

Registered number: 1420028

## **BBC WORLDWIDE LIMITED**

### **Annual Report and Financial Statements for the year ended 31 March 2009**

SATURDAY



\*ANOMWBU8\*

A64

25/07/2009

406

COMPANIES HOUSE

**Contents**

	Page
Chief Executive's Review	3
Business and Financial Review	7
Directors' Report	30
Corporate Governance Report	32
Statement of Directors' Responsibilities	41
Independent Auditor's report to the members of BBC Worldwide Ltd	42
Consolidated profit and loss account	44
Consolidated balance sheet	45
Company balance sheet	46
Consolidated statement of total recognised gains and losses	47
Reconciliation of movements in equity shareholders' funds	47
Consolidated cash flow statement	48
Notes to the financial statements	49

## CHIEF EXECUTIVE'S REVIEW

SALES £m		
YEAR	09	08
Channels*	225.6	183.8
Content & Production	80.2	73.9
Digital Media	34.2	21.9
Sales & Distribution*	195.3	212.9
Magazines, Children's & Licensing	210.2	203.4
Home Entertainment	207.1	197.3
Global Brands	43.0	23.1
<b>TOTAL</b>	<b>1,003.6</b>	<b>916.3</b>

\* In 2008/09 Sales & Distribution generated programme sales of £35.9m (on which it generated a profit of £15.5m) to the Channels business. The results of Sales & Distribution are shown here net of this interbusiness trading.

PROFIT £m			after exceptional items
YEAR	09	08	08
Channels*	29.6	29.6	12.6
Content & Production	16.7	16.7	16.0
Digital Media	(22.8)	(31.7)	(10.9)
Sales & Distribution*	43.7	43.7	46.7
Magazines, Children's & Licensing	13.2	13.2	7.7
Home Entertainment	31.0	23.0	47.7
Global Brands	(9.6)	(9.6)	(2.1)
<b>TOTAL</b>	<b>102.6</b>	<b>85.7</b>	<b>117.2</b>

† Stated before Group and share of joint-venture exceptional items.  
‡ No exceptional items were reported in the year ended March 2008.

BBC Worldwide, in common with every other global media company, has experienced a year of difficult trading conditions in 2008/09, but the company has come through in good shape and continues to provide significant financial support for the BBC's UK public services. Despite the recession, sales have continued to grow strongly and, for the first time in the history of the company, exceeded £1bn.

## EXECUTIVE SUMMARY

One of the great benefits of BBC Worldwide's recent diversification strategy is that we now operate many different businesses in many different countries and so draw revenues from a wide variety of sources. Over the past year this has enabled us to compensate for difficult conditions in, for example, advertising sales by vigorously exploiting growth opportunities in other areas in order to reach £1bn sales.

We have also maintained our long-term strategy of continuing to invest for growth – indeed 2008/09 was our biggest-ever year of investment and, as we forecast last year, the cost of this investment programme has reduced our profits this year compared with 2007/08. Our earnings were also affected by the recession, the insolvency of our DVD partner, Woolworths Group plc, and the costs associated with the Competition Commission decision to block the Kangaroo project (see below). These factors combined to reduce profit before interest and taxation (PBIT), although our underlying profits, before exceptional items, new investments and other one-offs, held up year on year. Given the very difficult economic circumstances, this is a good result and was partly achieved by cutting costs. Importantly, even in this environment, the Board grew the level of dividend to the BBC and therefore to TV licence fee payers.

Trading conditions will continue to be tough for the rest of 2009, and perhaps into 2010, which is likely to mean that profits will remain under pressure in the short term. But looking at the company as a whole, I am confident that BBC Worldwide, a strong and growing business investing for the future, will continue to deliver significant value to TV licence-fee payers in the year ahead.

## SALES

Group sales reached £1,003.6m in 2008/09 (up from £916.3m in 2007/08). Passing the £1bn sales milestone is a very significant moment in the life of BBC Worldwide – and all the more so as the growth in sales has been achieved in trading conditions more challenging than any of us can remember. I would like to pay tribute here to the drive, energy and commitment of BBC Worldwide staff, whose achievements were recognised by the Queen's Award for Enterprise in April 2009. This acknowledged the company's outstanding record in international trade and the contribution BBC Worldwide makes to the UK's creative sector. Our Channels business launched 15 new channels around the world and achieved sales of £225.6m (an increase of £41.8m on 2007/08). Global Brands, launched in April 2008, achieved sales of £43.0m from Lonely Planet as well as substantial revenues across all the operating businesses from Doctor Who, BBC Earth and Top Gear. Content & Production increased sales by 19.4% to £88.2m, reflecting the continuing strong performance of Dancing with the Stars (the international television format based on Strictly Come Dancing). Sales & Distribution also delivered a strong underlying performance, including growing sales to our new channels businesses, although a reduction in low-margin US co-productions saw sales dip.

## Chief Executive's Review (continued)

### PROFITS

In last year's annual review I wrote that 2008/09 would be BBC Worldwide's biggest year yet for investment and that this would have an inevitable short term impact on profits. Indeed during 2008/09, we invested almost £50m in the rollout of new initiatives, notably in Digital Media and Channels, which was expensed through the profit and loss account during the year. In the event, this predictable effect on profits was intensified by two unpredictable factors.

The first of these was the recession. This reduced advertising sales – on which about 15% of our business relies directly; it also reduced spending on consumer travel – which was tough for Lonely Planet, our travel information business. The economic turbulence also brought down Woolworths Group plc, our partner in the DVD-distribution business 2 entertain, which adversely affected results from this otherwise highly successful joint venture. In particular, 2 entertain suffered a sizeable bad debt in respect of an amount owed by EUK, Woolworths' wholesale distribution arm, and incurred an exceptional charge in respect of the Woolworth's Group pension scheme deficit. Our share of this exceptional item was £7.5m. In addition, there were aggregate impairment and provision charges to the profit and loss of £9.1m against the carrying value of certain investments, whose performance has been adversely affected principally by the nature of the economic environment.

The second factor was the blocking by the Competition Commission of Kangaroo, our planned partnership with ITV and Channel 4 to launch an online commercial video service. This decision cost the company some £9.1m in exceptional write-offs.

The combined result of all these factors was a fall in operating profits, before Group and share of joint-venture exceptionals, to £102.6m. The impact of the exceptional charges took PBIT to £85.7m.

Profitability before the impact of both our investment programme and the aggregate effect of these one-off items, remained healthy and grew in line with the increase in turnover to an amount in excess of £150m. As a result of this, and the fact that 34% of our total revenues now come from businesses created in the last five years, I am confident that continuing to invest for future growth remains the right strategy. I therefore expect the short-term effect on our profits of this approach, and the impact of the other non-recurring charges from which we have suffered this year, to be reversed in future years. Our diverse portfolio of investments will ensure that we will be well placed to take advantage of the opportunities that will arise as economic conditions improve.

Even though overall profits came under pressure – particularly in areas dependent on advertising – this was by no means the case across all areas of activity. I am very pleased to report that our Children's business has returned to profit after a particularly bad year in 2007/08. Profits in Children's & Licensing were £1.7m in 2008/09, compared with a loss of £(9.0)m in 2007/08 which included a number of investment write-downs. This is a tremendous turnaround by the new management team, although 2009/10 will undoubtedly still bring challenges.

In 2008/09 we maintained tight controls on spending and introduced a cost efficiency programme, including a freeze on pay. We aim to sustain that grip in 2009/10.

### PERFORMANCE AGAINST OBJECTIVES

The first two years of our five-year growth plan are complete and I can report continuing progress towards our objectives.

#### 1) Increase overseas revenue towards two-thirds of total

Our share of income generated outside the UK was 51.3% in 2008/09 versus 48.6% in 2007/08. Overseas revenues grew 15.8% to a record high of over £500m, but UK revenues grew too, so the relationship between the two changed only a little.

## Chief Executive's Review (continued)

### 2) Grow online revenues to more than 10% of total

Overall, our online businesses (not all of which are managed within Digital Media) grew to 4.6% of revenues in 2008/09 compared with 2.7% in 2007/08. This good progress should not disguise the fact that this has been a challenging year for online. The growth of *bbc.com*, which we launched in 2007, has been affected by the advertising downturn in the US; and the decision on Kangaroo was an additional check on our online ambitions.

Nevertheless I remain confident that the online market continues to hold strong growth potential for BBC Worldwide. We have successfully increased our profitable supply of content to aggregators such as YouTube and iTunes. Downloads of BBC programmes via Apple iTunes grew steadily and Top Gear topped the iTunes programme charts in the UK and the US. And we are continuing to invest in projects such as the major overhaul of our Lonely Planet website. The success of our Radio Times and Lonely Planet iPhone applications shows how our 'old media' brands can thrive in a new media context; and Webby awards for *bbc.com* and *lonelyplanet.com* confirm the high quality of our digital offering.

### 3) Roll out of BBC-branded channels

BBC Worldwide now has some 44 wholly owned and joint-venture channels operating around the globe, which showcase the best UK television talent to some 300m homes. In 2008/09 sales grew by 22.7% and profits by 134.9%. There were successful channel launches in every major region including Latin America, the US, Europe, Middle East, Asia and Australia. Existing channels in Poland, Norway and South Africa achieved strong growth in audiences.

### 4) Create a global production business

Our Content & Production business continued to build in 2008/09. Sales increased by £14.3m to £88.2m and profits were up by £0.7m to £16.7m. The success of *Dancing with the Stars* shows no sign of falling away – the eighth series opened on ABC in the US to its highest-ever first-night audience. Top Gear Australia is now in its second series and the first series of Top Gear Russia was launched. By opening local production offices or setting up joint ventures with existing players we have been able to drive better returns from the sale of our formats overseas. We are also continuing to develop our Live Entertainment business.

### 5) Acquire businesses and develop partnerships to help achieve the overall plan

BBC Worldwide has a great track record in working with others to develop mutually beneficial opportunities. In 2008/09 we formed a strategic partnership with the Australian broadcaster FOXTEL, and acquired from FOXTEL and FremantleMedia the remaining 80% stake in our drama and entertainment joint venture UK.TV – the number-three channel in subscription homes in Australia. Including UK.TV we now have five wholly owned channels there, together watched by 33% of all Australians.

We continued our development work on Lonely Planet, which we acquired in 2007. This included relaunching *lonelyplanet.com*; bringing the Lonely Planet brand to UKTV's Eden channel and now to UK.TV in Australia; setting up a Lonely Planet YouTube channel; and launching a monthly magazine in the UK. The magazine provides travel information and promotes a broad range of BBC programming about travel and culture. The website is now being loaded with BBC clips to utilise otherwise dormant archive material and introduce the BBC brand to a wider international audience. The guidebook business has been affected by the recession and the resulting reduction in consumer spending on travel, but market share has been gained in a number of territories by continuing to develop the core book products. Lonely Planet is the number-one travelguide publisher in our key markets of the UK and Australia, and is actively pursuing growth in emerging markets such as China.

We have taken minority stakes in a small number of UK independent production companies, including Stephen Fry's Sprout and Steve Coogan and Henry Normal's Baby Cow. These investments help to diversify our supply chain, provide content for all our distribution channels, and offer significantly better margins than buying content made entirely by third parties. Our involvement also helps to keep these companies independent when the industry trend is towards consolidation. However, our investments should be seen in context: this year we have taken equity stakes in only seven independent production companies and, in all, our investment represented approximately 2% of recent investment going into the sector.

## Chief Executive's Review (continued)

Since last autumn we have been engaged in negotiations, first with Woolworths Group plc and subsequently its administrators, with a view to acquiring the retailer's 40% stake in our DVD joint-venture business 2 entertain. We are now committed to securing the stake, consistent with our contractual rights, in the best interests of the licence fee payer and protecting key BBC property. 2 entertain's business has been damaged by the failure of Woolworths Group plc but is currently trading satisfactorily.

Over the course of the year we conducted discussions with Channel 4 about a potential joint venture. We identified significant value-creating opportunities for both businesses that would allow each company to benefit from the commercial strengths of the other and we will continue to pursue these over the coming months.

### OUR PEOPLE

In 2008 we completed the move of our London HQ to the Media Centre in White City, West London. The transfer from ageing and inefficient buildings to well planned, environmentally friendly premises has been an unqualified success, breaking down barriers between our businesses, enabling new and more efficient ways of working and significantly improving the quality of life for our staff.

Our people share the same values as everyone in the BBC and we have ensured that key BBC editorial initiatives, such as the Safeguarding Trust workshops, have been fully implemented in both BBC Worldwide and the production companies with which we work.

At board level, 2008/09 saw the retirement of our long-serving managing director of Home Entertainment, Chris Weller, who contributed much to the current success of BBC Worldwide, and we welcomed his successor, Paul Dempsey.

### CORPORATE RESPONSIBILITY

2008/09 also saw the launch of our new corporate responsibility programme, Worldwide Aware. We recognise that as a growing global company we have responsibilities towards the communities our activities affect and we have spent time this year developing a strategy to use our strengths to bring about beneficial social change. Our established environmental and ethical sourcing programmes continue to innovate and achieve high standards. We are developing our diversity strategy and we are now working with the UK Career Academy to share our knowledge and skills with young people from disadvantaged backgrounds. We have also begun a successful volunteer scheme at the Jack Tizard School, in West London, for young people with severe learning difficulties.

### OUTLOOK

Difficult trading conditions are likely to continue throughout 2009 and possibly into 2010. By investing for long-term growth, we are putting into place the right strategy to enable BBC Worldwide to take advantage of opportunities as the global economy recovers.

This has been a year of considerable external interest in BBC Worldwide's activities and what part the company should and could play in the UK media industry. Internally, the BBC Trust has reviewed our mandate, strategy and governance, and we look forward to working with the Trust in due course to implement its findings.

In the meantime, we will stay focused on cost control and making further progress towards our five-year growth objectives in order to continue to provide significant financial support for the BBC's UK public services, as well as providing vital support for the wider UK creative sector.

**BUSINESS AND FINANCIAL REVIEW**

Our long-term strategy is holding up well in the face of challenging economic conditions; we have continued BBC Worldwide's programme of investment while delivering a creditable operating and financial performance.

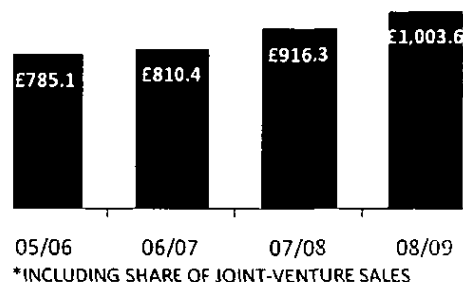
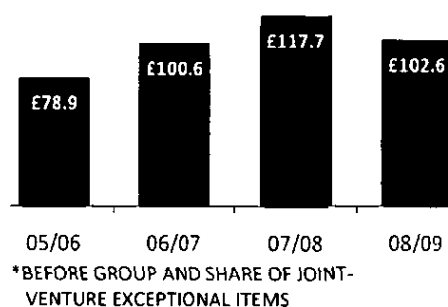
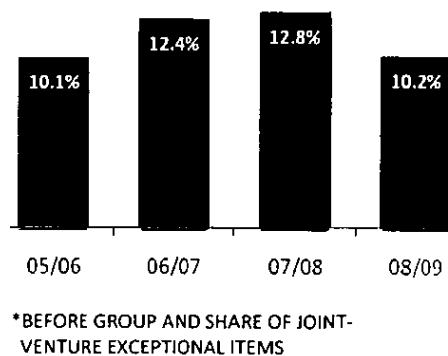
**OPERATING PERFORMANCE**

Overall revenue grew by 9.5% to £1,003.6m (£916.3m 2007/08). Much of this growth was driven by our investment in new channels, digital and production, and by the first full year of revenues from Lonely Planet, which we acquired in October 2007.

Operating profit before group and share of joint-venture exceptional items was down 12.8% to £102.6m (£117.7m 2007/08). This primarily reflects our long-term strategy of investing for growth and, as we predicted this time last year, 2008/09 has been our biggest year for investment in new business to date.

BBC Worldwide's operating performance was also affected by the deteriorating economic environment, with the advertising and travel sectors particularly hard hit. In addition there were aggregate impairment and provision charges to the profit and loss of £9.1m, against the carrying value of certain investments and assets, whose performance has been adversely affected, principally by the nature of the economic environment. However, market pressures in the UK were partly compensated for by the weakening of sterling. This had a positive impact on our revenues generated in other currencies, as well as on the translation of overseas results on consolidation.

During the year Woolworths Group plc, our partner in the joint venture 2 entertain, a DVD publishing business in which BBC Worldwide owns a 60% share, went into administration. Despite the resulting disruption to the supply chain over the critical Christmas trading period, 2 entertain's underlying business continued to perform steadily, although reported results were adversely impacted by certain one-off items including debtors written off following the collapse of EUK, Woolworths' distribution arm. In the current period BBC Worldwide benefited from £30.9m (£41.3m 2007/08) of operating profits before exceptional items in respect of 2 entertain. We continue to negotiate with the Woolworths' administrators to secure the remaining 40% stake in the company on acceptable terms given our contractual rights.

**SALES\* £m****OPERATING PROFIT\* £m****OPERATING MARGIN\***

## Business and Financial Review (Continued)

### GROUP AND JOINT-VENTURE EXCEPTIONAL ITEMS

Exceptional losses of £(16.9)m were recorded in the year (£nil 2007/08) in respect of both the BBC Worldwide Group and its share of joint-venture exceptional items.

In the current period, 2 entertain bore a Section 75<sup>1</sup> liability of £12.5m, in respect of its share of the Woolworths Group Pension Scheme (WGPS) deficit attributable to 2 entertain employees who were members of the scheme, and against which the business had previously been indemnified by Woolworths Group plc. The liability arose following a decision taken by 2 entertain to withdraw participating 2 entertain companies from the WGPS, once it became clear that the Woolworths Group was entering administration. BBC Worldwide's share of this liability is £7.5m and is classified as an exceptional operating expense originating within the Home Entertainment business.

On 4 February 2009, the Competition Commission prohibited the proposed joint venture created by BBC Worldwide, ITV and Channel 4 to develop a commercial online video download service on the grounds that it would reduce competition in the emerging video on demand industry in the UK. As a result, the business was terminated giving rise to an exceptional loss of £9.1m in the profit and loss account, comprising the write-down of BBC Worldwide's investment in the Kangaroo venture, termination costs incurred to 31 March 2009, and provision for our remaining obligations after this date. All of these costs originate within the Digital Media business.

Other exceptional items relate to the closure of BBC Worldwide's interactive learning activities which is reflected in the results of the Home Entertainment business.

### FINANCIAL PERFORMANCE

These events, and in particular BBC Worldwide's decision to invest heavily in 2008/09 in new businesses, have inevitably put pressure on margins. As our new businesses become profitable, and as we continue to exercise strong cost control, we expect this decline in margins to reverse. Operating margin before exceptional items was 10.2% for the 2008/09 financial year (12.8% 2007/08).

After the impact of exceptional items, Profit Before Interest and Taxation for the year was £85.7m (£117.7m 2007/08).

Profit after Interest and Taxation was £41.3m (£78.1m 2007/08) reflecting increases in interest payable because of higher borrowings in the current period, which ended the year at £157.5m (£91.8m 2007/08). The total tax charge for the period was £33.5m (£34.4m 2007/08) giving an effective tax rate for the year of 45% (31% 2007/08). This was higher than the statutory rate of UK Corporation Tax of 28% (30% 2007/08), because of the increasing levels of profit taxed under overseas jurisdictions and disallowable expenses, including goodwill amortisation and impairment charges.

Despite a year of significant challenges, we have delivered a higher dividend of £68.8m (£49.4m 2007/08) to our shareholder, the BBC. In addition we have continued to return value to the BBC through our ongoing investment in BBC programming and rights. Overall, we have grown our return to the BBC through investment in BBC programmes and dividend payments to £153.0m (£124.5m 2007/08).

### FIXED ASSETS AND INVESTMENTS

Fixed Assets and Investments have increased to £312.6m (£267.6m 2007/08), and now include our acquisition in the year of the remaining 80% of UK.TV (for further details see p25). We have increased our investment in BBC-commissioned, in-house and independent programmes to £84.2m (£75.1m 2007/08), so securing a continued supply of diverse, high-quality programming and distribution rights for future exploitation. During the year we also acquired a number of small equity stakes in independent production companies and invested in the relocation of BBC Worldwide's London HQ to new offices in the BBC's Media Centre.

