <li>— completeness and occurrence of commercial and other income streams around year end</li> <li>— classification of costs for service licences and content spend</li> <li>— valuation of provisions and accruals</li> <li>— inappropriate capitalisation or unidentified impairment of capital projects</li> <li>— valuation of the property portfolio</li> <li>— judgemental assumptions impacting the pension deficit</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>— we performed an audit of the complete financial information of five components</li> <li>— the five full-scope reporting components where we performed audit procedures accounted for 96% of the Group's total assets, 100% of the Group's income, 100% of the Group's operating costs and 81% of the Group's surplus before taxation</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>— overall Group materiality of £10 million, which represents 0.2% of operating costs</li> </ul>

## Our assessment of risk of material misstatement

We identified the risks of material misstatement described overleaf as they had the greatest effect on our overall audit strategy, the allocation of resources in the audit and direction of the efforts of the audit team. These risks remain consistent with the prior year; however, articulation of these risks has been clarified in the current year to define more precisely those which we consider the greatest risks of material misstatement.

In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

## Risks

### Completeness and occurrence of licence fee revenue around year end

– total revenue recognised £3,742.8 million (2015: £3,735.4 million)

Refer to notes A1 and A2 (financial disclosures) and note H (accounting policy). Communicated in Audit Committee report section 3 and Appendix A.

There is a rebuttable presumption that revenue recognition is identified as a fraud risk by the International Standards of Auditing.

The value of licence fee revenue is significant. The forecast revenue from the licence fee forms the basis of the BBC budget and allocated spend. There could be an incentive to disclose a revenue figure to meet the public's or management's expectation. This could exist at the BBC or at third parties involved in this revenue recognition process.

The revenue recognition process for licence revenue is not complex as the recognition occurs on issuance of the licence and the amount is a fixed price. We consider the transactions over the year end period to have a higher risk owing to timing differences and focus our testing over this area. This risk has remained consistent with the prior year.

## Our response to these risks

We have met with key members of management and the outsourced service provider who collect the licence fee on behalf of the BBC, to understand and evaluate any changes in the licence fee process. We have walked through the licence fee process and identified key controls in place.

We have inspected any changes to contractual agreements between the BBC and third parties in relation to the licence fee.

We have researched external sources regarding changes in the licence fee and discussed these with management. We assessed any impact on the financial statements.

We have completed analytical review procedures by calculating our expected licence fee revenue figure for the year and comparing this to the licence fee revenue recognised, utilising external evidence based on the number of households and expected evasion rates.

We have inspected the year end reconciliation of cash to licence fee revenue. This includes the licence fee receivable and payable accounts. We have confirmed the valuation, existence and completeness of these accounts by testing a sample of transactions back to cash receipts and licences issued.

We have inspected cut-off documentation and underlying evidence. We inspected evidence showing cash payments and licences issued after year end.

We have examined and obtained support for material journal entries focusing on March and April postings.

We performed full scope audit procedures over this risk area in one location, which covered 100% of the risk amount.

## What we concluded to the Audit Committee

Based upon the audit procedures performed, we consider the licence fee revenue to be appropriately stated.

Risks	Our response to these risks	What we concluded to the Audit Committee
<p><b>Completeness and occurrence of commercial and other income streams around year end</b> – total revenue recognised £1,084.2 million (2015: £1,069.7 million)</p> <p><i>Refer to notes A1 and A2 (financial disclosures) and note H (accounting policy). Communicated in Audit Committee report section 3 and Appendix A.</i></p>	<p>The accounting for revenue will differ depending on the type of sale and terms of the underlying agreement. A significant proportion of the external revenue is generated by BBC Worldwide through channels, distribution and consumer products. Our area of emphasis is on the timing of revenue recognition for these revenue streams as there are a number of different types of revenue and a significant proportion of revenue is recognised in the final quarter of the year, increasing the risk of misstatement due to revenue being recognised in the wrong period.</p>	<p>We identified a misstatement relating to the royalty income which management adjusted.</p> <p>Based on our procedures we are satisfied that the completeness and occurrence of commercial and other income streams are appropriate.</p>
	<p>We have understood controls relating to the revenue process by revenue type and tested controls over a number of revenue streams.</p> <p>Where we are not able to place reliance over the controls in place we performed a test of transactions to source documentation and cash receipts to validate revenue transactions recorded throughout the period.</p> <p>We have inspected any unusual sales agreements, including non-standard terms, discounts or rebates and the sales-related balance sheet reserves for such items.</p> <p>We performed cut-off tests around year end for material items to assess whether revenue had been recorded in the correct accounting period.</p> <p>We have inspected a sample of post year end credit notes and assessed the impact on pre year end revenue and/or sales-related reserves.</p> <p>As part of our journal entry testing, we obtained evidence for a sample of manual postings to revenue made around the cut-off period to ensure that all entries were appropriate.</p> <p>We performed disaggregated analytical review procedures across all revenue streams compared to expectations to identify unusual and unexpected variances.</p> <p>To the extent that substantive analytical procedures and key item testing was not sufficient, we performed representative sampling on revenue items throughout the year. This was assessed for each revenue stream, and performed by testing the accuracy of revenue transactions recorded throughout the period by reviewing underlying contracts, invoices and cash collection.</p> <p>Throughout the testing above, we considered whether revenue had been recognised in accordance with the terms and conditions of the contract and in compliance with the BBC's revenue recognition policy, particularly cut-off at year end.</p> <p>We performed full scope audit procedures over this risk area in 5 locations, which covered 100% of the risk amount.</p>	

## Risks

### Classification of costs for service licences and content spend

– total expenditure £3,493.1 million (2015: £3,619.3 million)

*Refer to notes A1 and A2 (financial disclosures) and note H (accounting policy). Communicated in Audit Committee report section 3 and Appendix A.*

In accordance with the Charter, service licences are used by the BBC Trust to regulate the BBC's licence fee funded services and ensure that each service provides public value. The Trust's annual assessment of performance against service licences compares actual costs for content against an agreed and authorised baseline budget. Actual costs may vary by up to 10% against budget, but if this tolerance threshold is breached, the matter is referred to the Trust.

Disclosure of service licences is therefore subject to high levels of scrutiny from members of the public who are interested in understanding how the licence fee is spent on individual channels and services and is subject to risk of management override.

Areas of focus include an assessment of the appropriateness and consistency of the allocation of costs between service licences and the apportionment of costs between 'content and distribution support' and 'general support' and risk of management override.

## Our response to these risks

We obtained the year end service licence statement workings and assessed if the allocation between 'content and distribution support' and 'general support' are consistent between service licences and with the prior year.

We tested significant spend allocations between service licences, obtaining support as to the appropriateness of the basis of allocation used.

We obtained and recalculated the central contribution rate calculations and understood all estimates and assumptions applied in the computation of each percentage.

We understood and considered any judgemental allocations of costs across the service licence reporting. We assessed the independence and competence of any individuals making the judgements, considering the risk of management override of controls.

We read the disclosures in the Annual Report and Accounts, and agreed these disclosures to the underlying audited financial information and considered their accuracy.

We performed full scope audit procedures over this risk area in one location, which covered 100% of the risk amount.

## What we concluded to the Audit Committee

We identified misstatements relating to the service licence disclosure. Upon bringing to management's attention these were adjusted.

Based on our procedures performed, we consider the classification of costs for service licences and content spend to be reasonably stated.

Risks	Our response to these risks	What we concluded to the Audit Committee
<p><b>Valuation of provisions and accruals</b> – Provisions £107.0 million (2015: £117.8 million) Accruals £126.3 million (2015: £153.1 million).</p> <p><i>Refer to notes F7 &amp; F8 (financial disclosures) and note H (accounting policy). Communicated in Audit Committee report section 3 and Appendix A.</i></p>	<p>Certain provisions and accruals require complex estimates involving high levels of judgement and uncertainty, with manual intervention increasing the risk further. The judgements and estimates involved also mean that the valuation of provisions in particular give rise to a risk of management override.</p> <p>Some provisions, for example, for legal costs relating to ongoing investigations into past talent, are material by nature (rather than amount) and subject to high levels of scrutiny by the public. The disclosure of the amounts of these provisions are therefore matters of public interest.</p>	<p>We tested material provisions and accruals for business purpose and appropriateness.</p> <p>For a sample of provisions and accruals we obtained supporting evidence and recalculated amounts where appropriate.</p> <p>We calculated the sensitivity of certain provisions to changes in assumptions used such as discount rates and inflation to determine if this was material.</p> <p>We tested journal entries made to provisions and accruals to identify unusual postings.</p> <p>We assessed management's judgement and estimates applied in the calculation of provisions in the financial statements by comparing actual costs to provision amounts made at the end of the prior year where provisions have materialised to assess the accuracy of management's past judgements.</p> <p>We reviewed the disclosure of provisions in the financial statements to determine whether accurate and complete.</p> <p>We performed full scope audit procedures over this risk area in five locations, which covered 100% of the risk amount.</p>



## Risks

### Valuation of the property portfolio

– total value capitalised  
£692.0 million  
(2015: £796.3 million)

Refer to notes D1, D2, D3, D4, D5, D6 and D7 (financial disclosures) and note H (accounting policies). Communicated in Audit Committee report section 3 and Appendix A.

The BBC occupies and owns a number of properties across the UK. Included within the portfolio are properties, which are carried at historic cost, investment properties and properties under either finance or operating leases. A property might also be classified as held for sale if it is available for immediate sale and a sale is highly probable. Certain property transactions, such as the sale and leaseback of Broadcasting House ('the Daunus asset'), the construction works associated with the sale and leaseback of Television Centre and accounting for Media Village include complex accounting treatment.

The BBC's property portfolio forms a key part of the BBC's cost savings initiatives; in relation to both the location of properties, and the method of financing. The BBC has progressed with plans to become more prominent outside of London in recent years. The BBC's strategy has led to a number of changes in the property portfolio, with further relocation and changes to leases expected in the coming years.

There are a number of ongoing property transactions. Certain property transactions involve complex accounting and the application of judgements and therefore are deemed to be a significant risk.

Note that properties are recorded at cost, or the lower of fair value and the present value of minimum lease payments where acquired through a finance lease, and not market value. However, should the accounting treatment not be correctly determined, the resultant values recorded on the balance sheet could be incorrect. The property transactions described above were areas of focus for our audit.

## Our response to these risks

We enquired with management, including Board members and fixed asset accountants, with regards to changes in the BBC's property portfolio. We understood the financial impact of any changes and investigated whether there were any expected changes in the future use of the properties. We reviewed Executive Board minutes. We checked that our understanding was consistent with the financial statements.

We performed site visits to material BBC properties. We understood from enquiries with individuals at each site, the use of the property and any expected changes. We assessed whether the property is used as intended.

We read meeting minutes and press releases. We remained aware and alert for issues in relation to the BBC property portfolio. We assessed the impact on the financial statements.

We read management's technical accounting papers relating to property transactions. We understood any judgements or areas of subjectivity involved. We assessed and concluded on the accounting treatment for the valuation of properties.

We reviewed material new or amended lease contracts. We checked and concluded on whether the lease should be accounted for as a finance lease or an operating lease. We agreed key terms to lease calculations and recalculated the lease amounts in the financial statements. We investigated any differences.

We understood any variances in the lease contracts (i.e. factors which drive lease increases or decreases). We checked that these have been accounted for appropriately.

We understood management's position with regard to investment properties and held for sale assets at year end. We tested the completeness and accuracy of these accounts and considered if the disclosures were appropriate.

We performed full scope audit procedures over this risk area in five locations, which covered 100% of the risk amount.

## What we concluded to the Audit Committee

Significant transactions during the year included the lease of Media Village to Stanhope, and the sale of Gateway for £87 million. We read signed contracts and verified that the lease classification and accounting was appropriate.

We identified audit differences in relation to the discounting of future receipts and the book value of a property, which were not material to the accounts, and we consider the property portfolio amounts to be reasonably stated.

Risks	Our response to these risks	What we concluded to the Audit Committee
<p><b>Inappropriate capitalisation or potential impairment of capital projects</b>                      – total amount of assets under construction £98.2 million (2015: £102.8 million)                      Refer to note D1 (financial disclosures) and note H (accounting policy). Communicated in Audit Committee report section 3 and Appendix A.</p>	<p>The BBC undertakes multiple capital projects at any one time which vary in size, complexity and duration. If a material capital project cannot be completed, or will not generate future benefit to the BBC, this could result in an impairment, and if significant by size or nature, this could result in reputational risk for the BBC.</p> <p>There are a high number of open capital projects; typically over 300. These can be complex projects and take more than one year to complete. There is a risk of assets being inappropriately capitalised, or indicators of impairment not being identified, leading to an overstatement of tangible and intangible assets.</p>	<p>Based on our procedures performed, we consider the capital projects to be reasonably stated.</p>
	<p>We obtained a listing of open projects. We reconciled this listing through to the fixed asset register and financial statements. We assessed completeness through enquiry with project managers and review of meeting minutes.</p> <p>We gained an understanding of a sample of open projects; through enquiring of project managers, finance and operations teams; inspecting the business approval form and reading Board and steering meeting minutes.</p> <p>We examined the nature of the costs capitalised and considered if they met the capitalisation criteria. We selected a sample of items and tested these to third-party evidence.</p> <p>We performed physical verification for a sample of projects to confirm the existence of the asset and to identify any visible indicators of impairment.</p> <p>We assessed any uncertainty in the performance of projects based upon the aging of the project, costs incurred to date compared to budget and our knowledge of the business to determine whether a provision or impairment should be considered.</p> <p>We compared budgeted costs of a sample of projects against actual spend to date.</p> <p>We examined and obtained support for material manual journal entries.</p> <p>We considered the appropriateness of the accounting and disclosures.</p> <p>We performed full scope audit procedures over this risk area in five locations, which covered 100% of the risk amount.</p>	

## Risks

### Judgemental assumptions impacting pension deficit – pension deficit £1,010.7 million (2015: £948.2 million)

Refer to notes C7, C8, G3 (financial disclosures) and note H (accounting policies). Communicated in Audit Committee report section 3 and Appendix A.

The BBC has a significant pension deficit. The assumptions used to arrive at the value of the pension deficit are highly judgemental, and the degree of public interest in the deficit means that it is important there is sufficient and comprehensible disclosure of pension balances to enable understanding of the impact of these balances on both pensioners and the licence fee payer.

## Our response to these risks

We confirmed our understanding of the retirement benefit schemes and processes undertaken by management to account for pensions.

We understood significant assumptions used. We tested the appropriateness of these assumptions using our pension specialists and considered consistency with prior year, current market information and knowledge of the BBC pension scheme.

We tested the completeness and accuracy of the membership data used by the actuary. We performed this by testing a sample of members and verifying to payroll records.

We tested the valuation of the pension scheme assets by obtaining third-party confirmations of the amounts and reperformance of the valuation of a sample of assets.

We tested the cash contribution and obtained evidence to support the amounts including bank statements and authorisation of payment runs.

We tested key transactions and journal entries during the year. We assessed the appropriateness of accounting treatment and applicable disclosures.

We performed full scope audit procedures over this risk area in one location, which covered 100% of the risk amount.

## What we concluded to the Audit Committee

Based on procedures performed, we consider that the assumptions are reasonable and the disclosure of pension figures is appropriate.

## Scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal Audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected five components, which represent most of the activity of the Group.

We performed an audit of the complete financial information of all five components.

The reporting components where we performed audit procedures accounted for 100% (2015: 97%) of the Group's income, 100% (2015: 100%) of the Group's operating costs, 81% (2015: 53%) of the Group's surplus before tax and 96% (2015: 82%) of the Group's total assets.

We have performed analytical procedures on the aggregated results of the other components in order to identify whether there are significant risks of material misstatement for the Group financial statements.

### Changes from the prior year

In the prior year, two components were in specific scope for Group reporting, with audit procedures performed on specific accounts within those components. The nature of work performed in the prior year was similar to a full scope audit as most accounts had been

tested. We have selected these components to be in full scope in the current year for Group reporting in order to increase our audit coverage.

### Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team. Of the five full scope components, audit procedures were performed on two of these directly by the primary audit engagement team. For two components an additional scoping exercise was undertaken to determine the statutory entities that are in scope in order for them to issue a full scope opinion to the primary team. In the case of the final component, BBC Worldwide, additional instructions are issued by the primary audit engagement team to component auditors from other EY global network firms who operate under our instruction.

# Independent Auditor's report to the Trustees of the BBC only

The majority of the audit is conducted by the primary audit engagement team in the UK given the nature of the Group's activities. The Group audit team also continued to follow a programme of planned visits. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and closing meetings, and reviewing key audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £10 million (2015: £10 million). We have based materiality on 0.2% of operating costs, which reflects our consideration of the expectations of the users of the financial statement and as agreed with the Executive Audit Committee. We believe that operating costs is the most relevant performance measure to the stakeholders of the Group given the level of focus stakeholders place on how efficiently the Group spends the income raised through the licence fee. Profit-related measures would not be appropriate as the Group is a public sector broadcaster. For illustration, materiality for the Group represents 0.2% of the Group's operating costs and 0.3% of the Group's total assets. This provided a basis for identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceed materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment and other qualitative considerations, our judgement was that overall performance materiality for the Group should be 50% of planning materiality, namely £5 million (2015: £5 million). Our objective in adopting this approach was to reduce to an appropriately low level the probability that the aggregate of total undetected and uncorrected misstatements for the accounts as a whole did not exceed our planning materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £1.0 million to £3.75 million (2015: £1.0 million to £3.75 million).

### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Executive Audit Committee that we would report to them all uncorrected audit differences in excess of £0.5 million (2015: £0.5 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies

are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on other matters prescribed by the terms of our engagement

In addition to our audit of the Group financial statements, the Trustees have engaged us to audit the information in the Trustees and Executive Board Remuneration Reports that are described as having been audited, which the Executive Board has decided to prepare as if the BBC were required to comply with the requirements of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008 No. 410) made under the Companies Act 2006.

In our opinion:

- the information given in the Overview Section of the Annual Report and Accounts, the Chairman's Foreword and the Trustees' performance review in Part One of the Annual Report and Accounts, the Director-General's Introduction, the Executive Board's performance review and financial overview and highlights, the Corporate Governance Statement and the unaudited parts of the Remuneration Reports in Part Two of the Annual Report and Accounts for the financial year for which the Group financial statements are prepared are consistent with the Group financial statements; and
- the parts of the Remuneration Reports which we were engaged to audit have been properly prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as if those requirements were to apply to the Group.

## Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	<p>We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:</p> <ul style="list-style-type: none"> <li>— materially inconsistent with the information in the audited financial statements; or</li> <li>— apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>— otherwise misleading.</li> </ul> <p>In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Executive Board's statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.</p>	We have no exceptions to report.
Terms of our engagement	<p>We are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>— adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>— the parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or</li> <li>— certain disclosures of Executive Boards' remuneration specified by law are not made; or</li> <li>— we have not received all the information and explanations we require for our audit.</li> </ul> <p>In addition to our audit of the financial statements the Trustees have engaged us to review the Corporate Governance Statement as if the BBC was required to comply with the Listing Rules of the Financial Conduct Authority in relation to these matters. Under the terms of our engagement we are required to review:</p> <ul style="list-style-type: none"> <li>— the Executive Board's statement, set out on page 15, in relation to going concern, and long-term viability, set out on page 15; and</li> <li>— the part of the Corporate Governance Statement on pages 136 to 137 of Part Two of the Annual Report relating to the BBC's compliance with the provisions of the UK Corporate Governance Code specified for our review.</li> </ul>	We have no exceptions to report.

## Statement on the Executive Board assessment of the principal risks that would threaten the solvency or liquidity of the entity

ISAs (UK and Ireland) reporting

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the Executive Board's confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Executive Board's statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the Executive Board's explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

**Richard Wilson**  
**(Senior statutory auditor)**  
for and on behalf of Ernst & Young LLP,  
Statutory Auditor  
London  
16 June 2016

### Notes

1 The maintenance and integrity of the BBC website is the responsibility of the Executive Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## The BBC's consolidated financial statements

These financial statements comprise both the primary statements and additional supporting disclosure notes. The primary statements are:

### **Consolidated income statement**

The income the BBC receives and expenditure incurred by the Group's operations during the financial year.

### **Consolidated statement of comprehensive (loss)/income**

Items of income and expense, including reclassification adjustments, that are not directly recognised in the income statement and hence are charged or credited directly against or to reserves.

### **Consolidated balance sheet**

The statement of the assets and liabilities of the BBC at a specific point in time, the financial year end.

### **Consolidated statement of changes in equity**

Components that make up the capital and reserves of the Group and the changes to each component during the financial year.

### **Consolidated cash flow statement**

Cash generated by the BBC from its operations and how those cash flows have been used.

# Consolidated income statement

	Note	2016 £m	2015 £m
<b>Licence fee income</b>	A1	<b>3,742.8</b>	3,735.4
<b>Other income</b>	A1	<b>1,084.2</b>	1,069.7
<b>Total income</b>	A1	<b>4,827.0</b>	4,805.1
Operating costs excluding restructuring costs		(4,775.7)	(4,903.2)
Restructuring costs	C3	(21.4)	(11.1)
<b>Total operating costs</b>	A1	<b>(4,797.1)</b>	(4,914.3)
<b>Group operating surplus/(deficit)</b>		<b>29.9</b>	(109.2)
Gain on sale and termination of operations	E3	–	115.9
Gain on disposal of non-current assets	D8	96.7	7.9
Share of results of associates and joint ventures	E4	39.7	33.5
Financing income	F9	12.7	19.8
Financing costs	F9	(119.5)	(163.1)
<b>Net financing costs</b>	F9	<b>(106.8)</b>	(143.3)
<b>Surplus/(deficit) before taxation</b>		<b>59.5</b>	(95.2)
Taxation	G2.1	(0.2)	(30.0)
<b>Surplus/(deficit) for the year</b>		<b>59.3</b>	(125.2)
<b>Attributable to:</b>			
BBC		59.3	(125.2)
<b>Surplus/(deficit) for the year</b>		<b>59.3</b>	(125.2)



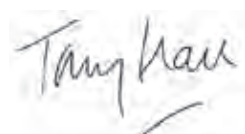
# Consolidated statement of comprehensive (loss)/income

	Note	2016 £m	2015 £m
<b>Surplus/(deficit) for the year</b>		<b>59.3</b>	(125.2)
Other comprehensive income:			
Remeasurement on defined benefit pension schemes	C7.2	(92.7)	489.9
Total items that will not be reclassified to the income statement in the future		(92.7)	489.9
Exchange differences on translation of foreign operations		7.2	19.6
Losses on cash flow hedges		(12.5)	(10.9)
Recycling of translation reserves on disposal		–	6.1
Revaluation of available for sale financial assets		2.9	–
Deferred tax on financial instruments		2.5	2.5
Total items that may be reclassified to the income statement in the future		0.1	17.3
<b>Other comprehensive (loss)/income net of tax</b>		<b>(92.6)</b>	507.2
<b>Total comprehensive (loss)/income for the year</b>		<b>(33.3)</b>	382.0
Attributable to:			
BBC		(33.3)	382.0
<b>Total comprehensive (loss)/income for the year</b>		<b>(33.3)</b>	382.0

# Consolidated balance sheet

	Note	2016 £m	2015 £m
<b>Non-current assets</b>			
Intangible assets (including goodwill)	E1	291.3	275.7
Property, plant and equipment	D1	1,137.4	1,258.0
Investment properties	D2	85.2	14.5
Interests in associates and joint ventures	E4	171.8	148.9
Other receivables	F6.1	92.6	28.3
Assets available for sale	D3	7.5	4.4
Derivative financial instruments	G4.2	10.1	8.3
Deferred tax assets	G2.5	10.9	12.3
		<b>1,806.8</b>	<b>1,750.4</b>
<b>Current assets</b>			
Programme-related assets and other inventories	B5	684.7	707.7
Trade and other receivables	F6.2	975.5	947.2
Assets classified as held for sale	G1	–	3.0
Derivative financial instruments	G4.2	3.9	11.4
Current tax assets	G2.4	26.1	20.5
Cash and cash equivalents	F1	334.8	405.8
		<b>2,025.0</b>	<b>2,095.6</b>
<b>Current liabilities</b>			
Trade and other payables	F7.1	(1,006.4)	(1,054.4)
Borrowings	F3.1	(61.6)	(43.2)
Provisions	F8	(64.8)	(66.2)
Derivatives financial instruments	G4.2	(19.3)	(17.0)
Current tax liabilities		(6.3)	(4.7)
		<b>(1,158.4)</b>	<b>(1,185.5)</b>
<b>Non-current liabilities</b>			
Other payables	F7.2	(14.5)	(13.8)
Borrowings	F3.2	(1,020.5)	(1,022.5)
Provisions	F8	(42.2)	(51.6)
Derivative financial instruments	G4.2	(12.8)	(18.7)
Deferred tax liabilities	G2.5	(21.5)	(19.7)
Pension liabilities	C7.1	(1,010.7)	(948.2)
		<b>(2,122.2)</b>	<b>(2,074.5)</b>
<b>Net assets</b>		<b>551.2</b>	<b>586.0</b>
<b>Attributable to the BBC:</b>			
Operating reserve		545.3	578.7
Hedging reserve		(13.0)	(3.0)
Translation reserve		17.5	10.3
Other reserve		1.3	–
		<b>551.1</b>	<b>586.0</b>
Non-controlling interests		0.1	–
<b>Total capital and reserves</b>		<b>551.2</b>	<b>586.0</b>

The financial statements were approved by the Executive Board on 16 June 2016 and signed on their behalf by:



**Tony Hall**  
Director-General



**Anne Bulford**  
Managing Director Finance and Operations

# Consolidated statement of changes in equity

	Note	Operating reserve £m	Hedging reserve £m	Translation reserve £m	Other reserve £m	Total £m	Non-controlling interests £m	Total £m
<b>At 1 April 2014</b>		214.0	5.4	(15.4)	–	204.0	–	204.0
Deficit for the year		(125.2)	–	–	–	(125.2)	–	(125.2)
Exchange differences on translation of foreign operations		–	–	19.6	–	19.6	–	19.6
Cash flow hedges		–	(10.9)	–	–	(10.9)	–	(10.9)
Deferred tax on financial instruments		–	2.5	–	–	2.5	–	2.5
Recycling of translation reserves on disposal		–	–	6.1	–	6.1	–	6.1
Remeasurement on defined benefit pension scheme	C7.2	489.9	–	–	–	489.9	–	489.9
Total comprehensive income/(loss) for the year		364.7	(8.4)	25.7	–	382.0	–	382.0
<b>At 31 March 2015</b>		578.7	(3.0)	10.3	–	586.0	–	586.0
Surplus for the year		59.3	–	–	–	59.3	–	59.3
Exchange differences on translation of foreign operations		–	–	7.2	–	7.2	–	7.2
Cash flow hedges		–	(12.5)	–	–	(12.5)	–	(12.5)
Deferred tax on financial instruments		–	2.5	–	–	2.5	–	2.5
Revaluation of available for sale financial assets		–	–	–	2.9	2.9	–	2.9
Remeasurement on defined benefit pension scheme	C7.2	(92.7)	–	–	–	(92.7)	–	(92.7)
Total comprehensive income/(loss) for the year		(33.4)	(10.0)	7.2	2.9	(33.3)	–	(33.3)
Acquisition of subsidiaries*		–	–	–	(1.6)	(1.6)	0.1	(1.5)
<b>At 31 March 2016</b>		545.3	(13.0)	17.5	1.3	551.1	0.1	551.2

\*Relates to the non-controlling interest put option held on Rapid Blue (Pty) Ltd.