<sup>1</sup> Under the terms of the pensions Act 1995 a section 75 debt is triggered when a participating employer ceases to participate in a defined benefit scheme



**Business and Financial Review (Continued)****LIQUIDITY MANAGEMENT**

BBC Worldwide manages its liquidity through a number of measures, including regular cashflow reporting, forecasting, hedging against foreign exchange fluctuations and proactively managing working capital.

BBC Worldwide is dependent on funds made available by BBC Commercial Holdings and is restricted from taking on significant debt by the limit set by HM Treasury on BBC commercial borrowings. At 31 March 2009, BBC Worldwide maintained debt facilities of £168.0m through a combination of an unsecured facility of £118.0m provided by BBC Commercial Holdings, the holding company for the BBC's commercial subsidiaries, and a £50.0m loan with the European Investment Bank. In addition, BBC Worldwide now holds an Au\$100m facility with BBC Commercial Holdings. As at 31 March 2009 BBC Worldwide's net debt was £157.5m (£91.8m 2007/08).

Medium-range plans, supported by BBC Worldwide's directors and management, indicate that sufficient funding is available to support the going concern assumption.

**OUTLOOK**

BBC Worldwide will continue to strive to maximise commercial return to its shareholder, the BBC, by selling BBC programmes and products across the world. Trading conditions, particularly in the advertising sales sector, are expected to remain difficult throughout 2009/10. However, BBC Worldwide is well diversified, both geographically and by business, and this should provide the company with the resilience to cope with adverse economic conditions. Following two years of significant investment, our focus for 2009/10 will be on growing and driving profitability in our new businesses. We will also continue to keep costs under tight control and to operate our business to ensure that capital resources are allocated to deliver the best value to our shareholder.

A fuller review of the operating performance of the Group's seven businesses is as follows. Further financial information is given on pages 25 to 29.

**Business and Financial Review (Continued)****BBC WORLDWIDE CHANNELS**

<b>SALES (£m)</b>		
<b>YEAR</b>	<b>09</b>	<b>08</b>
EMEA	159.5	136.0
Americas	47.3	37.9
Asia Pacific	18.8	9.9
<b>Channels</b>	<b>225.6</b>	<b>183.8</b>

<b>PROFIT/(LOSS) £m</b>		
<b>YEAR</b>	<b>09</b>	<b>08</b>
EMEA	29.5	17.8
Americas	4.3	1.9
Asia Pacific	(4.2)	(7.1)
<b>Channels</b>	<b>29.6</b>	<b>12.6</b>

Channels operates UK and international television channels offering domestic and global audiences the best programmes made by the BBC and other providers. It now has 44 channels, both wholly owned and joint venture, including 15 launched in 2008/09, reaching some 300m homes in more than 100 countries.

2008/09 was a year of strong growth for the Channels business. Sales grew by 22.7% to £225.6m, with improvements across all regions. For the first time sales from wholly owned BBC-branded channels accounted for a larger share of sales than joint ventures and have grown 43.1% to £122.8m (£85.8m 2007/08). Revenue from joint ventures also grew by 4.9% to £102.8m. This performance was a major contribution towards BBC Worldwide's objective of increasing overseas revenue. Profit grew by 134.9% on the previous year to £29.6m, with growth in all regions and across the portfolio. In addition, the business benefited from the strength of the euro and the US dollar.

**EMEA**

Sales rose by 17.3% in EMEA (Europe, Middle East, Africa), driven largely by the continuing rollout of the new suite of BBC-branded channels.

In South Africa, BBC Knowledge, BBC Lifestyle, BBC Entertainment and CBeebies launched on the direct-to-home (DTH) platform DStv in September, building on the success of predecessors BBC Food and BBC Prime. The new channels already form DStv's number-one international portfolio in terms of audience share, which has been reflected in the strong start to regional advertising.

In Scandinavia, BBC Knowledge, BBC Lifestyle, BBC Entertainment and BBC HD were launched on Canal Digital, the largest DTH platform in this competitive region. In Sweden, the portfolio's share has grown 77.0% since its launch, while in Norway it is up 33.0% and in Denmark 18.0% (to March 2009).

2008/09 was the first full year of operation for the portfolio in Poland (excluding HD), where BBC Worldwide remains the most successful foreign channel provider in terms of audience share on satellite operator Polsat (among adults 16-49 years). CBeebies has performed particularly well and is the number-one children's channel on Polsat (among adults with children aged 0-9). The channels continued to secure further distribution with cable operators in the market and BBC Entertainment ended the year in 3.4m homes, an increase of 143.0% since launch.

In the UK it was another strong year for BBC Worldwide's 50:50 joint venture with Virgin Media, UKTV, with increases in both reach and audience size. That said, the decline in the UK advertising sales market is affecting all broadcasters and will make next year a challenging one. Following the successful launch of the entertainment channel Dave in 2007, UKTV's rebranding strategy continued and was completed in the summer of 2009. The rebranding and extension of the entertainment portfolio resulted in an increase in average daily adult reach for the channels of 37.0%, from 2.7m (5.6m including Dave) to 3.7m (6.9m including Dave), while average daily audience was up 22.0%. UKTV now operates 10 channel brands.

UKTV's strategy of investing in high-profile original commissions also led to increased ratings. Series one of new panel show Argumental reached over 6.5m viewers within 4 months of its launch in October 2008, while the highly popular Red Dwarf returned with over 2.6m viewers for the premiere episode in April 2009.

However, ratings for Richard and Judy were not in line with expectations and the show ceased production in June 2009.

Animal Planet Europe, BBC Worldwide's joint venture with Discovery Communications Inc, performed well and paid a dividend for the first time.

## Business and Financial Review (Continued)

### Americas

Distribution of BBC America continues to increase (up from 61m to 64m homes year on year) and the channel celebrated its 10th anniversary in 2008 with its best-ever year in terms of ratings. Weekly reach peaked at 9.5m and viewing in the key adults 25-54 demographic was up 23.0%. Three of the top five most-watched shows ever on the channel (among adults 25-54) were screened in 2008 (Torchwood, Top Gear and Primeval) and March 2009 was the best month ever for video on demand usage for the channel, with nearly 1.7m orders.

The year also saw BBC Worldwide Channels' first move into Latin America, with the launch of two wholly owned channels, via a distribution partnership with Televisa. BBC Entertainment and CBeebies are now available in more than 1.8m homes in Mexico and across Central and South America. Following its launch in Mexico, CBeebies was also made available to Hispanic audiences in North America through a deal with DISH Network LLC – the first exposure for the CBeebies brand in the US.

BBC Worldwide's joint-venture channels with CanWest in Canada – BBC Kids and BBC Canada – passed the 2m-subscriber mark.

### Asia Pacific

In Australia, the acquisition of the remaining 80% of UK.TV in July 2008 provided the platform for the launch of three BBC-branded channels on FOXTEL – BBC Knowledge, BBC HD and CBeebies. UK.TV is consistently among the top-five channels in subscription homes. The contract with Sky for UK.TV's transmission in New Zealand was also renewed shortly after year end.

While the Asian business remains loss making, underlying performance has improved year on year, despite continued investment in new channels. BBC Knowledge and CBeebies launched in Indonesia in April 2008 and BBC Knowledge launched on CJ HelloVision, South Korea's largest digital cable platform, in December.

Elsewhere in Asia, the strong take-up of on-demand platforms led to the launch of a BBC HD VOD service in Taiwan in April 2008. BBC-branded channels are also available in Singapore, Thailand, Malaysia, Hong Kong and India. New carriage deals in Singapore and Malaysia are expected to deliver significant growth in 2009/10. India, however, continues to prove challenging, with more competitors and a difficult distribution environment hampering growth. Nevertheless, India remains strategically important and BBC Worldwide remains committed to expanding its distribution there.

### Global Advertising Sales

During 2008, in-house advertising sales teams across online, channels and news were brought together as Global Advertising Sales under a new senior management team within Channels. Offering clients a single point of contact for multi-platform campaigns across BBC World News (the BBC's global news and information channel), BBC Worldwide Channels and bbc.com, the team enjoyed a strong first year, with more than 400 new customers across BBC World News and bbc.com and a 39.0% increase in revenues for BBC America. The decision to bring together advertising sales to generate revenues across three screens (TV, PC, mobile) was applauded in April 2009 when the team was named Multiplatform Media Owner of the Year at the Festival of Media awards in Valencia.

### Outlook

After a busy year of channel launches in 2008/09, the BBC-branded portfolio has secured a firm foothold in a number of new territories. The success of the new channel brands in delivering strong ratings and distribution growth has demonstrated their value to both platform operators and audiences around the world. The focus for the next 12 months will be on continued expansion of distribution in these regions, as well as driving ratings growth and building a significant advertising sales business by tapping into national rather than pan-regional advertising markets. While the economic downturn has had a major impact on advertising markets in the UK and US, pay-TV revenues are holding up well around the world, and the business will continue to explore opportunities for new launches.

**Business and Financial Review (Continued)****BBC WORLDWIDE CONTENT & PRODUCTION**

<b>SALES (£m)</b>		
<b>YEAR</b>	<b>09</b>	<b>08</b>
Format Business	83.8	68.5
Live Entertainment	4.4	5.4
Content Acquisition	-	-
<b>Content &amp; Production</b>	<b>88.2</b>	<b>73.9</b>

<b>PROFIT/(LOSS) £m</b>		
<b>YEAR</b>	<b>09</b>	<b>08</b>
Format Business	21.9	19.5
Live Entertainment	1.0	1.8
Content Acquisition	(6.2)	(5.3)
<b>Content &amp; Production</b>	<b>16.7</b>	<b>16.0</b>

Content & Production acts as the cornerstone of BBC Worldwide's format development and rights-acquisition strategy, working with BBC in-house and independent producers to ensure the company has a continuous flow of top-quality content to offer.

By providing financial support and development expertise to the UK creative industries, Content & Production helps both established and new talent and provides a route to international markets for their work. The business is also responsible for BBC Worldwide's international production operations as well as, from this year, Live Entertainment (previously Live Events), which develops theatre and arena shows to extend audiences' enjoyment of BBC brands.

This year, Content & Production is presenting its results better to reflect how the activities are managed by the business plus the inclusion of Live Entertainment, which was previously reported in the Home Entertainment business. Overall sales were up 19.4% year on year to £88.2m, helped by the continuing success of Dancing with the Stars (the format based on Strictly Come Dancing) in the US.

Although profits fell in the Live Entertainment business, reflecting the economic downturn, there was modest growth in the Format Business to £21.9m. Overall Content & Production profits increased slightly to £16.7m (£16.0m 2007/08).

**Format Business**

Dancing with the Stars remains by far the most successful format for BBC Worldwide and has been viewed in over 75 countries. In autumn 2008, Television Business International magazine named it the most-watched drama or entertainment show globally. In the US the first programme of the eighth series, on ABC, achieved its highest-ever premier audience – almost 23m viewers.

During the year a dedicated format sales team was established within Sales & Distribution in order to drive new business, including sales for Content & Production. The result of focusing this team's efforts on the less well-mined scripted genres of comedy and drama has been deals for local versions of The Office in Russia and Israel, and Yes, Minister in the Netherlands.

In northern Europe factual entertainment formats are especially successful. Baby Borrowers was commissioned for a second series in the Netherlands and licensed to both Belgium and Germany. The Greats format also continues to find customers with 20 international versions to date.

Since as much as 80.0% of the most-watched programming around the world is locally produced (Eurodata TV Worldwide 2008), Content & Production is building an international network of production offices in key markets, as part of BBC Worldwide's growth strategy. This year saw the network grow to six bases as the business opened wholly owned offices in Paris and New York, and took a stake in Canadian production company Temple Street. This will drive greater financial benefit from format licensing deals by adding production fees and ratings bonuses to licensing income.

In Australia, the local version of Top Gear, Top Gear Australia, made by the company's partner Freehand for SBS, already has a second series commissioned. The first series was Australia's highest-rating SBS-commissioned programme of 2008. Dancing with the Stars is now produced by Content & Production in the US (see above), Australia (Seven Network's series nine will air in 2009/10) and India (series three for Sony Television).

## Business and Financial Review (Continued)

In the US, Jane Tranter, formerly Head of Fiction at the BBC, was appointed Executive Vice President Programming & Production, leading the drive to make scripted formats as successful as non-scripted.

### Live Entertainment

In its first year as part of the Content & Production business, Live Entertainment sold almost 1.9m tickets to its live shows in the USA, UK, Australia and India. A key example of the type of entertainment it develops and licenses is Walking with Dinosaurs: The Arena Spectacular. This is a family event that features the advanced animatronics pioneered in the 2001 BBC Walking with Dinosaurs series. The second UK Strictly Come Dancing Live Tour attracted more than 280,000 people in eight cities across the UK.

Across most shows, however, revenues and profit were down as the recession hit sales and reduced yield per ticket. CBeebies Live! in particular suffered a large drop in sales compared with previous productions.

### Content Acquisition

Content & Production manages the acquisition of rights on behalf of BBC Worldwide and this is organised into BBC and non-BBC activity. The level of investment into BBC-commissioned programmes, both in-house and independent made, increased by 12.1% year on year from £75.1m to £84.2m.

This year investment in new BBC programmes included Solar System and How the Earth Made Us, while previous investments in series such as Little Dorrit, Tess of the D'Urbervilles, Survivors and Beautiful People made it to screen. Science, natural history and history are strong sellers internationally and these will be priority genres for ongoing investment over the next three years.

Content & Production's Indie Unit continues to work closely with independent production houses to find beneficial ways of providing financial support in return for rights. In recent years this has included taking minority equity stakes in a small number of companies specialising in drama, comedy and factual output – which are also key genres for BBC Worldwide. Equity deals were concluded in 2008/09 with Clerkenwell Films, Plain Vanilla Productions, Hardy Pictures, Baby Cow Productions, Big Talk Productions and Sprout Pictures. These follow previous investments in Left Bank Pictures and Cliffhanger. In addition, development deals were agreed with Kaboom Productions, Picture Films, Hat Trick Productions and Avatar Productions.

These recent investments have already started to bear fruit. Left Bank Pictures, for example, in its first full year as an equity partner with BBC Worldwide, secured commissions from key UK broadcasters, and its first series of Wallander won the BAFTA award for best drama series.

### Outlook

Over the next year Content & Production will support and strengthen its existing production bases and work to establish a strong format portfolio across the drama and specialist factual genres. Dancing with the Stars will maintain its place as one of the world's leading entertainment formats. The business will continue to work closely with both BBC and independent production houses to identify strong investment opportunities. It is likely that the recession will continue to affect the Live Entertainment business in the year ahead, resulting in a slightly smaller portfolio of shows.

**Business and Financial Review (Continued)****BBC WORLDWIDE DIGITAL MEDIA**

<b>SALES (£m)</b>		
<b>YEAR</b>	<b>09</b>	<b>08</b>
bbc.com	10.2	1.5
BBC Motion Gallery	14.0	13.4
Content Partnerships	10.0	7.0
<b>Digital Media</b>	<b>34.2</b>	<b>21.9</b>

<b>PROFIT/(LOSS) £m</b>		
<b>YEAR</b>	<b>09</b>	<b>08</b>
bbc.com	(12.0)	(5.7)
BBC Motion Gallery	(2.0)	(0.6)
Content Partnerships	(8.8)	(4.6)
<b>Operating Profit</b>	<b>(22.8)</b>	<b>(10.9)</b>
Exceptional Items	(8.9)	-
<b>Digital Media</b>	<b>(31.7)</b>	<b>(10.9)</b>

Digital Media develops and runs websites including bbc.com – the international version of the BBC's website; it syndicates digital video content internationally through deals with companies such as Apple iTunes and YouTube; and manages BBC Motion Gallery, the BBC's archive clip licensing business.

BBC Worldwide is one of the UK's leading players in online media with an average of more than 58m unique users a month visiting its websites (Omniure Jan-Mar 2009) and more than 10,000 hours of digital programming rights in its catalogue. The share of total BBC Worldwide sales contributed by online revenues rose from 2.7% to 4.6% year on year. This increase reflected growth in both Digital Media businesses as well as magazine websites, lonelyplanet.com and video on demand (VOD) sales reported elsewhere.

The success of BBC Worldwide online operations in 2008 was recognised in the prestigious international 2009 Webby awards in New York, which honoured bbc.com/news and lonelyplanet.com in the news and travel categories.

Digital Media sales rose 56.2% year on year to £34.2m (£21.9m 2007/08). There was growth across all areas of the business but primarily in bbc.com, which delivered revenue of £10.2m in its first full year of operation. However, losses before exceptional items increased to £(22.8)m from £(10.9)m in 2007/08, largely as a result of investment in developing bbc.com and also Kangaroo, a proposed online commercial video service. This was developed by BBC Worldwide, ITV and Channel 4 but ultimately prohibited by the Competition Commission.

**bbc.com**

bbc.com is one of the world's largest broadcast news websites, reaching an average of 50m users a month (Omniure Jan-Mar 2009). It was launched in November 2007 and is available only to users outside the UK. The site carries advertising alongside news and analysis, business, sport, weather, lifestyle and technology. The editorial content is created by the BBC for its public service website bbc.co.uk, and bbc.com pays for the rights to use this. The income generated allows the BBC to improve its online offering for both domestic and international audiences.

Since launch, more than 400 clients have advertised on bbc.com including Rolex, British Airways, Lufthansa, HSBC, Microsoft, Nokia, Paramount Pictures, Nestlé, Jaguar and Lexus. In March 2009 advertising was taken for the first time on bbc.com's international mobile site, allowing advertisers to increase their reach to BBC consumers outside the UK and to opt for specific devices and regions that would help them connect with target audiences.

The plan is to focus investment on increasing the relevance of the content to bbc.com users by improving and localising the site for different audiences.

## Business and Financial Review (Continued)

### BBC Motion Gallery

Motion Gallery licenses footage from the BBC archive for use in films, advertisements and TV programmes. It also represents the archives of The Prince's Trust, the English Cricket Board, China Central Television, NHK and CBS News. Sales for the video archive operation increased by 4.9% year on year – 11.8% outside the US – and have now grown every year since launch in 2004. In 2008/09 the business secured new partners in developing markets, and online sales increased by 28%. However, losses increased to £(2.0)m from £(0.6)m in 2007/08, reflecting a large fall in the level of business in the US, the cost of restructuring and certain asset write-offs.

### Content Partnerships

Digital Media works with partners to make BBC content available to audiences beyond those already reached by BBC Worldwide websites. The syndication of clips and full-length programmes to internet and mobile customers has continued to grow in the period. Short-form content is licensed to social networks including MySpace and Babelgum, and BBC Worldwide's two-year-old partnership with YouTube was renewed shortly after the year end. This offers dedicated branded channels and builds on the Top Gear and EastEnders channels launched in the year.

Meanwhile, the business had its most successful year to date for VOD sales. Downloads of BBC programmes such as Gavin & Stacey and Ashes to Ashes via Apple iTunes grew and Top Gear topped the iTunes programme charts in the UK, US and Germany. BBC content was also launched in iTunes stores in France. In the mobile sector, a significant new deal was struck with Nokia. This provides premium video content, including episodes of Doctor Who and Top Gear, on the Nokia N96 handset in the UK, Australia and New Zealand, and in territories in South East Asia.

### Project Kangaroo

The strength of UK demand for television delivered over the web is shown by the success of the BBC iPlayer, which has generated almost 400m requests since its launch in December 2007. BBC Worldwide proposed to capitalise on this demand by launching the online commercial video service Kangaroo as a joint venture with ITV and Channel 4 in the UK, but this was prohibited by the Competition Commission. Digital Media is now exploring other ways of exploiting commercial TV rights on the internet, both in the UK and internationally. Operating costs relating to Kangaroo up until the decision to close the business in February 2009, and the costs of the Competition Commission referral process, are included in the Content Partnerships figures. The write-off of BBC Worldwide's investment in the Kangaroo joint venture and other closure costs of £9.1m are included within total exceptional items for Digital Media of £8.9m.

### Global Web Properties

In addition to bbc.com, BBC Worldwide operates five websites that actively support and extend consumers' enjoyment of BBC Worldwide brands: bbcgoodfood.com, radiotimes.com, topgear.com, gardenersworld.com and lonelyplanet.com. During 2008/09 Digital Media worked closely with the Magazines' teams and the Lonely Planet business to improve their sites with videos, blogs and user-generated content. Traffic across the sites grew considerably, with bbcgoodfood.com seeing a 94.0% rise in traffic year on year and the Lonely Planet website now attracting over 5.5m visitors a month (Omniture Jan-Mar 2009). Australian and US versions of topgear.com were also launched.

Since April 2009 all websites except lonelyplanet.com have been managed as businesses within Digital Media in order to maximise efficiencies and consolidate commercial opportunities such as the Radio Times iPhone application that topped Apple's Entertainment app chart in April 2009.

### Outlook

BBC Worldwide has built a portfolio of strong digital consumer propositions. 2009/10 will see Digital Media continuing to invest in key business areas, notably bbc.com. It will focus on developing the Content Partnerships business and positioning its websites to achieve profitability when the global advertising market recovers.

**Business and Financial Review (Continued)****BBC WORLDWIDE SALES & DISTRIBUTION**

<b>SALES (£m)</b>		
YEAR	09	08
EMEA	132.0	125.0
Americas	65.2	80.4
Asia Pacific	34.0	31.1
<b>Sales &amp; Distribution (Gross)</b>	<b>231.2</b>	<b>236.5</b>
Less inter-business trading of	35.9	23.6
<b>Sales &amp; Distribution (Net)</b>	<b>195.3</b>	<b>212.9</b>

<b>PROFIT/(LOSS) £m</b>		
YEAR	09	08
EMEA	34.8	35.5
Americas	12.9	6.7
Asia Pacific	11.5	11.1
<b>Sales &amp; Distribution (Gross)</b>	<b>59.2</b>	<b>53.3</b>
Less inter-business trading of	15.5	6.6
<b>Sales &amp; Distribution (Net)</b>	<b>43.7</b>	<b>46.7</b>

Sales & Distribution manages BBC Worldwide content sales across television, video on demand and international DVD. It also runs BBC Showcase, the world's biggest programme trade fair organised by a single distributor.

This year, overall sales, before eliminating trading with other BBC Worldwide businesses, dipped slightly to £231.2m from £236.5m (2007/08). Profits increased to £59.2m (£53.3m 2007/08), largely as a result of fewer low-margin co-production investments in the US, and successful organisational changes across all territories. There has also been considerable growth in digital business, and Sales & Distribution's 33rd BBC Showcase was a resounding success.

The results above show trading with other BBC Worldwide businesses separately because BBC Worldwide Channels, in particular, is becoming a more significant customer for Sales & Distribution. Profits including inter-business trading increased by 11.1% in 2008/09, reflecting a strengthened sales structure and successful windowing strategy. Prices held up in the face of a falling market and gains were made from profit delivered by a long-standing programme supply deal with Discovery Communications Inc in the US. The strengthening of the euro and US dollar against sterling also had a positive impact.

Organisational changes announced last year were consolidated in 2008/09. The new sales team structure comprises EMEA, Americas, Asia and Australasia (the latter two reporting financially as Asia Pacific). Existing expertise in finished programme sales was complemented by focusing resources on key target segments, such as digital, co-production and format sales. This has already contributed to an 18.0% growth in digital business.

Additional research and global-marketing resource was also recruited to help focus the business on exploiting high-value global franchises from what is one of the world's richest programme catalogues. Sales & Distribution continued to build its business supplying content to BBC Worldwide Channels, while maintaining supply to its significant network of established clients.

BBC Showcase, BBC Worldwide's annual programme sales fair, remains a core event for the company as a whole and an essential date on the calendar for buyers everywhere. Despite the economic downturn, all major clients – around 500 – attended this year. Digital clients attending included Virgin, Chellomedia and BT Vision. In total, around 1400 hours of new programming were launched at BBC Showcase.

**EMEA**

Sales rose by 5.6% to £132.0m and profit (before investment impairments) rose by 4.8%. This was partly exchange-rate driven but also a reflection of the strength of BBC Worldwide's catalogue and its 'must-have' content. However, weak economic conditions in India led the business to impair assets in relation to Radio Midday West, resulting in a £3.9m reduction in profits.

Adding to the already strong franchises of Robin Hood, Primeval and in the Night Garden, the business successfully launched Survivors (with sales in Poland, Sweden, Finland, Israel, Spain and Italy) and took Top Gear into four new markets including Spain and the Czech Republic.



## Business and Financial Review (Continued)

A total of 38 multi-year output deals were managed or renewed with key partners throughout the region. Such agreements provide stability during economic downturns, and the business will continue to protect them and develop further strategic partnerships.

The business grew its digital sales this year. More than 2000 hours, including Teletubbies, Torchwood and Big Cat Diaries, were licensed to digital services in France, Germany, Turkey, Russia, Italy and Spain. The regional sales team also took advantage of its language-dubbed archive to develop new business with iTunes in France and Germany.

The team sells secondary rights as well as finished programmes in support of other BBC Worldwide businesses (Home Entertainment and Digital Media). Successes this year included licences for the Planet Earth DVD, which has sold over 850,000 units across EMEA since launch in June 2007, and the partwork All About Animals, licensed to Fabbri in Russia, which sold out on launch.

### Americas

Business across the Americas saw profits increase by 92.5% to £12.9m, driven by an increase in high-margin licence sales and by currency gains. This compensated for a 18.9% reduction in sales to £65.2m, as low-margin co-production activity was reduced.

The US team was able to expand its client base during the year. There were first-ever deals with channels such as Smithsonian and Soapnet, and off-beat comedy found customers amongst such cable channels as Adult Swim (The Office and The Mighty Boosh), Logo (Beautiful People) and IFC (Wrong Door).

The Canadian market was hit by the downturn, yet new clients were secured and existing deals renewed. The first-ever sale to children's channel Treehouse was achieved with In the Night Garden and deals were struck with the Space network for Doctor Who and Torchwood.

New clients were also secured in previously untapped areas of Latin America, with sales to Rede TV (Brazil), Ecuador TV, Efekto (Mexico) and Hispanoamerica TV/LaTele (Paraguay). Drama was sold into Bolivia for the first time, and the fifth BBC Showcase Latin America was held in Rio de Janeiro.

### Asia Pacific

Sales across the region increased 9.3% year on year, to £34.0m, and profit by 3.6%, to £11.5m. Asia business was driven mainly by cable/satellite and terrestrial sales, and there was healthy growth in digital. More than 1000 hours of video on demand programming was sold across Asia, and BBC content was launched on catch-up services in Hong Kong and Japan.

Natural history remains the key genre in Asia, but drama also performed well, both in sales and ratings: Doctor Who, for example, was the number-one imported scripted series on KBS2 Korea in 2008. Top Gear was launched in China and Taiwan, and In the Night Garden was sold in China, South Korea, Taiwan and Malaysia. The first major volume deals (more than 250 hours) were completed in the emerging market of Vietnam, with TVM and VBC, but there was challenging trading in a number of countries where there were cuts in client-acquisition budgets.

In Australia and New Zealand, the quality of BBC content has continued to appeal despite economic pressure on the pay-TV market, and this region saw a 13.0% growth in programme hours sold, with margins maintained. ABC renewed its first-option deal for two more years. In addition, a windowing strategy in Australia enabled content to be licensed to BBC Worldwide's channels while also maximising revenues across terrestrial, pay-TV and digital media platforms. For example, Doctor Who was sold to ABC's terrestrial and digital channels as well as being shown on UK.TV.

### Outlook

While the finished-programme market broadly held up in this financial year and there continues to be a healthy demand for high quality programming, 2009/10 will see increased uncertainty as buyers act with greater caution. Another challenge over the coming months will be to protect the business from volatility in foreign currency. Sales & Distribution will continue to target growth through a strong customer focus, mining the back-catalogue, strategic sales windowing and exploiting the opportunities of on-demand, catch-up and download services. Co-production activity is likely to increase as international broadcasters look to share costs and drive more value from falling production budgets.

**Business and Financial Review (Continued)****BBC MAGAZINES, CHILDREN'S & LICENSING**

<b>SALES (£m)</b>		
YEAR	09	08
Radio Times, Specialist, Lifestyle	129.6	131.3
Children's Magazines	32.7	32.2
Joint ventures and associates	19.9	14.4
Total Magazines	182.2	177.9
Children's & Licensing	28.0	25.5
Magazines, Children's & Licensing	210.2	203.4

<b>PROFIT/(LOSS) £m</b>		
YEAR	09	08
Radio Times, Specialist, Lifestyle	13.2	13.2
Children's Magazines	2.0	3.4
Joint ventures and associates	(3.7)	0.1
Total Magazines	11.5	16.7
Children's & Licensing	1.7	(9.0)
Magazines, Children's & Licensing	13.2	7.7

BBC Magazines publishes more than 50 titles that extend audiences' enjoyment of BBC content. The business also operates internationally through joint ventures and licensing deals. During the year Children's & Licensing, previously part of the Home Entertainment business, was moved into BBC Magazines.

During another tough year for the UK publishing industry, BBC Magazines focused on selected investments, cost savings and generally structuring the business for a more difficult trading environment while continuing to fulfil its remit. BBC Magazines' portfolio of more than 50 titles for adults and children, and its licensed editions overseas, helps extend audiences' enjoyment of BBC output by providing expert information, features, interviews and activities linked to BBC brands and programming. Editorial Advisory Boards, made up of senior BBC staff and external experts, help ensure that BBC values are maintained and provide links with relevant BBC programming areas. BBC Magazines is a leading publishing house and in 2008 its Managing Director, Peter Phippen, became Chairman of the UK's PPA, the Periodical Publishers' Association.

Despite the recession hitting advertising sales and circulation, launches of new titles increased BBC Magazines' sales to £182.2m, a modest improvement on £177.9m in 2007/08. Efficiencies and a successful subscription marketing strategy kept underlying profits steady, but overall Magazines profit was down 31.1% to £11.5m (£16.7m 2007/08). This partly reflected the cost of its investment programme such as in the relaunch of topgear.com and the launch of Lonely Planet magazine. Magazines also wrote down the balance sheet value of its joint venture in India to reflect the weakness of the market there.

Children's & Licensing recorded a 9.8% increase in sales to £28.0m (£25.5m 2007/08). Profits rose sharply to £1.7m (a notable turnaround from the weak 2007/08 position when losses of £(9.0)m were reported after significant investment write-downs). This was despite a significant write-off resulting from the collapse of EUK, Woolworths Group plc's wholesale distribution arm.

**Radio Times, Specialist, Lifestyle**

At 31 March 2009 subscriptions for the adult portfolio of titles were at an all-time high of 851,000, up 16.0% year on year. The major print launch in 2008 was Lonely Planet magazine, which combines the BBC's expertise in quality programming about travel and world cultures with Lonely Planet's reputation as a leading global travel brand. Subscription sales for the new title have grown faster than any other BBC Magazines launch, reaching 18,000 within six months.

Of the established titles, the circulation of Top Gear magazine rose above 200,000 and it became the most-read men's magazine in the UK (National Readership Survey July 2008). Radio Times' circulation fell slightly year on year but it remains above one million and increased slightly period on period (ABC Jul-Dec 2008). BBC Magazines' food portfolio, comprising Good Food, Easy Cook and olive, continued to perform well, and Gardeners' World remained a market leader. But Good Homes magazine was badly affected by the economic downturn and just after year end the title was sold to Kelsey Publishing Ltd.

BBC Magazines Bristol continues to be an efficient and effective operation for publishing smaller titles – Focus, BBC History and BBC Wildlife all increased their circulations (ABC Jul-Dec 2008).

## Business and Financial Review (Continued)

Overseas, BBC Magazines has 43 licensed editions of its titles in more than 55 territories, some of which are published within joint ventures (see below). In the US, BBC Magazines Bristol launched BBC Knowledge, which draws on the existing portfolio of specialist factual titles and offers informative and entertaining features on science, history and nature.

The year's results included significant investment in websites associated with the magazines, on which BBC Magazines works closely with Digital Media. In the past year [bbcgoodfood.com](http://bbcgoodfood.com) and [topgear.com](http://topgear.com) have shown major increases in unique users.

### Children's Magazines

The children's portfolio is frequently reviewed to ensure that it reflects current popular BBC Children's programming. This year, Tweenies, Amy and Balamory magazines were closed, but new titles – CBeebies Art and CBeebies Animals – were launched. Match of the Day, a weekly football magazine aimed at 8-14 year olds, established itself as a key performer in the pre-teen market, delivering a strong debut ABC.

### Joint-Ventures and Associates

BBC Magazines works with joint-venture partners to maximise its effectiveness in a number of areas: magazine distribution (Frontline, with Haymarket and Bauer); subscription fulfilment (Dovetail, with Dennis Publishing); consumer shows linked to its key brands (BBC Haymarket Exhibitions, with Haymarket Exhibitions); and international publishing and events (various partners).

Frontline has awarded new wholesale distribution contracts for BBC Magazines, which will provide a more cost-effective and efficient supply chain in the long term. It was a strong year for Dovetail, which increased profits and gained Haymarket as a major new subscription client. BBC Haymarket Exhibitions continues to perform well – more than a quarter of a million people attended Gardeners' World Live and Good Food Live events across the UK. The events featured BBC talent including James Martin, Nigella Lawson, Monty Don and Alan Titchmarsh.

Overseas, BBC Magazines' Mumbai-based joint venture with Times of India – Worldwide Media – increased sales and profit although a difficult market resulted in a write-down of some of the balance sheet value. In Australia, the BBC Worldwide joint venture with ACP Publishing launched Top Gear Australia and Australian Good Food and both achieved good debut ABC figures of 85,000 and 71,000 respectively. In addition, through a new partnership with Brand Events, the show Top Gear Live was staged in seven major cities worldwide and exceeded expectations.

### Children's & Licensing

In 2008 the Children's business moved from Home Entertainment to be managed alongside the Magazines business in order to exploit key brands in different formats across the two businesses. After several years of losses, and significant write-offs in 2007/08, the business was restructured and renamed Children's & Licensing.

It now manages the global development of a more focused portfolio of standout children's brands including In the Night Garden, Teletubbies and Charlie & Lola. There is also increased emphasis on developing licensing opportunities for BBC Worldwide's adult/family brands, including Doctor Who, Top Gear and Planet Earth, both in the UK and internationally.

Despite a tough retail climate, BBC Worldwide's licensing activities in the UK enjoyed its most successful year for a decade. This was largely as a result of good merchandise sales for Doctor Who and In the Night Garden, with the latter ending 2008 as the second biggest licence in the UK toy and game market. Children's & Licensing retained its position as the number-two licensor in the UK after Disney.

### Outlook

The outlook for magazine publishing around the world remains difficult with falling advertising revenues, increasing paper costs and, in the UK, the weakness of sterling putting pressure on margins. However, thanks to its well established brands, its strong links with both readers and customers, and a programme of cost savings that will continue into 2009/10, BBC Magazines believes it has secured a strong position for the future. The benefits of the new, more cost effective distribution contracts will start to flow through from 2010/11.

**Business and Financial Review (Continued)**

BBC Magazines will continue to look for new international publishing opportunities. In addition, the link between print titles and their websites remains very important and BBC Worldwide will further invest in its online sites in 2009/10 via the Digital Media business.

Children's & Licensing will undoubtedly benefit from its new focus on key children's brands and increased licensing opportunities for BBC Worldwide's adult/family brands, although market conditions are expected to remain tough.

**BBC WORLDWIDE HOME ENTERTAINMENT**

<b>SALES (£m)</b>		
YEAR	09	08
2entertain/DVD	176.4	164.6
Audio & Music	27.2	26.7
Books, Learning and Retail	2.8	2.8
Audiocall	0.7	3.2
<b>Home Entertainment</b>	<b>207.1</b>	<b>197.3</b>

<b>PROFIT/(LOSS) £m</b>		
YEAR	09	08
2entertain/DVD	28.6	41.3
Audio & Music	2.4	6.0
Books, Learning and Retail	1.3	(0.1)
Audiocall	(0.5)	0.5
<b>Operating Profit</b>	<b>31.8</b>	<b>47.7</b>
Exceptional items (Group and joint venture)	(8.0)	-
<b>Home Entertainment</b>	<b>23.8</b>	<b>47.7</b>

The Home Entertainment business creates and distributes consumer products, primarily DVDs, music, books, learning and audiobooks based on BBC programmes, brands and talent.

Strong sales performances were delivered across all the main formats during the year, especially products based on major BBC brands such as Planet Earth, Top Gear and Doctor Who. Overall the business reported total sales of £207.1m (£197.3m 2007/08) and profits, before Group and share of joint venture exceptionals, of £31.8m (£47.7m 2007/08).

The book, DVD and audiobook markets remained resilient in the year although the key autumn trading period proved particularly challenging as a result of the administration of Woolworths Group plc, BBC Worldwide's joint-venture partner in 2 entertain, which had a significant impact on both the retail and wholesale elements of the UK home entertainment market. The demise of both the Woolworths' retail business and its subsidiary EUK, the entertainment wholesale business through which many BBC Home Entertainment products were sold, resulted in some inevitable loss of sales and margin in the UK, although the business responded quickly to create alternative supply routes to market.

The Home Entertainment business underwent some restructuring during the year: the Children's & Licensing business was transferred into the Magazines business and Live Events was moved to Content & production. This has enabled Home Entertainment to focus on its core DVD, music, books, learning and audiobook activities. Two relatively small businesses within Home Entertainment, Audiocall and Worldwide Interactive Learning, were closed.

**2 entertain/DVD**

The DVD publishing business is managed within 2 entertain, a highly successful joint venture in which BBC Worldwide owns a 60% share, with the remaining 40% having been owned by Woolworths Group plc. The business had another profitable year, strengthening its position as the UK's number-one publisher of TV-related DVDs through the continuing provision of quality products and strong retail relationships. Key titles included Planet Earth, now with sales in excess of 5.4m units worldwide, and Clarkson Thriller, which got to number two in the special interest UK chart in 2008. In addition, a key component of 2 entertain's success has been its ongoing ability to secure strong in-store, dedicated BBC space for its titles at retail outlets in the UK and in key territories around the world.

In North America, 2 entertain's second-largest DVD market in terms of sales and profits, Planet Earth continued to enjoy broad retail support, with the HD release remaining a top-five title for a second year. Other titles with unit sales of 50,000 or more in the US included Persuasion, Sense and Sensibility, Spaced The Complete Series and new series of Doctor Who and Torchwood.

## Business and Financial Review (Continued)

2 entertain's subsidiary, Demon Music Group, the UK's largest independent record company, specialising in compilation CDs and music DVDs, continued to outperform the market with labels such as Crimson Productions and Music Club Deluxe, and a successful album by Daniel O'Donnell.

While 2 entertain sales have grown year on year to £176.4m (£164.6m 2007/08), profits have been hit by certain one-off items, including a bad debt write-off following the insolvency of EUK and share of a pension liability in respect of certain staff who had been members of the Woolworths Group Pension Scheme (see p8 for further information).

### Audio & Music

This business includes all of BBC Worldwide's audiobook publishing, record licensing, radio programme sales and music publishing. It delivered another solid year in terms of sales. While the reported profits suggest a significant decline in profitability, 2007/08 included the release of a provision against potential litigation that was no longer required. Underlying trading profits were £1.5m (£2.5m 2007/08) reflecting both the increasingly tough retail environment as well as some restructuring costs in the US audiobook business during 2008/09.

A significant content licensing deal was struck with EMI, unlocking the archive of their artists' performances at the BBC. The music team also created new TV programme content based on the BBC archive and, as a result, new programmes with performances by Coldplay, REM, Oasis, Erasure and The Pet Shop Boys were sold internationally. BBC Worldwide Music also re-acquired, after an eight-year gap, the commercial rights to the series *Later...with Jools Holland*. Home Entertainment's traditional business of licensing BBC recordings and brands to record companies continued strongly with a third successful release under the Live Lounge brand. With sales exceeding 333,000 units, Live Lounge1 became Sony Music's best-selling compilation album ever. Music publishing, another established Home Entertainment business, also had a good year with royalty income boosted by strong Planet Earth and Doctor Who DVD sales.

In 2008/09, the Audiobooks business reached a milestone with its one millionth digital download sale. More than 2000 BBC audiobook titles are now available for sale digitally and expectations are high that this format will extend the reach of audiobooks to new consumer groups. Meanwhile, sales of the traditional CD format remained strong, especially to libraries, where UK sales reached record levels. Top-selling brands in the year included *I'm Sorry I Haven't a Clue*, with sales of more than 100,000 units, Doctor Who and the perennial favourite, Paul Temple.