# Consolidated cash flow statement

	Note	2016 £m	2015 £m
<b>Operating activities</b>			
Cash generated from operations	F5	179.9	178.0
Tax received/(paid)		2.5	(31.0)
<b>Net cash from operations</b>		<b>182.4</b>	<b>147.0</b>
<b>Investing activities</b>			
Interest received	F9	6.3	6.3
Dividends received from associates and joint ventures		26.6	32.0
Proceeds from sale of operations		31.6	64.5
Proceeds from disposal of property, plant and equipment		24.2	0.1
Acquisition of investments		(3.1)	–
Acquisition of interests in associates and joint ventures		(2.9)	(3.6)
Purchases of other intangible assets	E1	(137.8)	(182.7)
Purchases of property, plant and equipment		(118.6)	(121.8)
<b>Net cash used in investing activities</b>		<b>(173.7)</b>	<b>(205.2)</b>
<b>Financing activities</b>			
Interest paid	F9	(5.1)	(6.6)
Proceeds from increase in borrowings		53.6	35.0
Repayments of borrowings		(35.0)	(0.4)
Payment of obligations under finance leases		(93.7)	(93.7)
<b>Net cash used in financing activities</b>		<b>(80.2)</b>	<b>(65.7)</b>
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year	F1	405.8	526.1
Effect on foreign exchange rate changes on cash and cash equivalents		0.5	3.6
<b>Cash and cash equivalents at the end of the year</b>	F1	<b>334.8</b>	<b>405.8</b>

# Key themes for the BBC

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# Notes to the accounts

## A. Where the BBC's funding comes from

The Group generates its income from a number of key sources, each source funding different parts of the BBC's activity. The notes in this section provide information on the performance in the year for each segment of the BBC Group.

The distinction between the various income sources is important as the BBC must not cross-subsidise its commercial activities through its PSB Group or grant funded activities; however, the performance of the Group's commercial activities generates profits that are distributed back to the BBC and contribute towards the funding of PSB Group activities.

The BBC Group's operating segments are reported in a manner consistent with the internal reports provided to the BBC Executive Board. The BBC Executive Board is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

Segmental information provided to the BBC Executive Board is aligned to the BBC Group's income sources. The reportable segments are:

- **PSB Group** – This primarily receives licence fee income and is responsible for the Group's public sector activities. This includes delivery of its obligations under the Service Licence Operating Framework issued by the BBC Trust;
- **BBC Worldwide** – Generates revenue from exploiting the various assets of the BBC, for example licencing formats, selling international rights, merchandising and production facilities;
- **Other commercial** – These have been aggregated for reporting purposes as they meet the conditions set out in IFRS 8, Operating Segments.

The prices charged for services provided by one segment of the BBC Group to another are determined on an arm's length basis in accordance with the BBC's Fair Trading policy.

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.

## A1 Income and operating results

2016	Note	PSB Group £m	BBC Worldwide £m	Other commercials £m	Group adjustments £m	Group £m
Licence fee income	A2	3,742.8	–	–	–	3,742.8
Other revenue		59.7	809.5	111.6	–	980.8
Intra-group trading		65.1	–	20.5	(85.6)	–
Grant income		4.0	0.1	–	–	4.1
Royalties		31.4	45.2	–	–	76.6
Rental income		22.1	0.6	–	–	22.7
Other income		182.3	855.4	132.1	(85.6)	1,084.2
<b>Total income</b>		<b>3,925.1</b>	<b>855.4</b>	<b>132.1</b>	<b>(85.6)</b>	<b>4,827.0</b>
Restructuring costs	C3	(15.1)	(5.2)	(1.1)	–	(21.4)
Depreciation and amortisation		(154.3)	(134.5)	(1.8)	–	(290.6)
Pension deficit reduction contributions		(95.8)	(3.3)	(0.9)	100.0	–
Other operating costs		(3,745.5)	(653.3)	(139.0)	52.7	(4,485.1)
<b>Total operating costs</b>	B3, B4	<b>(4,010.7)</b>	<b>(796.3)</b>	<b>(142.8)</b>	<b>152.7</b>	<b>(4,797.1)</b>
<b>Group operating (deficit)/surplus</b>		<b>(85.6)</b>	<b>59.1</b>	<b>(10.7)</b>	<b>67.1</b>	<b>29.9</b>
Gain on disposal of non-current assets	D8	95.2	1.5	–	–	96.7
Share of results of associates and joint ventures	E4	(2.1)	41.8	–	–	39.7
Operating segment result		7.5	102.4	(10.7)	67.1	166.3
Financing income	F9					12.7
Financing costs	F9					(119.5)
Net financing costs	F9					(106.8)
<b>Surplus before taxation</b>						<b>59.5</b>
Taxation	G2.1					(0.2)
<b>Surplus for the year</b>						<b>59.3</b>

Additional information on total operating costs can be found in note B3 for the PSB Group and note B4 for the commercially funded activities. Total operating costs for the Group are also analysed further in note B1.

2015	Note	PSB Group £m	BBC Worldwide £m	Other commercials £m	Group adjustments £m	Group £m
Licence fee income	A2	3,735.4	–	–	–	3,735.4
Other revenue		77.0	806.9	112.3	–	996.2
Intra-group trading		85.7	–	55.1	(140.8)	–
Grant income		3.1	0.1	–	–	3.2
Royalties		14.8	44.1	0.1	–	59.0
Rental income		11.1	0.2	–	–	11.3
Other income		191.7	851.3	167.5	(140.8)	1,069.7
<b>Total income</b>		<b>3,927.1</b>	<b>851.3</b>	<b>167.5</b>	<b>(140.8)</b>	<b>4,805.1</b>
Restructuring costs	C3	(8.4)	(2.6)	(0.1)	–	(11.1)
Depreciation and amortisation		(160.7)	(125.4)	(4.0)	–	(290.1)
Pension deficit reduction contributions		(188.4)	(8.1)	(3.5)	200.0	–
Other operating costs		(3,864.4)	(641.6)	(197.1)	90.0	(4,613.1)
<b>Total operating costs</b>	B3, B4	<b>(4,221.9)</b>	<b>(777.7)</b>	<b>(204.7)</b>	<b>290.0</b>	<b>(4,914.3)</b>
<b>Group operating (deficit)/surplus</b>		<b>(294.8)</b>	<b>73.6</b>	<b>(37.2)</b>	<b>149.2</b>	<b>(109.2)</b>
Gain on sale and termination of operations	E3	–	115.9	–	–	115.9
Gain on disposal of non-current assets	D8	7.9	–	–	–	7.9
Share of results of associates and joint ventures	E4	(2.3)	35.8	–	–	33.5
Operating segment result		(289.2)	225.3	(37.2)	149.2	48.1
Financing income	F9					19.8
Financing costs	F9					(163.1)
Net financing costs	F9					(143.3)
<b>Deficit before taxation</b>						<b>(95.2)</b>
Taxation	G2.1					(30.0)
<b>Deficit for the year</b>						<b>(125.2)</b>

## A2 Licence fee income

	Licence fee 2016 £	Licences in force 2016 Number '000	Total income 2016 £m	Licence fee 2015 £	Licences in force 2015 Number '000	Total income 2015 £m
Colour	145.50	21,441	3,103.1	145.50	21,420	3,103.7
Monochrome	49.00	7	0.3	49.00	7	0.4
Concessionary	7.50	186	1.3	7.50	170	1.2
Over 75s	–	4,363	621.7	–	4,362	613.4
		<b>25,997</b>	<b>3,726.4</b>		25,959	3,718.7
Quarterly payment scheme premium			16.4			16.3
Digital switchover help scheme overspend			–			0.4
<b>Total licence fee income</b>			<b>3,742.8</b>			<b>3,735.4</b>

During the year 3.3 million (2015: 3.3 million) colour licences were issued under the quarterly payment scheme at a premium of £5 each (2015: £5).

Households in which one or more persons over the age of 75 reside, as their primary residence, are entitled to a free licence. The BBC was reimbursed for these free licences by the relevant Government department during the year.

## A3 Contribution of commercial operations

In the year ended 31 March 2016, a dividend of £93.0 million (2015: £15.3 million) was declared by BBC Worldwide to PSB Group through the commercial holding companies. The dividends paid by BBC Worldwide are not identifiable in the consolidated primary statements as the amounts paid by BBC Worldwide and received by PSB Group are eliminated during the consolidation process.

# Notes to the accounts

## **B. How the BBC spends the funds**

This section analyses the total operating costs incurred by the BBC Group. It also analyses the PSB Group's expenditure by service licence as required to be reported to the BBC Trust.

### **Service licences**

In accordance with the Charter, service licences are used by the BBC Trust to regulate the BBC's licence fee-funded services and ensure that each service provides public value and contributes to delivering the BBC's public purposes.

The Trust's annual assessment of performance against service licences compares actual costs for content against an agreed and authorised baseline budget. Actual costs may vary by up to 10% of the baseline budget to permit management flexibility in its commissioning decisions. When a service licence budget is breached by more than the threshold, the matter is referred to the BBC Trust.

No service was outside of its 10% threshold for the 2015/16 financial year.

Service licences show the cost to the licence fee payer of providing the relevant service and therefore exclude any costs funded by a co-producer. The table presented in note B3 sets out the PSB Group content expenditure by service.

Where a programme is broadcast on more than one channel, the full cost of the programme is recognised as a cost of the channel where the programme is first broadcast. Where a programme is commissioned by two channels, however, the cost of the programme is recognised as a cost of the primary channel irrespective of the channel holding the first transmission.

For BBC Online and BBC Red Button, the licence reflects only the incremental costs of getting content to audiences unless the content is specifically commissioned for one of these two services.

This means the costs reported against individual service licences are not necessarily equivalent to the costs which would be incurred by such a service on a stand-alone basis.

Development costs (see note B3.1) fund the near-term development of new platforms and services, particularly for BBC Online and Red Button. This is primarily focused on new features for existing services and also include related support and overhead costs. It is distinct from research costs (see note B3.2) which is focused on much longer-term research of new technology and standards that benefit the whole industry.

### **World Service operating licence**

From 1 April 2014 BBC World Service, having previously been funded by the Foreign & Commonwealth Office, became directly funded by the licence fee. The BBC Trust regulates spend on BBC World Service in a similar manner to the BBC's UK Public Services using an operating licence.

The BBC committed to spend at least £245 million on BBC World Service activity (including capital expenditure) in 2015/16. The operating licence also sets a content and distribution budget of £217 million against which variations of more than 10% must be approved by the BBC Trust.

### **Digital switchover**

The Group was granted specific funds to cover the costs of the digital switchover. These funds were ring-fenced from the licence fee, with underspend against the budgeted cost being repayable to the Department of Culture, Media and Sport (DCMS).

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.



**BI Total operating costs**

Total operating costs have been arrived at after charging the following items:

	Note	2016 £m	2015 £m
<b>Intangible fixed assets, property, plant and equipment and other investments</b>			
Depreciation			
– owned assets	D1	113.6	122.0
– leased assets	D1, D2	36.8	37.6
Amortisation of intangible fixed assets	E1	140.2	130.5
Impairment of investments in joint ventures and associates		–	2.0
<b>Inventories</b>			
Write-downs of programme-related assets recognised as an expense		11.2	7.0
<b>Other operating costs</b>			
Payments under operating leases			
– land and buildings		59.6	66.6
– plant and machinery		27.9	33.0
– other		50.7	61.4
Net loss on disposal of tangible fixed assets*		9.2	6.1
Research costs	B3.2	17.9	19.3
Online and TV development		87.7	83.6
Audit and non-audit fees paid to Ernst & Young LLP	B2	2.1	1.9
Fair trading auditor's remuneration (Deloitte LLP)		0.2	0.2
Net exchange differences on settled transactions		1.7	0.3
Impairment of trade debtors	F6.2	4.8	3.4
Staff costs	C2	1,297.2	1,293.1

\*The loss on disposal of tangible fixed assets represent adjustments to depreciation on disposals made in the ordinary course of business.

**B2 Auditor's remuneration**

Ernst & Young LLP served as independent external auditors for the year ended 31 March 2016 and 31 March 2015. The external auditors are subject to reappointment at the Annual General Meeting.

The following table presents the aggregate fees for professional services and other services rendered by the external auditors to the BBC:

	Note	2016 £m	2015 £m
For the audit of the BBC's annual accounts		0.7	0.6
For the audit of subsidiaries of the BBC		0.9	0.8
Audit-related assurance services		0.2	0.2
Total audit and audit-related assurance services		1.8	1.6
Taxation compliance services		0.2	0.1
All other services		0.1	0.2
Total non-audit services		0.3	0.3
<b>Total fees paid</b>	B1	<b>2.1</b>	<b>1.9</b>

# Notes to the accounts

## B. How the BBC spends the funds continued

### B3 PSB Group expenditure

#### B3.1 PSB Group expenditure by service

2016 Service	Note	Content £m	Distribution £m	Content and distribution support £m	General support £m	Total £m
BBC One		1,052.5	35.8	154.1	88.0	1,330.4
BBC Two		399.0	20.2	60.2	34.1	513.5
BBC Three		52.9	7.7	13.5	4.4	78.5
BBC Four		44.2	4.1	7.7	3.8	59.8
CBBC		70.6	7.7	12.4	6.1	96.8
CBeebies		29.1	4.1	6.6	2.5	42.3
BBC ALBA		5.5	0.9	0.9	0.5	7.8
BBC News channel*		46.6	7.0	6.5	2.2	62.3
BBC Parliament		1.9	6.3	1.4	0.2	9.8
<b>Television</b>		<b>1,702.3</b>	<b>93.8</b>	<b>263.3</b>	<b>141.8</b>	<b>2,201.2</b>
BBC Radio 1		36.2	6.0	5.2	1.3	48.7
BBC Radio 2		44.6	6.0	4.8	2.1	57.5
BBC Radio 3		37.7	6.0	6.3	3.1	53.1
BBC Radio 4		88.6	6.4	13.2	6.6	114.8
BBC Radio 5 Live		45.5	4.4	7.0	3.6	60.5
BBC Radio 5 Live Sports Extra		2.5	1.6	1.3	0.2	5.6
BBC iXtra		4.6	1.7	3.0	0.3	9.6
BBC 6Music		7.9	1.7	2.4	0.6	12.6
BBC 4 Extra		3.1	1.7	1.4	0.2	6.4
BBC Asian Network		6.6	2.1	1.8	0.5	11.0
BBC Local Radio		119.8	14.8	15.0	9.3	158.9
BBC Radio Scotland		22.9	2.9	4.3	1.9	32.0
BBC Radio nan Gàidheal		3.9	1.3	0.7	0.3	6.2
BBC Radio Wales		15.1	1.6	3.0	1.2	20.9
BBC Radio Cymru		14.2	1.5	2.9	1.2	19.8
BBC Radio Ulster/BBC Radio Foyle		17.7	1.8	3.5	1.5	24.5
<b>Radio</b>		<b>470.9</b>	<b>61.5</b>	<b>75.8</b>	<b>33.9</b>	<b>642.1</b>
<b>BBC Online and Red Button**</b>		<b>153.3</b>	<b>37.9</b>	<b>33.6</b>	<b>13.2</b>	<b>238.0</b>
<b>Spend regulated by service licence</b>		<b>2,326.5</b>	<b>193.2</b>	<b>372.7</b>	<b>188.9</b>	<b>3,081.3</b>
Orchestras and performing groups		23.2	–	3.0	2.1	28.3
S4C (service spend)		28.0	–	4.3	2.4	34.7
Development spend		72.0	–	9.2	6.4	87.6
BBC World Service operating licence***		224.3	–	21.9	15.0	261.2
<b>Other service spend</b>		<b>347.5</b>	<b>–</b>	<b>38.4</b>	<b>25.9</b>	<b>411.8</b>
<b>Total service spend</b>		<b>2,674.0</b>	<b>193.2</b>	<b>411.1</b>	<b>214.8</b>	<b>3,493.1</b>
Licence fee collection costs						114.6
S4C (direct funding)						75.3
Monitoring						5.8
PSB Group pension deficit reduction payment						95.8
Costs incurred to generate intra-group income						64.5
Costs incurred to generate third-party income						71.3
Restructuring costs						15.1
<b>Total PSB Group content expenditure</b>						<b>3,935.5</b>
Local TV****						3.5
Broadband rollout****						150.0
<b>Total PSB Group expenditure</b>						<b>4,089.0</b>
Lease reclassification*****						(78.3)
<b>PSB Group expenditure</b>	AI					<b>4,010.7</b>

2015 Service	Note	Content £m	Distribution £m	Restated <sup>^</sup> content and distribution support £m	Restated <sup>^</sup> general support £m	Restated <sup>^</sup> total £m
BBC One		1,110.0	46.2	164.4	111.9	1,432.5
BBC Two		404.8	24.2	62.4	41.7	533.1
BBC Three		82.0	8.3	15.6	8.3	114.2
BBC Four		46.0	4.4	7.9	4.8	63.1
CBBC		72.2	8.3	12.2	7.6	100.3
CBeebies		27.7	4.4	6.2	2.8	41.1
BBC ALBA		6.0	1.4	1.0	0.6	9.0
BBC News channel*		46.2	7.6	6.7	2.5	63.0
BBC Parliament		1.7	7.0	1.2	0.2	10.1
<b>Television</b>		<b>1,796.6</b>	<b>111.8</b>	<b>277.6</b>	<b>180.4</b>	<b>2,366.4</b>
BBC Radio 1		40.5	6.2	5.6	2.0	54.3
BBC Radio 2		46.2	6.1	5.4	2.7	60.4
BBC Radio 3		38.4	6.1	6.9	3.7	55.1
BBC Radio 4		87.8	6.6	13.4	7.9	115.7
BBC Radio 5 Live		49.1	4.7	7.6	4.7	66.1
BBC Radio 5 Live Sports Extra		2.5	1.5	1.4	0.3	5.7
BBC 1Xtra		6.2	1.7	2.6	0.6	11.1
BBC 6Music		8.0	1.6	2.2	0.7	12.5
BBC 4 Extra		3.9	1.6	1.6	0.4	7.5
BBC Asian Network		6.2	2.0	1.9	0.6	10.7
BBC Local Radio		115.6	13.0	14.4	10.8	153.8
BBC Radio Scotland		21.7	3.1	4.3	2.2	31.3
BBC Radio nan Gàidheal		3.7	1.3	0.6	0.4	6.0
BBC Radio Wales		14.1	1.6	2.8	1.4	19.9
BBC Radio Cymru		12.8	1.5	2.7	1.3	18.3
BBC Radio Ulster/BBC Radio Foyle		17.3	1.6	3.4	1.7	24.0
<b>Radio</b>		<b>474.0</b>	<b>60.2</b>	<b>76.8</b>	<b>41.4</b>	<b>652.4</b>
<b>BBC Online and Red Button**</b>		<b>124.6</b>	<b>38.1</b>	<b>25.1</b>	<b>13.1</b>	<b>200.9</b>
<b>Spend regulated by service licence</b>		<b>2,395.2</b>	<b>210.1</b>	<b>379.5</b>	<b>234.9</b>	<b>3,219.7</b>
Orchestras and performing groups		26.3	–	3.4	2.8	32.5
S4C (service spend)		24.5	–	4.0	2.5	31.0
Development spend		66.9	–	8.7	7.1	82.7
BBC World Service operating licence***		215.3	–	20.9	17.2	253.4
<b>Other service spend</b>		<b>333.0</b>	<b>–</b>	<b>37.0</b>	<b>29.6</b>	<b>399.6</b>
<b>Total service spend</b>		<b>2,728.2</b>	<b>210.1</b>	<b>416.5</b>	<b>264.5</b>	<b>3,619.3</b>
Licence fee collection costs						101.4
S4C (direct funding)						76.0
Monitoring						16.9
PSB Group pension deficit reduction payment						188.4
Costs incurred to generate intra-group income						70.1
Costs incurred to generate third-party income						66.7
Restructuring costs						8.4
<b>Total PSB Group content expenditure</b>						<b>4,147.2</b>
Digital switchover (DSHS Limited)						0.4
Local TV****						2.9
Broadband rollout****						150.0
<b>Total PSB Group expenditure</b>						<b>4,300.5</b>
Lease reclassification*****						(78.6)
<b>PSB Group expenditure</b>	AI					<b>4,221.9</b>

# Notes to the accounts

## B. How the BBC spends the funds continued

### B3.1 PSB Group expenditure by service continued

- ^ The BBC have reviewed its analysis of PSB Group expenditure support costs during the year and consequently restated to make the prior year classification consistent with the current year.
- \* Included within BBC News channel are production costs of £24.7 million, Newsgathering costs of £21.3 million and other costs of £0.6 million (2015: production costs of £23.5 million, Newsgathering costs of £22.1 million and other costs of £0.6 million).
- \*\* BBC Online and Red Button spend is monitored by annexe (relating to editorial areas of the service). Non-annexe spend covers costs relating to central editorial activities such as the BBC Homepage, technologies which operate across the service and overheads. The spend for each annexe was: News, Travel & Weather £50.9 million (2015: £43.5 million), Sport, £16.7 million (2015: £17.2 million), Childrens £9.4 million (2015: £9.0 million), BBC Three £10.4 million (2015: nil), Knowledge & Learning £18.6 million (2015: £15.5 million), TV & iPlayer £16.3 million (2015: £13.7 million) and Radio & Music £13.5 million (2015: £14.1 million), giving a total annexe spend of £135.8 million (2015: £113.0 million). Non-annexe spend was £17.5 million (2015: £11.6 million).
- \*\*\* The BBC World Service operating licence includes distribution spend of £36.6 million. Total Grant-in-aid funding equivalent spend on BBC World Service was £240.2 million.
- \*\*\*\* Under the terms of the latest licence fee agreement, the BBC has committed to contribute funding toward broadband rollout across the UK and funding for the development of Local TV channels.
- \*\*\*\*\* In order to reflect the full cost of the PSB Group expenditure by service, finance lease interest is included, although it is not included in the Group operating expenditure.

### B3.2 PSB Group support costs

Infrastructure and support costs, as reported in previous years, have been analysed further into content and distribution related support and general support costs. PSB Group support costs include the following:

	Content and distribution support £m	General support £m	2016 £m	Restated <sup>^</sup> content and distribution support £m	Restated <sup>^</sup> general support £m	Restated <sup>^</sup> 2015 £m
Property	68.3	43.3	111.6	69.5	92.1	161.6
HR and training	14.0	31.5	45.5	16.5	26.6	43.1
Policy and strategy	–	9.5	9.5	–	6.6	6.6
Finance and operations	10.7	49.1	59.8	19.7	65.4	85.1
Marketing, audiences and communication	86.8	–	86.8	79.6	–	79.6
<b>Total central costs</b>	<b>179.8</b>	<b>133.4</b>	<b>313.2</b>	<b>185.3</b>	<b>190.7</b>	<b>376.0</b>
Technology	106.6	59.8	166.4	115.6	55.2	170.8
Libraries, learning support and community events	28.5	–	28.5	33.0	–	33.0
Production and digital support	25.0	–	25.0	28.3	–	28.3
Research department	17.9	–	17.9	17.0	–	17.0
Contribution to JVs and spend in other PSB entities	28.3	–	28.3	26.1	–	26.1
BBC Trust Unit (excluding restructuring)	–	9.9	9.9	–	10.2	10.2
Other	25.0	11.7	36.7	11.2	8.4	19.6
<b>Total support costs</b>	<b>411.1</b>	<b>214.8</b>	<b>625.9</b>	<b>416.5</b>	<b>264.5</b>	<b>681.0</b>

<sup>^</sup>The BBC have reviewed its analysis of PSB Group expenditure support costs during the year and consequently restated to make the prior year classification consistent with the current year.

**B4 Analysis of total operating costs by commercial activities**

	BBC Worldwide 2016 £m	BBC Worldwide 2015 £m	Other commercials 2016 £m	Other commercials 2015 £m	Total commercials 2016 £m	Total commercials 2015 £m
Cost of sales	572.7	528.0	114.2	110.7	686.9	638.7
Distribution costs	70.8	83.5	–	–	70.8	83.5
Administration expenses	152.8	166.2	28.6	94.0	181.4	260.2
<b>Total operating costs</b>	<b>796.3</b>	<b>777.7</b>	<b>142.8</b>	<b>204.7</b>	<b>939.1</b>	<b>982.4</b>

**B5 Programme-related assets and other inventories**

The main output of the BBC Group is the production of programmes for broadcast and the sale of rights for others to broadcast. This note discloses the amounts for those programmes that are in production, completed programmes that are ready for broadcast but not yet aired, and rights secured to broadcast programmes produced independently of the BBC Group. Other inventory for our commercial activities are also contained in this note.

Originated programmes are stated at the lower of cost and net realisable value, and the full value is written off on first transmission. The costs of acquired programmes and films are also written off on first transmission except to the extent that the numbers of further showings are contractually agreed, when it is written off according to its expected transmission profile.

	2016 £m	2015 £m
Programme-related assets		
– Rights to broadcast acquired programmes and films	92.9	93.2
– Prepayments to acquire future programme-related rights	349.1	334.4
– Completed originated programmes <sup>1</sup>	61.3	69.5
– Programmes in production	169.7	193.7
Total programme-related assets	673.0	690.8
Other inventories	11.7	16.9
<b>Total programme-related assets and other inventories</b>	<b>684.7</b>	<b>707.7</b>

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## C. What the BBC spends on its people

The BBC Group employs a significant number of people. It also provides pension benefits to both current and past employees. This section is broken into two main parts; the first details employee numbers (excluding freelancers and agency staff), costs and transactions with BBC Trust members and the BBC Executive Board. The second presents the key information relating to the BBC Group's pension plans.

The analysis provided in the pension notes is based on the IAS 19 estimate of the scheme's assets and liabilities as at 31 March 2016. The most recent actuarial valuation of the pension scheme completed in 2013 by Willis Towers Watson showed a funding shortfall of £2,054 million.

The deficit of the BBC Pension Scheme can change significantly. In this section we provide information to explain the following:

- why the pension liabilities on the balance sheet have changed from one year to another;
- what makes up the charge in the income statement in the year;
- the amount of the scheme assets and liabilities totalling the net defined benefit pension liability on the balance sheet;
- how sensitive the liabilities are to changes in key assumptions; and
- the steps being undertaken by the BBC to fund the defined benefit pension liability.

The movement in the IAS 19 *Employee Benefits* estimate of the defined benefit scheme liability during the year, specifically the BBC Pension Scheme, is the item which singularly has the greatest impact on the balance sheet position of the Group. The pension note in this section explains in further detail the reasons behind the movements in the defined benefit pension liability in the year and its degree of sensitivity to changes in the underlying assumptions used.

Further information on the analysis of the BBC Pension Scheme assets and the assumptions underlying the liabilities are set out in note G3.

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.

### CI Persons employed

The average number of persons employed in the year was:

	Average for the year	
	2016 Number	2015 Number
PSB Group	18,920	18,974
BBC Worldwide	1,759	1,824
Other commercial businesses	237	247
<b>Group total</b>	<b>20,916</b>	<b>21,045</b>

Within the averages above 2,616 (2015: 2,823) part-time employees have been included at their full-time equivalent of 1,576 (2015: 1,683).

In addition to the above, the Group employed an average full-time equivalent of 821 (2015: 804) persons on a casual basis and the BBC Orchestras and BBC Singers, employed on programme contracts, totalled 349 (2015: 359) full-time equivalents.

## C2 Employee remuneration

	Note	2016 £m	2015 £m
Salaries and wages		990.0	976.5
Social security costs		101.5	98.9
Pension costs			
– Main scheme (defined benefit)	C7.3	154.5	182.1
– Other schemes	C7.3	29.8	24.5
Restructuring costs	C3	21.4	11.1
		<b>1,297.2</b>	<b>1,293.1</b>
Comprising:			
PSB Group		1,198.8	1,161.4
BBC Worldwide		145.1	151.5
Other commercial businesses		18.5	21.8
Group adjustments*		(65.2)	(41.6)
<b>Group total</b>		<b>1,297.2</b>	<b>1,293.1</b>

\*Relates to Group adjustments for the BBC Pension Scheme, reflecting the difference between the operating charge and contributions paid.

The actual employer cash contributions to the defined benefit pension scheme are borne by each business.

Employee pension contributions made via salary sacrifice are included within pension costs, with a corresponding reduction in salaries and wages.

# Notes to the accounts

## C. What the BBC spends on its people continued

### C3 Restructuring costs

	2016 £m	2015 £m
PSB Group	15.1	8.4
BBC Worldwide	5.2	2.6
Other commercial businesses	1.1	0.1
	21.4	11.1

The table above reflects the BBC's cost of redundancy during the year. For further information on total restructuring costs, please see note F8.

The PSB Group restructuring costs include anticipated redundancies through the Delivering Quality First and Simplification Programme and costs resulting from the commitment to relocate and increase investment out of London.

BBC Worldwide includes redundancy costs arising as a result of changes within the Group's organisation structure.

### C4 Remuneration of the BBC Trust members and the BBC Executive Board

The total emoluments of the members of the BBC Executive Board and the BBC Trust are disclosed in the BBC Executive Board Remuneration Report in Part Two of the Annual Report and Accounts. The details of emoluments of the members of the BBC Trust are disclosed in Part One of the Annual Report and Accounts.

### C5 Key management personnel compensation

Key management personnel are those people who have authority and responsibility for planning, directing and controlling the activities of the BBC. This includes all members of the BBC Executive Board, including the non-executive directors (see the BBC Executive Remuneration Report) along with the Trustees and the Director of the Trust Unit (see the Trustees' Remuneration Report).

Information about the BBC's structure, senior staff salaries and expenses are published on the BBC's website.

Key management personnel compensation is as follows:

	2016 £m	2015 £m
Short-term employee benefits	4.2	4.0
Post-employment benefits	0.3	0.3
	4.5	4.3

### C6 Related party<sup>1</sup> transactions with key management personnel

#### Executive directors:

Danny Cohen has a close family member who contributes on an ad hoc basis to BBC programmes and all transactions are at an arm's length basis. He left the BBC within the financial year.

Peter Salmon has a close family member who has an artist contract with the BBC. All transactions are at an arm's length basis. He left the BBC within the financial year.

Nicholas Hytner is a statutory director of Van Productions Limited, a production company which produced a film for the BBC during the prior year. The decision to commission this film was taken before Nicholas Hytner joined the BBC Board. During the prior year, the BBC paid £1.25 million to Van Productions Limited for the public service rights of this film and a further £0.75 million as part of a funding agreement. The terms of this transaction was agreed at arm's length. No further monies were paid to Van Productions Limited during 2015/16. He left the BBC within the financial year.

#### Non-executive directors:

Alice Perkins has a close family member who contributed to a BBC programme during the year. The transaction was at an arm's length basis.

#### Trustees:

Diane Coyle has a close family member employed by the BBC on standard terms and conditions.

Elan Clos Stephens has a close family member employed by the BBC on standard terms and conditions.

<sup>1</sup> See Glossary for further details



## C7 Group pension plans

The following section includes the key notes relating to BBC Group pension plans and more specifically the BBC Pension Scheme<sup>1</sup>. Further supplementary notes on the assumptions underpinning the value of the BBC Pension Scheme asset and liability are disclosed in note G3.

As the BBC Group has two defined benefit pension schemes, the BBC Pension Scheme and the Unfunded Scheme, the information in this section first analyses the liability and income statement charge between the two schemes. Separate analysis then follows in respect of the BBC Pension Scheme to highlight the points outlined below (note C8).

The defined benefit pension schemes give rise to liabilities which are included on the BBC Group balance sheet as the BBC bears the risk on investment returns, life expectancy (mortality) and inflation related to meeting future pension payments. The net liability consists of two component parts:

- scheme liabilities: these are the present value of the future pension payments the BBC is required to pay in respect of employee service performed up to the balance sheet date.
- scheme assets: these are the assets held by the pension fund, into which the BBC pays annual contributions. The assets are used to fund the payments to retired members and to generate returns to fund future pension payments.

The BBC Group's defined contribution plans do not give rise to balance sheet pension assets/liabilities as there is no ongoing liability for the employer from these plans once the contributions due for the year have been settled. The expenditure on the defined contribution scheme shown in these accounts represents the BBC's contributions payable in this financial year.

### C7.1 Pension liabilities included in the balance sheet

The pension liabilities included in the BBC Group balance sheet comprise both the BBC Pension Scheme and the Unfunded Scheme and are analysed below:

	Pension liabilities	
	2016 £m	2015 £m
BBC Pension Scheme	(1,003.4)	(940.7)
Unfunded Scheme	(7.3)	(7.5)
<b>Total</b>	<b>(1,010.7)</b>	<b>(948.2)</b>

### C7.2 Group pension plans

	BBC Pension Scheme 2016 £m	Unfunded Scheme 2016 £m	Total 2016 £m	BBC Pension Scheme 2015 £m	Unfunded Scheme 2015 £m	Total 2015 £m
Deficit in scheme at the start of the year	(940.7)	(7.5)	(948.2)	(1,508.5)	(7.2)	(1,515.7)
Movement in the year:						
Current service cost <sup>1</sup>	(185.4)	–	(185.4)	(181.0)	–	(181.0)
Contributions (from employer)*	219.8	0.4	220.2	327.4	0.4	327.8
Past service costs <sup>1**</sup>	30.9	–	30.9	(1.1)	–	(1.1)
Administration costs incurred	(7.7)	–	(7.7)	(8.4)	–	(8.4)
Net finance cost <sup>1</sup>	(29.9)	(0.2)	(30.1)	(59.5)	(0.2)	(59.7)
Settlement gains	2.3	–	2.3	–	–	–
Remeasurement <sup>1</sup> recognised in the consolidated statement of comprehensive income	(92.7)	–	(92.7)	490.4	(0.5)	489.9
<b>Deficit in scheme at the end of the year</b>	<b>(1,003.4)</b>	<b>(7.3)</b>	<b>(1,010.7)</b>	<b>(940.7)</b>	<b>(7.5)</b>	<b>(948.2)</b>

\* The contribution shown for the Unfunded Scheme represents the pensions paid to members during the year.

\*\* This comprises a past service cost of £0.8 million for augmentations over the year and a past service credit of £31.7 million due to the Pension Increase Exchange<sup>1</sup>.

The assumptions for pension scheme liabilities of the Unfunded Scheme are the same as the main scheme. As the scheme is unfunded there are no assets.

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## C. What the BBC spends on its people *continued*

### C7.3 Pension charges in consolidated income statement

	Note	BBC Pension		Defined contribution scheme £m	All schemes £m
		BBC Pension Scheme £m	Unfunded Scheme £m		
<b>2016</b>					
Current service cost	C2	(185.4)	–	(29.8)	<b>(215.2)</b>
Past service costs	C2	30.9	–	–	<b>30.9</b>
Settlement gains		2.3	–	–	<b>2.3</b>
Administration costs		(7.7)	–	–	<b>(7.7)</b>
Total operating charge		(159.9)	–	(29.8)	<b>(189.7)</b>
Net finance cost	F9	(29.9)	(0.2)	–	<b>(30.1)</b>
<b>Net cost in consolidated income statement</b>		<b>(189.8)</b>	<b>(0.2)</b>	<b>(29.8)</b>	<b>(219.8)</b>
<b>2015</b>					
Current service cost	C2	(181.0)	–	(24.5)	(205.5)
Past service costs	C2	(1.1)	–	–	(1.1)
Administration costs		(8.4)	–	–	(8.4)
Total operating charge		(190.5)	–	(24.5)	(215.0)
Net finance cost	F9	(59.5)	(0.2)	–	(59.7)
<b>Net cost in consolidated income statement</b>		<b>(250.0)</b>	<b>(0.2)</b>	<b>(24.5)</b>	<b>(274.7)</b>

### C8 BBC Pension Scheme

The BBC Pension Scheme, a defined benefit scheme, is now closed to new entrants. This plan provides pensionable salary-related benefits on a defined benefit basis.

The pension scheme is administered by a separate fund that is legally separated from the BBC Group. The Trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders of the scheme. The pension scheme Trustees manage the plan in the short, medium and long term. They make funding decisions based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities.

The pension scheme exposes the BBC to the following actuarial risks:

Risk	Description
Investment risk	Actual returns may differ from expected returns. If the return on plan assets is below the discount rate, it will create a plan deficit. Investments are diversified across and within asset classes, to avoid overexposure to any one asset class or market.
Currency risk	Movements in exchange rates can impact the sterling value of overseas assets held. The scheme ensures that overseas investments are diversified across currencies and buys forward rate contracts in order to partially hedge against US dollar and euro exposures.
Counterparty risk	The risk that a counterparty defaults while owing money to the scheme. Collateral is posted by the counterparty for long-term transactions when the valuation of the transaction is favourable to the scheme.
Interest risk	A fall in interest rates would cause the present value of liabilities to rise. To mitigate this risk, the scheme's Trustees invest in bonds, derivatives and other investments with predictable long-term cash flows that will tend to rise in price if interest rates fall.
Longevity risk	Longer life expectancy would increase the scheme's liabilities. The scheme's Trustees regularly assess the possibility and value of hedging the scheme's longevity risk.
Inflation risk	An increase in expected inflation will cause the present value of liabilities to rise if it is not accompanied by a rise in interest rates. To mitigate this risk, the scheme's Trustees invest in index-linked bonds, derivatives and other assets whose value is likely to increase if inflation rises.
Liquidity risk	The risk of the scheme not having sufficient liquid assets to allow it to meet its liabilities and other obligations as they fall due. The amount of cash held to pay benefits is assessed well in advance to minimise unforeseen sales and transaction costs and the large majority of the scheme's assets are invested in highly liquid assets.
Custody risk	The collapse of the scheme's custodian could result in a significant proportion of the scheme's assets being frozen or put at risk of loss. The scheme undertakes rigorous due diligence of the custodian relationship and conducts regular service level reviews.

### C8.1 Scheme financial position

Valuations of the scheme are performed by Willis Towers Watson, consulting actuaries. Formal valuations are undertaken at least every three years.

IAS 19 valuation <sup>1</sup>	Note	2016 £m	2015 £m
Scheme assets	G3.2	12,821.4	12,766.3
Scheme liabilities	G3.1	(13,824.8)	(13,707.0)
<b>Deficit</b>		<b>(1,003.4)</b>	<b>(940.7)</b>
<b>Percentage by which scheme assets cover liabilities</b>		<b>93%</b>	<b>93%</b>

Key movements in the year are shown in note C7.2.

A deferred tax asset or liability in relation to the scheme does not arise for the BBC Group because most of the BBC Group's public service activity is not subject to taxation.

The sensitivities of the Scheme's liabilities to changes in the principal assumptions are set out below:

	Assumption used	Movement	Impact on scheme liabilities %	(Increase)/ decrease on scheme liabilities £m
<b>2016</b>				
Discount rate	3.4%	decrease 0.1%	2.2%	(302)
Discount rate	3.4%	increase 0.1%	1.6%	227
Retail price inflation rate	2.9%	decrease 0.1%	1.7%	237
Retail price inflation rate	2.9%	increase 0.1%	1.8%	(244)
Mortality rate	See note G3.5	decrease 0.1%	3.4%	476
Mortality rate	See note G3.5	increase 0.1%	3.6%	(493)
<b>2015</b>				
Discount rate	3.4%	decrease 0.1%	2.2%	(308)
Discount rate	3.4%	increase 0.1%	1.7%	230
Retail price inflation rate	2.9%	decrease 0.1%	1.8%	245
Retail price inflation rate	2.9%	increase 0.1%	1.8%	(251)
Mortality rate	See note G3.5	decrease 0.1%	3.5%	477
Mortality rate	See note G3.5	increase 0.1%	3.6%	(494)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## C. What the BBC spends on its people continued

### C8.2 Funding the scheme

The 2013 actuarial valuation by Willis Towers Watson of the pension scheme showed a funding shortfall of £2,054 million. Consequently, a recovery plan was agreed between the BBC and the pension scheme Trustees which details the contribution amounts to be paid by the BBC over a 12-year period commencing in 2014. Future contributions are to be paid to the pension scheme on or before the due dates shown below.

Due date	Amount £m	Due date	Amount £m	Due date	Amount £m
1 April 2016	100	1 April 2020	240	1 April 2024	150
1 April 2017	220	1 April 2021	130	1 April 2025	100
30 June 2017	120	1 April 2022	100	1 April 2026	250
1 April 2019	95	1 April 2023	250		

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

	Projection 2017 %	2016 %	2015 %
Contribution rates			
Employer	16.7	16.7	16.7
Employee (Old and New Benefits)	7.5	7.5	7.5
Employee (Career Average Benefits 2006)	4.0	4.0	4.0
Employee (Career Average Benefits 2011)	6.0	6.0	6.0

On the basis of the pension assumptions made above, contributions totalling £132.2 million are expected to be paid in 2015/16.

### C8.3 Scheme cash flows (day-to-day liquidity)

Below are the cash flows related to the BBC Pension Scheme (not included in the Group results). The contributions paid have decreased due to the £100 million reduction in additional contributions made during the year. As the scheme is now closed to new entrants, the level of contribution from employees will decrease (as members retire, there are no new entrants to replace the reduction in employee contributions).

	2016 £m	Restated <sup>^</sup> 2015 £m
Contributions including additional voluntary (employer and employee)	222.9	330.8
Investment income	222.9	211.5
Cash inflows	445.8	542.3
Payments of pensions and transfers out	(446.5)	(390.3)
Expenses	(28.1)	(28.7)
<b>Net cash (outflow)/inflow</b>	<b>(28.8)</b>	123.3

<sup>^</sup>Comparatives have been restated to align disclosures to the BBC Pension Scheme financial statements.

## D. The property, technology and equipment used by the BBC to make its programmes

The BBC Group uses a significant number of assets in its operations. This section sets out those assets the BBC Group intends to continue to use, those which it is in the course of disposing of and any disposals which have been completed in the year.

Certain assets which are shown on the balance sheet are not legally owned by the BBC Group, but instead are leased under finance leases. Under such arrangements, the BBC Group obtains substantially all the risks and benefits of ownership and therefore records such assets as if they were legally owned. This section also deals with the financing costs and obligations associated with such assets.

The BBC Group has certain obligations to restore leased properties to their original condition at the end of the lease term. The BBC Group makes provisions for the cost of such restoration works. The amounts provided are included within this section of the notes.

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.

### D1 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
<b>Cost</b>					
At 1 April 2014	1,144.3	1,024.6	149.7	105.2	2,423.8
Additions	12.2	17.8	1.4	101.4	132.8
Transfer to investment properties	(22.4)	–	–	–	(22.4)
Transfer from intangible assets	–	–	–	1.2	1.2
Category transfers	–	6.4	(6.4)	–	–
Brought into service	9.1	92.0	3.9	(105.0)	–
Disposals	(3.1)	(114.8)	(23.8)	(0.2)	(141.9)
Exchange movements	0.2	0.4	(0.8)	0.2	–
At 31 March 2015	1,140.3	1,026.4	124.0	102.8	2,393.5
Additions	0.7	16.3	3.2	106.9	127.1
Transfer to investment properties	(112.9)	–	–	–	(112.9)
Transfer to intangible assets	–	–	(1.2)	(17.0)	(18.2)
Brought into service	13.0	67.8	13.7	(94.5)	–
Disposals	(10.9)	(61.8)	(17.1)	–	(89.8)
Exchange movements	0.2	0.4	0.3	–	0.9
<b>At 31 March 2016</b>	<b>1,030.4</b>	<b>1,049.1</b>	<b>122.9</b>	<b>98.2</b>	<b>2,300.6</b>
<b>Depreciation</b>					
At 1 April 2014	305.4	710.8	102.0	–	1,118.2
Charge for the year	48.3	102.0	9.3	–	159.6
Disposals	(2.7)	(110.8)	(22.2)	–	(135.7)
Transfer to investment properties	(7.9)	–	–	–	(7.9)
Impairment	0.9	0.6	–	–	1.5
Exchange adjustments	–	0.2	(0.4)	–	(0.2)
At 31 March 2015	344.0	702.8	88.7	–	1,135.5
Charge for the year	43.4	92.7	11.2	–	147.3
Disposals	(10.2)	(57.4)	(13.0)	–	(80.6)
Transfer to investment properties	(39.1)	–	–	–	(39.1)
Transfer to intangible assets	–	–	(0.7)	–	(0.7)
Impairment	–	0.1	–	–	0.1
Exchange adjustments	0.3	0.2	0.2	–	0.7
<b>At 31 March 2016</b>	<b>338.4</b>	<b>738.4</b>	<b>86.4</b>	<b>–</b>	<b>1,163.2</b>
<b>Net book value</b>					
<b>At 31 March 2016</b>	<b>692.0</b>	<b>310.7</b>	<b>36.5</b>	<b>98.2</b>	<b>1,137.4</b>
At 31 March 2015	796.3	323.6	35.3	102.8	1,258.0

# Notes to the accounts

## D. The property, technology and equipment used by the BBC to make its programmes continued

### D2 Investment properties

	2016 £m	2015 £m
<b>Cost</b>		
At 1 April	22.4	–
Transfer from property, plant and equipment	112.9	22.4
<b>At 31 March</b>	<b>135.3</b>	<b>22.4</b>
<b>Depreciation</b>		
At 1 April	7.9	–
Charge for the year	3.1	–
Transfer from property, plant and equipment	39.1	7.9
<b>At 31 March</b>	<b>50.1</b>	<b>7.9</b>
<b>Net book value</b>	<b>85.2</b>	<b>14.5</b>

The BBC holds investment properties as at 31 March 2016 valued at £167.8 million. The valuation of these investment properties was carried out by Lambert Smith Hampton, independent valuers not connected with the Group, in accordance with the RICS Valuations – Professional Standards January 2014 (revised April 2015). The valuation conforms to International Valuation Standards. In estimating the fair value<sup>1</sup> of the properties, the highest and best use of the properties is their current use.

The property rental income earned by the Group from its investment properties, which are leased out under operating leases, amounted to £14.4 million (2015: £2.3 million). Direct operating expenses arising on the investment properties, which generated rental income during the year, amounted to £2.5 million (2015: £2.2 million). Direct operating expenses arising on the investment properties, which did not generate rental income during the year, amounted to £0.3 million (2015: £2.4 million).

### D3 Assets available for sale<sup>1</sup>

	2016 £m	2015 £m
Unquoted equities	7.5	4.4

<sup>1</sup> See Glossary for further details

**D4 Obligations under finance leases<sup>1</sup>**

	2016 £m	2015 £m
Due within one year	7.6	7.9
Due after more than one year	842.6	848.4
	<b>850.2</b>	<b>856.3</b>

See note F3 for full analysis of borrowings, including obligations under finance leases.

Finance lease liabilities are payable as follows:

	Minimum lease payments £m	Interest £m	Principal £m
<b>2016</b>			
Not later than one year	85.6	78.0	7.6
Later than one year but not later than five years	359.6	303.9	55.7
Later than five years	1,403.0	616.1	786.9
	<b>1,848.2</b>	<b>998.0</b>	<b>850.2</b>
<b>2015</b>			
Not later than one year	86.2	78.3	7.9
Later than one year but not later than five years	351.1	307.4	43.7
Later than five years	1,495.1	690.4	804.7
	<b>1,932.4</b>	<b>1,076.1</b>	<b>856.3</b>

Under the terms of the leasing agreements, the BBC has the right to share in the residual value of its key finance lease properties (Broadcasting House and Pacific Quay). This share will be passed to the BBC as either a cash flow at the end of the lease arrangement, or a reduction in rentals if the lease agreement is extended for a further term. In addition, the BBC has the right to repurchase each property at the end of the respective lease agreement.

Interest rates are fixed at the contract date. Leases with a carrying value of £846.3 million (2015: £850.2 million) have contingent elements included within their contracts and result in contingent rents of £8.2 million (2015: £8.8 million) being reflected in operating costs.

Included within the carrying amounts of assets in note D1 are amounts held under finance leases. Set out below is the analysis of the carrying amount of assets held under finance leases by asset category:

	Land and buildings £m	Plant and machinery £m	Total £m
<b>Net book value</b>			
<b>At 31 March 2016</b>	<b>556.5</b>	<b>3.3</b>	<b>559.8</b>
At 31 March 2015	662.5	4.3	666.8

**D5 Financing costs of leasing arrangements**

Interest costs relating to the finance lease obligations are recognised in the income statement at a constant rate over the term of the lease.

	Note	2016 £m	2015 £m
Financing costs of leasing arrangements	F9	<b>79.1</b>	80.3

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## D. The property, technology and equipment used by the BBC to make its programmes continued

### D6 Operating leases<sup>1</sup>

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 £m	2015 £m
Not later than one year	100.3	99.8
Later than one year but not later than five years	316.2	357.0
Later than five years	585.9	570.3
	<b>1,002.4</b>	<b>1,027.1</b>

The BBC Group's operating lease agreements primarily relate to office space, land, computers and other IT equipment. Certain contracts include renewal options, stepped rents or annual RPI uplifts (which are accounted for on a straight line basis) or periodic rent reviews. All leases have been entered into on commercial terms.

The BBC Group has entered into a number of sublease arrangements. The total future minimum sublease income expected to be received under non-cancellable subleases at 31 March 2016 is:

	2016 £m	2015 £m
Due within one year	6.1	5.4
Due after one year but not later than five years	24.0	8.6
Due after more than five years	33.0	2.7
	<b>63.1</b>	<b>16.7</b>

### D7 Property provisions

Property provisions relate to the cost of returning leasehold properties (accounted for as operating leases) to their original condition at the end of the lease. The average life of these leases is 12 years, and the actual amount payable will depend on the extent of leasehold improvements made over the remainder of the lease. The majority of this provision is expected to be paid after more than five years and only £1.8 million expected to be paid during the next financial year. For full analysis of provisions and contingent liabilities see note F8.

	At 1 April £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March £m
2016	38.7	2.8	(2.1)	(2.2)	37.2
2015	22.2	16.8	(0.1)	(0.2)	38.7

### D8 Gain on disposal of non-current assets

	2016 £m	2015 £m
Disposal of properties	95.2	7.9
Disposal of investments in associates and joint ventures	1.5	–
<b>Total gain on disposal of non-current assets</b>	<b>96.7</b>	<b>7.9</b>

On 5 June 2015, the BBC agreed to sell freehold land from the West London Media Village site to Stanhope and Mitsui Fudosan UK Ltd, resulting in a gain on disposal of £75.8 million.

The remaining £19.4 million gain on disposal of properties related to overage on the sale of BBC Television Centre in 2012/13, together with a £1.2 million gain on the sale of BBC Television Centre freehold land during the year.

The gain on disposal of properties in the prior year related to overage on the sale of BBC Television Centre in 2012/13.

On 25 April 2015, BBC Worldwide disposed of its interest in Temple Street Productions for a cash consideration of £4.5 million, resulting in a gain on disposal of investments in associates and joint ventures of £1.5 million. Net assets at the date of disposal were £3.0 million.

<sup>1</sup> See Glossary for further details



## E. Investments in the BBC's commercial activities

The following section is primarily driven by the commercial activities of the BBC Group and includes information on what assets are used to generate economic benefits for the BBC Group. The section also includes intangible assets such as goodwill and programme acquisitions, balances held to represent the BBC's interest in associates and joint ventures and the results of any sale of operations that have occurred.

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.

### E1 Intangible assets

	Goodwill £m	Programme rights £m	Software £m	Other intangibles £m	Total £m
<b>Cost</b>					
At 1 April 2014	34.1	431.8	183.6	9.7	659.2
Additions	–	159.1	23.5	0.1	182.7
Disposals	–	(0.2)	(15.3)	–	(15.5)
Transfer to property, plant and equipment	–	–	(1.2)	–	(1.2)
Exchange movements	(0.7)	1.7	–	(0.7)	0.3
At 31 March 2015	33.4	592.4	190.6	9.1	825.5
Additions	0.4	122.4	14.5	0.5	137.8
Disposals	–	(2.8)	(34.2)	–	(37.0)
Transfer from property, plant and equipment	–	–	18.2	–	18.2
Exchange movements	0.4	0.5	–	0.4	1.3
<b>At 31 March 2016</b>	<b>34.2</b>	<b>712.5</b>	<b>189.1</b>	<b>10.0</b>	<b>945.8</b>
<b>Amortisation and impairment</b>					
At 1 April 2014	–	304.5	117.9	3.6	426.0
Charge for the year	–	113.0	17.5	–	130.5
Write off	–	–	–	7.2	7.2
Disposals	–	(0.2)	(8.7)	(6.6)	(15.5)
Exchange adjustments	–	1.9	–	(0.3)	1.6
At 31 March 2015	–	419.2	126.7	3.9	549.8
Charge for the year	–	121.0	18.7	0.5	140.2
Transfer from property, plant and equipment	–	–	0.7	–	0.7
Disposals	–	(2.8)	(34.2)	–	(37.0)
Exchange adjustments	–	0.5	–	0.3	0.8
<b>At 31 March 2016</b>	<b>–</b>	<b>537.9</b>	<b>111.9</b>	<b>4.7</b>	<b>654.5</b>
<b>Net book value</b>					
<b>At 31 March 2016</b>	<b>34.2</b>	<b>174.6</b>	<b>77.2</b>	<b>5.3</b>	<b>291.3</b>
At 31 March 2015	33.4	173.2	63.9	5.2	275.7

Other intangibles include:

	2016 £m	2015 £m
Acquired carrier agreements	4.6	5.0
Other	0.7	0.2
	<b>5.3</b>	5.2

# Notes to the accounts

## E. Investments in the BBC's commercial activities continued

### E2 Goodwill

All goodwill is recognised in BBC Worldwide.

Goodwill, allocated by cash-generating unit<sup>1</sup> (CGU), is analysed as follows:

	2016 £m	2015 £m
Goodwill by cash-generating unit		
Consumer Distribution	25.4	25.4
Australian Channels	8.4	8.0
South African Production	0.4	–
	<b>34.2</b>	<b>33.4</b>

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

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

No goodwill impairment has been recognised to date.

#### Consumer Distribution business

The goodwill in this CGU arose as a result of the acquisition of 2entertain 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 growth rate of -6% (2015: -6%).

A discount rate of 14.9% (2015: 11.7%) has been applied to the cash flows.

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

#### Australian Channels business

The goodwill in this CGU arose as a result of the acquisition of UKTV on 1 July 2008. Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of five years (2015: five years) and a discount rate of 16.0% (2015: 11.9%). Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1.0% (2015: 1.0%).

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

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

#### South African Production

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

### E3 Gain on sale and termination of operations

As part of the normal course of business, the commercial entities may decide to sell or terminate a particular part of their operations. This note shows the impact of such a decision on the income statement. A gain is recognised when the fair value of consideration received or receivable is greater than the carrying value of the assets of that operation, at the point of sale.

	2016 £m	2015 £m
New Video Channel America LLC	–	115.9
	–	115.9

<sup>1</sup> See Glossary for further details

On 23 October 2014, BBC Worldwide sold a 49.9% stake in New Video Channel America LLC ('NVCA'), formerly a wholly owned subsidiary of BBC Worldwide Americas Inc. to AMC Networks Inc. in return for proceeds of US\$200 million (£123.0 million), with BBC Worldwide retaining an investment of 50.1% in NVCA. The US\$200 million proceeds comprised US\$160 million (£98.4 million) in cash and US\$40 million (£24.6 million) deferred consideration in the form of a six-month promissory note, due by 23 April 2015, settled during the year ended 31 March 2016.

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

The net assets of NVCA at the date of disposal were:

	23 October 2014 £m
Property, plant and equipment	0.1
Programme rights and other inventories	54.8
Trade and other receivables	22.0
Trade and other payables	(15.7)
Cash and cash equivalents	0.1
	61.3
	£m
Consideration for disposal	123.0
Net assets disposed of	(30.6)
Cumulative currency translation gain	(6.1)
Gain on disposal	86.3
Fair value of associate recognised	119.9
Share of net assets reclassified to associates	(30.7)
Gain on fair value uplift of associate	89.2
Fair value of retained liabilities, and transaction costs, in respect of business disposal	(59.6)
<b>Net gain</b>	<b>115.9</b>
	£m
Satisfied by:	
Cash and cash equivalents	98.4
Deferred consideration	24.6
	123.0
Net cash inflow arising on disposal:	
Consideration received in cash	98.4
Less: cash and cash equivalents disposed of	(0.1)
Less: transaction costs	(33.8)
	64.5

# Notes to the accounts

## E. Investments in the BBC's commercial activities continued

### E4 Interests in associates<sup>1</sup> and joint ventures<sup>1</sup>

This note details the BBC Group's share of net assets in associates and joint ventures, along with the impact that they have on the income statement. Details of significant associates and joint ventures along with principal subsidiary undertakings, including their activities, are provided in note G5.