### Books, Learning and Retail

Home Entertainment owns minority shareholdings in the imprints BBC Books and BBC Active and retains one shop for staff and visitors based in BBC Television Centre in west London.

BBC Books, majority-owned by the Random House Group, had a successful year with *The Big Book of Top Gear* selling more than 380,000 copies and *Rick Stein's Coast to Coast* almost 82,000. *The Good Food 101 One-Pot Dishes* was a best-selling title for Amazon, regularly featuring in the food and drink top-20 book chart and selling over 700,000 copies.

BBC Active, managed as a partnership with Pearson Education, had a successful 12 months with its consumer language business becoming the largest book publisher in its market in value terms. In schools it gained share in a number of subject areas and also developed a unique revision resource, the Interactive Revision Tutor, built on the successful BBC Bitesize websites.

### Audiocall

An internal review of Audiocall, the telephony services business, concluded that consolidation within the industry and regulatory changes made this non-core business unviable in the long term and the business was closed during the year.

### Exceptional Items (Group and Joint Venture)

The portfolio of businesses was reviewed during the year and Worldwide Interactive Learning was closed, with its core activity of supplying online teaching support being transferred back to the Open University, incurring closure costs of £(0.5)m. In addition, BBC Worldwide bore its share of an exceptional pension liability arising in the 2 entertain joint venture on the insolvency of Woolworths Group plc (see p8 for more information).

**Business and Financial Review (Continued)****Outlook**

With such a high proportion of the business's revenues dependent on retail sales, the year ahead will be affected by the impact of the recession on consumer spending. Nevertheless Home Entertainment has a strong release schedule across all formats and is working hard with its retail customers to drive sales. It remains committed to ensuring the best possible returns from the exploitation of DVD sales on behalf of rights holders and the BBC.

The business is also looking for growth in other areas. These include developing new digital formats; launching a commercial, archive-based music performance website; and cultivating key international markets.

**BBC WORLDWIDE GLOBAL BRANDS**

<b>SALES (£m)</b>		
YEAR	09	08
Publishing and licensing	38.1	20.8
Digital syndication	4.9	2.3
<b>Lonely Planet</b>	<b>43.0</b>	<b>23.1</b>
Top Gear, BBC Earth, Doctor Who	128.1	141.7
<b>Global Brands (memo reported)</b>	<b>174.0</b>	<b>167.9</b>

<b>PROFIT/(LOSS) (£m)</b>		
YEAR	09	08
Publishing and licensing	0.3	4.4
Digital syndication	(3.6)	(3.2)
Integration costs	-	(1.3)
Lonely Planet Trading	(3.3)	(0.1)
Goodwill amortisation	(3.9)	(2.0)
Brand Management	(2.4)	-
<b>Global Brands</b>	<b>(9.9)</b>	<b>(2.1)</b>
Top Gear, BBC Earth, Doctor Who	40.1	45.2
<b>Global Brands (memo reported)</b>	<b>30.2</b>	<b>43.1</b>

Global Brands was set up in April 2008 to drive greater value from BBC Worldwide's leading international and multi-format brands. These accounted for 17.0% of total BBC Worldwide revenues in 2008/09.

Global Brands provides leadership, focus and expertise to drive the growth of BBC Worldwide's key international brands across more media formats in more countries. At the start of the year it managed Lonely Planet and Top Gear, but subsequently added Doctor Who and BBC Earth.

Global Brands works in conjunction with BBC Worldwide's other businesses to deliver the commercial activity on these titles. As such, the results for Top Gear, Doctor Who and BBC Earth are reported within the results of the other businesses and summarised in memo format above. Revenue from Top Gear, Doctor Who and BBC Earth was down to £128.1m (£141.7m 2007/08). Profits from these three titles were also down, to £40.1m (£45.2m 2007/08). In both cases this performance largely reflected reduced sales of the highly successful Planet Earth DVD compared to 2007/08. The results for Lonely Planet are reported within Global Brands and are detailed below.

**Lonely Planet**

In its first full year under BBC Worldwide control, Lonely Planet has continued its transformation from a travel book business to a diversified provider of travel information. This transformation is taking place against the background of an increasingly challenging travel market, but is being led by a new CEO, Matt Goldberg from Dow Jones/Wall Street Journal, who was appointed in March 2009.

The results for 2008/09 are for a full year rather than the six months reported in 2007/08. Profits are lower owing to investment in digital areas of the business, plus the impact of the economic downturn. This has severely affected the travel market with travel guidebook sales falling by 18.1% in the UK, Australia and the US (Bookscan).

There has been significant investment in redeveloping lonelyplanet.com, a process involving specialists from BBC Worldwide's Digital Media team. The site was relaunched in November 2008 and has seen a 19.8% increase in unique visitors year on year. Further improvements have been made each month since launch and BBC video content is being added to the site to provide a richer experience for users. In mobile

## Business and Financial Review (Continued)

media, deals were struck with Nokia and Apple. Owners of the latest Nokia mobile phone handsets will have access to location based information from Lonely Planet guidebooks, and 270,000 iPhone users have downloaded Lonely Planet's Mandarin phrasebook.

The significant investment in digital activities helped increase digital revenues to £4.9m (£2.3m 2007/08), but also increased losses to £(3.6)m (£(3.2)m 2007/08).

The majority of revenues still come from book publishing, and so the decline in worldwide travel book sales has had a considerable impact on Lonely Planet. Publishing and licensing profits in 2008/09 were significantly lower at £0.3m compared with £4.4m for the six months under BBC Worldwide ownership in 2007/08. However, the brand's inherent robustness, plus the introduction of a new series – US Trips – and new editions – Hawaii Guides, Country Guides – enabled the business to maintain market share and, in some key territories, including the US and UK, to increase it. The 2008/09 figures also include restructuring costs that will reduce operating costs in the future.

Amortisation of goodwill has risen year on year as a result of full-year ownership (six months in 2007/08).

### Top Gear

Top Gear had a very strong year building on its reputation for delivering both expert car information and entertainment. The additional focus brought to the business by Global Brands has increased revenues sharply as a result of new products being launched and more activity outside the UK.

In Australia a local version of the TV show, Top Gear Australia, was made by BBC Worldwide's production partner, Freehand, for the Australian network SBS. In addition Top Gear Australia magazine was launched by BBC Worldwide's joint venture with ACP Publishing, and is now the most widely read men's magazine in Australia.

A dual strategy of driving sales of the TV format in key markets, and licensing the UK version to both traditional and online customers, is proving successful. A Russian version of the TV series, made by MIR Reality, was watched by 1.1m viewers.

Working closely with an external company, Brand Events, BBC Worldwide developed a live show featuring the UK presenters Jeremy Clarkson, Richard Hammond and James May. Top Gear Live toured three cities in the UK and Ireland plus Johannesburg, Sydney, Auckland and Hong Kong and was seen by more than 300,000 people.

In the UK, Global Brands worked with BBC Books to develop The Big Book of Top Gear which sold 380,000 copies. Online, the UK series was made available to download via iTunes and reached number one in the iTunes TV chart in the UK, the US and Germany.

BBC Worldwide's joint venture with Andy Wilman, Executive Producer of the BBC TV show, and Jeremy Clarkson continues to bring added value to the brand via their editorial and production expertise, and advice on international brand extensions such as local show formats, online and live events.

### BBC Earth

BBC Earth is an aggregator brand launched in spring 2009 to drive better value from the rich resource of BBC natural history programming and to ensure that credit for all the related properties, including Planet Earth, goes back to the BBC. The brand will be exploited outside the UK across all formats, including television, online, books, DVDs and merchandising. Sales fell year on year after the outstanding success of Planet Earth DVDs in 2007/08.

### Doctor Who

Since its return to BBC television in 2005, Doctor Who has enjoyed considerable commercial success from merchandising, DVDs, books and magazines. Having joined the Global Brands business in October 2008, the team has been focusing on developing a new UK retail strategy as well as planning for the brand's regeneration with the arrival of the Eleventh Doctor series in 2010.

### Brand Management

A central team was established in the year, drawing on talent from across the organisation to manage these global brands and provide dedicated brand expertise to support new initiatives.

**Business and Financial Review (Continued)****Outlook**

Global Brands now has a structure and team in place to drive these international multi-format brands forward in 2009/10. Lonely Planet will continue to operate in a difficult market, but the investment made in the business so far, plus the overall strength of the brand, will deliver rewards over the next few years. Top Gear will continue to grow through new activities in new countries. For Doctor Who, the focus will be on developing global strategies for the new Eleventh Doctor series. The international rollout of the new BBC Earth brand began in April 2009 and holds the potential to unlock further value from the BBC's highly respected natural history content.



**Business and Financial Review (Continued)****FURTHER FINANCIAL INFORMATION****ACCOUNTING POLICIES**

BBC Worldwide has documented its accounting policies under UK Generally Accepted Accounting Principles (UK GAAP) to help ensure consistent accounting practices across the Group. These policies have been reviewed and approved by the BBC Worldwide Audit Committee and these accounts comply in all material respects with these policies. The accounting principles require BBC Worldwide to make certain material or complex estimates and judgements with respect to the carrying value of assets and liabilities at the year end and the disclosure of particular contingent liabilities. These estimates are reviewed on a regular basis to ensure that they remain consistent with the best information available at the time, including historical experience and, where appropriate, on the recommendation of independent advisors. Actual results may differ from these estimates.

A summary of the impact of adopting International Financial Reporting Standards on the BBC Group financial statements is published within the BBC's results for the year ended 31 March 2009.

**JOINT VENTURES**

Overall our share of joint-venture sales increased by 8.9% to £299.0m (£274.6m 2007/08), and our share of operating profit before exceptional items fell to £58.6m (£58.8m 2007/08).

BBC Worldwide has a series of UKTV joint ventures with Virgin Media Television (VMTV) for the production and marketing of subscription channels in the UK, and with Discovery Communications Inc (Discovery) for the operation of channels around the world; both of these have continued to perform well. Under the terms of the agreements with VMTV and Discovery, the Group has no obligation to fund losses incurred by the entities or make good their net liabilities. In the current year the Group equity accounted for £6.3m of operating profits (£2.9m 2007/08) from JV Programmes LLC (the Group's joint venture with Discovery); and £10.9m of operating profits (£10.4m 2007/08) from UK Channel Management Ltd (a UKTV joint venture with VMTV).

In addition, BBC Worldwide has accounted £15.0m for its share of operating profits from UK Gold Holdings Ltd (a UKTV joint venture with VMTV); in 2007/08 the Group accounted for a dividend of £6.2m from UK Gold Holdings Ltd which approximated to Worldwide's share of operating profits. For the year ended 31 March 2009, distributions were materially lower than its operating profit: BBC Worldwide has commenced equity accounting as this more fairly represents BBC Worldwide's share of operating performance.

Further details of our 2 entertain joint venture are provided on p7.

The share of operating losses from the Group's other joint ventures rose to £(8.7)m (operating loss £(1.9)m 2007/08) reflecting an impairment charge against the carrying value of certain equity investments.

Investment in joint ventures was £66.6m (£63.5m 2007/08); and interests in associated undertakings increased to £11.2m (£3.8m 2007/08) principally reflecting the acquisition of small stakes in a number of independent production companies.

**ACQUISITIONS**

On 1 July 2008 BBC Worldwide acquired the remaining 80% of UK.TV Pty Limited (UK.TV), the number-three pay channel in Australia, for a total cash consideration of Au\$31.2m/£15.1m. In its last financial year to 30 June 2008, UK.TV made a profit after tax of Au\$6.6m.

BBC Worldwide has also taken small equity stakes in independent production companies specialising in drama and comedy during the year at a total consideration in the year of £10.4m. Investments comprised Temple Street Productions Inc, Plain Vanilla, Hardy Pictures, Clerkenwell Films, Baby Cow Productions, Big Talk Productions and Sprout Pictures.

## Business and Financial Review (Continued)

### FOREIGN CURRENCY

BBC Worldwide is increasingly exposed to foreign exchange volatility as it expands its international business, principally in relation to the US dollar, Australian dollar and euro.

The Group has generated 59.4% of its revenues, excluding joint ventures, overseas (55.7% 2007/08), and 51.3% (48.6% 2007/08), including joint ventures.

Foreign exchange risk arises principally from recognised assets and liabilities denominated in a currency other than the Company or subsidiary's functional currency. BBC Worldwide's policy remains to take a risk-averse approach to the management of foreign currency exposures and enters into forward currency contracts to manage this risk. Where appropriate, foreign currency translation risk is mitigated by the Group funding overseas investments through loans denominated in the same overseas currency.

### TAXATION

The total tax charge for the period was £33.5m (£34.4m 2007/08). The effective tax rate of 45% (31% 2007/08) is higher than the statutory rate of UK corporation tax that is provided at 28% (30% 2007/08) because of the increasing proportion of profit taxed under overseas jurisdictions and disallowable expenses, including goodwill amortisation and impairment charges.

The future tax charge will be affected by the mix of profits generated from the different tax jurisdictions in which the Group operates (principally the UK, US and Australia) and the statutory corporation tax rates applicable in these territories. The future tax charge may also differ from the UK statutory rate of corporation tax as a result of expenses disallowable for corporation tax deduction (including Group and joint-venture goodwill amortisation and impairment) and as a result of income which is not taxable (including dividend receipts). Deferred taxation is provided for at the rates prevailing at the period end date and deferred tax assets are reviewed regularly for recoverability.

### DIVIDENDS

Dividends of £68.8m were paid in the year (£49.4m 2007/08) of which £0.4m were declared in the prior year.

### INVESTMENT AND TANGIBLE ASSETS

Total intangible assets at 31 March 2009 were £195.4m (£172.4m 2007/08), of which £99.7m (£85.1m 2007/08) related to investments in programmes for future sale. £84.2m was invested in in-house and independent programmes commissioned by the BBC (£75.1m 2007/08), with the remainder invested in non-BBC commissioned programming. The increase in investment year on year reflects the growth of the business and its commitment to securing the continued supply of high-quality and diverse programming and distribution rights.

Programme amortisation charges for the year were £87.0m (£101.8m 2007/08). Programme investments are amortised over their useful lives and their carrying value is reviewed regularly to ensure that the recoverable amount remains in excess of the assets balance sheet value. Also within intangibles, the net book value of goodwill at 31 March 2009 was £95.7m (£87.3m 2007/08), with the year-on-year increase arising primarily from the acquisition of 80% of UK.TV and translation of foreign currency investments.

Goodwill balances are amortised over the estimated useful life of the investment to which they relate and are reviewed annually for impairment.

### TREASURY OPERATIONS

The Group's Treasury activities are principally managed in the UK by a recently established team employed and directed by BBC Worldwide which works closely with the BBC Group Treasury team. It operates within parameters set by the BBC Worldwide Board and in conjunction with the BBC's Executive Board. BBC Worldwide takes a risk-averse approach to cash and Treasury management activities and seeks to limit its exposure to fluctuations in exchange rates where appropriate. The Group is funded by operational cash flows and a debt facility provided by its parent undertakings and by external loans.

**Business and Financial Review (continued)**

As at 31 March 2009 BBC Worldwide had an unsecured £118.0m (£60.0m 2007/08) loan and investment facility with an intermediate parent undertaking BBC Commercial Holdings Limited that is due to terminate on 30 April 2011. Under this facility, interest is payable at a rate which reflects the base cost of funds to BBC Commercial Holdings plus a margin of 0.325%. At 31 March 2009 BBC Worldwide's drawn-down element of the facility was £110.4m (unutilised 2007/08).

In September 2007, BBC Worldwide entered into an unsecured Au\$196.0m/£90.5m loan agreement facility with BBC Commercial Holdings which terminates on 7 June 2012, and on 16 June 2008 entered into an additional unsecured Au\$31.2m/£14.4m loan agreement which is due to terminate on 7 June 2012. Again interest on these facilities is payable at a rate which reflects the base cost plus a margin of 0.275%. Post year end these facilities have been renegotiated and combined to a single facility of Au\$100m/£48.0m (£90.3m 2007/08) with the same termination date of 7 June 2012. As at 31 March 2009 Au\$100m/£48.0m was drawn-down.

In addition BBC Worldwide has a further external facility with the European Investment Bank. As at 31 March 2009, £25.0m (£25.0m 2007/08) of this was secured with a further £25.0m (£25.0m 2007/08) unsecured. These facilities are due to terminate in November 2011 (£20.0m) and May 2012 (£30.0m) respectively. Under these facilities, interest is payable at the European Investment Bank's own funding cost plus a margin of 0.09% on unsecured loans. At 31 March 2009, and 31 March 2008, the facility was fully drawn-down. The Group held £55.9m in cash or cash equivalents at 31 March 2009 (£50.7m 2007/08).

The Group enters into interest rate swaps, caps and collars to manage interest rate risk based on projected borrowing requirements.

Net debt as at 31 March 2009 was £157.5m representing an outflow in the year of £65.7m (£82.0m 2007/08).

Cashflow £ MILLION	2009	2008
Net debt at 1 April	(91.8)	(9.8)
Cash generated from operations	187.1	199.2
Capital expenditure	(27.8)	(14.7)
Purchase of subsidiary (incl acquired cash and debt)	(13.2)	(91.2)
Investment in joint ventures and associates	(15.9)	(6.3)
Investment in programmes	(100.8)	(88.2)
Dividends paid to shareholder	(68.8)	(49.4)
Dividends paid to minority interest	(0.8)	-
Taxation & net interest paid	(33.0)	(24.0)
Exchange adjustment (non-cash)	8.6	(6.7)
Other	(1.1)	(0.7)
Net debt at 31 March	(157.5)	(91.8)

Cash generated from operations was down on the prior year reflecting the company's most significant year of investment to date; in addition pressure on operating margins has adversely impacted net earnings, as has a lower dividend from the DVD publishing joint venture 2 entertain.

Expenditure on capital assets increased to £27.8m (£14.7m 2007/08) resulting from investment both in the move of the London HQ to the Media Centre and to update IT equipment and build software assets, particularly to support the development of new initiatives, including bbc.com and Kangaroo, prior to its prohibition by the Competition Commission.

Purchase of subsidiary reflects the net cash outflow arising from the acquisition of the remaining 80% of UK.TV (Lonely Planet 2007/08). Investment in joint ventures and associates relates to Kangaroo and a number of small equity stakes taken in various production companies.

**Business and Financial Review (continued)**

In addition BBC Worldwide continues to provide returns to its shareholder, the BBC, primarily through investment in programming and the payment of a dividend of £68.8m (£49.4m 2007/08).

Taxation and interest charges increased due to an increased level of borrowings and both higher tax rates in overseas jurisdictions and a high level of non-deductible costs (for further details see p26).

On the basis of its financial forecasts (including in respect of financial covenant compliance) and after taking into account the Group's available funding facilities, the Board has concluded that the going concern basis of preparation of the financial statements continues to be appropriate.

**RISKS AND UNCERTAINTIES**

BBC Worldwide has an embedded programme of risk assessment and management, which is described in more detail in the Corporate Governance report on p32-p40. The Group considers that its principal risks and uncertainties include:

<b>Risk</b>	<b>Mitigation</b>
UK and Global economic downturn is deeper and more protracted than expected	<ul style="list-style-type: none"> <li>- Operational portfolio increasingly diversified by both business and territory.</li> <li>- Rigorous approach to investment approvals and the allocation of capital to projects to ensure the maximum value return.</li> </ul>
Exposure to fluctuations in major currencies and interest rates, particularly against the euro and the US dollar	<ul style="list-style-type: none"> <li>- BBC Worldwide takes a risk averse approach to the management of foreign currency trading and has implemented a clear hedging policy to minimise volatility in the financial results. A substantial proportion of foreign currency trading is hedged.</li> <li>- The Group enters into interest rate swaps, caps and collars to manage interest rate risk based on projected borrowing requirements.</li> </ul>
A reliance on key suppliers may increase the risk of counterparty failure in the supply chain	<ul style="list-style-type: none"> <li>- Strategic supply contracts monitored regularly.</li> <li>- Contractual protections and contingency plans in place.</li> </ul>
Restrictive covenants and low funding limits constrain progress towards long-term strategic plans	<ul style="list-style-type: none"> <li>- Regular review of strategy in the context of the market, and prompt revision of plans to reflect changing circumstances.</li> <li>- Adequate headroom maintained in undrawn facilities at all times.</li> </ul>
Increased competition for key programmes and talent	<ul style="list-style-type: none"> <li>- Strengthening supplier relationships.</li> <li>- Building own production capability overseas, both wholly owned and through partnerships with selected independent production companies.</li> </ul>
Changing technology may undermine core Businesses	<ul style="list-style-type: none"> <li>- Strategic focus on complementary Digital Media services covering web, video on demand and mobile platforms.</li> <li>- Continued work to ensure internal technological infrastructure supports diverse nature of business going forward.</li> </ul>

**Business and Financial Review (continued)****PENSIONS**

BBC Worldwide staff are eligible for either defined contribution or defined benefit schemes operated by the BBC Group and some of its overseas subsidiaries, into which the Group makes employer contributions. In accordance with Financial Reporting Standard 17 (FRS17), the Group accounts for its contributions to the BBC Group defined benefit schemes as if they were defined contribution schemes because its share of the underlying assets and liabilities of the schemes cannot be determined on a reasonable and consistent basis.