	2016 £m	2015 £m
Interest in joint ventures	12.2	0.7
Interest in associates	159.6	148.2
<b>Total interest in associates and joint ventures</b>	<b>171.8</b>	<b>148.9</b>
Share of results of joint ventures	28.7	25.5
Share of results of associates	11.0	8.0
<b>Total share of results of associates and joint ventures</b>	<b>39.7</b>	<b>33.5</b>

The following table presents summarised financial information for joint ventures, including the BBC Group's share of the results:

	Daunus Limited £m	UKTV Media Limited £m	Freesat (UK) Limited £m	Other £m	Total 2016 £m
Non-current assets	567.9	6.8	0.1	0.1	<b>574.9</b>
Current assets	52.7	220.0	12.2	6.5	<b>291.4</b>
Current liabilities	(49.2)	(137.9)	(4.7)	(8.2)	<b>(200.0)</b>
Non-current liabilities	(753.2)	(54.1)	(29.7)	–	<b>(837.0)</b>
<b>Shareholders' equity</b>	<b>(181.8)</b>	<b>34.8</b>	<b>(22.1)</b>	<b>(1.6)</b>	<b>(170.7)</b>
Adjustment to reflect the BBC Group's effective obligation	181.8	(17.5)	15.0	1.8	<b>181.1</b>
Provision for unrealised profit	–	(5.3)	–	–	<b>(5.3)</b>
<b>Group's share of net assets/(liabilities) of joint ventures</b>	<b>–</b>	<b>12.0</b>	<b>(7.1)</b>	<b>0.2</b>	<b>5.1</b>
<b>The net book value is presented within:</b>					
Interest in associates and joint ventures					12.2
Provisions <sup>1</sup>					(7.1)
					<b>5.1</b>
Income	14.2	329.4	8.0	38.4	<b>390.0</b>
Profit/(loss) after tax	13.2	61.4	(4.1)	(0.6)	<b>69.9</b>
Adjustment to reflect the BBC Group's effective obligation	(13.2)	(30.7)	2.1	0.6	<b>(41.2)</b>
<b>Share of results of joint ventures</b>	<b>–</b>	<b>30.7</b>	<b>(2.0)</b>	<b>–</b>	<b>28.7</b>

<sup>1</sup> See Glossary for further details

	Daunus Limited £m	UKTV Media Limited £m	Freesat (UK) Limited £m	Other £m	Total 2015 £m
Non-current assets	585.7	5.6	0.2	0.3	591.8
Current assets	21.3	186.5	11.8	5.7	225.3
Current liabilities	(56.4)	(127.8)	(4.6)	(5.3)	(194.1)
Non-current liabilities	(792.0)	(53.5)	(27.4)	–	(872.9)
Shareholders' equity	(241.4)	10.8	(20.0)	0.7	(249.9)
Adjustment to reflect the BBC Group's effective obligation	241.4	(5.5)	13.8	(0.3)	249.4
Provision for unrealised profit	–	(5.0)	–	–	(5.0)
Group's share of net assets/(liabilities) of joint ventures	–	0.3	(6.2)	0.4	(5.5)
The net book value is presented within:					
Interest in associates and joint ventures					0.7
Provisions <sup>1</sup>					(6.2)
					(5.5)
Income	56.7	288.0	7.7	29.9	382.3
Profit/(loss) after tax	4.4	53.8	(4.4)	0.7	54.5
Adjustment to reflect the BBC Group's effective obligation	(4.4)	(26.9)	2.2	0.1	(29.0)
Share of results of joint ventures	–	26.9	(2.2)	0.8	25.5

The following table presents summarised financial information for associates, including the BBC Group's share of the results:

	New Video Channel America LLC £m	YouView Limited £m	3sixtymedia Limited £m	Other £m	Total 2016 £m
Non-current assets	135.9	0.2	0.8	4.4	141.3
Current assets	69.2	8.4	5.2	42.8	125.6
Current liabilities	(25.5)	(8.3)	(1.9)	(28.1)	(63.8)
Non-current liabilities	(6.0)	(14.9)	–	(8.4)	(29.3)
Net assets/(liabilities)	173.6	(14.6)	4.1	10.7	173.8
Group share net assets	87.0	–	0.4	3.2	90.6
Provision for unrealised profit	(3.7)	–	(0.4)	(0.2)	(4.3)
Goodwill	60.2	–	–	12.9	73.1
Other	–	–	–	0.2	0.2
<b>Total net book value</b>	143.5	–	–	16.1	159.6
<b>The net book value is presented within:</b>					
Interest in associates and joint ventures					159.6
					159.6
Income	113.6	11.9	7.7	51.5	184.7
Profit/(loss) after tax	18.0	(31.0)	(1.4)	1.7	(12.7)
Adjustment to reflect the BBC Group's effective obligation	(9.0)	31.0	1.4	0.3	23.7
<b>Group share of results</b>	9.0	–	–	2.0	11.0

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## E. Investments in the BBC's commercial activities continued

### E4 Interests in associates<sup>1</sup> and joint ventures<sup>1</sup> continued

	New Video Channel America LLC £m	YouView Limited £m	3sixtymedia Limited £m	Other £m	Total 2015 £m
Non-current assets	251.9	0.3	0.9	6.0	259.1
Current assets	64.2	5.3	6.4	36.4	112.3
Current liabilities	(26.5)	(5.6)	(1.7)	(20.2)	(54.0)
Non-current liabilities	(7.3)	(6.8)	–	(8.1)	(22.2)
Net assets/(liabilities)	282.3	(6.8)	5.6	14.1	295.2
Group share net assets	141.4	–	0.4	4.0	145.8
Provision for unrealised profit	(3.5)	–	(0.4)	–	(3.9)
Goodwill	–	–	–	10.5	10.5
Other	(1.2)	–	–	–	(1.2)
Total net book value	136.7	–	–	14.5	151.2
The net book value is presented within:					
Interest in associates and joint ventures					148.2
Assets held for sale					3.0
					151.2
Income	42.8	18.9	7.4	48.4	117.5
Profit/(loss) after tax	15.0	(6.7)	–	4.1	12.4
Adjustment to reflect the BBC Group's effective obligation	(7.5)	6.6	–	(3.5)	(4.4)
Group share of results	7.5	(0.1)	–	0.6	8.0

<sup>1</sup> See Glossary for further details

## F. Managing funding (including future costs)

This section contains the notes to the balance sheet that detail the funding of the BBC Group as well as the assets and liabilities that are primarily used in the day-to-day trading transactions of the BBC Group.

It also sets out the external borrowings of the BBC Group. The BBC Group is subject to two specific constraints on its borrowing levels as set out below:

- the Public Service borrowing limit of £200 million is set by the Secretary of State in accordance with the Framework Agreement between the BBC and DCMS.
- under a direction granted by the Secretary of State for the DCMS a borrowing limit of £350 million has been set for the BBC commercial group.

Included within this section are certain disclosures required to be provided to DCMS in respect of the above borrowing thresholds.

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.

### FI Analysis of net funds for DCMS borrowing<sup>1</sup> ceilings

	At 1 April 2015 £m	Cash flows £m	Non-cash changes £m	Exchange £m	At 31 March 2016 £m
Total cash and cash equivalents	405.8	(71.5)	–	0.5	<b>334.8</b>
Loans and loan notes	(209.4)	(18.6)	–	(3.9)	<b>(231.9)</b>
Derivatives associated with loans	1.7	–	5.5	–	<b>7.2</b>
Finance leases	(856.3)	93.7	(87.6)	–	<b>(850.2)</b>
	(658.2)	3.6	(82.1)	(3.4)	<b>(740.1)</b>
Leases not included in DCMS borrowing limits	847.7				<b>843.8</b>
<b>Net funds</b>	<b>189.5</b>				<b>103.7</b>
Made up of:					
PSB Group	305.5				<b>266.0</b>
Centre House Productions	(0.1)				<b>1.0</b>
BBC Worldwide	65.7				<b>45.4</b>
Other commercial businesses	(181.6)				<b>(208.7)</b>
<b>Net funds</b>	<b>189.5</b>				<b>103.7</b>

The debt and repayments on finance leases held by Centre House Productions Limited are offset directly by cash held on matching deposits and the income from them, such that there is no long-term cash effect.

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## F. Managing funding (including future costs) continued

### F2 Reconciliation of net funds to the DCMS borrowing ceilings

	Public Services <sup>1</sup> Capital or current expenditure £m	Commercial businesses* £m
<b>2016</b>		
Net funds/(debt)	266.0	(163.3)
Borrowing ceiling	(200.0)	(350.0)
<b>Headroom</b>	<b>466.0</b>	<b>186.7</b>
<b>2015</b>		
Net funds/(debt)	305.5	(115.9)
Borrowing ceiling	(200.0)	(350.0)
<b>Headroom</b>	<b>505.5</b>	<b>234.1</b>

\*Under the terms of the DCMS agreement, BBC Commercial Holdings Limited must satisfy two financial covenants. These covenants are required to be met at 31 March each year. As at 31 March 2016 and 31 March 2015, BBC Commercial Holdings Limited was in compliance with both of these covenants.

As at 31 March 2016, 31 March 2015, and throughout both financial years, the BBC Group did not breach the borrowing ceilings.

## F3 Borrowings

### F3.1 Borrowings due within one year

	2016 £m	2015 £m
Bank loan	54.0	35.3
Obligations under finance leases	7.6	7.9
<b>Total</b>	<b>61.6</b>	<b>43.2</b>

### F3.2 Borrowings due after more than one year

	2016 £m	2015 £m
Bank loan	177.9	174.1
Obligations under finance leases	842.6	848.4
<b>Total</b>	<b>1,020.5</b>	<b>1,022.5</b>

Analysis of the BBC Group's borrowing facilities is set out in note F4.



## F4 Borrowing facilities

Facility	Interest rate	Total available 31 March 2016 £m	Drawn down at 31 March 2016 £m	Total available 31 March 2015 £m	Drawn down at 31 March 2015 £m	Expiry or review date
<b>PSB Group</b>						
Sterling revolving credit facility agreement	LIBOR* plus 0.3% rising to LIBOR* plus 0.15% on utilisations over 1/3 and LIBOR* plus 0.3% on utilisations over 2/3	200	–	150	–	15 July 2020
Uncommitted money market lines (short-term borrowings)	Margin of 0.45% over LIBOR*	25	–	25	–	October 2016
Uncommitted money market lines (short-term borrowings)	Margin of 0.5% over LIBOR*	25	–	25	–	Reviewed annually
GBP overdraft	Bank base rates plus 1.5%	5	–	5	–	Reviewed annually
Multicurrency overdraft	Banks' short-term offered rates for the relevant currency plus 1%	5	–	5	–	Reviewed annually
Overdraft*	Bank base rate plus 1%. Excess usage at bank base rate plus 2%	1	–	1	–	Reviewed annually
<b>BBC Commercial Holdings Limited</b>						
Multicurrency, revolving credit facility agreement for loans and letters of credit	LIBOR* plus 0.6% rising to LIBOR* plus 0.15% on utilisations over 1/3 and LIBOR* plus 0.15% on utilisations over 2/3	210	45	210	35	July 2019
Overdraft or money market lines	Money market line – margin of 1.0% (2015: 1.0%)	20	9	20	–	Reviewed annually
US Private Placement	Fixed interest at 2.36%	28	28	28	28	June 2020
US Private Placement**	Fixed interest at 2.71%	150	150	146	146	June 2020
<b>BBC Worldwide</b>						
Overdraft*	Bank base rate plus 1% up to £100k, bank base rate plus 3% over £100k	2	–	2	–	Reviewed annually
Overdraft or working capital loan for Indian Rupees	Market rate at drawdown	1	–	1	–	Reviewed annually

\* The base rate used varies according to the currency drawn. GBP drawings are linked to LIBOR.

\*\*The US\$216 million US placement is hedged to a sterling value of £143 million, valued at the time of the facility being put in place.

There have been no defaults or breaches of covenants on these facilities during the year (2015: none).

# Notes to the accounts

## F. Managing funding (including future costs) continued

### F5 Cash generated from operations

	2016 £m	2015 £m
Group surplus/(deficit) before taxation	59.5	(95.2)
Depreciation, amortisation and impairment	290.6	300.8
Difference between pension charge and cash contribution	(60.3)	(137.3)
Fair value impact of derivatives associated with loans	4.6	13.5
Fair value impact of other derivatives	(13.7)	(4.4)
Gain on disposal of tangible and intangible fixed assets	(86.0)	(1.8)
Gain on sale and termination of operations	–	(115.9)
Other gains	(1.5)	–
Share of results of associates and joint ventures	(39.7)	(33.5)
Financing income	(12.7)	(19.8)
Financing costs	119.5	163.1
Decrease/(increase) in programme-related assets and inventories	23.0	(32.0)
(Increase)/decrease in debtors	(41.9)	43.6
(Decrease)/increase in creditors	(48.5)	91.4
(Decrease)/increase in provisions	(13.0)	5.5
<b>Cash generated from operations</b>	<b>179.9</b>	<b>178.0</b>

### F6 Trade and other receivables

This note discloses the balances that are owed to the BBC Group by third parties and balances that have been prepaid by the BBC Group.

#### F6.1 Other receivables due after more than one year

	2016 £m	2015 £m
Other prepayments and receivables	83.6	19.6
Loans to other entities	3.0	8.2
Amounts owed by associates and joint ventures	6.0	0.5
<b>Total</b>	<b>92.6</b>	<b>28.3</b>

**F6.2 Trade and other receivables due within one year**

	2016 £m	2015 £m
Trade receivables	233.1	249.6
Licence fee receivables	392.9	387.0
Amounts owed by associates and joint ventures	25.3	26.6
VAT recoverable	42.3	39.7
Other receivables	91.3	61.5
Prepayments and other assets	190.6	182.8
<b>Total</b>	<b>975.5</b>	<b>947.2</b>

Included in the BBC Group's trade and other receivables at 31 March 2016 are balances of £29.9 million (2015: £35.3 million) which are past due at the reporting date but not impaired. The aged analysis of these balances is as follows:

	2016 £m	2015 £m
Trade receivables past due but not impaired		
Up to 3 months	11.6	27.3
3 to 6 months	13.4	5.2
Over 6 months	4.9	2.8
	<b>29.9</b>	<b>35.3</b>

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

There are no significant impairment provisions relating to balances of any individual debtor. 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 £5.2 million at 31 March 2016 (2015: £3.6 million).

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

	2016 £m	2015 £m
Balance at the beginning of the year	3.6	5.5
Impairment losses recognised	4.8	3.4
Amounts written off as uncollectable	(1.3)	(4.3)
Amounts recovered during the year	(1.9)	(1.0)
<b>Balance at the end of the year</b>	<b>5.2</b>	<b>3.6</b>

No significant amount has been provided for items that are not yet due for payment.

# Notes to the accounts

## F. Managing funding (including future costs) continued

### F7 Trade and other payables

This note details the amounts payable to third parties by the BBC Group.

#### F7.1 Other payables due within one year

	2016 £m	2015 £m
Trade and employment-related payables	483.9	463.8
Amounts owed to associates and joint ventures	10.7	9.4
Other taxation and social security	27.4	27.7
Other payables	23.2	49.5
Accruals	126.3	153.1
Deferred income (including licence fee payables)	288.5	302.3
Licence savings stamp deposits and direct debit instalments	46.4	48.6
<b>Total</b>	<b>1,006.4</b>	<b>1,054.4</b>

#### F7.2 Other payables due after more than one year

	2016 £m	2015 £m
Other payables	14.5	13.8
<b>Total</b>	<b>14.5</b>	<b>13.8</b>

It is the BBC's policy to comply with the Better Payment Practice Code in relation to the payment of suppliers, provided that the supplier is complying with their contracted terms and conditions. The BBC monitors compliance against the terms of this code. Payments for programme acquisitions are made in accordance with contractual terms. The Group's number of days outstanding in respect of other trade payables at 31 March 2016 was 22 days (2015: 23 days).

## F8 Provisions and contingent liabilities

	Note	At 1 April 2015 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2016 £m
Restructuring		37.1	26.2	(27.5)	(9.1)	26.7
Litigation and insurance		21.4	1.4	(4.5)	(0.3)	18.0
Property	D7	38.7	2.8	(2.1)	(2.2)	37.2
Decommissioning		1.5	–	–	(1.5)	–
Share of joint ventures net liabilities	E4	6.2	0.9	–	–	7.1
Other		12.9	17.8	(12.4)	(0.3)	18.0
<b>Total</b>		117.8	49.1	(46.5)	(13.4)	107.0
Included in current liabilities		66.2				64.8
Included in non-current liabilities		51.6				42.2
<b>Total</b>		117.8				107.0

	Note	At 1 April 2014 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2015 £m
Restructuring		53.7	11.9	(25.8)	(2.7)	37.1
Litigation and insurance		20.3	3.3	(2.0)	(0.2)	21.4
Property	D7	22.2	16.8	(0.1)	(0.2)	38.7
Decommissioning		5.4	–	(1.8)	(2.1)	1.5
Share of joint ventures net liabilities	E4	5.2	–	–	1.0	6.2
Other		3.3	10.9	(0.7)	(0.6)	12.9
<b>Total</b>		110.1	42.9	(30.4)	(4.8)	117.8
Included in current liabilities		53.3				66.2
Included in non-current liabilities		56.8				51.6
<b>Total</b>		110.1				117.8

The restructuring charge for the year mainly relates to the restructuring programmes within the PSB Group and BBC Worldwide. The balance at 31 March 2016 predominantly relates to the redundancies generated through the Delivering Quality First strategy which is due to complete in 2016/17 and the move of staff from London to Birmingham and Salford. A significant proportion of this balance is expected to be paid out within the next financial year. There is little uncertainty surrounding this provision.

Litigation and insurance provisions relate to ongoing legal, insurance and compensation claims against the BBC. The BBC Group has a number of contingent liabilities arising from litigation. The BBC makes specific provision for its best estimate of any damages and costs which may be awarded. A provision is only made to the extent that the BBC Group considers it probable that there will be an outflow of economic benefits and the amount can be reliably estimated. There are currently no known individually material outstanding litigations.

The decommissioning provision was created at 31 March 2013 for the costs of decommissioning the Cyprus shortwave transmission site in BBC World Service.

Other provisions consist of a number of items arising across the BBC Group in the normal course of business, none are individually material.

There were no other significant contingent liabilities known at the year end (2015: no significant).

# Notes to the accounts

## F. Managing funding (including future costs) continued

### F9 Net financing costs

Set out below is an analysis of the finance income and expenses incurred in the year. These amounts include interest relating to finance lease liabilities (see note D4) and defined benefit pension schemes (see note C7).

	Note	2016 £m	2015 £m
<b>Financing income</b>			
Interest income		6.3	6.3
Fair value gains on interest rate swaps		6.4	13.5
		12.7	19.8
<b>Financing costs</b>			
Interest expense		(5.1)	(6.6)
Investment expense on liabilities available for trading	G4.3	(0.1)	(0.2)
Exchange loss on borrowings		(3.8)	(16.3)
Fair value loss on interest rate swaps		(1.3)	–
Interest on obligations under finance leases	D5	(79.1)	(80.3)
		(89.4)	(103.4)
Interest cost on pension plan liabilities <sup>1</sup>	C7.3	(30.1)	(59.7)
		(119.5)	(163.1)
<b>Net financing costs</b>		<b>(106.8)</b>	<b>(143.3)</b>

The net impact of financing can be analysed as follows:

	2016 £m	2015 £m
Net financing costs of leasing arrangements	(79.1)	(80.3)
Net financing costs related to pension obligations	(30.1)	(59.7)
Net financing income/(cost) related to loans and financial instruments	2.5	(3.3)
	<b>(106.7)</b>	<b>(143.3)</b>

### F10 Long-term commitments not reflected in the balance sheet – contracts placed for future expenditure

This note shows amounts to which the BBC Group is contractually committed, but which do not meet the criteria for inclusion in the balance sheet. The BBC has chosen to include fixed (but not variable) payments due under outsourcing contracts for the life of those contracts.

Functions covered by these long-term outsourcing contracts include IT support, content distribution and transmission, facilities management and elements of finance support.

	2016 £m	2015 £m
Fixed asset additions	31.4	21.5
Programme acquisitions and sports rights	1,089.0	929.2
Independent programmes	138.8	188.5
Other fixed payments on long-term outsourcing arrangements	2,206.6	2,251.6
	<b>3,465.8</b>	<b>3,390.8</b>

Long-term commitments not reflected in the balance sheet are payable as follows:

	2016 £m	2015 £m
Not later than one year	737.9	823.8
Later than one year but not later than five years	1,535.4	1,374.2
Later than five years	1,192.5	1,192.8
	<b>3,465.8</b>	<b>3,390.8</b>

<sup>1</sup> See Glossary for further details

## G. Other

For additional information on the relevant accounting policies applied in this section please see section H *Basis of preparation of the financial statements and other accounting policies*.

### G1 Assets held for sale

Non-current assets (and assets and liabilities of a group earmarked for disposal) are classified as held for sale if their carrying amount (amount held on the balance sheet) will be recovered principally through sale rather than continuing use, they are available for immediate sale and the sale is highly probable, normally within the next 12 months.

When non-current assets or disposal groups are recategorised to this note, they are stated at the lower of their previous 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.

	Note	2016 £m	2015 £m
<b>Non-current assets:</b>			
Interests in associates and joint ventures	E4	–	3.0
<b>Total assets classified as held for sale</b>		–	3.0

The asset classified as held for sale in the prior year related to BBC Worldwide's investment in the Temple Street associate, which on 31 March 2015 was approved by the Board for disposal. The Group disposed of its interest in Temple Street Productions during the year.

## G2 Taxation

### G2.1 Recognised in the income statement

The charge for the year, based on the rate of corporation tax of 20% (2015: 21%) comprised:

	Note	2016 £m	2015 £m
<b>Current tax</b>			
UK corporation tax		(3.2)	(1.5)
Adjustments in respect of prior years		(16.9)	(3.4)
		(20.1)	(4.9)
Foreign tax		15.5	18.2
Total current tax		(4.6)	13.3
<b>Deferred tax<sup>1</sup></b>			
Origination and reversal of temporary differences		5.1	15.4
Changes in tax rate		0.5	0.4
Adjustments in respect of prior years		(0.8)	0.9
Total deferred tax	G2.5	4.8	16.7
<b>Total taxation expense in the consolidated income statement</b>	G2.2	0.2	30.0

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## G. Other *continued*

### G2.2 Reconciliation of taxation expense

The PSB Group is only liable to taxation on those activities carried out with a view to making a profit and on rent, royalties and interest receivable and does not therefore receive relief for all its expenditure. However, the commercial subsidiaries in the BBC Group are taxed in accordance with tax legislation. Therefore, as the BBC Group's public sector 'free-to-air' broadcasting activities are not subject to taxation, the tax charge is primarily driven by the results of the commercial businesses. The items affecting the standard rate of corporation tax are explained below:

	Note	2016 £m	2015 £m
Surplus/(deficit) before tax		59.5	(95.2)
Surplus/(deficit) before tax multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)		11.9	(20.0)
<b>Effects of</b>			
<b>Public service activities</b>			
Public service taxable external income		24.0	5.1
Utilisation of unrecognised capital losses		(15.0)	–
Non-taxable public service activities		4.3	54.8
<b>Commercial activities</b>			
Disallowed expenditure (including goodwill impairment)		3.6	5.5
High-end television tax relief		(10.7)	(12.6)
Tax exempt investment sale		(0.3)	(11.3)
Tax differential on overseas earnings		5.6	16.1
Tax differential in associates and joint ventures		(6.0)	(5.6)
Tax rate decrease		0.5	0.4
Adjustments in respect of prior years*		(17.7)	(2.4)
<b>Total tax charge for the year</b>	G2.1	<b>0.2</b>	<b>30.0</b>

\* Adjustments in respect of prior years relate to overprovisions made during 2014/15.

### G2.3 Factors that may affect future tax charges

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

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

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

### G2.4 Current tax assets

The current tax assets of £26.1 million (2015: £20.5 million) relates to amounts due in respect of film tax credits outstanding on high-end drama and comedy productions and amounts due following overprovisions made in 2014/15.

### G2.5 Deferred tax assets/(liabilities)

	Fixed asset temporary differences £m	Provisions £m	Financial instruments £m	Joint ventures and associates £m	Programme rights £m	Other £m	Net deferred tax asset/ (liability) £m
At 1 April 2015	5.2	7.0	1.2	(26.8)	(6.1)	12.1	(7.4)
Net (credit)/charge to the income statement	(0.8)	(3.4)	(2.4)	13.1	–	(11.3)	(4.8)
Charge to reserves	–	–	2.5	–	–	–	2.5
Exchange differences	(0.1)	0.3	–	(2.0)	(0.2)	1.1	(0.9)
<b>At 31 March 2016</b>	<b>4.3</b>	<b>3.9</b>	<b>1.3</b>	<b>(15.7)</b>	<b>(6.3)</b>	<b>1.9</b>	<b>(10.6)</b>



	2016 £m	2015 £m
Deferred tax asset/(liability) presented within:		
Non-current assets	10.9	12.3
Non-current liabilities	(21.5)	(19.7)
	(10.6)	(7.4)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. The BBC Group has unrecognised deferred tax assets arising on capital losses totalling £145.2 million (2015: £232.0 million). These assets are not recognised on the basis that there is insufficient certainty that capital or operating gains will arise against which the BBC Group can utilise these losses.

### G3 Pension plans

Note G3 sets out the additional detailed disclosures related to the BBC Pension Scheme which were not included in note C7 or C8.

#### G3.1 Changes in the present value of plan liabilities<sup>1</sup>

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

	2016 £m	2015 £m
Opening present value of plan liabilities	13,707.0	12,192.7
Current service cost	185.4	181.0
Past service cost	(30.9)	1.1
Administration cost	7.7	8.4
Interest on pension plan liabilities	459.3	533.1
Remeasurement (gains)/losses:		
– Experience gains arising on plan liabilities	(179.1)	(317.3)
– Changes in financial assumptions <sup>1</sup>	125.3	1,499.4
Contributions by plan participants	0.9	0.8
Liabilities extinguished on settlements	(32.9)	–
Benefits paid and expenses	(417.9)	(392.2)
<b>Closing present value of plan liabilities</b>	<b>13,824.8</b>	<b>13,707.0</b>

#### G3.2 Changes in the fair value of plan assets

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

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

	2016 £m	2015 £m
Opening fair value of plan assets	12,766.3	10,684.2
Interest income on assets	429.4	473.6
Remeasurements on plan assets <sup>1</sup>	(146.5)	1,672.5
Contributions by employer	219.8	327.4
Contributions by plan participants	0.9	0.8
Assets distributed on settlements	(30.6)	–
Benefits paid and expenses	(417.9)	(392.2)
<b>Closing fair value of plan assets</b>	<b>12,821.4</b>	<b>12,766.3</b>

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## G. Other continued

### G3.3 Plan assets

The allocation of assets by the pension Trust Trustees is governed by the need to manage risk against the desire for high returns and any liquidity needs. A high percentage of assets are held in equities which the Trustees expect will produce higher returns in the long term.

Type of asset	2016		Restated <sup>^</sup> 2015	
	£m	%	£m	%
Equities – quoted	1,279.2	10	1,491.8	12
Equities – unquoted	4.9	–	6.6	–
Pooled vehicles – quoted	1,222.9	10	1,228.8	10
Pooled vehicles – unquoted	767.0	6	840.8	7
Repurchase agreements	(1,718.1)	(13)	(763.2)	(6)
Derivatives	(33.5)	–	(54.6)	–
Fixed interest bonds				
– Public sector	617.0	5	558.9	4
– Other	1,076.7	8	1,055.9	8
Index-linked bonds				
– Public sector	4,939.0	39	4,377.5	34
Property				
– UK	855.1	7	743.1	6
– Overseas	391.7	3	368.3	3
Alternatives*	3,055.1	22	2,494.0	19
Cash and other current assets	364.4	3	418.4	3
<b>Total assets</b>	<b>12,821.4</b>	<b>100</b>	<b>12,766.3</b>	<b>100</b>
<b>Actual return on pension plan assets**</b>	<b>282.9</b>		<b>2,146.1</b>	

<sup>^</sup> Comparatives have been restated to align disclosures to the BBC Pension Scheme financial statements.