Neil Chugani  
Chief Financial Officer  
BBC Worldwide

## DIRECTORS' REPORT

The Directors present their report and the audited consolidated summary financial statements of BBC Worldwide Ltd (BBC Worldwide) for the year ended 31 March 2009.

### PRINCIPAL ACTIVITIES OF THE GROUP

The trading activities of BBC Worldwide focus on the acquisition, development, exploitation, licensing and sale of intellectual property. Rights are acquired from the BBC and from independent owners of intellectual property and are exploited through a number of businesses, both wholly-owned and partly-owned through joint ventures, across multiple formats. These businesses are Channels, Sales & Distribution, Content & Production, BBC Magazines, Children's & Licensing, Home Entertainment (product publishing and licensing), Digital Media and Global Brands.

### BUSINESS REVIEW

A review of business performance, including likely future developments and a description of the principal risks and uncertainties facing the BBC Worldwide Group, is given on p7 to p29. Further information which fulfils the Business Review requirements by reference is set out in the Corporate Governance Report on p32 to p40.

### RESULTS AND DIVIDENDS

The consolidated profit after taxation and minority interests for the year was £40.8 million (2008: £77.6 million).

Dividends of £68.8 million (2008: £49.4 million) were paid during the year, of which £0.4 million were declared during the financial year ended 31 March 2008.

### SIGNIFICANT ACQUISITIONS AND DISPOSALS

Details of acquisitions and disposals are included in the Business and Financial Review and in the notes to the financial statements.

### DIRECTORS

The Directors who served during the year are set out in the Corporate Governance Report on p32.

### PAYMENT TO CREDITORS

Operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. Based on the consolidated financial statements creditor days outstanding were 25 days (2008: 31 days) at 31 March 2009. Rights creditors have been excluded for the purposes of this calculation, as they relate to payments to artists and contributors rather than trade creditors.

### DONATIONS

BBC Worldwide does not make political donations. During the year the Group made donations of £1,382 to various charities (2008: The Group made a donation of £20,000 to BBC Comic Relief. In addition, the Lonely Planet group made total donations of £159,838 to various charities in respect of commitments existing at the date of its acquisition by the Group).

### EMPLOYEE PARTICIPATION

All staff are invited to meetings which communicate the Company's performance and activities, these events are called "The Bigger Picture".

Management holds regular meetings with the recognised trade unions, the Broadcasting Entertainment Cinematography and Theatre Trade Union (BECTU) and the National Union of Journalists (NUJ).

The Company also operates an employee bonus scheme that enables eligible staff to share in the financial performance of the Group.

**Directors' Report (continued)****DIVERSITY**

BBC Worldwide is committed to developing a diverse workforce with opportunities for all, irrespective of race, colour, creed, ethnic or national origin, gender, marital status, sexuality, disability or age.

Ethnic and gender targets have been set with the aim of ensuring that the BBC Worldwide workforce reflects the UK's population. Currently we employ 13% of staff from minority ethnic groups and approximately 43% of BBC Worldwide managers are female.

**DISABILITY POLICY**

People with disabilities are fully and fairly considered for vacancies arising within BBC Worldwide and are given equal opportunities in relation to training, career development and promotion. In the event an employee is diagnosed as having a disability whilst in the employment of BBC Worldwide and as a result is unable to perform his/her existing job, managers are to refer to the Conduct and Capability Policy. Here it states that consultation with the employee will take place to discuss the return prognosis which may include adjustments to the role or new roles within the Company. Every effort is made to ensure this happens.

**DEVELOPMENT AND TRAINING**

Staff in all areas have opportunities to develop their skills. BBC Worldwide organises comprehensive in-house and external training programmes covering job-specific skill enhancement, IT software tuition and management development courses.

**GOING CONCERN**

After making enquiries, the Directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be adopted in the preparation of the accounts.

**DIRECTORS' INTERESTS AND INDEMNITIES**

No Director had any interest in the share capital of BBC Worldwide Ltd at 1 April 2008 or 31 March 2009. No rights to subscribe for shares in or debentures of the Company or any other Group company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year.

Directors' and Officers' insurance cover was in place throughout the financial year as appropriate.


**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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

**AUDITORS**

A resolution for the reappointment of KPMG LLP is to be proposed at the forthcoming annual general meeting.

By order of the Board,



Jane Earl  
Company Secretary

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

## CORPORATE GOVERNANCE REPORT

### BBC WORLDWIDE'S COMMITMENT

The Board of BBC Worldwide is committed to high standards of corporate governance and business ethics. The highest standards of integrity, fairness and honesty are essential behaviour for all staff in their dealings with customers, suppliers, colleagues and other stakeholders. As a wholly owned subsidiary of the BBC, BBC Worldwide is accountable to the BBC Executive and the BBC Trust.

The Board seeks to comply with the Combined Code issued by the Financial Reporting Council, while recognising its unique position as a wholly-owned subsidiary of the BBC which renders some of the provisions inappropriate to the Company. It is the Board's intention to undertake a review of those areas where the Company is non-compliant with the Code, with a view to reporting more fully on its completion.

The BBC Trust has reviewed the Company's mandate, strategy and governance and the Board will be working with the Trust to implement its findings.

### THE BOARD

#### Composition

In accordance with the BBC's Commercial Governance framework (effective from January 2007) the Board comprises an independent Non-executive Chairman, two additional independent Non-executive Directors and three Non-executive Directors representing the interests of the BBC. There are also 10 Executive Directors.

The independent Non-executive Directors who served during the year were: Etienne de Villiers (independent Chairman), Simon Clift and Thomas Geitner.

While Mr de Villiers is also independent Non-executive Chairman of BBC Commercial Holdings Limited, the parent company for the BBC's commercial subsidiaries, the Board does not consider this appointment fetters his independence. Save as disclosed, none of the independent Non-executive Directors has any relationship with the Company or its shareholder which would impede their independence.

The three BBC Non-executive Directors who served during the year were: Jana Bennett (Director of BBC Vision), Nicholas Eldred (BBC Group General Counsel) and Zarin Patel (BBC Chief Financial Officer).

The Executive Directors who served for the year were John Smith (Chief Executive), Marcus Arthur (MD Global Brands), Darren Childs (MD Channels), Neil Chugani (Chief Financial Officer), Sarah Cooper (Chief Operating Officer), Wayne Garvie (MD Content & Production), Steve Macallister (MD Sales & Distribution), David Moody (MD Digital and Strategy) and Peter Phippen (MD Magazines, Children's & Licensing).

Paul Dempsey (MD Home Entertainment) was appointed a Director on 19 December 2008.

David King resigned on 6 June 2008, Paula Hornby resigned on 17 October 2008 and Chris Weller resigned on 26 September 2008.

John Smith, Jana Bennett and Zarin Patel are also members of the BBC Executive Board.

James Stevenson was succeeded as Company Secretary by Jane Earl on 17 March 2009.



## Corporate Governance Report (continued)

### How the Board operates

The Chairman leads the Board, setting its agenda and ensuring that each Director is able to contribute effectively to decision-making. He reviews the information circulated to the Board to ensure that it is sufficient and received in good time. The Chairman has no involvement in the day-to-day business of the BBC Worldwide Group of companies (the 'Group'). The Chief Executive holds day-to-day management responsibility for the Group's businesses, devising and implementing Group strategy, as agreed by the Board.

Board meetings follow a formal agenda covering regular reports from the Chief Executive, Chief Financial Officer and Managing Directors of the Company's businesses. Senior managers attend as required.

Matters considered by the Board include:

- declaration of dividends;
- approval of strategy;
- review of risks and controls;
- review and authorisation of major transactions or contracts not in the ordinary course of business;
- review and approval of the Annual Report and Accounts;
- compliance with the four commercial criteria (see p37) and commercial protocols;
- approval of remuneration policy for staff, excluding Board Directors;
- monitoring legal, regulatory and environmental policy matters.

The Board held eight scheduled meetings during the financial year and eight special-purpose meetings to discuss significant items which arose at short notice.

The Company Secretary assists the Chairman and ensures that the Board is supplied with the information necessary for its consideration on a timely basis. The Non-executive Directors play a key role in providing independent advice and supervising governance issues. In addition, the Non-executive Directors have the opportunity to meet in the absence of the Executive Directors. The Board is satisfied that each Non-executive Director is able to give sufficient time commitment to BBC Worldwide.

The Company Secretary comprehensively briefs Directors on their responsibilities on appointment to the Board. In addition, procedures are in place whereby Board members are able to seek independent professional advice, at BBC Worldwide's expense. All directors are equally accountable for the proper stewardship of the Company's affairs.

Certain Executive Directors are also appointed to the Boards of various joint-ventures and associated undertakings as appropriate, and participate in the overview and management of those ventures for which they do not receive any fees or additional compensation. The Board has delegated responsibility for certain functions to the BBC Worldwide Audit Committee and the BBC Worldwide Executive Committee (including the Content and Investment Committee and the newly established Investment Review Group) as set out below.

Matters delegated to management include the day-to-day operation of the business, implementation of the strategy approved by the Board and implementation of risk-management practices. Further information on the BBC's Executive Board and the BBC Trust is available in the BBC Annual Report and Accounts.

### BBC WORLDWIDE EXECUTIVE COMMITTEE

The BBC Worldwide Executive Committee (Executive Committee) is chaired by the Chief Executive. All the Executive Directors are members, together with senior executives responsible for HR, Marketing, Advertising Sales, Strategy, Communications, Corporate Finance and Legal. The Company Secretary also attends.

The Executive Committee deals with certain operational matters delegated to it by the Board, within clearly defined approval limits. The Executive Committee meets weekly and has day-to-day responsibility for managing the operations of the business, devising and implementing strategy agreed by the Board, the identification and management of risk, and for providing assurance to the Board.

## Corporate Governance Report (continued)

### AUDIT COMMITTEE

#### Composition

The BBC Worldwide Audit Committee is chaired by Zarin Patel (Chairperson) with Nicholas Eldred an additional member, both of whom are BBC Non-executive Directors. In accordance with the terms of the Combined Code, the Board is satisfied that the Audit Committee has an appropriate range of financial experience. The BBC Worldwide Audit Committee reports to the BBC Executive Audit Committee.

#### Remit

The responsibilities of the committee are set out in its terms of reference and briefly comprise:

- monitoring the integrity of the financial statements including critical accounting policies and practices;
- reviewing the effectiveness of systems in place for identifying and mitigating emerging risks facing the business;
- assessing the effectiveness of systems for internal control and reporting;
- reviewing procedures for detecting fraud and ensuring that adequate arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or otherwise;
- monitoring the effectiveness of the internal audit function and the Company's responsiveness to BBC Business Assurance's findings and recommendations;
- reviewing the effectiveness and independence of the external auditors.

BBC Worldwide has implemented a policy to ensure that other services provided by the external auditors do not impair their objectivity and the Audit Committee monitors this on a regular basis. The policy sets pre-approval requirements for non-audit services and outlines the types of service for which the external auditors would not be appropriate. The policy is reviewed annually. The external auditors are also appointed as auditors of subsidiary, joint-venture and associate undertakings wherever possible.

#### Meetings

The Audit Committee met four times during the year, with both members attending each meeting. The Chief Executive, Chief Financial Officer, BBC Director of Risk and Assurance, external auditors, the Risk Advisory team and other Executive Board members attend by invitation as appropriate. Both the BBC Director of Risk and Assurance and the external auditors have the opportunity to meet with the Audit Committee in the absence of executive management at least once a year and have the ability to do so at any other time they consider necessary.

### REMUNERATION COMMITTEE

The Remuneration Committee of BBC Commercial Holdings Limited, the parent company for the BBC's commercial subsidiaries (the Remuneration Committee), comprises Etienne de Villiers (Chairman) and Zarin Patel. The Committee met once during the year with both members attending the meeting. The Chief Executive recommends the remuneration packages for the other Executive Directors of BBC Worldwide, for approval by the Remuneration Committee. The Chief Executive assesses the performance of the Executive Directors before recommending their annual remuneration awards.

The Chief Executive, the Chief Financial Officer, the Director of Human Resources and the BBC's Head of Reward provided assistance to the Committee.

The BBC Remuneration Committee has responsibility for setting the remuneration package for BBC Worldwide's Chief Executive (disclosed in the BBC Annual Report and Accounts 2008/09). The Remuneration Committee has responsibility for setting the BBC Worldwide Board remuneration policy. It is the Board's intention to consider establishing a BBC Worldwide Remuneration Committee to approve the remuneration of the Company's Executive Directors with a view to including a remuneration committee report in future Annual Reviews.

## Corporate Governance Report (continued)

### Non-executive Directors

BBC Worldwide aims to remunerate its independent Non-executive Directors in line with fees paid by other organisations of a similar size and complexity. The Non-executive Directors are not eligible for bonuses, long-term incentive schemes, pensions or other performance-related remuneration. The BBC Non-executive Directors, Jana Bennett, Zarin Patel and Nicholas Eldred, do not receive remuneration from BBC Worldwide for the services provided to BBC Worldwide.

### Executive Directors

The Company's policy is to provide remuneration and other benefits sufficient to attract, retain and motivate Board members of the experience and calibre required. Performance-related variable remuneration (bonus and incentive plans) is expected to comprise a significant proportion of remuneration.

### CONTENT INVESTMENT COMMITTEE

The Content Investment Committee's responsibilities include approval of programme and product investments of between £0.5m and £2.0m, ensuring that investment decisions are consistent with BBC Worldwide's overall strategy and appetite for risk, and assessing post-investment reviews. The Chief Financial Officer chairs the committee and is authorised to forward any investment to the Worldwide Executive Board and the Worldwide Board for approval as he deems appropriate. Regular reports are presented to the Worldwide Executive Board.

### INVESTMENT REVIEW GROUP

From 1 April 2009 the Investment Review Group was established to approve all routine/operational investments between £0.5m and £2.0m and review all new business venture proposals. The Chief Financial Officer, or in his absence the Chief Operating Officer, chairs the committee which meets fortnightly. The Chief Financial Officer is authorised to forward any investment to the Worldwide Executive Board and the Worldwide Board for approval as he deems appropriate. Regular reports are presented to the Worldwide Executive Board.

In addition, a new Technology Review Group has been established chaired by the Chief Operating Officer. This new group will ensure that IT expenditure is aligned to the BBC Worldwide technology strategy.

### ACCOUNTABILITY AND INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, but not absolute, assurance against material mis-statement or loss.

The Board of Directors considers that there is an appropriate ongoing process for identifying, evaluating and managing significant risks faced by BBC Worldwide. The Board exercises control through an organisational structure with clearly defined levels of responsibility, authority and reporting procedures. Documented policies and procedures exist to define clearly the level of delegated authority for operational decision making and to provide structured processes for identifying and managing risk. These policies are applicable across the Group and ensure consistency worldwide. Key policies include Ethics, Standards and Conflicts of Interest, BBC Worldwide Group Accounting Policies, Anti-fraud & Corruption Code of Conduct, Investment & Expenditure Approval Guidelines and the Recruitment Policy.

Local policies are also in place to help ensure that all trading businesses comply with local laws and regulations.

## Corporate Governance Report (continued)

Key elements of BBC Worldwide's internal control environment are as follows:

### Risk management

The BBC Worldwide Board has responsibility for the identification and management of risks facing the business. An assessment of the exposure to risk, and the extent to which these risks are controlled, including implementation of actions to mitigate risk, is updated and presented to the BBC Worldwide Audit Committee every three months. Management assessments are reviewed by the BBC Business Assurance's internal audit function, which reports on this matter to the BBC's Executive Audit Committee (see p34). This committee considers risk management across the BBC Group as a whole. BBC Worldwide's Risk Advisory team monitors risks facing the business and provides advice on developing the internal control environment.

### Controls monitoring

The BBC's Business Assurance department provides an internal audit function in respect of BBC Worldwide on behalf of the BBC. The audit plan for BBC Worldwide is based on a continuing assessment of key risks and monitoring compliance of key systems and processes and is approved by the BBC Worldwide Audit Committee. The results of testing are reported at each meeting of the Audit Committee, which scrutinises the operation of controls throughout the year. BBC Business Assurance's authority and independence are assured by its joint independent reporting relationship to the BBC's Executive Audit Committee and to the BBC's Director-General. The scope of BBC Business Assurance includes the examination and evaluation of the adequacy and effectiveness of the BBC Worldwide systems of internal control and the quality of performance in carrying out assigned responsibilities.

### Operating units

Key controls over business risks include performance review and exception reporting. A new approvals structure was put in place during the current financial year. The BBC Worldwide Content Investment Committee approves all programme and product investment while the Investment Review Group approves all routine/operational investments.

### Treasury activities

During the year, BBC Worldwide established an in-house Treasury team to work with BBC's Group Treasury Department to manage BBC Worldwide's activities in line with BBC Group policies. Each BBC Worldwide operating unit maintains additional financial controls and procedures appropriate to its business environment and carries out local treasury activities in accordance with overall standards and guidelines.

### Computer systems

BBC Worldwide has established controls and procedures over the security of data held on computer systems. Arrangements are in place for computer processing to continue, and data to be retained, in case BBC Worldwide's own data-processing facility fails.

### Financial reporting

BBC Worldwide has a comprehensive budgeting system, with an annual budget and quarterly forecasts prepared by management and approved by the Board. Monthly financial information, including balance sheets, cash flow statements, trading results and indebtedness, are reported against the corresponding figures for the budget and previous year, with action taken by the Directors as appropriate.

## Corporate Governance Report (continued)

### Fraud awareness

Although incidents of fraud are rare, BBC Worldwide takes its responsibilities to minimise the risk of fraud very seriously. BBC Worldwide operates an Anti-fraud & Corruption Code of Conduct and a Fraud Control Policy which set out consistent standards across the Group, and responsibilities for ensuring adequate controls are in place. In addition, the Risk Advisory team organises training for key areas in order to embed measures to minimise fraud risk, particularly for those operating in high-risk fraud territories.

BBC Worldwide has an ongoing process to review its anti-fraud management practices to ensure that they remain appropriate to the scale and complexity of the business. BBC Worldwide is responsible for reporting any suspicions of fraudulent activity to the BBC's Investigations Unit.

### Whistle-blowing

BBC Worldwide has a protected disclosure policy to help ensure that any suspicions of malpractice are fully reported. An independent external company administers the process to ensure anonymity. Each reported incident is notified to the BBC Business Assurance team who ensures that every incident is investigated and action taken as appropriate.

### COMPLIANCE WITH THE FOUR COMMERCIAL CRITERIA

The BBC's Charter and Agreement require that all of the BBC's commercial services, including BBC Worldwide, must demonstrate compliance with the four commercial criteria (4CC).

All commercial activities must:

- be commercially efficient;
- fit with the BBC's Public Purposes;
- not jeopardise the good reputation of the BBC or the value of the BBC brand;
- comply with BBC Fair Trading Policy & Guidelines and not distort the market.

In support of the BBC Trust's published Commercial Protocol (available at <http://www.bbc.co.uk/bbctrust/framework/protocols/compliance.html>), the Group has adopted a range of initiatives to ensure ongoing compliance, including a controls framework and an extensive programme of training and internal reporting. New proposals are measured against the 4CC, both in their development and implementation.

Under the Commercial Protocol, an annual report on compliance is made to the BBC Trust. The Board believes the report is a fair and accurate appraisal of BBC Worldwide's activities and their compliance with the 4CC for 2008/09.

### FAIR TRADING

The BBC's fair trading obligations are outlined in the BBC Trust's Statement of Policy on Fair Trading (available at [http://www.bbc.co.uk/bbctrust/framework/fair\\_trading.html](http://www.bbc.co.uk/bbctrust/framework/fair_trading.html)) and the BBC's Fair Trading Guidelines (available at [http://www.bbc.co.uk/info/policies/commercial\\_guides](http://www.bbc.co.uk/info/policies/commercial_guides)).

### Annual Statement on the BBC's compliance with the Fair Trading Guidelines

During the year, compliance with the Fair Trading Guidelines was scrutinised by formal sub-committees of the Trust (Public Value Fair Trading Committee in 2008 and Finance and Compliance Committee in 2009) and Executive Board (Executive Fair Trading Committee – EFTC). The EFTC comprises three BBC Non-executive Directors and two BBC Executive Board members. The management of the BBC's fair trading arrangements has been accredited with the ISO 9001:2008 quality standard and performance against this standard is regularly tested by the British Standards Institute. The most recent assessment, conducted in June 2009, confirmed that the procedures are continuing to operate effectively.

The BBC Trust commissions independent auditors, currently Deloitte, to undertake an annual Fair Trading Audit to determine whether BBC management has established and applied a system of internal controls which provide reasonable assurance that it has complied with the Fair Trading Guidelines. Further details of the audit and opinion can be found in the BBC Annual Report and Accounts for 2008/09 (available at <http://www.bbc.co.uk/annualreport/trust/>).

## Corporate Governance Report (continued)

### BRANDING

BBC Worldwide ensures compliance with guidelines agreed with the BBC that lay out the values and principles associated with the BBC brand and determine the treatment of the BBC brand in a commercial environment.

Brand guardianship with BBC Worldwide has become more formalised over 2008/09. A revised process has been agreed in conjunction with the launch of a new commercial livery for BBC Worldwide. The new identity will provide a distinctive, coherent commercial brand for the BBC. Outside the UK this will allow BBC Worldwide to drive greater credit and recognition to the BBC brand, and within the UK it will create greater clarity between public service and commercial content and so bring greater protection to the public service brand.

The new branding approach for BBC Worldwide has made it easier to ensure consistency and the Public Service/BBC Worldwide teams have a strong working relationship. A formal process for decision making has been agreed with the BBC and will significantly strengthen brand protection for the BBC. The process involves all significant brand proposals from BBC Worldwide's businesses being considered by the core BBC Worldwide brand and marketing team. That team will work with the businesses to ensure clarity and consistency across the Group, and will also form a focal point for BBC Worldwide's relationship with BBC Marketing, Communications & Audiences (MC&A) division. As well as co-ordinating overall strategy and approach, and disseminating MC&A policy within BBC Worldwide, the team has regular scheduled meetings to seek MC&A approval of specific BBC Worldwide branding issues.

A clear, unified brand structure, combined with an even closer relationship with MC&A than was previously the case, will continue to form the heart of BBC Worldwide's brand strategy.

### Brand protection

BBC Worldwide's brand protection team continues to work with local investigators and enforcement authorities, including customs, trading standards and police, around the world to investigate infringements and undertake seizures and prosecutions in order to help control the market for pirate audiovisual products, counterfeit goods and other infringements of the Group and its partners' intellectual property rights, and with an increasing emphasis on online infringements, particularly on auction and content-sharing sites. BBC Worldwide is a member of various industry and enforcement bodies, including the Anti-counterfeiting Group, Television Against Piracy and Internet Enforcement Group in the UK, ABAC-BAAN in Belgium, APM in Germany, and SNB-REACT in the Netherlands. The team also manages trade mark protection in key BBC Worldwide brands, including the registration of marks and conducting oppositions to conflicting marks worldwide.

### DATA PROTECTION

BBC Worldwide is committed to holding personal data in accordance with the provisions of the Data Protection Act 1998. Where BBC Worldwide operates in jurisdictions outside the UK, it may also be subject to the additional requirements of local laws. Compliance with data protection legislation is treated with utmost importance and is an essential part of protecting the BBC brand.

### TREATMENT OF SUPPLIERS

BBC Worldwide is committed to dealing with all suppliers on clear, pre-agreed contractual terms and to paying suppliers (whether large or small) within the agreed payment period, provided that the supplier is also complying with all relevant terms and conditions.

## Corporate Governance Report (continued)

### CUSTOMER SERVICE

BBC Worldwide's increasing success not only gives a global platform to the best of British talent but also delivers substantial financial returns to rights holders and producers. BBC Worldwide is committed to accounting accurately and on time to rights holders and continues to invest time and money in improving systems and processes, to enable it not only to meet the increase in volumes that success has produced, but also to provide a high level of customer service.

The Talent Accounting Department at BBC Worldwide is responsible for accruing and paying royalties to contributors, independent producers and third party profit participants. Additionally, it pays and reports music publishing royalties to the Mechanical Copyright Protection Society (MCPS) and reports on commercial use of music to the PPL. There are in excess of 150,000 live accounts in the royalty system, with over 500,000 statements and payments relating to BBC Worldwide's activities alone issued annually.

### CORPORATE RESPONSIBILITY

BBC Worldwide is committed to ensuring its activities are carried out to the highest standards consistent with its core values and purposes. It also encourages its commercial partners to do so through a range of clear guidelines, contractual commitments and training. During the year the company increased its corporate responsibility programme by launching Worldwide Aware. This new initiative champions best practice in environment, ethical trading, editorial standards, diversity and outreach activity.

#### Environment Impact

In the past year the company has been bold in its actions to reduce environmental impact and address carbon emissions. The environmental management team, working with volunteer Environment Champions, has made great strides towards achieving the company's environmental objectives by implementing:

- a 'Travel Less, Travel Light' policy limiting long-haul flights, minimising flights within the UK and parts of Europe, and championing the use of video-conferencing facilities;
- power-saving technology for computers and a 'pull print' system to reduce paper wastage and energy.

In addition, BBC Worldwide re-commissioned a rainwater harvesting system at the Media Centre, which saves more than 3m litres of water a year and, by investing in Gold Standard offset projects through ClimateCare, now has a zero carbon footprint for premises and travel.

BBC Worldwide has a Responsible Paper Procurement Policy, developed in association with WWF. 90% of BBC Magazines' paper is now FSC (Forest Stewardship Council) certified and the company continues to pilot the use of oxy-biodegradable wrap. The first batch of FSC-certified Lonely Planet guide books were published in March 2009.

#### Ethical Trading

BBC Worldwide sources and licenses millions of products around the world. The company takes seriously the importance of good working standards in any factory producing BBC Worldwide products and aims to be a leader in ethical trading. Particular attention has been paid to magazine covermounts, licensed toys and Lonely Planet guidebooks, which are predominantly sourced from China. BBC Worldwide has a supplier-training and independent factory inspection programme, coupled with stringent buying controls and corrective-actions monitoring. The programme aims to ensure that all BBC Worldwide products are produced in factories that meet, or exceed, internationally recognised standards relating to worker age, conditions of employment, pay, hours, health and safety. Factories which are manufacturing BBC Worldwide products are required to have been independently audited within the past 12 months.

A rolling programme of additional control audits, conducted by the BBC Worldwide ethical team, in tandem with some of the world's leading labour-standards consultancy firms, helps to ensure that the overall programme is genuinely effective in raising standards. The company is a member of SEDEX (Supplier Ethical Data Exchange), which works collectively with major retailers to maintain quality assessments of working conditions.

## Corporate Governance Report (Continued)

### Diversity

BBC Worldwide believes that attracting a diversity of staff is important in order to reflect, and be responsive to, the needs of its audiences and customers. The company has worked to meet (and in some cases has already reached) BBC diversity targets for 2012. However, it aims to go beyond numerical targets and create a culture which celebrates a diverse workforce as a business strength. In recruitment, the company increased its reach by working with specialist recruitment agencies and attending careers fairs to attract a diverse range of candidates. Outreach activity continues to develop. In BBC Magazines, the Catch 22 scheme gives young talent from disadvantaged backgrounds the opportunity to gain journalism experience. Also the Connectivity Award has enabled students with experience of working with people from a variety of ethnic backgrounds to receive a six-month paid placement to encourage diversity in our content. Elsewhere, paid internships were provided in 2008 via the Career Academies UK Foundation which works to raise the aspirations of 16-19 year olds. BBC Worldwide also ensures that its products are widely accessible to consumers through subtitling, audio navigation and description in its DVD output, and the production of a range of large-print books.

### Editorial Standards

The BBC is respected around the world for its high editorial standards and BBC Worldwide works hard to protect and enhance this reputation. It applies the same standards as the BBC to all its activities, as laid down in the BBC Editorial Guidelines and the BBC Fair Trading Guidelines. During 2008/09 BBC Worldwide introduced a new editorial structure to co-ordinate editorial relationships across the company and ensure that robust editorial safeguards are in place across all content areas in every territory. This included the appointment of an Editorial Standards Champion to co-ordinate standards and represent BBC Worldwide on BBC Editorial Standards boards, as well as an Editorial Leaders Group to develop policy, discuss concerns and share best practice, in particular at a quarterly Editorial Forum which brings together relevant people from all businesses. In addition, a series of Editorial Advisory Boards, in place since 2006 and overseen by an Annual Review Panel, play a key role in ensuring that BBC Magazines' portfolio of titles reflects the BBC's public purposes and extends the editorial offering of BBC programming. In its fourth review the Panel concluded that good connectivity with BBC television and radio programmes is evident, which clearly contributed to the magazines' success and distinctiveness.

### Outreach

BBC Worldwide is building its commitment to corporate citizenship by undertaking a variety of activities within its neighbouring communities. Initiatives in 2008/09 included a scheme at the Jack Tizard School in west London whereby staff volunteers attended the school weekly to assist children with profound and multiple learning difficulties. Staff have also taken part in team days – such as decorating at a local day centre – and are encouraged to participate in charitable giving to both BBC-related charities, such as Children in Need and Comic Relief, and others via a Payroll Giving scheme. Overseas, the team in Sydney donates blood to the Australian Red Cross Blood Service and the New York office contributes to the New York Cares charity. Lonely Planet staff support charitable projects in the developing world through the Wheeler Foundation, set up by Lonely Planet founders Tony and Maureen Wheeler after the sale of the business to BBC Worldwide.



**Statement of Directors' responsibilities in respect of the Directors' report and Financial Statements**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent Company financial statements in accordance with United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The Group and parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent Company and of the profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

**Independent Auditors' Report to the members of BBC Worldwide Limited**

We have audited the Group and parent Company financial statements (the "financial statements") of BBC Worldwide Limited for the year ended 31 March 2009 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated statement of total recognised gains and losses, the reconciliation of movement in equity shareholders' funds, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 41.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent Auditors' Report to the members of BBC Worldwide Limited

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 March 2009 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG LLP  
Chartered Accountants and Registered Auditor  
8 Salisbury Square  
London  
EC4Y 8BB

Date: 18 June 2009

**Consolidated profit and loss account**

For the year ended 31 March	Note	2009 £m	2008 £m
Turnover (including share of joint ventures)	2	1,003.6	916.3
Less: share of joint ventures	2, 13e	(299.0)	(274.6)
<b>Group turnover</b>	2	<b>704.6</b>	<b>641.7</b>
Cost of sales		(392.6)	(371.7)
<b>Gross profit</b>		<b>312.0</b>	<b>270.0</b>
Distribution costs		(221.0)	(179.0)
Administrative expenses		(51.8)	(33.6)
<b>Group operating profit</b>		<b>39.2</b>	<b>57.4</b>
Share of operating profit of joint ventures	13d	51.1	58.8
Represented by:			
Share of operating profit of joint venture's pre exceptional item	13d	58.6	58.8
Share of joint venture's operating exceptional item	13c, 13d	(7.5)	-
Share of operating profit of associates	14d	4.8	1.5
<b>Total operating profit</b>		<b>95.1</b>	<b>117.7</b>
Loss on termination of businesses	5	(9.4)	-
<b>Profit before interest and taxation</b>	2c	<b>85.7</b>	<b>117.7</b>
Interest receivable	6a	2.3	3.3
Interest payable	6b	(13.2)	(8.5)
<b>Profit on ordinary activities before taxation</b>	3	<b>74.8</b>	<b>112.5</b>
Tax on profit on ordinary activities	7	(33.5)	(34.4)
<b>Profit on ordinary activities after taxation</b>		<b>41.3</b>	<b>78.1</b>
Equity minority interests	21d	(0.5)	(0.5)
<b>Profit for the financial year</b>	21a	<b>40.8</b>	<b>77.6</b>

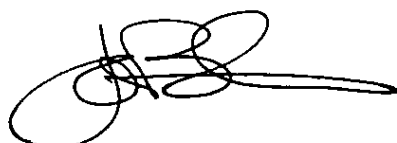
The profit for the current and prior year is based on continuing operations. 2009 acquisitions are not separately presented on the face of the profit and loss account, based on the materiality of their turnover and operating profit for the year. Full details of acquisitions are given in notes 3 and 19.

There is no difference in the profit for the financial period as reported compared to a historical cost basis in either the current or prior year.

**Consolidated balance sheet**

As at 31 March	Note	2009 £m	2008 £m
<b>Fixed assets</b>			
Intangible fixed assets	8	95.7	87.3
Tangible fixed assets	9	39.4	25.2
Investment in programmes for future sale	11	99.7	85.1
Interests in joint ventures:			
Share of gross assets and goodwill		184.7	215.3
Share of gross liabilities		(118.1)	(151.8)
	13a	66.6	63.5
Interests in associated undertakings	14a	11.2	3.8
Interests in trade investments	14e	-	2.7
<b>Total investments</b>		<b>77.8</b>	<b>70.0</b>
		<b>312.6</b>	<b>267.6</b>
<b>Current assets</b>			
Stocks	15	40.2	30.0
Current debtors	16	212.3	179.8
Long-term debtors	16	17.7	17.7
<b>Total debtors</b>		<b>230.0</b>	<b>197.5</b>
Cash at bank and in hand		55.9	50.7
		<b>326.1</b>	<b>278.2</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>(310.3)</b>	<b>(271.1)</b>
<b>Net current assets</b>		<b>15.8</b>	<b>7.1</b>
<b>Total assets less current liabilities</b>		<b>328.4</b>	<b>274.7</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(208.7)</b>	<b>(140.7)</b>
<b>Provisions for liabilities</b>	18	<b>(22.6)</b>	<b>(11.0)</b>
<b>Net assets</b>		<b>97.1</b>	<b>123.0</b>
<b>Capital and reserves</b>			
Called up share capital	20	0.2	0.2
Profit and loss account	21a	123.3	147.2
Other reserves	21b	(32.3)	(31.0)
<b>Total equity shareholders' funds</b>		<b>91.2</b>	<b>116.4</b>
Minority interests	21d	5.9	6.6
<b>Capital employed</b>		<b>97.1</b>	<b>123.0</b>

The financial statements were approved by the Board of Directors on 18 June 2009 and were signed on its behalf by:



J B Smith  
Chief Executive




N Chugani  
Chief Financial Officer

**Company balance sheet**

As at 31 March	Note	2009 £m	2008 £m
<b>Fixed assets</b>			
Intangible fixed assets	8	0.1	0.1
Tangible fixed assets	10	25.1	15.9
Investment in programmes for future sale	11	100.3	85.0
Investments			
Investments in subsidiary undertakings	12	84.0	96.9
Investments in joint ventures	13a	81.6	85.7
Investments in associated undertakings	14a	11.6	6.7
		<b>177.2</b>	<b>189.3</b>
		<b>302.7</b>	<b>290.3</b>
<b>Current assets</b>			
Stocks	15	3.2	0.9
Current debtors	16	392.5	274.1
Long-term debtors	16	-	4.3
Total debtors		<b>392.5</b>	<b>278.4</b>
Cash at bank and in hand		<b>2.4</b>	<b>24.7</b>
		<b>398.1</b>	<b>304.0</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>(351.4)</b>	<b>(342.6)</b>
<b>Net current assets/(liabilities)</b>		<b>46.7</b>	<b>(38.6)</b>
<b>Total assets less current liabilities</b>		<b>349.4</b>	<b>251.7</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(208.4)</b>	<b>(139.5)</b>
<b>Provisions for liabilities</b>	18	<b>(3.0)</b>	<b>(11.0)</b>
<b>Net assets</b>		<b>138.0</b>	<b>101.2</b>
<b>Capital and reserves</b>			
Called up share capital	20	0.2	0.2
Profit and loss account	21a	137.8	101.0
<b>Total equity shareholders' funds</b>		<b>138.0</b>	<b>101.2</b>

The financial statements were approved by the Board of Directors on 18 June 2009 and were signed on its behalf by:



J B Smith  
Chief Executive



N Chugani  
Chief Financial Officer

**Consolidated statement of total recognised gains and losses**

<b>For the year ended 31 March</b>	<b>Note</b>	<b>Group 2009 £m</b>	<b>Group 2008 £m</b>
Profit for the financial year			
- Group		7.4	31.4
- Share of joint ventures	13d	30.6	44.9
- Share of associates	14d	2.8	1.3
		40.8	77.6
Recognition of share of joint venture liabilities	13b	(19.4)	-
Effect of foreign currency translation	21a, 21b	23.1	(1.4)
<b>Total recognised gains relating to the financial year</b>		<b>44.5</b>	<b>76.2</b>

**Reconciliation of movements in total equity shareholders' funds**

<b>For the year ended 31 March</b>	<b>Note</b>	<b>Group 2009 £m</b>	<b>Group 2008 £m</b>
Total recognised gains for the year		44.5	76.2
Dividends	21c	(68.4)	(49.8)
Other reserves	21b	-	(28.8)
Adjustment on acquisition of UK.TV	19a	(1.3)	-
<b>Net decrease in equity shareholders' funds</b>		<b>(25.2)</b>	<b>(2.4)</b>
Equity shareholders' funds at start of year		116.4	118.8
<b>Equity shareholders' funds at end of year</b>		<b>91.2</b>	<b>116.4</b>

**Consolidated cash flow statement**

For the year ended 31 March	Note	2009 £m	2008 £m
<b>Net cash inflow from operating activities</b>	22	<b>150.1</b>	153.5
<b>Dividends from joint ventures and associates</b>		<b>37.0</b>	45.7
<b>Returns on investments and servicing of finance</b>			
Interest received		1.1	1.4
Interest paid		(10.8)	(7.0)
Interest element of finance lease payments		(0.1)	(0.1)
Dividends paid to minority interests		(0.8)	-
<b>Net cash outflow from return on investments and servicing of finance</b>		<b>(10.6)</b>	(5.7)
<b>Taxation</b>		<b>(23.2)</b>	(18.3)
<b>Capital expenditure and financial investments</b>			
Purchase of tangible fixed assets		(27.8)	(14.7)
Investment in programmes for future sale		(100.8)	(88.2)
Drawdown of loan to joint venture	13a	(0.4)	(0.7)
<b>Net cash outflow for capital expenditure and financial investments</b>		<b>(129.0)</b>	(103.6)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings	19a	(15.1)	(90.3)
Net cash acquired with subsidiary undertaking	19a	1.9	5.9
Purchase of / investment in joint ventures	13	(6.5)	(4.5)
Purchase of associates	14, 19b	(9.4)	(1.8)
<b>Net cash outflow from acquisitions and disposals</b>		<b>(29.1)</b>	(90.7)
<b>Cash outflow before distributions and financing</b>		<b>(4.8)</b>	(19.1)
<b>Equity dividends paid to shareholders</b>	21c	<b>(68.8)</b>	(49.4)
<b>Cash outflow before financing</b>		<b>(73.6)</b>	(68.5)
<b>Financing</b>			
Capital element of finance lease payments	23	(1.2)	(0.5)
Increase in loan from parent undertaking	23	73.2	66.4
Net cash inflow from bank loan	23	-	30.0
Inflow/(outflow) in respect of other short term loans	23	2.5	(4.0)
<b>Net cash inflow from financing</b>		<b>74.5</b>	91.9
<b>Increase in cash in the year</b>	23	<b>0.9</b>	23.4



## Notes to the financial statements

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the Group's principal accounting policies is set out below. These accounting policies have been applied consistently throughout the current and preceding years to items considered material to the financial statements.