\* Alternatives are investments in asset classes other than the traditional quoted equities, bonds, property and cash. They include investments in private equity, private credit, hedge funds, infrastructure and renewable energy investments. They are generally illiquid investments as some may require sufficient time to find buyers willing to pay full market value. They are useful for managing risk as they enhance portfolio diversification and potentially reduce risk as their cash flows can be well suited to meeting the scheme's liabilities.

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

### G3.4 BBC Pension Scheme gains/(losses) in the consolidated statement of comprehensive income

	2016 £m	2015 £m
Return on plan assets (excluding amounts included within interest)	(146.5)	1,672.5
Remeasurement gains/(losses) <sup>†</sup> arising from:		
– Experience gains on plan liabilities	179.1	317.3
– Changes in financial assumptions	(125.3)	(1,499.4)
<b>Net gain recognised in the consolidated statement of comprehensive income</b>	<b>(92.7)</b>	<b>490.4</b>

<sup>†</sup> See Glossary for further details

### G3.5 Principal actuarial assumptions

The calculation of the scheme liabilities and pension charges, for IAS 19 purposes, requires a number of financial and demographic assumptions to be made. The principal assumptions used by the actuaries at the balance sheet date were:

	2016 %	2015 %
Principal financial assumptions		
Rate of increase in salaries	1.00	1.00
Rate of increase in pension payments:		
– Old Benefits*	2.95	2.90
– New Benefits*	2.75	2.70
– Career Average Benefits (2006)*	2.40	2.40
– Career Average Benefits (2011)*	1.85	1.80
Inflation assumption (RPI)	2.95	2.90
Inflation assumption (CPI)	1.95	1.90
Discount rate <sup>1</sup>	3.40	3.40

\*For more information on the different pension arrangements, please refer to the Remuneration Report.

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

	2016 Number of years	2015 Number of years
Principal demographic assumptions		
Retiring today:		
– Male	27.6	27.5
– Female	30.0	29.9
Retiring in 20 years:		
– Male	29.5	29.4
– Female	32.0	31.9

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

### G3.6 Scheme membership analysis and maturity<sup>1</sup> profile

	2016 Number	2015 Number
Principal demographic assumptions		
Contributors	11,405	12,237
Pensioners	19,536	19,306
Dependants	4,276	4,196
Deferred pensioners	29,110	29,374

The total number of scheme beneficiaries as at 31 March 2016 was 50,797 (2015: 51,658). Membership numbers in the table above are higher as members can hold more than one record. For example, contributing members who have transferred to the Career Average Benefits 2011 section from another section of the scheme may have a deferred pensioner record for their benefits built up in the Old Benefits, New Benefits or Career Average Benefits 2006 sections and a contributing record for their Career Average Benefits 2011 benefits.

The average duration of the benefit obligation at the end of the reporting period is 19 years (2015: 20 years). This number can be subdivided into the duration related to:

- contributors: 25 years (2015: 25 years)
- pensioners: 13 years (2015: 14 years)
- deferred pensioners: 26 years (2015: 27 years)

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## **G. Other** continued

### **G4 Financial instruments**

This section details the financial instruments held by the BBC Group. A financial instrument is a contract that results in one entity recording a financial asset (a contractual right to receive financial assets, e.g. cash) in their accounts and another entity recording a financial liability.

The BBC Group's financial instruments, other than those used for treasury risk management purposes, comprise cash and cash equivalents, borrowings and various items such as trade receivables and payables that arise directly from its operations.

#### **G4.1 Financial risk management**

The BBC Group's financial risk management operations are carried out by a BBC Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the BBC Executive Board. BBC Group Treasury's activity is routinely reported and is subject to review by internal auditors.

The BBC Group Treasury function uses financial instruments to raise finance and to manage financial risk arising from the BBC's operations in accordance with its objectives which are:

- to ensure the business of the BBC Group, both PSB Group and Commercial, is funded in the most efficient manner and remains compliant with borrowing ceilings;
- to protect the value of the BBC's assets, liabilities and cash flows from the effects of adverse interest rates and foreign exchange fluctuations; and
- to maximise the return on surplus funds, whilst ensuring sufficient cash is retained to meet foreseeable liquidity requirements.

The BBC Group takes a risk averse approach to the management of foreign currency trading and has implemented a clear economic hedging policy to minimise volatility in the financial results. A small number of the forward foreign currency contracts entered into by the BBC Group were designated as hedging instruments in effective cash flow hedges. Hedge accounting is only applied where there is appropriate designation and documentation.

The BBC Group is exposed to the following areas of risk arising from financial instruments:

- market risk, principally currency and interest rate risk;
- liquidity risk; and
- credit risk<sup>1</sup>. The largest element is the licence fee debtor, £392.9 million (2015: £387.0 million). The amount of income that the BBC receives is directly related to the amount of licence fee collected from households in the UK.

The material risks to the BBC Group are:

#### **Currency risk**

The BBC Group is principally a UK-based organisation with the majority of transactions, assets and liabilities being sterling based; however, the BBC Group undertakes some transactions in currencies other than sterling. Due to movements in exchange rates over time, the amount the BBC Group expects to receive or pay when it enters into a transaction may differ from the amount that it actually receives or pays when the transaction is settled.

The most significant currency exposure by total value of transactions is to US dollars. Due to the relative size of this exposure in comparison to the BBC Group's sterling-denominated business, the BBC does not consider this to be significant for the BBC Group, but does, however, generally enter into forward currency contracts to manage, or hedge, this currency risk, which allows the BBC Group to settle transactions at known exchange rates, reducing uncertainty.

The overall income or expenditure to be recognised in relation to contracts denominated in foreign currency (and the related hedges) is therefore fixed; however, where these contracts span financial years, the recognition of the fair value of the forward currency contracts results in timing gains/losses in each financial year. These timing gains/losses are therefore a result of market conditions and not variances in underlying contract value.

As a result of this certainty of cash flows the BBC Group has mitigated its underlying sensitivity to currency fluctuations and therefore has not presented sensitivity analysis as any potential variation is insignificant.

At 31 March 2016, the BBC Group had entered into a net commitment to sell foreign currencies amounting to £322.1 million (2015: net commitment to sell £366.3 million) that mature in the period through to 2019 in order to fix the sterling cost of commitments through this period (mainly euros and US dollars). These forward foreign exchange contracts mean the BBC Group had no significant currency exposure.

<sup>1</sup> See Glossary for further details

### Interest rate risk

The Group's main exposure to interest rate fluctuations arises on external borrowings. BBC Commercial Holding's 2013 private placement included a tranche of fixed rate sterling debt alongside a tranche of fixed rate US dollar debt, with the latter swapped to fixed rate sterling throughout the period of the instrument. Since March 2003, the Group has been borrowing under its revolving credit facilities at floating rates of interest and then using interest rate swaps, caps and collars to manage the Group's exposure to interest rate fluctuations and provide greater certainty of cash flows. Interest rate swaps, caps and collars<sup>1</sup> are taken out based on projected borrowing requirements, therefore differences will occur between the notional amount of the swaps, caps and collars and the actual borrowing requirements. The effect of taking out the interest rate swaps, caps and collars is that in the longer term the Group has no significant underlying sensitivity to interest rate fluctuations and hence no sensitivity analysis has been presented.

Sterling fixed rate borrowings are achieved by entering into interest rate swap transactions; all outstanding swaps mature by the end of June 2020. In total, £240.3 million (2015: £236.5 million) of swaps were entered into. The coverage is £8.4 million higher (2015: £27.1 million higher) than the current level of bank loans of £231.9 million (2015: £209.4 million).

Fair value movements in respect of interest rate swaps and interest rate options are recorded through the income statement within financing income/financing costs as hedge accounting is not applied.

### Liquidity risk

Liquidity risk is the risk that the BBC Group will not be able to meet its financial obligations as they fall due. The BBC is subject to ceilings on its borrowings set by the Secretary of State in accordance with the Agreement between the BBC and DCMS (see note F1). In order to comply with these ceilings, together with the terms of any individual debt instruments, the BBC's Group Treasury function manages the BBC Group's borrowings by regularly monitoring BBC Group cash flow forecasts. The BBC holds its surplus liquidity in term deposit accounts with highly rated financial institutions.

## G4.2 Fair value of financial instruments

The following table shows the fair value of the BBC Group's financial instruments, in categories according to how the financial instrument is measured. It also shows the maturity profile for each category of financial asset and liability.

	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after more than five years £m	Total £m
<b>2016 – Fair value</b>				
<b>Financial assets at fair value</b>				
Derivative financial instruments:				
Derivatives that are designated in hedge relationships	0.7	0.1	–	<b>0.8</b>
Derivatives through the income statement	3.2	10.0	–	<b>13.2</b>
<b>Loans and receivables</b>				
Trade and other receivables	626.9	–	2.5	<b>629.4</b>
<b>Cash and cash equivalents</b>				
	334.8	–	–	<b>334.8</b>
<b>Available for sale financial assets</b>				
Other investments	–	–	158.9	<b>158.9</b>
Investment properties	–	–	167.8	<b>167.8</b>
<b>Financial liabilities at fair value</b>				
Derivative financial instruments:				
Derivatives that are designated in hedge relationships	(12.0)	(5.0)	–	<b>(17.0)</b>
Derivatives through the income statement	(7.3)	(7.8)	–	<b>(15.1)</b>
Trade and other payables	(2.0)	(0.6)	–	<b>(2.6)</b>
<b>Financial liabilities measured at amortised cost</b>				
Bank loans, overdrafts and loan notes	(54.0)	(177.9)	–	<b>(231.9)</b>
Trade and other payables	(472.1)	–	–	<b>(472.1)</b>
Obligations under finance leases	(48.9)	(222.5)	(1,146.8)	<b>(1,418.2)</b>

# Notes to the accounts

## G. Other continued

### G4.2 Fair value of financial instruments continued

	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after more than five years £m	Total £m
<b>2015 – Fair value</b>				
<b>Financial assets at fair value</b>				
Derivative financial instruments:				
Derivatives that are designated in hedge relationships	7.5	2.7	–	10.2
Derivatives through the income statement	3.9	5.6	–	9.5
<b>Loans and receivables</b>				
Trade and other receivables	636.8	–	12.3	649.1
<b>Cash and cash equivalents</b>				
	405.8	–	–	405.8
<b>Available for sale financial assets</b>				
Other investments	–	–	154.3	154.3
Investment properties	–	–	57.3	57.3
<b>Financial liabilities at fair value</b>				
Derivative financial instruments:				
Derivatives that are designated in hedge relationships	(8.6)	(5.4)	–	(14.0)
Derivatives through the income statement	(8.4)	(13.3)	–	(21.7)
Trade and other payables	(0.5)	(0.4)	–	(0.9)
<b>Financial liabilities measured at amortised cost</b>				
Bank loans, overdrafts and loan notes	(35.3)	–	(174.1)	(209.4)
Trade and other payables	(493.3)	–	–	(493.3)
Obligations under finance leases	(46.4)	(190.3)	(1,209.7)	(1,446.4)

The fair value and carrying value of financial instruments was the same with the exception of finance leases. At 31 March 2016, the fair value of the Group's obligations under finance leases was £568.0 million higher (2015: £590.1 million higher) than their carrying value. The fair value at 31 March 2016 was determined by recalculating the finance lease liability using the current market interest rates, adjusted for an appropriate risk premium. The movement in the interest rates between the inception of each finance lease (used to generate the finance lease models) and 31 March 2016 creates a difference between the carrying value and the fair value.

### G4.3 Derivative<sup>1</sup> financial instruments

When calculating the fair value of the BBC Group's financial instruments (subsequent to the initial recognition), the technique used in each calculation has to be allocated to the relevant level of hierarchy in the table below. This disclosure helps to show the level of judgement that the BBC Group has used in calculating fair values, subsequent to the initial recognition.

Categorisation into the following headings is based on the inputs used for the valuation technique as opposed to the technique itself:

- level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets (where transactions occur on a frequent basis and in sufficient volumes for the pricing information to be available on an ongoing basis). The prices are therefore available to the general public for identical instruments and occur on a regular basis, thus ensuring they are continually up to date;
- 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). Instruments that would typically fall into this category include those where quoted prices are available for similar, but not identical instruments and instruments where a quoted price is available, but in a non-active market, i.e. the price may be out of date and therefore require some limited adjustments; 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). This can include methods such as projected future cash flows and occur where there is little, or no, market activity.

	Fair value hierarchy level	Assets £m	Liabilities £m
<b>2016</b>			
<b>Greater than one year</b>			
Forward foreign currency contracts	1	2.4	(10.5)
Interest rate swaps	2	7.7	(0.1)
Embedded derivatives	3	–	(2.2)
Investment properties	3	167.8	–
Other investments	3	158.9	–
Other payables	3	–	(0.6)
Finance leases	3	–	(1,369.3)
		<b>336.8</b>	<b>(1,382.7)</b>
<b>Less than one year</b>			
Forward foreign currency contracts	1	3.9	(18.9)
Embedded derivatives	3	–	(0.4)
Other payables	3	–	(2.0)
Finance leases	3	–	(48.9)
		<b>3.9</b>	<b>(70.2)</b>
<b>2015</b>			
<b>Greater than one year</b>			
Forward foreign currency contracts	1	5.7	(18.1)
Interest rate swaps, caps and collars	2	2.5	(0.6)
Embedded derivatives	2	0.1	–
Investment properties	3	57.3	–
Other investments	3	154.3	–
Other payables	3	–	(0.4)
Finance leases	3	–	(1,400.0)
		<b>219.9</b>	<b>(1,419.1)</b>
<b>Less than one year</b>			
Forward foreign currency contracts	1	11.4	(16.3)
Interest rate swaps, caps and collars	2	–	(0.2)
Embedded derivatives	2	–	(0.5)
Other payables	3	–	(0.5)
Finance leases	3	–	(46.4)
		<b>11.4</b>	<b>(63.9)</b>

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## G. Other continued

### G4.3 Derivative financial instruments continued

Level 3 financial assets recorded at fair value include £151.4 million (2015: £149.9 million) for the asset held in Daunus Limited, the entity that redeveloped Broadcasting House. The BBC holds a 10% share of the issued share capital (preferential in nature) of that company, due to mature in 2033 at which point in time the BBC receives certain rights in respect of Broadcasting House. The BBC's shares in Daunus Limited entitles it to the first £90 million (plus RPI from the start of the lease) of any proceeds on termination of the lease. The fair value estimate has been based on the £90 million, inflated by RPI, and discounted back to present day. The estimated interest rate used (linked to RPI) was 1.0% (2015: 3.0%) and the rate used to discount the future cash flows was 2.1% (2015: 2.1%).

The fair value of the investment in Daunus is not included on the balance sheet as it is equity accounted for. See note E4.

Level 3 financial liabilities recorded at fair value and included within other payables relate to written put options<sup>1</sup> issued to non-controlling interests in the Group's subsidiaries. The fair value of such instruments is calculated based on the strike price<sup>1</sup> of the options and management's best estimate of the date at which options may be exercised<sup>1</sup>. Embedded derivatives were also assessed as a level 3 financial liability.

As the BBC's main finance leases include provisions to provide for the BBC's share of any appreciation in market value these have been classified as level 3 financial liabilities.

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

	2016		Restated*	
	£m		2015 £m	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Opening balance	211.7	(1,448.7)	108.9	(1,382.9)
Settlements and payments	–	87.4	0.1	82.3
Unwinding of discount recorded within finance expense	–	(79.2)	–	(80.5)
Additions	118.7	(1.6)	57.3	–
Change in fair value recorded in operating costs	0.1	(3.3)	–	(0.1)
Change in fair value recorded within reserves	2.9	–	–	–
Change in fair value	(6.7)	22.0	45.4	(67.5)
	<b>326.7</b>	<b>(1,423.4)</b>	211.7	(1,448.7)

\*Comparatives have been restated to incorporate finance leases.

Additions relate to the BBC's properties reclassified as investment properties during the year. See note D2 for further details.

The BBC Group applies cash flow hedge accounting for trades taken out by certain of its commercial subsidiaries in respect of their forecasted foreign currency transactions<sup>1</sup>. Hedge accounting is only applied where appropriate designation and documentation exists. Net losses (before tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in cash flow hedge relationships at 31 March 2016 were £12.5 million (2015: £10.9 million net gains). These 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 three years.

<sup>1</sup> See Glossary for further details



The following table details the BBC Group's remaining contractual maturity for its non-derivative financial liabilities (including obligations under finance leases) but excludes trade and other payables that were settled in the normal course of business and are due within one year. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the BBC Group can be required to pay:

	Cash flow £m	Interest £m	Principal £m
<b>2016</b>			
<b>Variable interest rate instruments</b>			
Not later than one year	53.9	–	53.9
<b>Fixed interest rate instruments</b>			
Not later than one year	90.3	82.7	7.6
Later than one year but not later than five years	556.4	322.8	233.6
Later than five years	1,403.1	616.1	787.0
	<b>2,103.7</b>	<b>1,021.6</b>	<b>1,082.1</b>
<b>2015</b>			
<b>Variable interest rate instruments</b>			
Not later than one year	35.3	–	35.3
<b>Fixed interest rate instruments</b>			
Not later than one year	90.8	82.9	7.9
Later than one year but not later than five years	372.0	328.3	43.7
Later than five years	1,671.5	692.7	978.8
	<b>2,169.6</b>	<b>1,103.9</b>	<b>1,065.7</b>

## G5 Interests in joint ventures, associates and subsidiaries

The BBC Group holds (directly and indirectly) interests in the following significant joint ventures, associates and subsidiaries listed below which, except where otherwise stated, are incorporated in Great Britain and registered in England and Wales. A full list of joint ventures, associates and subsidiaries is available on request from the General Counsel and Secretary, BBC, Broadcast Centre, 201 Wood Lane, London W12 7TP.

### G5.1 Significant joint ventures and their activities

The BBC Group has an interest in the following joint ventures which are all incorporated in Great Britain and registered in England and Wales, unless otherwise stated:

Name of entity	Place of incorporation and principal place of business	Holding of issued ordinary shares %	Activity
<b>Commercial joint ventures:</b>			
UKTV Media Holdings Limited	England and Wales	50%	TV channel operator
Daunus Limited*	England and Wales	10%	Property
Freesat (UK) Limited	England and Wales	50%	Broadcasting

\* 33% voting rights.

### G5.2 Significant associates and their activities

Name of entity	Place of incorporation and principal place of business	Holding of issued ordinary shares %	Activity
YouView Limited	England and Wales	14.2%	Multiplatform broadcasting
New Video Channel America LLC*	United States	50.1%	TV channel operator
3sixtymedia Limited**	England and Wales	10.0%	Production

\* Whilst BBC Worldwide Limited retain a significant influence over New Video Channel America LLC and has the rights to variable returns, it is not deemed to have control and is therefore recognised as an associate undertaking.

\*\* The BBC holds 10% of the total share capital of 3sixtymedia Limited but 20% of the Class A ordinary shares, which gives it significant influence.

# Notes to the accounts

## G. Other *continued*

### G5.3 Subsidiary undertakings<sup>1</sup>

Except where noted below, all entities are incorporated in England and Wales.

Name of entity	Principal place of business	
<b>Commercial subsidiaries (all 100% owned unless stated):</b>		
BBC Commercial Holdings Limited	England and Wales	*
BBC Worldwide Limited	Global	**
BBC Global News Holdings Limited	Global	**
BBC Ventures Group Limited	England and Wales	**
BBC Studios and Post Production Limited	England and Wales	**
BBC Grafton House Productions Limited	England and Wales	**
BBC Children's Productions Limited	England and Wales	**
BBC Comedy Productions Limited	England and Wales	**
BBC Store Limited	England and Wales	**
BBC Worldwide Investments Limited	England and Wales	**
BBC Earth MD (WWD) Limited	England and Wales	**
BBC Earth Productions (Africa) Limited	England and Wales	**
BBC Earth Productions (Life) Limited	England and Wales	**
BBC Earth Productions Limited	England and Wales	**
BBC Worldwide Productions (UK) Limited	England and Wales	**
BBC Magazines Rights Limited	England and Wales	**
BBC Magazine Holdings Limited	England and Wales	**
BBC World Service Television Limited	England and Wales	**
beeb Ventures Limited	England and Wales	**
European Channel Management Limited	England and Wales	**
BBC Worldwide Corporate Services Limited	England and Wales	**
beeb Rights Limited	England and Wales	**
European Channel Broadcasting Limited	England and Wales	**
2 entertain Video Limited	England and Wales	**
Demon Music Group Limited	England and Wales	**
DVDS2 Limited	England and Wales	**
BBC Earth Productions (Giant Films) Limited	England and Wales	**
Earth Film Productions Limited	England and Wales	**
BBC Magazines Rights 3 Limited	England and Wales	**
BBC Magazines Rights 5 Limited	England and Wales	**
2 Entertain Management Limited	England and Wales	**
BBC Video Limited	England and Wales	**
MCI Music Publishing Limited	England and Wales	**
Crimson Productions Limited	England and Wales	**
F-Beat Records Limited	England and Wales	**
Demon Records Limited	England and Wales	**
Bedder 6 Limited	England and Wales	**
BBC Worldwide Music Limited	England and Wales	**
BBC Worldwide Productions (Africa) (Pty) Limited	Africa	**
BBC Worldwide (Africa) (Pty) Limited	Africa	**
BBC Worldwide Australia Pty Limited	Australia	**
BBC Worldwide Australia Publishing Pty Limited	Australia	**

\* Directly owned

\*\* Indirectly owned

<sup>1</sup> See Glossary for further details

Name of entity	Principal place of business	
<b>Commercial subsidiaries: (all 100% owned unless stated) continued</b>		
BBC Worldwide Intermediadora de Programadora Estangeira Ltd	Brazil	**
Nine Productions Incorporated	Canada	**
Worldwide Channel Investments (Ontario) Ltd	Canada	**
2004370 Ontario Incorporated	Canada	**
Worldwide Knowledge (Beijing) Business Consulting Company Ltd	China	**
BBC Worldwide Productions Nordics ApS	Denmark	**
Erste Weltweit Medien GmbH	Germany	**
BBC Worldwide Media Private Ltd	India	**
BBC Worldwide Channels Mexico S.A de C.V	Mexico	**
BBC Worldwide Mexico S.A de C.V	Mexico	**
BBC Worldwide Polska	Poland	**
BBC Worldwide Channels (Singapore) Pte. Ltd	Singapore	**
BBC.com US, Incorporated	USA	**
BBC Worldwide Americas (401) k Plan Trustees	USA	**
Worldwide Americas Investments Incorporated	USA	**
Global Hybrid Productions LLC	USA	**
Sun Never Sets Productions LLC	USA	**
Bad Wolf Productions LLC	USA	**
Adjacent Productions, LLC	USA	**
BBC Worldwide Reality Productions LLC	USA	**
DWTS Productions LLC	USA	**
Worldwide Competition Productions LLC	USA	**
BBC Global News Limited	England and Wales	**
BBC World Distribution Limited	England and Wales	**
BBC World Japan Limited (Incorporated in Japan)	Japan	**
BBC World (Singapore) Private Limited (Incorporated in Singapore)	Singapore	**
BBC Global News India Private Limited (Incorporated in India)	India	**
BBC.com Limited	England and Wales	**
BBC Global News US LLC	America	**
2 entertain Limited	England and Wales	**
BBC Worldwide Americas Incorporated	USA	**
BBC Worldwide Australia Holdings Pty Limited	Australia	**
BBC Worldwide Canada Limited	Canada	**
BBC Worldwide France Sarl	France	**
BBC Worldwide Germany GmbH	Germany	**
BBC Worldwide Holdings B.V	Netherlands	**
BBC Worldwide Japan Limited	Japan	**
DVDS3 Limited	England and Wales	**
Rapid Blue	South Africa	**
Tonto Films and Television Limited	England and Wales	**
UK Programme Distribution Limited	England and Wales	**
Worldwide Channel Investments Limited	England and Wales	**
<b>Subsidiaries incorporated to act on behalf of the PSB Group:</b>		
BBC Property Limited	England and Wales	*
BBC Property Investment Limited	England and Wales	*
BBC Property Development Limited	England and Wales	*
Centre House Productions Limited	England and Wales	*
BBC News Limited	England and Wales	*
DSHS Limited	England and Wales	*
BBC Free to View (Satellite) Limited	England and Wales	*

\* Directly owned  
\*\* Indirectly owned

# Notes to the accounts

## G. Other continued

### G5.3 Subsidiary undertakings<sup>1</sup> continued

Name of entity	Principal place of business	
<b>Subsidiaries incorporated to act on behalf of the PSB Group: continued</b>		
BBC Free To View Limited	England and Wales	*
Media Applications Technologies Limited	England and Wales	*
BBC Investments Limited	England and Wales	*
BBC Subscription Television Limited	England and Wales	*
BBC Digital Programme Services Limited	England and Wales	*
World Service Trading Limited	England and Wales	*
BBC World Service Holdings Limited	England and Wales	*
BBC Holdings M LLC	Russia	**
LLC BBC R News	Russia	**

\* Directly owned

\*\* Indirectly owned

## G6 Reserves

### G6.1 Operating reserve

At 31 March 2016, the cumulative goodwill written off to reserves on acquisitions prior to 1999 amounted to £6.8 million. This amount is unchanged from the prior year and remained in equity upon transition to IFRS as permitted by IFRS1 First time adoption of IFRS.

### G6.2 Hedging reserve

The hedging reserve is used to record the effective portion of cumulative net changes in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (net of tax). During the current year, losses of £0.7 million were removed from hedging reserves and credited to the income statement (2015: gains of £6.2 million).

### G6.3 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.

### G6.4 Other reserve

Other reserve includes revaluation of available for sale financial assets of £2.9 million (2015: £nil) and the fair value of the put option liabilities arising on acquisition of new subsidiaries.

## G7 Post-balance sheet events

There are no material events after the balance sheet date to disclose.

## G8 Related party transactions

The following table represents transactions with related-parties excluding key management personnel.

	Associates, joint ventures and other investments		BBC Pension Scheme	
	2016 £m	2015 £m	2016 £m	2015 £m
Rendering of services	76.2	64.3	–	–
Receiving of services	(76.4)	(80.0)	–	–
Pension contributions	–	–	219.8	327.4
Dividends received	26.6	32.0	–	–
	26.4	16.3	219.8	327.4

<sup>1</sup> See Glossary for further details

	Amounts owed by related parties		Amounts owed to related parties	
	2016 £m	2015 £m	2016 £m	2015 £m
BBC Pension Scheme	–	–	(0.7)	(1.1)
Associates, joint ventures and other investments	31.3	27.1	(10.7)	(9.4)
	31.3	27.1	(11.4)	(10.5)

In all transactions, the terms of trade were negotiated on an arm's length basis.

The BBC Group also enters into various transactions with government and local authorities on an arm's length basis. These transactions include council tax agreements and corporation tax payments.

Related-party transactions with key management personnel are disclosed in note C6.

### G9 Segment reporting

#### Geographical location of income and non-current assets

	PSB Group £m	BBC Worldwide £m	Other commercials £m	Group adjustments £m	Group £m
<b>2016</b>					
<b>Non-current assets excluding deferred tax and financial instruments:</b>					
UK	1,221.1	353.4	4.3	(35.8)	1,543.0
Rest of world	41.4	201.1	0.3	–	242.8
	1,262.5	554.5	4.6	(35.8)	1,785.8
Additions included in fixed assets and investments	118.4	192.0	5.4	(34.8)	281.0
<b>External income:</b>					
UK	3,905.8	200.5	30.7	(85.6)	4,051.4
Rest of world	19.3	654.9	101.4	–	775.6
	3,925.1	855.4	132.1	(85.6)	4,827.0
<b>2015</b>					
<b>Non-current assets excluding deferred tax and financial instruments:</b>					
UK	1,252.6	298.8	4.1	(29.6)	1,525.9
Rest of world	47.7	155.8	0.4	–	203.9
	1,300.3	454.6	4.5	(29.6)	1,729.8
Additions included in fixed assets and investments	122.8	220.8	1.5	(29.6)	315.5
<b>External income:</b>					
UK	3,916.6	194.1	73.8	(140.8)	4,043.7
Rest of world	10.5	657.2	93.7	–	761.4
	3,927.1	851.3	167.5	(140.8)	4,805.1

### G10 Contingent liabilities

The Group has a number of contingent liabilities arising from litigation and from the rights of customers and suppliers to undertake routine audits. These arise from trading activities undertaken in the ordinary course of business. The Group makes specific provision for the best estimate of any amounts which might be awarded as a result of these. A 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.

# Notes to the accounts

## H. Basis of preparation of the financial statements and other accounting policies

The BBC is incorporated in the United Kingdom under the Charter.

### Statement of accounting policies

The BBC Group is required to select and apply accounting policies for each type of transaction entered into throughout the year and in the preceding year. An accounting policy will specify the timing for recognising and derecognising assets, liabilities, income and expenditure, how those items will subsequently be measured and where they are presented in the statement of total income and expenditure, balance sheet and statement of cash flows.

For ease of reference, the accounting policies are grouped below into the section headings used above for the notes to the accounts.

### Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the BBC Executive Board to exercise judgement in applying the BBC Group's accounting policies. These areas involve a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the consolidated financial statements. We have presented such estimates or judgements alongside the related accounting policy within the relevant section of the notes.

### Basis of preparation

These consolidated financial statements for the BBC Group have been prepared in accordance with IFRS as adopted by the EU.

The financial statements are principally prepared on the historical cost basis, meaning that after initial recognition, the carrying amount of assets and liabilities are determined by reference to their original cost. Areas where other bases are applied are identified in the accounting policies within the relevant section of the notes.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the BBC Group's financial position and performance.

### Adoption of new and revised accounting standards

The following new and revised standards and interpretations have been adopted for the first time, as they became effective for this financial year. They have been applied since 1 April 2015 and have not had a significant impact on the results or financial position of the Group:

- amendments resulting from Annual improvements 2010 – 2012 Cycle (2013)
- amendments resulting from Annual improvements 2011 – 2013 Cycle (2013)
- amendments to IFRS 7 (2011 and 2013) Financial Instruments: Disclosures
- amendments to IAS 19 Employee Benefits (2013)

### Going concern<sup>1</sup>

The financial statements are prepared on a going concern basis. The directors believe this to be appropriate for the reasons set out below.

The directors have prepared and reviewed cash flow forecasts for the 24-month period to 31 March 2018, a period in excess of a year from the date of approval of these financial statements. In the directors' judgement, the key factors in these forecasts are the continuity of the Charter and licence fee (the quantum of which has been agreed until 2017), the BBC Pension Scheme deficit and the resultant deficit recovery payments agreed with the pension scheme Trustees and the realisation of planned cost savings under the 'Delivering Quality First' programme.

The Charter and licence fee give the BBC Group a secure source of income, however, the timing of cash flows is an important factor in the consideration of going concern given the borrowing restrictions agreed with the DCMS for both the PSB Group (£200 million) and the commercial operations of the BBC (£350 million).

The BBC Group has external funding available, including a £200 million sterling revolving credit facility which expires on 31 March 2020, which is currently unutilised. PSB net funds at 31 March 2016 were £239 million, this equates to a headroom of £389 million.

The BBC Group also has a £381 million multicurrency revolving credit facility available to the BBC commercial operations, with funding split between a US\$259 million US Private Placement (fixed through foreign exchange swap transactions at £171 million) until June 2020 and a £210 million facility until July 2019. As at the year end the Group had drawn down £231.9 million of the facilities available (2015: £209.4 million).

The directors of the BBC Group have reviewed these forecasts and taking all above factors into consideration, together with the sensitivities and mitigating factors in the context of available funds, they expect the BBC Group to be able to meet its debts as they fall due for the foreseeable future.

As a result, the directors are satisfied that the going concern basis is appropriate for the preparation of these financial statements.

### Basis of consolidation

The BBC Group accounts include the results of the BBC and all businesses controlled by the BBC (subsidiaries<sup>1</sup>) together with the BBC's share of the results of businesses over which the BBC has significant influence but not control (associates<sup>1</sup>) and those which the BBC jointly controls (joint ventures<sup>1</sup>).

The BBC Group accounts for its interests in associates and joint ventures using the equity method. The equity method means that the BBC presents its interest in the associates or joint ventures as a single line item in the balance sheet, measured at the cost of the investment plus the share of the net result, less dividends received. The equity accounted result for the year is presented as a single line item in the statement of income and expenditure.

Changes in the BBC Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, being movements between reserves attributable to the BBC and non-controlling interests. A non-controlling interest is the interest in a subsidiary that is not owned, directly or indirectly, by the BBC. The non-controlling interest reflects the amount of the net result for the year and the net assets/(liabilities) which are not attributable to the BBC. The carrying amounts of non-controlling interests are

<sup>1</sup> See Glossary for further details

adjusted to reflect any changes in their, and the BBC 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 BBC.

When the BBC 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 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 an associate or joint venture.

#### Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given by the BBC Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Subsequent adjustments to the fair values of net assets acquired are made within 12 months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition. Transaction costs that the BBC Group incurs in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred. On acquisition, the BBC Group recognises any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of net assets.

When control is obtained in successive share purchases (a 'step acquisition'), it is accounted for using the acquisition method at the acquisition date. The previously held interest is remeasured to fair value at the acquisition date and a gain or loss is recognised in the income statement.

#### Foreign currency transactions<sup>1</sup>

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign currency gains or losses arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from transactions settled during the year, are included in the income statement within operating costs. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of initial recognition.

#### Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. The income and expenses of foreign operations are translated into sterling at average monthly rates of exchange ruling during the financial period, which is a good approximation for the actual rate. Exchange differences arising on translation are recognised directly in the translation reserve.

On disposal of an investment in a foreign operation the associated translation reserve balance is released to the income statement.

#### Accounting policies relevant to section A

##### Licence fee income

Income from television licences is treated as an amount due from the relevant Government department, principally the DCMS. This represents the value of licences issued in the year, less a deduction for refunds and cancellations.

Where an element of the licence fee income has been ring-fenced by the Government for a specific purpose, that income is recognised when it is due, except if it becomes virtually certain that the BBC's expenditure on the ring-fenced purposes will be less than the ring-fenced income already received. In this case, the relevant amount of licence fee income, as agreed with the Government, will be repayable and recognised as such in the year the obligation to repay arises.

##### Other income

Other income arises from activities such as the sale of goods, provision of services and granting of licences. Revenue is measured after deductions for value added tax, any other sales taxes, trade discounts and sales between BBC Group companies.

##### — Sale of goods

Revenue is recognised once the significant risks and rewards of ownership of the goods have been passed to the customer and the BBC has released all managerial involvement surrounding the goods. Sales of goods are stated after deduction of the sales value of actual and estimated returned goods. Examples of goods sold include magazines, books and DVDs.

##### — Sale of services

Revenue is recognised at the point the service has been delivered and the receipt of the income is probable. Where the delivery is over a period of time, the revenue is recognised on a straight line basis. Examples of services sold include advertising and commercial licences for specific rights associated with TV programmes.

##### — Royalties

Royalty income is recognised on receipt or on an accruals basis, in accordance with the detail of the relevant agreements, where sufficient information is available.

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## H. Basis of preparation of the financial statements and other accounting policies *continued*

### — Rental income

Rental income is recognised on a straight line basis over the term of the lease.

### — Grants from Government departments

Grants are recognised as income in the financial year that they relate to.

### — Grants from other public bodies

Grants from other public bodies are recognised as income consistently with the related costs, provided that there is reasonable assurance that the BBC will comply with any conditions attached to the grant and that the grant will be received.

### — Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### — Use of estimates and judgements –

#### Commercial income

Revenue recognition in the BBC's commercial operations is complex, with a number of different revenue streams including sale of content to global broadcasters, subscription income and revenue from the sale of physical and digital products.

The complexity of individual contractual terms may require the Group to make judgements in assessing when the triggers for revenue recognition have been met, particularly whether the Group has sufficiently fulfilled its obligations under the contract to allow revenue to be recognised.

### *Accounting policies relevant to section B*

#### **Completed originated programmes<sup>1</sup>, programmes in production and prepayments to acquire future programme-related rights**

Completed originated programmes and programmes in production are held at cost.

Cost includes all direct costs, production overheads and a proportion of other attributable overheads. The proportion of programmes necessarily taking a substantial period of time to produce is small and as such no borrowing costs are included in cost.

Where, exceptionally, a programme is unable to be broadcast, as soon as it is virtually certain that this is the case, the full value of the programme will be written off to the income statement.

Programme development costs are expensed to the income statement until such time as there is a strong indication that the development work will result in a commissioned programme<sup>1</sup>, when any further costs are recognised as programme-related assets.

Originated programmes that are still in production at the balance sheet date are recognised as programmes in production, except that prepayments to acquire future programme-related rights are shown separately where the BBC has made payments to independent producers, or the holders of certain rights (for example, rights to broadcast sporting events), to receive the programme on completion.

#### **Rights to broadcast acquired programmes and films**

The rights to broadcast acquired programmes and films are recognised at cost. The costs of acquired programmes and films are written off on first transmission except to the extent that the number of further showings are contractually agreed, when they are written off according to the expected transmission profile. Assets and liabilities relating to acquired programmes are recognised at the point of payment or commencement of the licence period, whichever is earlier. Agreements for the future purchase of rights whose licence period has not commenced and where there has been no payment by the balance sheet date are disclosed as purchase commitments.

Where the BBC has invested in independent productions, in addition to broadcasting rights, the BBC may obtain rights to future royalties from the sale of rights associated with the production. These residual interests are recognised initially at cost subject to amortisation as royalties are received and impaired if anticipated royalties do not materialise.

#### **Other inventories**

Raw materials and other physical inventory, including finished goods, are stated at the lower of cost and net realisable value.

Works in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the assets to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

<sup>1</sup> See Glossary for further details



**Accounting policies relevant to section C****Other employee benefits**

Other short and long-term employee benefits, including holiday pay and long service leave, are recognised as an expense over the period in which they accrue.

**Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructure.

**Defined contribution plans**

The amounts charged as expenditure for the defined contribution plans represent the contributions payable by the BBC for the accounting period.

**Defined benefit plans**

The defined benefit plans, of which the majority of staff are members, provide benefits based on pensionable pay. The assets of the BBC Pension Scheme are held separately from those of the BBC Group.

Pension scheme assets are measured at fair value. Pension scheme liabilities are measured using the projected unit credit method. The present value of scheme liabilities is calculated by discounting estimated future cash outflows at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liabilities.

Remeasurement comprising gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. When the benefits of a plan are changed the resulting change in benefit that relates to past service is recognised immediately in the income statement. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on settlements and curtailments;
- net interest expense or income; and
- remeasurement.

The current service cost and past-service cost are included within operating costs in the consolidated income statement. Curtailments gains and losses are accounted for as past-service cost. Net interest expense or income relating to the funded defined benefit pension plans is included within 'finance income' or 'finance costs', as relevant, in the consolidated income statement.

Administration costs directly related to the management of plan assets are deducted from the return on plan assets, which are recorded as remeasurements in the statement of comprehensive income. Other administrative scheme expenses associated with running the scheme are recorded within operating expenses when incurred.

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Group's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

**Use of estimates and judgement – post retirement benefits**

The pension costs and obligations of the BBC Group's defined benefit schemes are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. Further analysis on the sensitivity of pension assumptions is given in note C8.I.

**Accounting policies relevant to section D****Owned assets**

Other than as noted below, items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

**Leased assets**

Assets held under finance leases are capitalised within property, plant and equipment and depreciation is provided as appropriate. On initial recognition the asset is measured at the lower of its fair value and the present value of the minimum lease payments.

**Depreciation**

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The major categories of property, plant and equipment are depreciated as follows:

- **Land and buildings**

Freehold land – not depreciated

Freehold buildings – 50 years

Freehold building improvements – 10 to 50 years

Leasehold buildings – shorter of 50 years or life of lease

Leasehold building improvements – shorter of 50 years or life of lease

- **Plant and machinery**

Computer equipment – 3 to 5 years

Electrical and mechanical infrastructure – 10 to 25 years

Other – 3 to 10 years

- **Furniture and fittings – 3 to 10 years**

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date.

# Notes to the accounts

## H. Basis of preparation of the financial statements and other accounting policies continued

### — Use of estimates and judgements – capital projects

The BBC is completing a number of significant capital projects for which amounts have been capitalised on the Group's balance sheet.

The recoverability of these assets is dependent on the achievement of project completion and the assets being used in the manner intended as part of the original business case.

### Investment properties

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight line method to allocate the depreciable amounts over the estimated useful lives of the properties. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the profit and loss when the changes arise.

### Lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the lease term.

Payments made under finance leases are apportioned between financing costs and the reduction of the outstanding liability. The financing costs are allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Use of estimates and judgements – leases

The determination of whether an arrangement is, or contains, a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys the right to use the asset.

In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by the BBC Group. Given that finance leases are recognised as liabilities, and operating leases are not, this can have a significant effect on

the reported financial position of the BBC. Another key judgement is the determination of the commencement date of a lease.

When determining the accounting for a finance lease, the BBC has assessed whether it has the right to use the leased asset at the inception of the lease, or whether this right passes at a later date ('the commencement date').

Where a significant site is being redeveloped, occupation may occur in distinct phases; consequently, the leased asset and liabilities are recognised based on the proportion of the site occupied at each commencement date.

### Non-current assets held for sale

Non-current assets (and disposal groups comprising assets and liabilities) 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 and sale is highly probable.

On initial classification as held for sale, non-current assets or disposal groups are measured at the lower of their previous 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.

### Investments in equity securities

Investments in equity securities held by the Group are classified as being available for sale and are stated at fair value, with any resultant gain or loss being recognised in the statement of comprehensive income, except for impairment losses. When these investments are derecognised the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement.

### Accounting policies relevant to section E

#### Programme-related intangible assets

Programme-related intangible assets, which include programme rights and residual programme rights<sup>1</sup>, are stated at cost, after writing off the costs of programmes that are considered irrecoverable, less accumulated amortisation. The cost and accumulated amortisation of programme-related intangible assets are reduced by programmes which are fully written off.

#### Research and development<sup>1</sup> expenditure – internally generated intangible assets

Expenditure on research activities is written off in the income statement when incurred.

Expenditure on development activities is included on the balance sheet as an asset only if both of the following conditions are met:

- it is probable that the asset will generate future economic benefits; and
- the development costs of the asset can be measured reliably.

The assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

For the PSB Group it is generally unlikely that future economic benefits in the form of cash inflows will be received, and as a result, other than assets created for use by the business in delivering its public purposes, development costs are only capitalised by the BBC Group's commercial businesses.

#### Other intangible assets

Other intangible assets acquired separately by the BBC Group are stated at cost less accumulated amortisation and any accumulated impairment losses. The identifiable intangible assets acquired as part of a business combination are shown at fair value at the date of acquisition (in accordance with IFRS 3 Business Combinations) less accumulated amortisation and any accumulated impairment losses.

#### Amortisation<sup>1</sup>

Amortisation is charged to the income statement on a systematic basis over the estimated useful lives<sup>1</sup> of intangible assets, from the date that they are available for use, unless such lives are indefinite. The useful lives and amortisation methods for each major class of intangible asset are as follows:

<sup>1</sup> See Glossary for further details

- programme rights and residual programme rights – charged to the income statement to match the average revenue profile of the programme genre over the estimated average marketable life, generally between 2 and 10 years; and
- other intangibles:
 

UKTV carrier agreement	Straight line	Unexpired term of agreement
Software	Straight line	2 – 5 years
Other	Straight line	3 – 8 years

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

#### Impairment<sup>1</sup>: Non-financial assets

At each balance sheet date, the BBC Group reviews the carrying amount (net amount held on the balance sheet) of those assets that are subject to amortisation to determine whether there is an indication that any of those assets has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

For goodwill the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the higher of fair value<sup>1</sup> less costs to sell and value in use. For the purposes of impairment testing, assets are grouped at the lowest level at which they generate separately identifiable cash flows (cash-generating units). In assessing value in use, the estimated future cash flows are 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.

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Where a cash-generating unit is impaired the impairment loss will first be allocated to reduce goodwill and then to the other assets of the cash-generating unit on a pro rata basis, except that the carrying amount of any individual asset will not be reduced below its separately identifiable recoverable amount.

Impairment losses in respect of goodwill are not reversed. In respect of assets other than goodwill, 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 the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

#### Goodwill<sup>1</sup>

Goodwill is recorded in the balance sheet as the difference between the fair value of the consideration transferred by the BBC and the recognised amount of non-controlling interests in the acquire compared to the fair value of the identifiable assets and liabilities acquired. These are all measured at the date of acquisition. Where the consideration is less than the net assets acquired, the difference is recognised immediately in the income statement.

Acquisitions prior to 1 April 2007 – as part of the adoption of IFRS, in accordance with IFRS 1 First-time adoption of IFRS, the Group elected to restate only those business combinations that occurred on or after 1 April 2007. In respect of acquisitions prior to 1 April 2007, goodwill is recognised at deemed cost being the amount previously recognised under UK accounting standards, subject to being tested for impairment at that date. Goodwill arising in periods up to 1 April 1998 remains offset against the operating reserve, as was permitted by UK GAAP at the time.

Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the joint venture or associate and is tested for impairment as part of the overall balance.

Subsequent measurement of separately recognised goodwill – goodwill is tested annually for impairment and is measured at cost less any accumulated impairment losses. For the purposes of impairment testing the goodwill is allocated to cash-generating units on the basis of those expected to benefit from the relevant business combination.

#### Accounting policies relevant to section F

##### Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at fair value less an allowance for estimated impairment. The allowance is based on objective evidence that the BBC Group will not be able to recover all amounts due.

Changes in the carrying amount of the allowance are recognised in the income statement.

##### Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use.

Originated programmes can be qualifying assets, but those necessarily taking a substantial period of time to get ready for broadcast are a small proportion of overall programme investment. Any borrowing costs that could be attributed to those programmes are not significant and, therefore, no borrowing costs are capitalised.

All finance income and other borrowing costs are recognised in income and expense in the period in which they are incurred.

##### Use of estimates and judgements – provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the BBC. This can be very complex, especially when there is a wide range of possible outcomes.

The BBC Group recognises decommissioning liabilities as part of the initial cost of the asset, discounted to present value. The Group reassesses whether there has been a change in this liability based on the facts and circumstances at each balance sheet date.

<sup>1</sup> See Glossary for further details

# Notes to the accounts

## H. Basis of preparation of the financial statements and other accounting policies continued

### Accounting policies relevant to section G

#### Taxation

The tax charge for the period comprises both tax currently payable and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in reserves, in which case it is recognised in reserves.

Current tax is the expected tax payable for the year, using tax rates that are enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. In respect of tax currently payable:

- the PSB Group is not liable to corporation tax on any surplus licence fee income or grants received from Government departments, however, it is fully liable for corporation tax on capital gains and on all its other external income. Expenditure on capital assets is not eligible for capital allowances giving rise to temporary differences that would lead to deferred tax assets or liabilities. Movements of fair value adjustments in the income statement give rise to deferred tax balances
- the BBC's commercial subsidiaries are liable for corporation tax based on taxable profit for the year

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

Deferred tax is provided using the balance sheet liability method on any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the tax rates expected to apply in the period when the liability is settled or the asset is realised using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only where there is a legally enforceable right to set off current

tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

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

#### Financial instruments

The BBC Group holds various derivative<sup>1</sup> and non-derivative financial instruments (including assets such as trade investments and liabilities such as borrowings). All financial assets are recognised and derecognised on a trade date. The accounting policy for the major categories of financial instruments is set out below.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months. Cash and cash equivalents also includes licence fee funds collected on behalf of HM Treasury, which are excluded from the Group's net funds and in respect of which a separate creditor is recognised.

#### Derivative financial instruments

The BBC Group does not enter into speculative derivative contracts, however, some derivative financial instruments are used to manage the BBC's exposure to fluctuations in interest rates (interest rate swaps<sup>1</sup>, caps<sup>1</sup> and collars<sup>1</sup>) and foreign currency exchange rates (foreign currency forwards contracts and currency options).

Derivative financial instruments, excluding derivatives held as qualifying hedges, are initially recognised at fair value and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the income statement.

The fair value of interest rate swaps, caps and collars is the estimated amount that the BBC Group would receive or pay to terminate the swap, cap or collar at the balance sheet date, taking into account current interest rates,

the current creditworthiness of swap, cap or collar counterparties and the creditworthiness of the BBC.

The fair value of foreign currency forward contract rates is determined using forward exchange rates at the balance sheet date.

#### Hedge accounting

The BBC 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. The accumulated amount in the cash flow hedge reserve is reclassified to profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of the hedge is recognised immediately in the income statement.

#### Embedded derivatives

These derivatives are found embedded within other financial instruments or other host contracts. Once identified they are treated as derivatives in their own right if their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value.

Embedded derivatives are carried on the balance sheet at fair value from inception<sup>1</sup> of the host contract. Unrealised changes<sup>1</sup> in fair value are recognised as gains/losses within the income statement during the period in which they arise.

#### Use of estimates and judgements – Impairment of financial assets

Financial assets are assessed at each balance sheet date to determine whether there is any objective evidence of impairment. Factors considered in determining whether there is objective evidence of an impairment include significant financial difficulty of the counterparty and breach of contract. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

<sup>1</sup> See Glossary for further details

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate<sup>1</sup>. All impairment losses are recognised in the income statement.

#### Reserves

The operating reserve is the accumulated surplus/deficit to date.

Available for sale reserve includes fair value gains and losses on available for sale financial assets.

The hedging reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (net of tax).

The translation reserve is used to record exchange differences arising from the retranslation of the net assets and results of overseas subsidiaries.

### New standards and interpretations not yet adopted

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	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRS 7	<i>Financial Instruments: Disclosures</i>
IFRS 16	<i>Leases</i>
IFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments resulting from Annual Improvements 2012-2014 Cycle	
IFRS 10 (amendments) and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosures of Interests in Other Entities</i>
IAS 1 (amendments)	<i>Presentation of Financial Statements</i>
IAS 16 (amendments) and IAS 38 (amendments)	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
IAS 27	<i>Separate Financial Statements</i>
IAS 7	<i>Statement of Cash Flows</i>
IAS 12	<i>Income Taxes</i>

The directors do not expect that the adoption of the standards and interpretations listed above would have a material impact on the financial statements of the Group in future periods, except for the following:

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IFRS 16 will impact both the measurements and disclosures of leases; and
- IFRS 15 may have an impact on revenue recognition and related disclosures

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 16 replaces the existing guidance in IAS 17 Leases. A single model for lessees will be required, eliminating off balance sheet accounting for non-exempt operating leases. Related lease assets and liabilities will therefore come onto the balance sheet and the presentation and timing of income and expense recognition in the income statement will change. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRS 15 is a converged standard from the IASB and FASB on revenue recognition. It provides a single, principles-based five-step model to be applied to all contracts with customers and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This is likely to impact the Group's royalty based income. New disclosures about revenue will also be introduced.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

# Glossary

With the aim of improving comprehension, the table below explains the financial terms used within the financial statements:

Term	Note	Definition
Amortisation	H	Amortisation is the reduction reflected in the carrying value of the asset as a consequence of the regular use of that asset by the organisation.
Assets available for sale	D3	Assets available for sale are interests in entities in which the BBC has neither control nor a significant interest.
Associate	E4	An associate is an entity that the BBC Group has significant influence over, but that does not meet the definition of a joint venture or subsidiary. Significant influence is the power to participate in the financial and operating decisions of an entity but is not control or joint control over those policies.
Cash-generating units	E2	Cash-generating units are the smallest group of assets that can independently generate cash flows.
Changes in demographic and financial assumptions	G3.1	Changes in demographic and financial assumptions represent the changes in estimates used to value the future liability. Demographic assumptions include mortality rates, staff turnover and early retirement. Financial assumptions encompass items such as discount rate and future salary levels.
Commissioned programme	H	A commissioned programme is where an agreement has been made for the programme to be produced for broadcast.
Credit risk	G4.1	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 obligation.
Current service cost	C7.2	The current service cost is the underlying cost to the BBC of pension rights earned by employees during the year.
DCMS borrowings	F1	The DCMS definition of 'borrowings' excludes leases which would be classified as operating under UK GAAP, but which are classified as finance leases under IFRS at the date of transition to IFRS. These leases are therefore excluded when comparing net debt/funds to DCMS borrowing ceilings.
Deferred tax	G2.1	Deferred tax is the amount of income tax payable or recoverable in future periods in respect of taxable or deductible temporary differences, the carry forward of unused losses, and/or the carry forward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, where the tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.
Derivative	G4.3	A derivative is an asset or liability that is dependent on, or derives its value from, another asset or liability and is to be settled in the future.
Discount rate	G3.5	The discount rate for the IAS 19 valuation has been derived with reference to market yields at the end of the reporting period on AA rated sterling-denominated corporate bonds with maturities consistent with the estimated term of the post-employment benefit obligations. Certain types of bonds are excluded from the calculating model, either because they have unusual features, are relatively small or potential outliers, in order to remove the distortion that might otherwise occur from including unusual, less liquid or potentially mis-rated bonds. Extrapolation is performed when the profile of the Scheme's expected benefit outgo is longer than the cash flows of the available bonds.
Effective interest rate	H	An effective interest rate is the rate used to discount future cash flows over the life of the contract back to present value.
Effective tax rate	G2.2	The tax charge for the year as a percentage of Group surplus/deficit excluding tax.
Exercise	G4.3	Exercise is the point at which the rights in the option are implemented or acted upon.
Fair value	D, G	The fair value of an asset is the amount for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
Finance lease	D4	A finance lease is a lease where the lessee has substantially taken on the risks and rewards of ownership and operating the asset. As such, both the asset and future liability are recognised on the balance sheet.
Foreign currency transactions	G	As these financial statements are prepared in sterling the BBC's foreign currency transactions and balances must be translated at appropriate exchange rates, into sterling. This means that variations in exchange rates can cause the valuation of investments to fluctuate even when there has been no change in the health of the underlying business.
Forward foreign currency contracts	G4.3	Under forward exchange contracts you buy or sell a currency at a fixed exchange rate with delivery made on a given date or dates in the future.

Term	Note	Definition
Going concern	H	The directors are required to make a statement that the BBC is a going concern which means it can meet its debts and continue trading for a period of at least 12 months from the date on which these financial statements were signed.
Goodwill	H	Goodwill is the difference between the value paid for a business and the fair value of its net assets. It represents the premium the purchaser is prepared to pay for the business.  Consideration, in this context, is the monetary value transferred in exchange for the share in ownership of another entity.  Where the BBC does not own an entity outright, the other shareholders are known/disclosed as non-controlling interests.
IAS 19 valuation	C8.1	The IAS 19 valuation takes assets at their market value and discounts the accrued liabilities by reference to the discount rate of an AA rated corporate.
Impairment	H	An impairment occurs when the carrying value of an asset is higher than the amount that is recoverable from its use or sale.
Inception	H	Inception is the point at which a contract is confirmed, this is normally the point at which the contract is signed.
Interest cost on pension plan liabilities	F9	The interest cost on pension plan liabilities represents the increase during the year in the value of the plan liabilities because the benefits are one year closer to settlement.
Interest rate caps	G4.1	Interest rate caps protect against interest rates rising, by setting an upper limit (cap) on the floating interest rate, while still allowing the benefit of falling interest rates.
Interest rate collars	G4.1	Interest rate collars are the same as interest rate caps except that there is also a lower limit set to the floating interest rate.
Interest rate swaps	G4.1	Interest rate swaps effectively swap a floating rate loan into a fixed rate loan, or vice versa.
Joint venture	E4	A joint venture is where the BBC Group has joint control over an entity with another partner(s).
Maturity	G3.6	The maturity of a scheme provides an indication of the cash requirements of the scheme and the likely attitude of the Trustees to risk within their investment policy. The more mature a scheme, the more likely that Trustees will favour low risk investments.
Net finance income/(cost)	C7.2	Net finance income/(cost) is the difference between the expected return on assets and the interest liabilities.
Operating lease	D6	An operating lease is a lease where the lessee has not taken on the risks and rewards of owning and operating the asset. The lessee (the BBC) is hiring rather than buying an asset.
Originated programmes	B5	Originated programmes are programmes produced internally by the BBC Group for broadcasting and/or sale of the rights to broadcast.
Past service cost	C7.2	The past service charges arise from changes to the terms and conditions relating to member's defined retirement benefits, resulting in a credit for years of service already given.
Pension Increase Exchange	C7.2	A PIE exercise involves offering defined benefit (DB) scheme members the choice of exchanging future annual increases on their pensions for a one-off immediate uplift. The uplifted pension does not then attract any further annual increases. The offer can be made to members currently receiving pensions, or to members at the point of retirement.
Pension scheme	C7	On retirement, members of the BBC's defined benefit Pension Scheme are paid their pensions from a fund which is kept separate from the Group to which the BBC makes cash contributions.
Plan liability	F9	The plan liability represents the expected amount of money that will be needed in the future to pay employees for their current and future service to the company.
Programme rights	H	Programme rights are rights held by the BBC that permit a future transmission of a particular programme or event.
Provisions in relation to associates and joint ventures	E4	Where the BBC has an obligation to settle an individual net liability of a joint venture, this is reflected within provisions.
Public services	F2	Public Services in this context represent the PSB Group (excluding Centre House Productions Limited – see note G4.2).
Put option	G4.3	A put option issued by the BBC provides the holder the rights, but not the obligation to require the BBC to buy shares at a future date and price determined by the option agreement.