#### 1a Basis of accounting

The financial statements are presented under the historical cost accounting convention.

#### 1b Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings up to 31 March 2009. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associated undertaking is one in which the Group has a long-term interest, usually between 20% and 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control.

The Group's share of the profits less losses of associates and joint ventures is included in the consolidated profit and loss account, and its interest in their net assets is included in the consolidated balance sheet, using the equity method to 31 March with the exception of the following investments (as permitted by *FRS 9: Associates and Joint Ventures*): the results of the joint ventures and associates within the Discovery agreements, excluding the Animal Planet Europe Partnership; and BBC Haymarket Exhibitions Limited, have been included using information from unaudited accounts drawn up to 31 December (notes 13 and 14). The results of the 2 entertain Limited ('2 entertain') joint venture have been included using information from unaudited accounts drawn for the 14 months up to 31 March (note 13). In the prior year, 2 entertain was equity accounted for the year to 31 January to match the accounting reference date of both 2 entertain and its other shareholder Woolworths Media Limited. The change to 31 March has been effected in the current year to align 2 entertain's results with those of the Group. This reflects the Group's commitment to secure ownership of the remaining stake in 2 entertain following the insolvency of Woolworths Media Limited.

During the year, the Animal Planet Europe Partnership achieved a net assets position; due to the materiality of the entity's results, and in accordance with *FRS 9*, its profit and net assets have been recorded and disclosed for the period to 31 March 2009. The remaining Discovery entities continue to be presented based on results for the year ended 31 December 2008. This has no impact on the Group results as these entities have not yet reached a net assets position and are therefore not equity accounted.

As permitted by Section 230 of the Companies Act 1985, no profit and loss account has been presented in respect of the Company. The Company's profit after taxation for the year was £103.6 million (2008: £55.0 million). The Company's results form part of the consolidated financial statements.

## 1 Principal accounting policies (continued)

### 1c Turnover

Group turnover represents: licence fees from television programme sales; licence and production fees from television content and production; distribution and advertising income from television channels, websites and the publication of magazines; income and licence fees from the publication of books, audiobooks, DVDs and the sale of character merchandising.

The basis upon which turnover is recognised is as follows:

- Distribution, advertising and other sales commission income – recognised on provision or delivery of service.
- Licence fees from international television programme sales – recognised at the later of the start of the licence period or the delivery of the programme rights.
- Income from content and production – recognised on delivery of the related programme / on provision of service
- Income from publishing sales and the sale of promotional merchandise - recognised at time of delivery / on provision of service.

Turnover excludes value added tax and trade discounts and is recognised at the fair value of consideration receivable. Sales of promotional merchandise and publishing are stated after deduction of the sales value of actual and estimated returned goods.

### 1d Foreign currency

Transactions in foreign currencies are translated into sterling at a monthly average exchange rate.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at 31 March. Surpluses and deficits arising from the translation of monetary assets and liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the consolidated profit and loss account.

The profit and loss accounts and cash flows of overseas subsidiaries are translated into sterling at the weighted average rates for the year. Exchange differences arising from the retranslation of the opening net assets of overseas subsidiaries and any related long-term foreign currency borrowings are taken directly to the profit and loss reserve, together with the differences arising when the profit and loss accounts are translated at average rates compared with rates ruling at the year end. Other exchange differences are taken to the profit and loss account.

### 1e Financial instruments

Gains and losses on foreign currency and interest rate hedges are recognised in the profit and loss account on maturity of the underlying transaction.

In line with its fellow BBC subsidiaries, the Group is not within the scope of *FRS 26: Financial Instruments – Recognition and Measurement* and has not adopted this standard. If adopted, FRS 26 would require recognition of derivative financial instruments on the balance sheet initially at cost, with subsequent fair value remeasurement through the profit and loss account, unless hedge accounting was adopted and the relevant criteria met. Had the Group chosen to adopt FRS 26, and on the assumption that no hedge accounting had been applied, operating profit for the year ended 31 March 2009 would have been reduced by £20.8 million (2008: £0.2 million) and interest payable and similar charges would have increased by £4.8 million (2008: £nil). These result from the movements in fair value in the period to 31 March 2009 of the derivative financial instruments held by the Group as part of its operating businesses. The magnitude of these impacts reflects the ongoing significant volatility in financial markets.

**1 Principal accounting policies (continued)****1f Goodwill and intangible assets**

Purchased goodwill represents the excess of the fair value of the purchase consideration, plus any related costs of acquisition, over the fair value attributable to the separable net assets acquired. Purchased goodwill arising on the acquisition of a business or subsidiary before 1 April 1998, when *FRS 10: Goodwill and Intangible Assets* was adopted, was written off to reserves in the year of acquisition. On disposal, goodwill previously written off to reserves is transferred to the profit and loss account for the year as part of the profit or loss on disposal.

Purchased positive goodwill arising on the acquisition of a business or subsidiary since 1 April 1998 is capitalised and amortised to nil over its estimated useful life, not exceeding 20 years. On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal is calculated after charging the unamortised amount of any related goodwill.

Goodwill and intangible assets are subject to impairment review at the end of the first full year following acquisition and if indications of a diminution of value are identified.

**1g Tangible fixed assets**

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

Expenditure on fixed assets is capitalised together with directly attributable costs incurred on capital projects. Depreciation is calculated so as to write off the cost less estimated residual value of fixed assets on a straight-line basis over their expected useful lives. Depreciation commences from the date an asset is brought into service.

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

Freehold buildings	50 years
Short leasehold buildings	Unexpired lease term
Plant and machinery	3 to 8 years
Fixtures and fittings	3 to 7 years

**1h Leased assets**

Assets acquired under finance leases are included within fixed assets at the total of the lease payments due over the life of the lease discounted at the rate of interest inherent in the lease. The same amount is included in creditors. Rental payments are apportioned between the finance element, which is charged to the profit and loss account, and the capital element, which reduces the lease creditor.

Operating lease rentals payable are recognised on a straight line basis over the term of the lease.

**1i Impairment of fixed assets**

The Group reviews the carrying amounts of its fixed assets in accordance with *FRS 11: Impairment of Fixed Assets and Goodwill* whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels producing largely independent income streams (income-generating units).

When an impairment test is performed, the recoverable amount is assessed by reference to the higher of the net present value of expected future cash flows (value in use) of the relevant income generating unit and the fair value less cost to sell (net realisable value). In assessing value in use, the estimated future cash flows expected to arise from the income-generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

Impairment losses are allocated firstly against goodwill, secondly against other intangibles, and thirdly to the tangible assets of the unit, on a pro-rata or more appropriate basis.

## 1 Principal accounting policies (continued)

### 1j Research and development

Where development expenditure is incurred which gives rise to an asset with future economic benefit this spend is deferred until the period in which the associated income is generated. Research and development expenditure which does not meet the above criteria is written off as incurred.

### 1k Investment in programmes for future sale

Investment in programmes for future sale is stated at cost less accumulated amortisation and after writing off the costs of programmes that are considered irrecoverable.

Amortisation of investment in programmes for future sale is charged to the profit and loss account to match the average revenue profile of the programme genre, over its estimated average marketable life, estimated to be between two and ten years. Programmes that are fully written off are deducted from the cost and accumulated amortisation of investment in programmes for future sale.

### 1l Stocks

Stocks comprising books, DVDs, audiobooks, paper, raw materials, and work in progress are stated at the lower of cost and net realisable value. Programme stock represents programmes purchased for the future broadcast on one of the Group's television channels or for sale to third party broadcasters. Programme stocks are stated at cost and are charged to the profit and loss account based on management's best estimate of the revenues expected to arise on broadcasts of the programme.

### 1m Provisions

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

### 1n Pension costs

The Group operates both defined benefit and defined contribution schemes for the benefit of employees.

#### Defined benefit schemes

The defined benefit schemes provide benefits based on final or career average pensionable pay. The assets of the BBC's main pension scheme, to which the majority of employees belong, are held separately from those of the BBC Group. The BBC pension scheme is a Group wide scheme and as such the participating employers are unable to identify their shares of the underlying assets and liabilities on a reasonable and consistent basis. Therefore as required by *FRS 17: Retirement benefits* BBC Worldwide accounts for the scheme as if it were a defined contribution scheme. The expenditure charged for the year as a result represents the contributions payable in the year.

#### Defined contribution scheme

The Group participates in a number of defined contribution schemes in relation to its UK and overseas operations. Contributions to the schemes are charged to the profit and loss account when payable.

### 1o Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences that have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it is more likely than not that they will be recovered.

### 1p Dividends on shares presented within shareholders' funds

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

## 2 Segmental analysis

From 1 April 2008 a new segment, Global Brands, was established from which key brands are managed. The results of Lonely Planet, a 75% owned subsidiary acquired on 1 October 2007 (see note 19c), have been included within this segment in the current and prior year results presented below. The results of the other brands managed from within this segment (Top Gear, Dr Who and Earth) are reported in the figures for each of the businesses to which they relate.

The prior year comparatives have been restated to reflect the reclassification of the Children's business (excluding Live Entertainment, previously called Live Events) from Home Entertainment to Magazines in line with changes to the Group's management and reporting structure effective during the current year. The Live Entertainment business, previously managed within Children's, has been transferred to Content & Production and the prior year comparatives have also been restated to reflect this change.

As a result of this change, the Magazines business segment was renamed Magazines, Children's & Licensing.

### 2a Turnover analysed by type of business

	Group turnover £m	Share of joint ventures £m	Total £m
<b>2009</b>			
Channels	122.8	102.8	225.6
Content & Production	86.5	1.7	88.2
Digital Media	34.2	-	34.2
Global Brands	43.0	-	43.0
Sales & Distribution	179.7	15.6	195.3
Magazines, Children's & Licensing	186.8	23.4	210.2
Home Entertainment	51.6	155.5	207.1
<b>Total</b>	<b>704.6</b>	<b>299.0</b>	<b>1,003.6</b>
	Group turnover £m	Share of joint ventures £m	Total £m
<b>2008</b>			
Channels	85.8	98.0	183.8
Content & Production	73.3	0.6	73.9
Digital Media	21.9	-	21.9
Global Brands	23.1	-	23.1
Sales & Distribution	199.5	13.4	212.9
Magazines, Children's & Licensing	187.4	16.0	203.4
Home Entertainment	50.7	146.6	197.3
<b>Total</b>	<b>641.7</b>	<b>274.6</b>	<b>916.3</b>

### 2b Turnover analysed by geographical segment

	By Destination		By Origin	
	2009 £m	2008 £m	2009 £m	2008 £m
United Kingdom	286.0	284.1	597.5	581.4
Americas	206.5	179.3	69.4	49.0
Europe	134.3	111.0	2.1	0.4
Rest of World	77.8	67.3	35.6	10.9
Group turnover	704.6	641.7	704.6	641.7
Share of joint ventures	299.0	274.6	299.0	274.6
<b>Total</b>	<b>1,003.6</b>	<b>916.3</b>	<b>1,003.6</b>	<b>916.3</b>

**2c Profit before interest and taxation analysed by type of business**

	Group operating profit/(loss)	Share of operating profit/(loss) of joint ventures/ associates	Total operating profit	Loss on termination of business	Profit/(loss) before interest and taxation
	£m	£m	£m	£m	£m
<b>2009</b>					
Channels	(1.1)	30.7	29.6	-	29.6
Content & Production	17.8	(1.1)	16.7	-	16.7
Digital Media	(19.6)	(3.2)	(22.8)	(8.9)	(31.7)
Global Brands	(9.6)	-	(9.6)	-	(9.6)
Sales & Distribution	37.4	6.3	43.7	-	43.7
Magazines, Children's & Licensing	13.6	(0.4)	13.2	-	13.2
Home Entertainment	0.7	23.6	24.3	(0.5)	23.8
<b>Total</b>	<b>39.2</b>	<b>55.9</b>	<b>95.1</b>	<b>(9.4)</b>	<b>85.7</b>

	Group operating profit/(loss)	Share of operating profit/(loss) of joint ventures/ associates	Total operating profit	Loss on termination of business	Profit/(loss) before interest and taxation
	£m	£m	£m	£m	£m
<b>2008</b>					
Channels	(4.4)	17.0	12.6	-	12.6
Content & Production	16.2	(0.2)	16.0	-	16.0
Digital Media	(10.9)	-	(10.9)	-	(10.9)
Global Brands	(2.1)	-	(2.1)	-	(2.1)
Sales & Distribution	44.1	2.6	46.7	-	46.7
Magazines, Children's & Licensing	8.3	(0.6)	7.7	-	7.7
Home Entertainment	6.2	41.5	47.7	-	47.7
<b>Total</b>	<b>57.4</b>	<b>60.3</b>	<b>117.7</b>	<b>-</b>	<b>117.7</b>

**2d Profit before interest and taxation analysed by geographical destination**

	Group operating profit/(loss)	Share of operating profit/(loss) of joint ventures/ associates	Total operating profit	Loss on termination of business	Profit/(loss) before interest and taxation
2009	£m	£m	£m	£m	£m
United Kingdom	(26.2)	22.5	(3.7)	(9.4)	(13.1)
Americas	30.3	21.9	52.2	-	52.2
Europe	32.1	8.4	40.5	-	40.5
Rest of World	3.0	3.1	6.1	-	6.1
Total	39.2	55.9	95.1	(9.4)	85.7

	Group operating profit/(loss)	Share of operating profit/(loss) of joint ventures/ associates	Total operating profit	Loss on termination of business	Profit/(loss) before interest and taxation
2008	£m	£m	£m	£m	£m
United Kingdom	1.1	33.9	35.0	-	35.0
Americas	29.1	24.0	53.1	-	53.1
Europe	27.1	0.8	27.9	-	27.9
Rest of World	0.1	1.6	1.7	-	1.7
Total	57.4	60.3	117.7	-	117.7

**2e Net assets analysed by geographical location**

	Total 2009 £m	Total 2008 £m
United Kingdom	38.8	59.7
Americas	29.0	26.6
Rest of World	29.3	36.7
Total	97.1	123.0

All net assets are owned, either in the UK and made available for international regional offices, or through the Group's overseas subsidiaries (see note 30). Further disclosures in respect of net assets by business type have not been provided as assets are shared by business segments and, in the view of the Directors, it is neither useful nor practical to provide further analysis.

**3 Profit on ordinary activities before taxation****3a Analysis of continuing operations**

	2009 Continuing £m	2009 Acquisitions £m	2009 Total £m	2008 Continuing £m	2008 Acquisitions £m	2008 Total £m
<b>Group turnover</b>	<b>693.2</b>	<b>11.4</b>	<b>704.6</b>	<b>618.6</b>	<b>23.1</b>	<b>641.7</b>
Cost of sales	(386.0)	(6.6)	(392.6)	(360.5)	(11.2)	(371.7)
<b>Gross profit</b>	<b>307.2</b>	<b>4.8</b>	<b>312.0</b>	<b>258.1</b>	<b>11.9</b>	<b>270.0</b>
Distribution costs	(219.3)	(1.7)	(221.0)	(165.6)	(13.4)	(179.0)
Administrative expenses	(51.1)	(0.7)	(51.8)	(33.0)	(0.6)	(33.6)
<b>Group operating profit/(loss)</b>	<b>36.8</b>	<b>2.4</b>	<b>39.2</b>	<b>59.5</b>	<b>(2.1)</b>	<b>57.4</b>

Acquisitions in the year ended 31 March 2009 relate to UK TV Pty Limited and the UK TV Partnership (together "UK.TV"; note 19a). Group operating profit on acquisitions is stated after goodwill amortisation charges of £0.4 million.

Acquisitions in the year ended 31 March 2008 relate to Lonely Planet (note 19c). Group operating loss on acquisitions in the year ended 31 March 2008 is stated after post acquisition costs and goodwill amortisation charges of £3.3 million.

Further details of acquisitions are set out in note 19.

**3b Profit on ordinary activities before taxation is stated after charging / (crediting):**

	2009 £m	2008 £m
Operating lease rentals:		
- plant and machinery	1.0	2.4
- land and buildings	10.1	6.9
- satellite costs	6.4	3.1
Loss on sale of fixed assets	-	0.3
Depreciation and impairment		
- owned assets (excluding Kangaroo)	11.3	7.2
- under finance leases	1.1	0.6
Loss on termination of Kangaroo venture		
- fixed asset impairment	3.4	-
- share of impairment of net assets	4.2	-
- closure costs	1.5	-
Amortisation of investment in programmes for future sale	87.0	101.8
Amortisation and impairment of goodwill		
- subsidiaries	5.1	2.5
- joint ventures and associates	4.3	2.0
Impairment of trade investment (note 14e)	2.7	1.5
Provision for and impairment of doubtful debts	6.5	2.8
Foreign exchange gain	(1.8)	(5.3)
Research and development expenditure (excluding Kangaroo)	1.6	3.0



**3 Profit on ordinary activities before taxation****3c Auditor's remuneration**

	2009	2008
	£m	£m
Fees for the audit of the Company	0.2	0.2

Fees paid to the Company's auditors, KPMG LLP, and its associates for services other than the statutory audit of the Company are not disclosed in these financial statements. This is on the basis that such non-audit fees are disclosed in the consolidated accounts of the Company's ultimate parent, the BBC.

**4 Employees and remuneration****4a Persons employed**

The average number of persons employed (full-time equivalent) in the year is set out below. Comparatives have been restated in line with the segmental changes detailed in note 2.

	Group 2009 Average	Group 2008 Average	Company 2009 Average	Company 2008 Average
Channels	366	195	284	195
Content & Production	103	67	79	67
Digital Media	224	153	200	153
Global Brands	514	233	7	-
Sales & Distribution	288	282	288	282
Magazines, Children's & Licensing	761	759	129	232
Home Entertainment	324	330	189	227
Total	2,580	2,019	1,176	1,156

Within the averages above, 126 (2008: 136) part-time employees have been included at their full-time equivalent of 85 (2008: 85). This includes UK TV Pty Limited employees (within Worldwide Channels) for the nine-month post acquisition period. In addition to the above, the Group employed an average full-time equivalent of 49 (2008: 49) persons on a casual basis. Their payroll costs are included in note 4b.

During the year, the bbc.com business (excluding Americas) was transferred by BBC Worldwide Limited to its wholly owned subsidiary BBC.com Limited. This transfer was effected at 1 April 2008 and resulted in total staff costs of £3.5 million being transferred to BBC.com Limited, representing an average number of employees of 24. This intra-group reorganisation has no impact on the Group numbers presented above but does result in a reduction in Company only employee numbers and staff costs.

**4b Staff costs**

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Salaries and wages	132.7	99.7	53.4	44.0
Social security costs	8.1	7.2	5.4	4.7
Other pension costs	12.6	11.1	7.2	7.4
	153.4	118.0	66.0	56.1

In addition to the above, redundancy costs and compensation for loss of office payments totalling £2.3 million (2008: £1.0 million) were incurred in the year.

**4c BBC Pension Scheme****Pensions**

Many BBC Worldwide employees are members of the BBC's pension schemes, the BBC Pension Scheme (a defined benefit scheme) and the Group Personal Pension Scheme (a defined contribution scheme).

**BBC Pension Scheme**

The BBC Pension Scheme provides salary related pension benefits on a defined benefit basis from assets held in separate, trustee-administered, funds.

The scheme is subject to independent valuation by a professionally qualified actuary at least every three years, on the basis of which the actuary certifies the rate of employer's contributions. These, together with the specified contributions payable by employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the scheme. The most recent full actuarial valuation of the scheme was prepared as at 1 April 2007 by Watson Wyatt, consulting actuaries. At 1 April 2007, the actuarial value of the assets was sufficient to cover 103% of the benefits due to members, after allowing for expected future increases in earnings.

As a result of the 2007 actuarial valuation by Watson Wyatt, it has been agreed between the BBC and the pension scheme trustees that:

- the employer contributions will decrease from 19.35% to 18.6% from 1 April 2009 and to 17.85% from 1 April 2010. Employee contributions will rise from 6% to 6.75% from 1 April 2009 and to 7.5% from 1 April 2010;
- the additional payments previously agreed as a result of the 1 April 2005 valuation are no longer required and were repaid in the year.

The next formal actuarial valuation is expected to be performed as at 1 April 2010 and the Trustees will obtain actuarial reports in the intervening years.