# Glossary

Term	Note	Definition
Related parties	C6	Related parties include key management personnel, their immediate families and external entities controlled by them.
Remeasurement gains and losses	G3.4	These gains and losses arise from actual performance being different from that predicted. Only defined benefit schemes give rise to gains and losses in the statement of comprehensive income.
Remeasurements	C7.2	Remeasurements which arise from actual performance being different from that predicted give rise to gains and losses in the statement of comprehensive income.
Remeasurements on plan assets	G3.2	Remeasurements on plan assets represent the amount by which the assets held by the scheme (such as equities, bonds and property) have performed better or worse than the expected prior year value.
Research and development	B1	Research and development costs are incurred to explore ideas for new programmes or assets, such as the BBC iPlayer. Research costs are where the ideas are generated, some of which are then developed further into a plan or design where the costs are then categorised as development.
Strike price	G4.3	The strike price is the price the option will sell at.
Subsidiary undertaking	G5.3	A subsidiary undertaking is an entity that is directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.
Unrealised changes	H	Unrealised changes are those changes that occur to the value of the embedded derivative prior to the point at which the derivative is exercised.



## BBC in the nations

In the following section, we report income, expenditure and performance for the BBC in the devolved Nations of the UK – Wales, Scotland and Northern Ireland.

Network services are pan-UK services, and local services are those dedicated services for audiences within that Nation.

The following pages do not form part of the audited financial statements and have not been audited by Ernst & Young LLP. However, Ernst & Young LLP have:

- ensured the data has been properly extracted from the BBC systems
- ensured the data presented is consistent with the financial statements

# Wales

The BBC's expenditure in Wales during 2015/16 was £177.7 million across all services and platforms. Total expenditure represents an increase of £8.5 million on network content and £1.7 million on local content when compared to the previous year. Network TV in 2015/16 included BBC Wales productions *The Game* and the *Sherlock Special* along with *Casualty*, *Doctor Who*, *Crimewatch*, *Coast*, *Bargain Hunt* and a number of Factual productions for Daytime television.

In terms of volume for local content there has been little change, around 700 hours of English language TV content in both years (including repeats) and a small increase of 14 hours on content for S4C relating to repeats of *Pobol y Cwm*. Similarly the BBC Wales radio services are relatively static year on year with Radio Wales transmitting 7,439 hours in 2015/16 and Radio Cymru at 7,000 hours.

The reduction in time spent by BBC audiences consuming our television output in 2015/16 reflects wider trends and changes in audience behaviour.

The following pages provide additional detail on the BBC's performance in Wales, including income, high level expenditure and performance across services provided in Wales.

## Income

These numbers are estimated as figures for each nation and have been calculated by applying the proportion of licenced premises to the total number of licences in force. The exact number of licences in force varies on a daily basis. The number of licenced premises are different to the number of licences in force as, in some cases, a premise may need more than one licence. Figures exclude concessionary licences for those living in residential care.

	2016 £m	2015 £m
<b>Estimated income</b>		
UK	3,742.8	3,735.4
Wales	186.5	186.0

## Expenditure by service

Direct and indirect spend relating to programmes produced in the nation.

	2016 £m	2015 £m
<b>Network content</b>		
TV (inc. Sport and Childrens)*	69.4	60.8
Radio	3.8	3.8
Online & Red Button	1.5	1.6
<b>Total network spend</b>	<b>74.7</b>	<b>66.2</b>
<b>Local content</b>		
TV – BBC One	21.7	21.4
TV – BBC Two	12.0	10.5
Radio Wales	15.1	15.5
Radio Cymru	14.2	14.1
Online & Red Button	6.4	6.2
<b>Total local spend</b>	<b>69.4</b>	<b>67.7</b>
National Orchestra of Wales	4.7	4.6
S4C**	28.0	27.1
Development	0.9	1.2
<b>Total</b>	<b>177.7</b>	<b>166.8</b>

\* Network content is attributed on an Ofcom basis, which excludes foreign productions.

\*\* This represents the television programmes commissioned and produced by BBC Wales and supplied to S4C (i.e. excluding programmes commissioned directly by S4C from other producers).

## TV hours

### Local opt-out hours<sup>^</sup> (including repeats) on BBC One and BBC Two

	2016 Hours	2015 Hours
Drama, Comedy, Entertainment, Music & Arts	31	27
Daily, Weekly News and Current Affairs	400	390
Sport & Leisure	168	166
Education, Factual & Religion	98	117
Childrens	–	–
<b>Total</b>	<b>697</b>	<b>700</b>

<sup>^</sup> Television content commissioned specifically for audiences in the nation.

### S4C\*

	2016 Hours	2015 Hours
Drama, Comedy, Entertainment, Music & Arts**	246	220
Daily, Weekly News and Current Affairs	263	273
Sport & Leisure	98	99
Education, Factual & Religion	9	8
Childrens	–	2
<b>Total</b>	<b>616</b>	<b>602</b>

\* This represents the television programmes commissioned and produced by BBC Wales and supplied to S4C (i.e. excluding programmes commissioned directly by S4C from other producers).

\*\* This includes repeats where BBC Wales has incurred a charge associated with the transmission of the programmes. The 2016 hours include 100 hours of repeats (including 77 hours of *Pobol y Cwm*) and the 2015 hours include 38 hours of repeats (including 35 hours of *Pobol y Cwm*).

## Radio hours

### BBC Radio Wales

	2016 Hours	2015 Hours
News and Current Affairs	2,168	2,206
General	5,271	5,217
<b>Total</b>	<b>7,439</b>	<b>7,423</b>

### BBC Radio Cymru

	2016 Hours	2015 Hours
News and Current Affairs	1,418	1,323
General	5,582	5,613
<b>Total</b>	<b>7,000</b>	<b>6,936</b>

## Headcount



















Average headcount reflects those individuals employed to directly support the services produced in Wales.

	2016 Number	2015 Number
Average number of persons employed in the year	1,158	1,145

Average headcount of individuals based in Wales across all services including support functions.

	2016 Number	2015 Number
Average number of persons employed in the year	1,394	1,444

## Wales' performance by service

		Content (£m) We spent a total of £103.1 million on these services last year in Wales	Reach (%) Wales population who use the service each week	Time spent watching a channel each week (h:m) Length of time the average Wales viewer spent each week with the channel
<b>Television</b>				
	BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres which includes news and current affairs, drama, comedy, entertainment and factual.	<b>£77.1m</b> 2014/15: £68.0m	 <b>75.9%</b> 2014/15: 77.5%	 <b>08:39</b> 2014/15: 08:53
	BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.	<b>£22.2m</b> 2014/15: £15.2m	 <b>49.9%</b> 2014/15: 51.4%	 <b>03:17</b> 2014/15: 03:19
	BBC Three is constantly innovating to provoke thought and to entertain audiences from 16-year-olds to 30-somethings with original comedy, drama and factual programming that celebrates new British talent.	<b>£0.4m*</b> 2014/15: £1.4m	 <b>19.5%<sup>^</sup></b> 2014/15: 20.8%	 <b>01:50</b> 2014/15: 01:54
	BBC Four aims to be British television's most intellectually and culturally enriching channel, offering an ambitious range of UK and international arts, music, culture and factual programmes.	<b>£3.4m</b> 2014/15: £3.3m	 <b>13.0%</b> 2014/15: 13.2%	 <b>01:41</b> 2014/15: 01:44
	The CBBC channel offers a distinctive mixed schedule for 6- to 12-year-olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.	— 2014/15: £3.7m	 <b>4.4%</b> 2014/15: 4.7%	 <b>02:35</b> 2014/15: 02:21
	CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.	— 2014/15: £1.1m	 <b>6.6%</b> 2014/15: 9.4%	 <b>04:19</b> 2014/15: 04:22

















Reach definition: 15+ minutes consecutive for all channels and services and audiences aged 4+ (TV).

Source: BARB (TV reach and time spent – all channels include their simulcast HD channel where applicable).






<sup>^</sup>BBC Three: among its target group of 16-34 year-olds reach was 25.2%. Owing to the channel moving online, BBC Three BARB data to 14/02/2016.

\*BBC Three as a linear service closed in March 2016, being replaced with an online service from February 2016. Spend on BBC Three Online formed part of the BBC Online & Red Button service from that point onwards.

## Wales' performance by service

		Content (£m) We spent a total of £3.8 million on these services last year in Wales	Reach (%) Wales population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average Wales listener spent each week with the service
<b>Radio</b>				
<b>BBC RADIO 1</b>	BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15- to 29-year-olds as well as providing tailored news, documentaries and advice campaigns for young adults.	— 2014/15: —	 <b>24.9%+</b> 2014/15: 26.4%	 <b>07:49</b> 2014/15: 07:12
<b>BBC RADIO 1Xtra</b>	BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new artists.	— 2014/15: —	 <b>2.0%^</b> 2014/15: 1.8%	 <b>02:20§</b> 2014/15: 02:55
<b>BBC RADIO 2</b>	BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as running social action campaigns to over 14 million listeners.	— 2014/15: —	 <b>36.6%**</b> 2014/15: 38.2%	 <b>13:30</b> 2014/15: 12:26
<b>BBC RADIO 3</b>	BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance across the UK.	<b>£2.6m</b> 2014/15: £2.6m	 <b>3.4%</b> 2014/15: 3.1%	 <b>05:42</b> 2014/15: 06:43
<b>BBC RADIO 4</b>	BBC Radio 4 is a mixed-speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.	<b>£1.2m</b> 2014/15: £1.2m	 <b>16.6%</b> 2014/15: 18.0%	 <b>11:51</b> 2014/15: 11:43
<b>BBC RADIO 4extra</b>	Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	— 2014/15: —	 <b>3.0%</b> 2014/15: 3.0%	 <b>07:06</b> 2014/15: 05:14
<b>BBC RADIO 5 live</b>	BBC Radio 5 live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.	— 2014/15: —	 <b>9.1%</b> 2014/15: 8.3%	 <b>06:33</b> 2014/15: 06:02
<b>BBC RADIO 5 live sports extra</b>	BBC Radio 5 live sports extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.	— 2014/15: —	 <b>2.8%</b> 2014/15: 1.7%	 <b>03:44</b> 2014/15: 04:03

## Wales' performance by service

	Content (£m) We spent a total of £3.8 million on these services last year in Wales	Reach (%) Wales population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average Wales listener spent each week with the service
<b>Radio</b>			
 <p>BBC 6 Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music news and documentaries.</p>	— 2014/15: —	<p><b>3.1%</b> 2014/15: 3.8%</p>	<p><b>08:11</b> 2014/15: 09:41</p>
 <p>BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.</p>	— 2014/15: —	<p><b>0.1%</b> 2014/15: 0.6%</p>	<p><b>*</b> 2014/15: *</p>
<p>Reach definition: 15+ minutes for all stations and audiences aged 15+.                      Source: RAJAR (Radio reach and time spent).                      Excludes programme 'Coming up on 5 live sports extra'.                      + BBC Radio 1: among its target group of 15-29 year-olds reach was 50.6% and time spent was 07:17.                      ^ BBC Radio 1Xtra: among 15-24 year-olds reach was 7.5%.                      **Radio 2: among its target group of 35+ year-olds reach was 42.4% and time spent was 14:47.                      * Sample size for time per user is too low to report.                      § Lower sample size may be responsible for greater variability in the data.</p>			
<b>News</b>			
 <p>The BBC News Channel is a 24-hour impartial and independent news service offering breaking news, analysis and insight. It provides fast and comprehensive coverage of local, UK and international events as they unfold.</p>	— 2014/15: —	<p><b>12.5%*</b> 2014/15: 12.4%</p>	<p><b>03:13</b> 2014/15: 03:10</p>
 <p>BBC Parliament is the UK's only channel dedicated to politics. It shows debates and committees from Westminster, Holyrood, Stormont, Cardiff Bay and Strasbourg as well as political programmes from across the UK.</p>	— 2014/15: —	<p><b>0.7%*</b> 2014/15: 0.5%</p>	<p><b>01:53</b> 2014/15: 01:48</p>
<p>Reach definition: 15+ minutes for all channels and services and on audiences aged 4+.                      Source: reach and time spent BARB (TV).                      *Three-minute reach for BBC News Channel and BBC Parliament – in line with industry standards – would be 16.5% and 1.4% respectively (18.6% and 1.6% among 16+ population).</p>			
<b>Digital</b>			
 <p>BBC Online comprises the BBC's portfolio of online products on desktop, connected TV, mobile and tablet, including news, sport and weather; our children's services CBBC and CBeebies; and Knowledge &amp; Learning – as well as IP-delivered TV and radio services, with both live and on-demand programmes available on BBC iPlayer.</p>	<p><b>£7.9m</b> 2014/15: £7.8m</p>	<p><b>62.8%</b> 2014/15: 67.3%</p>	<p><b>n/a</b> 2014/15: n/a</p>
<p>Reach definition: 3+ mins for both services, and on adults aged 16+.                      Source: Cross-Media Insight Survey by GfK, 16+, UK data financial years, Wales data calendar years.</p>			

# Scotland

Award-winning news and investigations, compelling drama, popular comedy and a range of documentaries and entertainment shows for network television and for radio were at the heart of BBC Scotland's output across the year, and changes to the Radio Scotland schedule brought sizeable increases in audience numbers.

The BBC's expenditure in Scotland during 2015/16 was £176.5 million across all services and platforms. This represents a decrease from the previous year 2014/15, in which significant additional investment was made by the BBC to provide comprehensive coverage of the Commonwealth Games in Glasgow and Scotland's Independence Referendum. The extended range of programmes across both events that year, which included debates, documentaries and live sport, on radio and on TV, was understandably not reflected in programme output in 2015/16. This also accounts for the drop in BBC Scotland's average annual headcount figure, to 1,096 in 2015/16.

The major impact on network TV investment in 2015/16 was the decommissioning of the long-running drama, *Waterloo Road*. In addition, there was a reduction in the volume of Daytime Quiz programming from Scotland over the same period. However, the value of network TV content from Scotland will increase again in 2016/17. We are confident of exceeding the target of 8.6% of qualifying BBC network TV spend in 2016.

The following pages provide additional detail on the BBC's performance in Scotland, including income, high level expenditure and performance across services provided in Scotland.

## Income

These numbers are estimated as figures for each nation and have been calculated by applying the proportion of licenced premises to the total number of licences in force. The exact number of licences in force varies on a daily basis. The number of licenced premises are different to the number of licences in force as, in some cases, a premise may need more than one licence. Figures exclude concessionary licences for those living in residential care.

	2016 £m	2015 £m
<b>Estimated income</b>		
UK	3,742.8	3,735.4
Scotland	320.1	323.0

## Expenditure by service

Direct and indirect spend relating to programmes produced in the nations.

	2016 £m	2015 £m
<b>Network content</b>		
TV (inc. Sport and Childrens)*	65.7	87.3
Radio	4.0	4.3
Online & Red Button	3.2	2.6
<b>Total network spend</b>	<b>72.9</b>	<b>94.2</b>
<b>Local content</b>		
TV – BBC One	45.2	49.4
TV – BBC Two	15.5	18.5
TV – BBC ALBA	5.5	6.0
Radio Scotland	22.9	21.7
Radio Nan Gàidheal	3.9	3.7
Online & Red Button	5.1	4.6
<b>Total local spend</b>	<b>98.1</b>	<b>103.9</b>
Scottish Symphony Orchestra	4.3	4.3
Development	1.2	0.8
<b>Total</b>	<b>176.5</b>	<b>203.2</b>

\* Network content is attributed on an Ofcom basis, which excludes foreign productions.

## TV hours

### Local opt out hours<sup>^</sup> (including repeats) on BBC One and BBC Two

	2016 Hours	2015 Hours
Drama, Comedy, Entertainment, Music & Arts	139	152
Daily, Weekly News and Current Affairs	544	557
Sport & Leisure	174	170
Education, Factual & Religion	104	103
Childrens	–	4
<b>Total</b>	<b>961</b>	<b>986</b>

<sup>^</sup>Television content commissioned specifically for audiences in the nation.

### Hours (including repeats) on BBC ALBA

	2016 Hours	2015 Hours
Drama, Comedy, Entertainment, Music & Arts	685	590
Daily, Weekly News and Current Affairs	189	206
Sport & Leisure	246	271
Education, Factual & Religion	877	889
Childrens	668	662
<b>Total*</b>	<b>2,665</b>	<b>2,618</b>

\*This includes repeat hours 1,972 (2015: 1,916).

## Radio hours

### BBC Radio Scotland

	2016 Hours	2015 Hours
News and Current Affairs	3,072	2,965
General	5,521	6,123
<b>Total</b>	<b>8,593</b>	<b>9,088</b>

### BBC Radio nan Gàidheal

	2016 Hours	2015 Hours
News and Current Affairs	647	655
General	4,281	4,204
<b>Total</b>	<b>4,928</b>	<b>4,859</b>

## Headcount

Average headcount reflects those individuals employed to directly support the services produced in Scotland.



















	2016 Number	2015 Number
Average number of persons employed in the year	1,096	1,146

Average headcount of individuals based in Scotland across all services including support functions.

	2016 Number	2015 Number
Average number of persons employed in the year	1,230	1,261



## Scotland's performance by service

		Content (£m) We spent a total of £126.4 million on these services last year in Scotland	Reach (%) Scotland population who use the service each week	Time spent watching a channel each week (h:m) Length of time the average Scotland viewer spent each week with the channel
<b>Television</b>				
	BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres which includes news and current affairs, drama, comedy, entertainment and factual.	<b>£76.9m</b> 2014/15: £86.1m	 <b>75.2%</b> 2014/15: 76.1%	 <b>08:11</b> 2014/15: 08:15
	BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.	<b>£33.0m</b> 2014/15: £37.2m	 <b>49.1%</b> 2014/15: 49.9%	 <b>03:11</b> 2014/15: 03:04
	BBC Three is constantly innovating to provoke thought and to entertain audiences from 16-year-olds to 30-somethings with original comedy, drama and factual programming that celebrates new British talent.	<b>£2.6m*</b> 2014/15: £13.8m	 <b>17.9%<sup>^</sup></b> 2014/15: 19.6%	 <b>01:41</b> 2014/15: 01:49
	BBC Four aims to be British television's most intellectually and culturally enriching channel, offering an ambitious range of UK and international arts, music, culture and factual programmes.	<b>£4.0m</b> 2014/15: £3.5m	 <b>13.6%</b> 2014/15: 13.6%	 <b>01:41</b> 2014/15: 01:37
	The CBBC channel offers a distinctive mixed schedule for 6- to 12-year-olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.	<b>£7.5m</b> 2014/15: £10.7m	 <b>3.5%</b> 2014/15: 3.6%	 <b>02:25</b> 2014/15: 02:21
	CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.	<b>£2.4m</b> 2014/15: £3.9m	 <b>6.4%</b> 2014/15: 6.7%	 <b>04:21</b> 2014/15: 03:20

Reach definition: 15+ minutes consecutive for all channels and services and audiences aged 4+ (TV).

Source: BARB (TV reach and time spent – all channels include their simulcast HD channel where applicable).

<sup>^</sup>BBC Three: among its target group of 16-34 year-olds reach was 20.4%. Owing to the channel moving online, BBC Three BARB data to 14/02/2016.

\*BBC Three as a linear service closed in March 2016, being replaced with an online service from February 2016. Spend on BBC Three Online formed part of the BBC Online & Red Button service from that point onwards.

## Scotland's performance by service

		Content (£m) We spent a total of £4.0 million on these services last year in Scotland	Reach (%) Scotland population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average Scotland listener spent each week with the service
<b>Radio</b>				
<b>BBC RADIO 1</b>	BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15- to 29-year-olds as well as providing tailored news, documentaries and advice campaigns for young adults.	<b>£0.1m</b> 2014/15: £0.1m	<b>18.7%*</b> 2014/15: 17.0%	<b>05:53</b> 2014/15: 07:11
<b>BBC RADIO 1Xtra</b>	BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new artists.	— 2014/15: —	<b>0.9%+</b> 2014/15: 0.6%	* 2014/15: *
<b>BBC RADIO 2</b>	BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as running social action campaigns to over 14 million listeners.	<b>£0.1m</b> 2014/15: £0.2m	<b>26.9%<sup>^</sup></b> 2014/15: 27.2%	<b>11:29</b> 2014/15: 11:19
<b>BBC RADIO 3</b>	BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance across the UK.	<b>£2.0m</b> 2014/15: £2.1m	<b>3.2%</b> 2014/15: 3.0%	<b>05:10</b> 2014/15: 06:05
<b>BBC RADIO 4</b>	BBC Radio 4 is a mixed-speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.	<b>£1.8m</b> 2014/15: £1.9m	<b>14.3%</b> 2014/15: 13.9%	<b>10:06</b> 2014/15: 11:16
<b>BBC RADIO 4extra</b>	Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	— 2014/15: —	<b>3.0%</b> 2014/15: 2.2%	<b>05:24</b> 2014/15: 06:22
<b>BBC RADIO 5 live</b>	BBC Radio 5 live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.	— 2014/15: —	<b>6.8%</b> 2014/15: 7.3%	<b>06:34</b> 2014/15: 06:25
<b>BBC RADIO 5 live sports extra</b>	BBC Radio 5 live sports extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.	— 2014/15: —	<b>1.5%</b> 2014/15: 1.1%	<b>01:57<sup>§</sup></b> 2014/15: 03:01

## Scotland's performance by service

### Radio

**Content (£m)**  
We spent a total of £4.0 million on these services last year in Scotland

**Reach (%)**  
Scotland population who use the service each week

**Time spent listening to a service each week (h:m)**  
Length of time the average Scotland listener spent each week with the service



BBC 6 Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music news and documentaries.

—  
2014/15: —



**3.7%**  
2014/15: 3.1%



**10:01**  
2014/15: 07:59



BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.

—  
2014/15: —



**0.5%**  
2014/15: 0.5%



**\***  
2014/15: \*

Reach definition: 15+ minutes for all stations and audiences aged 15+.  
Source: RAJAR (Radio reach and time spent).

Excludes programme 'Coming up on 5 live sports extra'.  
\*\* BBC Radio 1: among its target group of 15-29 year-olds reach was 37.2% and time spent was 06:21.  
^ BBC Radio 2: among its target group of 35+ year-olds reach was 32.2% and time spent was 12:38.  
+ BBC Radio 1Xtra: among 15-24 year-olds reach was 3.3%.  
\* Sample size for time per user is too low to report.  
§ Lower sample size may be responsible for greater variability in the data.

**Content (£m)**  
We spent a total of nil on these services last year in Scotland

**Reach (%)**  
Scotland population who use the service each week

**Time spent watching or listening to a service each week (h:m)**  
Length of time the average Scotland viewer or listener spent each week with the service

### News



The BBC News Channel is a 24-hour impartial and independent news service offering breaking news, analysis and insight. It provides fast and comprehensive coverage of local, UK and international events as they unfold.

—  
2014/15: —



**10.7%\***  
2014/15: 11.0%



**03:07**  
2014/15: 02:58



BBC Parliament is the UK's only channel dedicated to politics. It shows debates and committees from Westminster, Holyrood, Stormont, Cardiff Bay and Strasbourg as well as political programmes from across the UK.

—  
2014/15: —



**1.1%\***  
2014/15: 0.9%



**01:53**  
2014/15: 01:55

Reach definition: 15+ minutes for all channels and services and on audiences aged 4+.  
Source: reach and time spent BARB (TV).

\* Three-minute reach for BBC News Channel and BBC Parliament – in line with industry standards – would be 15.5% and 1.9% respectively (17.0% and 2.1% among 16+ population).

**Content (£m)**  
We spent a total of £8.3 million on these services last year in Scotland

**Reach (%)**  
Scotland population who use the service each week

**Time spent with each service each week (h:m)**  
Length of time the average Scotland user spent each week with the service

### Digital



BBC Online comprises the BBC's portfolio of online products on desktop, connected TV, mobile and tablet, including news, sport and weather; our children's services CBBC and CBeebies; and Knowledge & Learning – as well as IP-delivered TV and radio services, with both live and on-demand programmes available on BBC iPlayer.

**£8.3m**  
2014/15: £7.2m



**61.4%**  
2014/15: 59.5%



**n/a**  
2014/15: n/a

Reach definition: 3+ mins for both services, and on adults aged 16+.  
Source: Cross-Media Insight Survey by GfK, 16+. UK data financial years, Scotland data calendar years.

# Northern Ireland

2015/16 was a remarkable year of programme-making and community engagement. We delivered output with range and editorial ambition and made a big impact with large-scale BBC events, including *Sports Personality of the Year*. We developed our network presence with impactful, and critically acclaimed drama productions, including *Line of Duty* and secured new commissions in childrens and online, and we maintained the strength, reach and appeal of our journalism, discussion programmes and radio services.

The BBC's total expenditure in Northern Ireland during 2015/16 was £73.4 million across all services and platforms. This represents an increase on the previous year and reflects additional network television commissions and new investment in digital and online activity in Northern Ireland. Increased expenditure on online developments for UK-wide audiences led to an uplift in the number of people directly employed by the BBC in Northern Ireland – an average headcount increase of 23 on the previous financial year.

The reduction in time spent by BBC audiences consuming our television output in 2015/16 reflects wider trends and changes in audience behaviour.

The following pages provide additional detail on the BBC's performance in Northern Ireland, including income, high level expenditure and performance across services provided in Northern Ireland.

## Income

These numbers are estimated as figures for each nation and have been calculated by applying the proportion of licenced premises to the total number of licences in force. The exact number of licences in force varies on a daily basis. The number of licenced premises are different to the number of licences in force as, in some cases, a premise may need more than one licence. Figures exclude concessionary licences for those living in residential care.

	2016 £m	2015 £m
<b>Estimated income</b>		
UK	3,742.8	3,735.4
Northern Ireland	99.0	99.2

## Expenditure by service

Direct and indirect spend relating to programmes produced in the nation.

	2016 £m	2015 £m
<b>Network content</b>		
TV (inc. Sport and Children's)*	18.1	16.2
Radio	1.6	1.7
Online & Red Button	0.4	0.2
<b>Total network spend</b>	<b>20.1</b>	<b>18.1</b>
<b>Local content</b>		
TV – BBC One	24.1	23.7
TV – BBC Two	5.6	6.9
Radio Foyle/Ulster	17.7	17.3
Online & Red Button	5.9	4.6
<b>Total local spend</b>	<b>53.3</b>	<b>52.5</b>
Development	–	0.1
<b>Total</b>	<b>73.4</b>	<b>70.7</b>

\*Network content is attributed on an Ofcom basis, which excludes foreign productions.

## TV hours

### Local opt out<sup>^</sup> (including repeats) hours on BBC One and BBC Two

	2016 Hours	2015 Hours
Drama, Comedy, Entertainment, Music & Arts	48	52
Daily, Weekly News and Current Affairs	474	469
Sport & Leisure	83	85
Education, Factual & Religion	173	146
Childrens	–	–
<b>Total</b>	<b>778</b>	<b>752</b>

<sup>^</sup>Television content commissioned specifically for audiences in the nation.

## Radio hours

### BBC Radio Foyle/Ulster

	2016 Hours	2015 Hours
News and Current Affairs	3,065	3,002
General	5,689	5,821
<b>Total</b>	<b>8,754</b>	<b>8,823</b>

## Headcount



















Average headcount reflects those individuals employed to directly support the services produced in Northern Ireland.

	2016 Number	2015 Number
Average number of persons employed in the year	623	600

Average headcount of individuals based in Northern Ireland across all services including support functions.

	2016 Number	2015 Number
Average number of persons employed in the year	666	653

## Northern Ireland's performance by service













		Content (£m) We spent a total of £47.8 million on these services last year in NI	Reach (%) NI population who use the service each week	Time spent watching a channel each week (h:m) Length of time the average NI viewer spent each week with the channel
<b>Television</b>				
	BBC One is our flagship service and the UK's most popular television channel. It unites and inspires the nation with high-quality programmes across a range of genres which includes news and current affairs, drama, comedy, entertainment and factual.	<b>£33.9m</b> 2014/15: £29.8m	 <b>72.4%</b> 2014/15: 74.2%	 <b>06:41</b> 2014/15: 06:44
	BBC Two is a mixed-genre channel with programmes of depth and substance. It includes the greatest amount and range of knowledge-building programming on the BBC, complemented by distinctive comedy, drama and arts programming.	<b>£7.9m</b> 2014/15: £12.8m	 <b>41.7%</b> 2014/15: 42.7%	 <b>02:49</b> 2014/15: 02:48
	BBC Three is constantly innovating to provoke thought and to entertain audiences from 16-year-olds to 30-somethings with original comedy, drama and factual programming that celebrates new British talent.	<b>£0.8m*</b> 2014/15: £0.5m	 <b>16.2%</b> 2014/15: 16.3%	 <b>01:55</b> 2014/15: 01:49
	BBC Four aims to be British television's most intellectually and culturally enriching channel, offering an ambitious range of UK and international arts, music, culture and factual programmes.	<b>£1.2m</b> 2014/15: £1.0m	 <b>9.3%</b> 2014/15: 10.1%	 <b>01:31</b> 2014/15: 01:31
	The CBBC channel offers a distinctive mixed schedule for 6- to 12-year-olds, with mainly UK programmes served in a stimulating, creative and enjoyable environment.	<b>£4.0m</b> 2014/15: £2.7m	 <b>6.4%</b> 2014/15: 6.5%	 <b>03:05</b> 2014/15: 02:55
	CBeebies provides a mix of high-quality, mostly UK-produced, programmes designed to encourage learning through play in a consistently safe environment for children under six.	— 2014/15: —	 <b>8.1%</b> 2014/15: 8.6%	 <b>04:19</b> 2014/15: 03:31

Reach definition: 15+ minutes consecutive for all channels and services and audiences aged 4+ (TV).













Source: BARB (TV reach and time spent – all channels include their simulcast HD channel where applicable).

\*BBC Three as a linear service closed in March 2016, being replaced with an online service from February 2016. Spend on BBC Three Online formed part of the BBC Online & Red Button service from that point onwards. Owing to the channel moving online, BBC Three BARB data to 14/02/2016.

## Northern Ireland's performance by service

		Content (£m) We spent a total of £1.6 million on these services last year in NI	Reach (%) NI population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average NI listener spent each week with the service
<b>Radio</b>				
<b>BBC RADIO 1</b>	BBC Radio 1 broadcasts a distinctive mix of new music and entertainment for 15- to 29-year-olds as well as providing tailored news, documentaries and advice campaigns for young adults.	— 2014/15: —	 <b>20.8%**</b> 2014/15: 22.7%	 <b>05:03</b> 2014/15: 06:19
<b>BBC RADIO 1Xtra</b>	BBC 1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new artists.	— 2014/15: —	 <b>1.3%^</b> 2014/15: 1.2%	 * 2014/15: *
<b>BBC RADIO 2</b>	BBC Radio 2 broadcasts a unique mix of music and speech programmes covering a diverse mix of live pop and rock, comedy, documentaries and religious output, as well as running social action campaigns to over 14 million listeners.	— 2014/15: —	 <b>14.1%+</b> 2014/15: 13.7%	 <b>08:39</b> 2014/15: 08:09
<b>BBC RADIO 3</b>	BBC Radio 3 centres on classical music, around which it provides a broad spectrum of jazz, world music, arts programmes, religion and drama. There is a strong emphasis on musical performance across the UK.	<b>£0.9m</b> 2014/15: £0.9m	 <b>1.7%</b> 2014/15: 1.8%	 <b>07:21§</b> 2014/15: 03:42
<b>BBC RADIO 4</b>	BBC Radio 4 is a mixed-speech radio station, offering in-depth news and current affairs and a wide range of other speech programmes including drama, readings, comedy, factual and magazine programmes.	<b>£0.7m</b> 2014/15: £0.8m	 <b>9.0%</b> 2014/15: 8.6%	 <b>08:22</b> 2014/15: 08:42
<b>BBC RADIO 4extra</b>	Originally launched in 2002 as BBC 7, the station was relaunched in April 2011 as BBC Radio 4 extra. The digital-only network is the principal outlet for the BBC's archive of speech entertainment, including comedy, drama and readings.	— 2014/15: —	 <b>1.5%</b> 2014/15: 1.5%	 * 2014/15: *

## Northern Ireland's performance by service

	Content (£m) We spent a total of £1.6 million on these services last year in NI	Reach (%) NI population who use the service each week	Time spent listening to a service each week (h:m) Length of time the average NI listener spent each week with the service
<b>Radio</b>  <p>BBC Radio 5 live broadcasts continuous news and live sports coverage, bringing major news stories and sports events to its listeners as they happen, and providing context through wide-ranging analysis and discussion.</p>	— 2014/15: —	 <b>9.9%</b> 2014/15: 10.0%	 <b>04:31</b> 2014/15: 05:43
 <p>BBC Radio 5 live sports extra brings a greater choice of live action to sports fans by extending live coverage of various sporting events.</p>	— 2014/15: —	 <b>2.1%</b> 2014/15: 1.6%	 * 2014/15: *
 <p>BBC 6 Music is a digital radio station that entertains lovers of popular music with a service that celebrates the alternative spirit of popular music from the 60s to the present day, complemented by music news and documentaries.</p>	— 2014/15: —	 <b>2.0%</b> 2014/15: 1.5%	 * 2014/15: *
 <p>BBC Asian Network offers speech and music appealing to British Asians, with a focus on news and current affairs. It broadcasts mainly in English, but does offer some programmes in other languages.</p>	— 2014/15: —	 <b>0.1%</b> 2014/15: 0.1%	 * 2014/15: *

Reach definition: 15+ minutes for all stations and audiences aged 15+.

Source: RAJAR (Radio reach and time spent).

Excludes programme 'Coming up on 5 live sports extra'.

\*\* BBC Radio 1: among its target group of 15-29 year-olds reach was 44.6% and time spent was 05:48.

^ BBC Radio 1Xtra: among 15-24 year-olds reach was 4.4%.

+ BBC Radio 2: among its target group of 35+ year-olds reach was 16.6% and time spent was 09:19.

\* Sample size for time per user is too low to report.

§ Lower sample size may be responsible for greater variability in the data.



## Northern Ireland's performance by service

### News

**Content (£m)**  
We spent a total of nil on these services last year in NI

**Reach (%)**  
NI population who use the service each week

**Time spent watching or listening to a service each week (h:m)**  
Length of time the average NI viewer or listener spent each week with the service



The BBC News Channel is a 24-hour impartial and independent news service offering breaking news, analysis and insight. It provides fast and comprehensive coverage of local, UK and international events as they unfold.

—  
2014/15: —



**7.3%<sup>^</sup>**  
2014/15: 8.2%



**03:08**  
2014/15: 03:11



BBC Parliament is the UK's only channel dedicated to politics. It shows debates and committees from Westminster, Holyrood, Stormont, Cardiff Bay and Strasbourg as well as political programmes from across the UK.

—  
2014/15: —



**0.7%<sup>^</sup>**  
2014/15: 0.5%



**\***  
2014/15: \*

Reach definition: 15+ minutes for all channels and services and on audiences aged 4+.  
Source: reach and time spent BARB (TV).

<sup>^</sup>Three-minute reach for BBC News Channel and BBC Parliament – in line with industry standards – would be 11.9% and 1.5% respectively (13.8% and 1.7% among 16+ population).

\*Sample size for time per user is too low to report.

**Content (£m)**  
We spent a total of £6.3 million on these services last year in NI

**Reach (%)**  
NI population who use the service each week

**Time spent with each service each week (h:m)**  
Length of time the average NI user spent each week with the service

### Digital



BBC Online comprises the BBC's portfolio of online products on desktop, connected TV, mobile and tablet, including news, sport and weather; our children's services CBBC and CBeebies; and Knowledge & Learning – as well as IP-delivered TV and radio services, with both live and on-demand programmes available on BBC iPlayer.

**£6.3m**  
2014/15: £4.8m



**56.5%**  
2014/15: 62.8%

**n/a**  
2014/15: n/a

Reach definition: 3+ mins for both services, and on adults aged 16+.

Source: Cross-Media Insight Survey by GfK, 16+. UK data financial years, Northern Ireland data calendar years.



## Performance against public commitments 2015/16

The BBC is accountable for a number of public commitments each year, including programming and production quotas and service licence commitments. This document sets out the BBC's performance against these.

The following pages do not form part of the financial statements and have therefore not been audited by Ernst & Young LLP.

# Performance against public commitments 2015/16

## I. Ofcom tier 2 quotas

The data presented reflects a calendar rather than financial year.

	Note	Quota	2015 Achievement
<b>Independent production quota</b>	1		
Hours of qualifying programmes across all channels		25%	33%
Hours of qualifying programmes on BBC One		25%	30%
Hours of qualifying programmes on BBC Two		25%	39%
<b>Regional programme making</b>	2		
Spend on qualifying programmes		30%	48%
Hours of qualifying programmes		25%	58%
<b>News and current affairs programmes</b>	3		
Hours of news on BBC One		1,380	1,630
Hours of news on BBC One in peak		275	296
Hours of current affairs on BBC One and BBC Two		365	552
Hours of current affairs on BBC One and BBC Two in peak		105	107
<b>Levels of original production</b>	4		
BBC One		70%	84%
BBC One in peak		90%	99%
BBC Two		70%	89%
BBC Two in peak		80%	96%
BBC Three		70%	76%
BBC Three in peak		70%	71%
BBC Four		c.70%	86%
BBC Four in peak		50%	83%
CBeebies		70%	71%
CBBC		70%	74%
BBC News Channel		90%	98%
BBC Parliament		90%	98%
<b>Regional programming</b>	5		
Hours of regional programming		6,270	6,476
Hours of programmes made in the relevant area		95%	99.9%
Hours of BBC One news		3,920	4,771
Hours of BBC One news in peak		2,010	2,219
Hours of non-news programming in peak		655	723
All non-news programmes adjacent to peak		280	384

1 The BBC is subject to a 25% independent production quota across all channels and on BBC One and BBC Two individually.

2 The BBC has used Ofcom's definitions of regional production from 1 January 2006.

3 These quotas and performance figures are for network programming only. The News quota specifically excludes overnight transmissions of BBC news.

4 Original productions include all BBC commissioned programmes including repeats.

5 These figures represent regional programmes across BBC One and BBC Two.

## 2. Compliance with service licences 2015/16

Unless otherwise stated, hours commitments throughout this section include originations, acquisitions and repeats. The use of the word 'new' means that the commitment includes originations only.

### BBC Network Television

	Note	Commitment	Actual
<b>BBC One</b>			
Hours of arts and music		40	51
Current affairs in peak		40	52
Hours of religious programmes	2	110	128
<b>BBC One Scotland</b>			
Hours of news and current affairs		265	368
Hours of other (non-news) programming each year	1	140	197
<b>BBC One Wales</b>			
Hours of news and current affairs		250	360
Hours of other (non-news) programming each year	1	60	95
<b>BBC One Northern Ireland</b>			
Hours of news and current affairs		280	367
Hours of other (non-news) programming each year	1	80	144
<b>BBC Two</b>			
Hours of arts and music		150	246
<b>BBC Two Scotland</b>			
Hours of other (non-news) programming each year including Gaelic output	3	190	220
<b>BBC Two Wales</b>			
Hours of other (non-news) programming each year	1	160	201
<b>BBC Two Northern Ireland</b>			
Hours of other (non-news) programming each year	1	55	202
<b>BBC Three</b>			
	4		
Hours of arts and music		26	30
Hours of new factual programming		88	88
Hours of new current affairs		13	14
<b>BBC Four</b>			
Hours of arts and music		150	246
Hours of new factual programming		60	99
<b>CBBC</b>			
Hours of drama programming		665	1,449
Hours of news		85	93
Hours of factual programming		550	936
<b>CBeebies</b>			
No specific commitments apply		–	–

1 This output may include repeats and acquisitions.

2 BBC One and BBC Two shared.

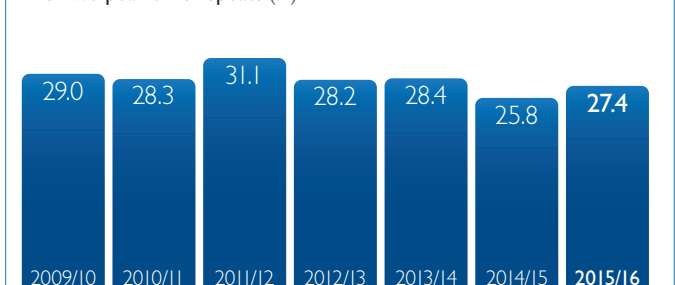
3 Repeats included but current affairs excluded.

4 BBC Three commitments are pro rata until 16 February 2016 when the channel went online.

BBC One peak time repeats (%)



BBC Two peak time repeats (%)



# Performance against public commitments 2015/16

## 2. Compliance with service licences 2015/16 continued

BBC Network Radio	Note	Commitment	2015/16 results
<b>BBC Radio 1</b>			
Hours of specialist music per week		60	68
% of music from UK acts in daytime		40%	53%
% of new music in daytime		45%	61%
Number of live events and festivals broadcast		c.10	19
Number of new sessions (excluding repeats)		160	225
% of eligible hours commissioned from independent producers		>10%	15%
Hours of news in daytime each weekday, including two extended bulletins		1	1hr 6mins
Regular bulletins during daytime at weekends		✓	✓
Number of new documentaries		40	40
Number of major social action campaigns		2	2
<b>BBC Radio 1 Xtra</b>			
% of new music in daytime		60%	61%
% of music from UK acts in daytime		35%	50%
% of eligible hours commissioned from independent producers		c.10%	15%
Number of documentaries		40	42
Hours of news in daytime each weekday, including two extended bulletins		1	1
Regular bulletins in daytime at weekends		✓	✓
<b>BBC Radio 2</b>			
% of music from UK acts in daytime		40%	52%
% of new music in daytime		20%	22%
Hours of live music		260	266
Hours of specialist music programmes		1,100	1,107
Hours of arts programming		100	138
% of eligible hours commissioned from independent producers		10%	20%
Weekly hours of news and current affairs, including regular news bulletins		16	18
Hours of new documentaries		130	132
Hours of religious output covering a broad range of faiths		170	201
<b>BBC Radio 3</b>			
% of live or specially recorded music		40%	58%
Number of live or specially recorded performances		400	638
Number of new musical works commissioned (excluding repeats)		20	44
Number of new drama productions broadcast (excluding repeats)		20	26
% of eligible hours commissioned from independent producers		10%	19%
Number of new documentaries on arts and cultural topics (excluding repeats)		30	50
% of relevant spend incurred outside the M25		40%	42%
<b>BBC Radio 4</b>			
Hours of news and current affairs programmes		2,500	3,251
Hours of original drama and readings		600	624
Hours of original comedy (excluding repeats)		180	259
% of eligible hours commissioned from independent producers		c.10%	15%
Hours of original documentaries (excluding repeats)		350	419
Hours of original religious programming (excluding repeats)		200	230
<b>BBC Radio 4 extra</b>			
Weekly hours of comedy		55	67
Weekly hours of drama		55	73
% Radio 4 catch-up programming		<15%	9%
% of eligible hours commissioned from independent producers		10%	28%

## BBC Network Radio

	Note	Commitment	2015/16 results
<b>BBC Radio 5 live</b>			
% of output that is news coverage	4	c.75%	75%
% of eligible hours commissioned from independent producers	1	10%	14%
<b>BBC Radio 5 live sports extra</b>			
% of eligible hours commissioned from independent producers	1	10%	14%
<b>BBC Radio 6 Music</b>			
% of new music	2	<30%	32%
Hours of archive concert performances		400	419
Number of concert tracks or sessions from the BBC music archive (total)		6,500	6,640
Number of concert tracks or sessions from the BBC music archive (daytime)		1,150	1,328
Number of new sessions (excluding repeats and acquisitions)		300	310
% of eligible hours commissioned from independent producers		10%	22%
Average weekly hours of speech-based features, documentaries and essays		10	10
Weekly hours of news		6	6
<b>BBC Radio Asian Network</b>			
Proportion of speech to music daytime	3	50:50	49:48
Hours of news and current affairs per week		24	24
% of music from UK artists		30%	36%
% of new music		30%	45%
% of music from South Asia		10%	12%
Coverage of live events or festivals		10	18
% of eligible hours commissioned from independent producers		>10%	12%
Average hours of language programming each week		20	20

1 Radio 5 Live and Radio 5 live sports extra combined.

2 6 Music exceeded its commitment to new music as a result of over-delivery of live music sessions.

3 The remaining 3% was non-speech/non-music content such as promotions.

4 Programmes contributing to 5 live's commitment of 75% news and current affairs are: Morning Reports, Wake Up to Money, 5 live Breakfast, Breakfast: Your Call, 5 live Daily, Afternoon Edition, 5 live Drive, Late Nights – Phil Williams/Question Time Extra Time/Stephen Nolan, Up All Night, Saturday/Sunday Breakfast, Pienaar's Politics, 5 live Investigates, 5 live Science, 5 live Hit List and 5 live In Short.

## BBC News

	Note	Commitment	2015/16 results
<b>BBC News Channel</b>			
More international news than other main continuous news channel(s) in the UK	1	✓	✓
More local/regional news and perspectives than other main continuous news channel(s) in the UK		✓	✓
Sports news throughout the day, including evening round-up		✓	✓
Hours of sports news	2	100	253
<b>BBC Parliament</b>			
Hours of coverage of the Westminster Parliament during a normal sitting week including...		70	81
...hours from committees		10	16
Hours of proceedings of the Scottish Parliament, Northern Ireland Assembly and Welsh Assembly		260	467
Hours of programming (including repeats) from Brussels and Strasbourg		100	180

1 Based on sample period; compared to Sky News Channel

2 There were a further 100 hours of Sport Today broadcast on our overnight joint service with BBC World News, bringing total hours of sport to 353.

# Performance against public commitments 2015/16

## 2. Compliance with service licences 2015/16 continued

BBC Nations and English regions			
	Note	Commitment	2015/16 results
<b>BBC Local Radio</b>			
% speech content in core hours (Monday-Friday 6am-7pm)		60%	69%
% speech content at breakfast peak time		100%	100%
Average minimum weekly hours per station of original, locally made programming	1,2,3	85	109
<b>BBC Radio Scotland</b>			
Weekly hours of radio news and current affairs		43	62
Hours of arts coverage (including narrative repeats of daily arts show)		200	436
% eligible hours commissioned from independent producers		c.10%	14%
<b>BBC Radio nan Gàidheal</b>			
% eligible hours commissioned from independent producers		c.10%	12%
<b>BBC Alba</b>			
Weekly hours of originated programming (excluding news), including current affairs and transfers from other BBC services		c.5	10
Hours per week aimed at Gaelic language learners (originations only)		2	15
Live news programmes each weekday evening (including peak time) and news review at weekends		✓	✓
% age of eligible hours commissioned from independent producers		>50%	82%
<b>BBC Radio Wales</b>			
Weekly hours of news and current affairs		24	53
% eligible hours commissioned from independent producers		>10%	25%
<b>BBC Radio Cymru</b>			
Weekly hours of news and current affairs		16	36
% eligible hours commissioned from independent producers		>10%	21%
<b>BBC Radio Ulster/BBC Radio Foyle</b>			
Weekly hours of news and current affairs on Radio Ulster		27	44
Weekly hours of news and current affairs on Radio Foyle		8	27
Hours of new comedy		20	26
% of eligible hours commissioned from independent producers		10%	10%
Hours of indigenous minority language programming, including Ulster Scots and Irish		220	261

1 All Local Radio stations exceeded the minimum weekly hours of original locally made programming.

2 Following its establishment as a standalone station, BBC Somerset shares some programming with BBC Bristol. For service licence purposes these also contribute to BBC Somerset's commitment.







3 BBC Lincolnshire shares origination of the lunchtime show with Humberside. These hours are listed under BBC Humberside but for service licence purposes may also be attributed to Lincolnshire. Combined both services exceed 170 hours.

BBC Digital			
	Note	Commitment	2015/16 results
<b>BBC Online</b>			
% of eligible content and services commissioned from external suppliers (by value)		25%	31.5%
Increase the volume of clickthroughs to external sites	1	2014/15 Monthly average for the year 17.8m	17.8m clickthroughs per month
<b>BBC Red Button</b>			
No specific commitments apply		–	–

1 The volume of clickthroughs to external sites increased in 2015/16 but have been rounded to the nearest decimal in this report.










### 3. Access services

Audio	Audio described hours		Total hours 2015/16	Actual for year (%)		Target for year (%)	
	2015/16	2014/15		2015/16	2014/15	2015/16	2014/15
	1,947	1,867	8,736	22.3	21.4	20.0	20.0
	2,323	2,060	8,736	26.6	23.6	20.0	20.0
	895 <sup>1</sup>	1,091 <sup>1</sup>	2,851 <sup>1</sup>	31.4 <sup>1</sup>	32.3 <sup>1</sup>	20.0 <sup>1</sup>	20.0 <sup>1</sup>
	1,176	1,047	3,198	36.8	32.6	20.0	20.0
	1,413	1,221	4,343	32.5	28.1	20.0	20.0
	1,441	1,226	4,702	30.6	26.0	20.0	20.0
<b>Total</b>	<b>9,195</b>	<b>8,512</b>	<b>32,567</b>				

<sup>1</sup> The BBC Three figures represent the period before the launch of the online service on 16 February 2016.

## Performance against public commitments 2015/16

### 3. Access services continued

Sign interpreted	Sign interpreted hours		Total hours 2015/16	Actual for year (%)		Target for year (%)	
	2015/16	2014/15		2015/16	2014/15	2015/16	2014/15
	457	495	8,736	5.2	5.7	5.0	5.0
	457	451	8,736	5.2	5.2	5.0	5.0
	158 <sup>1</sup>	186 <sup>1</sup>	2,851 <sup>1</sup>	5.5 <sup>1</sup>	5.5 <sup>1</sup>	5.0 <sup>1</sup>	5.0 <sup>1</sup>
	187	189	3,198	5.8	5.9	5.0	5.0
	243	250	4,343	5.6	5.8	5.0	5.0
	251	252	4,702	5.3	5.3	5.0	5.0
	495	499	8,736	5.7	5.7	5.0	5.0
<b>Total</b>	<b>2,247</b>	<b>2,323</b>	<b>41,303</b>				

<sup>1</sup> The BBC Three figures represent the period before the launch of the online service on 16 February 2016.

Subtitled	Subtitled hours		Total hours 2015/16	Actual for year (%)		Target for year (%)	
	2015/16	2014/15		2015/16	2014/15	2015/16	2014/15
	14,188	14,089	14,202	99.9	99.8	100.0	100.0
	9,676	9,689	9,681	99.9	99.9	100.0	100.0
	2,851 <sup>1</sup>	3,372 <sup>1</sup>	2,851 <sup>1</sup>	100.0 <sup>1</sup>	100.0 <sup>1</sup>	100.0 <sup>1</sup>	100.0 <sup>1</sup>
	3,198	3,214	3,198	100.0	100.0	100.0	100.0
	4,341	4,340	4,343	100.0	99.9	100.0	100.0
	4,701	4,707	4,702	100.0	100.0	100.0	100.0
	1,132	1,002	8,736	13.0	11.5		
<b>Total</b>	<b>48,819</b>	<b>49,143</b>	<b>56,450</b>				

<sup>1</sup> The BBC Three figures represent the period before the launch of the online service on 16 February 2016.

## Performance against public commitments 2015/16

### 4. Window of Creative Competition (WOCC)

#### Television

The following table shows the levels of all BBC network television hours from in-house and external suppliers.

	Proportion of all hours produced by Qualifying Independent producers for BBC television (%)			Proportion of all hours produced by Non Qualifying Independent producers for BBC television (%)			Proportion of all hours produced in-house for BBC television (%)		
	2015/16	2014/15	% change	2015/16	2014/15	% change	2015/16	2014/15	% change
Drama	30	28	2	9	11	(2)	61	61	–
Entertainment	30	37	(7)	37	27	10	32	35	(3)
Comedy	47	51	(4)	10	2	8	43	47	(2)
Knowledge	26	34	(8)	14	8	6	60	58	2
Daytime	44	48	(4)	18	15	3	38	37	2
Sport	32	25	7	–	–	–	68	75	(7)
Childrens	38	36	2	6	4	2	56	60	(4)
Total	34	35	(1)	13	9	4	54	56	(2)

The following table shows the levels of all WOCC hours from in-house and external suppliers.

	Proportion of WOCC hours produced by Qualifying Independent producers for BBC television			Proportion of WOCC hours produced by Non Qualifying Independent producers for BBC television			Proportion of WOCC hours produced in-house for BBC television		
	2015/16	2014/15	% change	2015/16	2014/15	% change	2015/16	2014/15	% change
Drama	64	57	7	36	43	(7)	–	–	–
Entertainment	20	34	(15)	77	55	23	3	11	(8)
Comedy	68	74	(6)	32	7	26	–	19	(19)
Knowledge	27	58	(31)	53	31	22	20	11	9
Daytime	26	33	(8)	56	46	10	18	21	(2)
Sport	–	5	(5)	–	–	–	100	95	5
Childrens	52	44	8	27	18	9	22	38	(16)
Total	33	41	(7)	50	36	14	17	24	(7)

## Radio

The following table shows the levels of radio hours from external suppliers.

	Actual % 2015/16					Actual % 2014/15				
	Indie Guaranteed	Indie WoCC	In-house WoCC	Total WoCC	Total Indie	Indie Guaranteed	Indie WoCC	In-house WoCC	Total WoCC	Total Indie
BBC Radio 1	11	4	5	9	15	9	7	4	11	16
BBC Radio 1Xtra	15	0	5	5	15	16	–	4	4	17
BBC Radio 2	10	4	2	6	14	12	13	2	15	26
BBC 6 Music	14	9	–	9	23	15	9	0	9	25
BBC Radio 3	14	5	6	12	19	14	5	7	12	19
BBC Radio 4	10	5	7	12	15	10	4	7	11	14
BBC Radio 4 extra	28				28	12				12
BBC Radio 5 live (Incl. sport extra)	14	9	–	9	24	13	8	–	8	21
Asian Network	11	2	9	12	14	12	2	8	10	13
Total	12	5	4	9 <sup>1</sup>	17	13	7	4	10	19
Target	10			10		10			10	

<sup>1</sup> Total WoCC hours across the BBC Radio network fell slightly below 10% as BBC Radio 1Xtra did not compete for all potential WoCC hours. These hours were reclassified as hours won by independent producers (and not as part of the WoCC).



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