Contribution rates	Projected		2008-09 %	Actual 2007-08 %	2006-07 %
	2010-11 %	2009-10 %			
Employer	17.85	18.6	18.8 / 19.35	18.8	7.5
Employee (Old and New Benefits)	7.5	6.75	6.0	6.0	5.5 / 6.0
Employee (Career Average Benefits)	4.0	4.0	4.0	4.0	4.0*

\*The Career Average Benefit Scheme started on 1 November 2006

BBC Worldwide, following the provisions within *FRS 17: Retirement Benefits*, accounts for the scheme as if it were a defined contribution scheme. This is because it is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The pension cost for this scheme therefore represents contributions payable by the Group to the scheme and the costs amounted to £10.6 million in the year (2008: £10.6 million). No contributions were prepaid or accrued at 31 March 2009 (2008: £nil).

The actuarial valuation was updated for FRS 17 purposes to 31 March 2009 by Watson Wyatt, consulting actuaries. This valuation identified a deficit of £138.6 million in the scheme at 31 March 2009 (2008: surplus of £528.4 million). Additional disclosure about the scheme and its financial position under FRS 17 is provided in the BBC Annual Report and Accounts that can be obtained from [www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport).

**4d BBC Worldwide Limited Group personal pension scheme and other schemes**

The Group also operates its own defined contribution pension schemes, including those operated in the USA and Australia. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost represents contributions payable by the Group to the funds and this amounted to £2.0 million in the year (2008: £0.5 million).

**4e Directors' remuneration**

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

	2009 £'000	2008 £'000
Emoluments	3,742	3,479
Compensation for loss of office	993	200
Long-term incentive plan	505	580
	<b>5,240</b>	<b>4,259</b>

A salary sacrifice arrangement was introduced on 1 June 2008 for all employees who joined the BBC pension scheme before 1 November 2006. From 1 June 2008, the terms of employment were changed for employees opting for salary sacrifice and as a result employee pension contributions made via the salary sacrifice arrangement have been treated as employer contributions, with a corresponding reduction in salary. Directors' emoluments have not been presented to reflect the impact of salary sacrifice to enable better comparison with prior years. The total salary sacrifice by Directors for the period since 1 June 2008 was £93,000.

The number of Directors to whom retirement benefits accrue under the following schemes is as follows:

	2009 No of Directors	2008 No of Directors
Defined benefit schemes	10	11
Money purchase schemes	4	5

The Company contributed £nil (2008: £nil) to money purchase schemes for its Directors during the year.

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

	2009 £'000	2008 £'000
Emoluments	480	486
Long-term incentive plan	80	252
	<b>560</b>	<b>738</b>

The Company contributed £nil (2008: £nil) to money purchase schemes on behalf of the highest paid Director during the year. The highest paid Director had accrued pension benefits of £209,000 (2008: £194,000) per annum as at 31 March 2009 under the Company's defined benefit scheme. In addition to the annual bonus amount included in the emoluments number above, an equal amount has been invested by the highest paid director in the Long Term Incentive Plan for BBC Worldwide which may vest in March 2012 (2008: March 2011).

**5 Loss on termination of business**

In the year ended 31 March 2008, an independent joint venture was created by BBC Worldwide, ITV and Channel 4 to develop a new UK on-demand service known to the industry as Kangaroo. On 4 February 2009, the Competition Commission reported that it believes the proposed venture would create a lessening of competition in the emerging video on demand industry in the UK, and blocked the joint venture from continuing. As a result the Group has terminated its investment and during the year ended 31 March 2009, exceptional costs totalling £9.1 million have been charged to the profit and loss account. The exceptional costs comprise the write down of the Group's investment in the Kangaroo venture (note 13), termination costs incurred to 31 March 2009, the write-down of capitalised development expenditure and provision for the Group's remaining obligations after this date. All of these costs originate within the Digital Media business segment. BBC Worldwide is now exploring a number of alternative strategies for exploiting commercial TV rights on the internet, both in the UK and internationally.

Other losses on termination of business primarily relate to the Group's divestment of its interactive learning activities. This is reflected in the Home Entertainment business segment.

**6 Interest****6a Interest receivable**

	2009	2008
	£m	£m
Share of joint venture and associate interest receivable	1.2	2.0
Other interest receivable	1.1	1.3
<b>Total interest receivable</b>	<b>2.3</b>	<b>3.3</b>

**6b Interest payable**

	2009	2008
	£m	£m
Share of joint venture and associate interest payable	(2.4)	(1.6)
Loan from parent undertaking	(7.3)	(3.7)
Bank loans	(3.0)	(2.6)
Interest payable on finance leases	(0.1)	(0.1)
Other interest payable	(0.4)	(0.5)
<b>Total interest payable</b>	<b>(13.2)</b>	<b>(8.5)</b>

**7 Taxation****7a Analysis of charges for the year**

The charge for the year, based on a UK rate of corporation tax of 28% (2008: 30%), comprised:

	2009	2008
	£m	£m
<b>Current tax:</b>		
UK corporation tax	19.5	11.6
UK group relief payable	2.7	3.0
Deduct: double tax relief	(10.1)	(4.5)
Adjustments in respect of prior years	3.3	-
	<b>15.4</b>	<b>10.1</b>
Share of joint venture/associated undertakings' tax	17.2	14.5
Foreign tax	8.7	7.3
<b>Total current tax</b>	<b>41.3</b>	<b>31.9</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(3.9)	6.3
Change in rate of UK taxation	-	(0.6)
Adjustments in respect of prior years	(3.9)	(3.2)
<b>Total deferred tax</b>	<b>(7.8)</b>	<b>2.5</b>
<b>Tax on profits on ordinary activities</b>	<b>33.5</b>	<b>34.4</b>

**7b Factors affecting the tax charge**

The current tax charge for the year is higher than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained as follows:

	2009 £m	2008 £m
Profit on ordinary activities before tax	74.8	112.5
Current tax at 28% (2008: 30%)	20.9	33.8
Effects of:		
Disallowed expenditure	8.5	4.8
Taxation on overseas dividends	-	0.9
Tax differential on wholly owned overseas earnings	2.9	2.4
Tax differential on joint venture and associates earnings	1.8	(3.7)
Depreciation in excess of/(less than) capital allowances	4.4	(1.2)
Other timing differences	(0.5)	(5.1)
Adjustments in respect of previous years	3.3	-
<b>Current tax charge for the year (note 7a)</b>	<b>41.3</b>	<b>31.9</b>

The statutory rate of UK corporation tax reduced to 28% with effect from 1 April 2008.

The increase in the total effective tax rate for the year arises from the disallowance of investment impairment charges (principally Kangaroo, note 5 and trade investments, note 14e) and the mix of profits arising in higher rate tax jurisdictions. The prior year tax charge was reduced by non taxable dividend income from joint ventures and associates which is lower in the current year.

**7c Analysis of deferred tax balance**

In accordance with *FRS 19: Deferred Taxation*, the Group provides for all deferred tax liabilities in full less available deferred tax assets.

	2009 £m	2008 £m
<b>Net deferred tax (asset)/liability movement</b>		
Net asset at start of year	(6.4)	(9.2)
Exchange adjustment	(5.6)	1.7
Acquired on investment acquisition	1.3	(1.4)
Current year overseas tax losses reclassified as current tax	0.7	-
Deferred tax (credit) / charge (note 7a)	(7.8)	2.5
Net asset at end of year	(17.8)	(6.4)
<b>Deferred tax (asset)/liability analysis</b>		
UK accelerated capital allowances / deferred tax liability (note 18)	0.5	8.7
UK and foreign timing differences / deferred tax assets (note 16)	(18.3)	(15.1)
	(17.8)	(6.4)

The increase in the net deferred tax asset arises from major exchange rate changes and release of UK deferred tax liability following the change in the tax legislation governing the investment in film and TV rights. This mitigates the prior year adjustment at note 7b.

UK and foreign timing differences relate to differences between the treatment of certain revenue and expense items for taxation and accounting purposes.

The Group has unrecognised deferred tax assets arising on capital losses totalling £24.9 million (2008: £27.3 million) and on operating losses totalling £2.9 million (2008: nil). These assets were not recognised on the basis that there is insufficient certainty that capital or operating gains will arise in the Group to utilise these capital or operating losses.

**7d Factors that may affect future tax charges**

The future total tax charge will be affected by the mix of profits generated from the different tax jurisdictions in which the Group operates (principally the UK, the US and Australia) and the statutory tax rates applicable in these territories.

The future Group tax charge may also differ from the UK statutory rate of corporation tax as a result of expenses disallowable for corporation tax deduction (including Group and joint venture goodwill amortisation and impairment) and as a result of income which is not taxable (including dividend receipts).

**8 Intangible fixed assets**

	Group Goodwill	Company Goodwill
	£m	£m
Cost		
At 1 April 2008	94.5	0.5
Additions	10.6	-
Exchange adjustment	2.9	-
<b>At 31 March 2009</b>	<b>108.0</b>	<b>0.5</b>
Amortisation		
At 1 April 2008	7.2	0.4
Charge for the year	5.1	-
<b>At 31 March 2009</b>	<b>12.3</b>	<b>0.4</b>
Net book value:		
<b>At 31 March 2009</b>	<b>95.7</b>	<b>0.1</b>
At 31 March 2008	87.3	0.1

Goodwill additions reflect the acquisition of UK.TV (see note 19a).

Goodwill that has been capitalised is amortised on a straight-line basis over a period of up to 20 years, reflecting the Directors' opinion of its useful economic life in each case, subject to reviews for impairment.

Of the Group's total net book value of goodwill, £75.8 million relates to the acquisition of a 75% shareholding in Lonely Planet, which took place on 1 October 2007 (note 19c). As the year ended 31 March 2009 was the first full financial year following initial recognition of that goodwill, an impairment review was carried out at 31 March 2009 in line with *FRS 10: Goodwill and Intangible Assets*. The recoverable amount of Lonely Planet was based on value in use calculations, reflecting management's plans for a long term use of this asset. These calculations used cash flow projections based on the Group's current business plans. Long term cash flows beyond that plan period were estimated using growth rates consistent with the average growth rates for the business and the markets in which it operates. The discount rate applied to the forecast cash flows reflects the latest market assumptions, having regard to country risk, size of the business, credit spread and gearing ratio. These value in use calculations support the carrying value of the business and as a result no impairment charge was recorded.

**9 Tangible fixed assets – Group**

	Freehold buildings	Short leasehold buildings	Plant & machinery	Fixtures & fittings	Assets under construction	Total
Group	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2008	0.2	3.1	47.2	3.7	2.4	56.6
Assets acquired in business combination	-	-	0.1	-	-	0.1
Additions	-	7.1	18.3	3.3	0.1	28.8
Transfer to completed assets	-	-	1.5	0.4	(1.9)	-
Disposals	-	-	(6.0)	-	-	(6.0)
Exchange adjustment	-	0.9	2.9	0.4	-	4.2
<b>At 31 March 2009</b>	<b>0.2</b>	<b>11.1</b>	<b>64.0</b>	<b>7.8</b>	<b>0.6</b>	<b>83.7</b>
Depreciation						
At 1 April 2008	-	2.1	27.6	1.7	-	31.4
Charge for the year	-	1.1	8.6	1.2	-	10.9
Impairment charge	-	-	4.9	-	-	4.9
Disposals	-	-	(6.0)	-	-	(6.0)
Exchange adjustment	-	0.7	2.1	0.3	-	3.1
<b>At 31 March 2009</b>	<b>-</b>	<b>3.9</b>	<b>37.2</b>	<b>3.2</b>	<b>-</b>	<b>44.3</b>
Net book value:						
<b>At 31 March 2009</b>	<b>0.2</b>	<b>7.2</b>	<b>26.8</b>	<b>4.6</b>	<b>0.6</b>	<b>39.4</b>
At 31 March 2008	0.2	1.0	19.6	2.0	2.4	25.2

The impairment charge recorded during the year primarily relates to the termination of the Kangaroo venture (see notes 3b and 5).

Tangible fixed assets include the following assets held under finance leases:

Group	Plant & machinery £m	Fixtures & fittings £m	2009 Total £m	Plant & machinery £m	Fixtures & fittings £m	2008 Total £m
Cost	3.0	0.3	3.3	2.1	0.5	2.6
Accumulated depreciation	(1.4)	(0.3)	(1.7)	(0.5)	(0.1)	(0.6)
Net book value	1.6	-	1.6	1.6	0.4	2.0

Assets held under finance lease and hire purchase arrangements are held in Lonely Planet. There are no assets (2008: £nil) held under finance leases in the Company.

**10 Tangible fixed assets – Company**

	Short leasehold buildings	Plant & Machinery	Fixtures & Fittings	Assets under construction	Total
	£m	£m	£m	£m	£m
<b>Cost</b>					
At 1 April 2008	-	33.0	1.9	2.4	37.3
Additions	7.0	11.3	3.2	0.1	21.6
Transfer to completed assets	-	1.5	0.4	(1.9)	-
Transfer to subsidiaries	-	(1.4)	-	-	(1.4)
Disposals	-	(4.9)	-	-	(4.9)
<b>At 31 March 2009</b>	<b>7.0</b>	<b>39.5</b>	<b>5.5</b>	<b>0.6</b>	<b>52.6</b>
<b>Depreciation</b>					
At 1 April 2008	-	20.8	0.6	-	21.4
Charge for the year	0.6	4.6	0.9	-	6.1
Impairment charge	-	4.9	-	-	4.9
Disposals	-	(4.9)	-	-	(4.9)
<b>At 31 March 2009</b>	<b>0.6</b>	<b>25.4</b>	<b>1.5</b>	<b>-</b>	<b>27.5</b>
<b>Net book value:</b>					
<b>At 31 March 2009</b>	<b>6.4</b>	<b>14.1</b>	<b>4.0</b>	<b>0.6</b>	<b>25.1</b>
At 31 March 2008	-	12.2	1.3	2.4	15.9

**11 Investment in programmes for future sale**

	Group £m	Company £m
<b>Cost</b>		
At 1 April 2008	173.9	152.9
Additions	100.8	97.9
Disposal	-	(5.5)
Elimination in respect of programmes fully amortised	(60.2)	(56.0)
Exchange adjustment	18.5	14.5
<b>At 31 March 2009</b>	<b>233.0</b>	<b>203.8</b>
<b>Amortisation</b>		
At 1 April 2008	88.8	67.9
Charge for the year	87.0	83.6
Disposal	-	(5.5)
Elimination in respect of programmes fully amortised	(60.2)	(56.0)
Exchange adjustment	17.7	13.5
<b>At 31 March 2009</b>	<b>133.3</b>	<b>103.5</b>
<b>Net book value:</b>		
<b>At 31 March 2009</b>	<b>99.7</b>	<b>100.3</b>
At 31 March 2008	85.1	85.0



**12 Investments in subsidiary undertakings**

	Company £m
Cost	
At 1 April 2008	103.9
Additions	6.1
Transfer from joint ventures (note 13a)	3.8
Exchange adjustment	(6.7)
<b>At 31 March 2009</b>	<b>107.1</b>
Provisions	
At 1 April 2008	(7.0)
Charge for the year	(16.1)
<b>At 31 March 2009</b>	<b>(23.1)</b>
Net book value:	
<b>At 31 March 2009</b>	<b>84.0</b>
At 31 March 2008	96.9

The principal operating subsidiaries of the Company as at 31 March 2009 are shown in note 30. Additions during the year relate to the acquisition of UK.TV (see note 19a).

The impairment charge of £16.1m recorded by the Company during the year reflects the write down of some of the Group's investment in joint ventures and associates (notes 13 and 14) which are mostly held through wholly owned subsidiaries. Of that amount, £8.5m represents the termination of the Kangaroo venture (see note 13c). The investment in the joint venture was held in equal shares by two wholly owned subsidiaries of the Company, VOD Member (BBCW A) Limited and VOD Member (BBCW B) Limited.

Transfer from joint ventures relates to the investment in VOD Member (BBCW A) Limited and VOD Member (BBCW B) Limited, disclosed as investment in joint ventures in the prior year.

**13 Interests in joint ventures****13a Movements in the year**

	Interests in joint venture undertakings (Group) £m	Investments in joint venture undertakings (Company) £m
<b>Cost net of provision</b>		
At 1 April 2008	27.3	87.2
Additions	6.7	0.1
Transfer to subsidiaries (note 12)	-	(3.8)
Cumulative provision	-	(1.9)
<b>At 31 March 2009</b>	<b>34.0</b>	<b>81.6</b>
<b>Share of post acquisition reserves</b>		
At 1 April 2008	16.6	
Share of profit after taxation	36.6	
Provision for unrealised profit	(3.5)	
Share of UK VOD LLP's net assets impairment (note 3b, 5, 13c)	(4.2)	
Adjustment to reflect effective obligation (note 13b)	1.6	
Dividends	(33.4)	
Exchange adjustment	2.0	
UK Gold Holdings Limited reserves adjustment (note 13b)	(19.4)	
<b>At 31 March 2009</b>	<b>(3.7)</b>	
<b>Loans receivable from joint ventures net of provision</b>		
At 1 April 2008	1.5	1.5
Additions	0.4	0.4
Cumulative provision	(1.9)	(1.9)
<b>At 31 March 2009</b>	<b>-</b>	<b>-</b>
<b>Goodwill</b>		
At 1 April 2008	19.6	
Additions	0.1	
Amortisation (note 13d)	(3.4)	
<b>At 31 March 2009</b>	<b>16.3</b>	
<b>Net book value:</b>		
<b>At 31 March 2009</b>	<b>46.6</b>	<b>81.6</b>
At 31 March 2008	63.5	85.7
The above net book value at 31 March 2009 is presented within:		
Interests in joint ventures	66.6	81.6
Provisions (note 18)	(20.0)	-
	<b>46.6</b>	<b>81.6</b>

Goodwill amortisation includes a £1.5 million impairment charge reflecting certain of the Magazines businesses being written down to their recoverable amounts. The recoverable amount of these businesses is based on value in use calculations using cash flow projections reflecting current business plans and growth rates consistent with the long term average growth rates for the industry. The impairment charges arose as a result of the downturn in the short-term outlook for the advertising market and the use of cautious medium term assumptions as a result.

Share of joint venture profit after taxation includes a £5.5 million charge in relation to a pension liability borne by 2 entertain following the administration of Woolworths Group plc (note 13c).

**13a Movements in the year (continued)**

Additions during the year primarily relate to the investment in UK VOD LLP and the Park Publishing Partnership. Deferred consideration of £0.3 million has been recorded in relation to current year additions (2008: £nil).

**13b Virgin Media Television and Discovery Communications joint ventures**

BBC Worldwide has major partnership deals with Virgin Media Television Limited ('VMTV'), the content division of Virgin Media Limited, for the production and marketing of subscription channels in the UK, and with Discovery Communications Inc (Discovery) for the incorporation and operation of new channels around the world and provision of new co-production funding for programmes. These joint ventures operate under a number of statutory entities listed below:

Name of entity	Nature of entity	Partner	Date entered
UK Channel Management Limited	Joint Venture	VMTV	April 1997
UK Gold Holdings Limited	Joint Venture	VMTV	April 1997
UKTV Interactive Limited	Joint Venture	VMTV	August 2000
UKTV New Ventures Limited	Joint Venture	VMTV	August 2000
JV Programmes LLC	Joint Venture	Discovery	March 1998

Under the terms of the agreements with VMTV and Discovery, the Group has no obligation to fund losses incurred by the entities or to make good their net liabilities. As a result, the Group does not share in losses of the relevant entities. The Group is entitled to its share of any profits or net assets only once an individual venture attains a net assets position and no share of losses is included in the financial statements until this point.

The Group has recognised £10.9 million share of operating profit (2008: £10.4 million) in respect of UK Channel Management Limited, as set out in note 13d.

The group headed by UK Gold Holdings Limited ("UKGH") has been cumulatively profitable since formation in 1997 but has net liabilities which arose from acquisition goodwill written off to reserves in 1997. In prior years, the Group has not recognised a share of these net liabilities but instead recorded dividends received, as the Group has no obligation to fund losses incurred by the entity or to make good its net liabilities. These dividends approximated to the Group's share of operating profits. In the current year, the Group has commenced equity accounting because dividends received in the current year are no longer considered to present a fair reflection of the Group's share of operating profits. This is due to UKGH's distributions in the year ended 31 March 2009 being materially lower than its operating profit. The recognition of the Group's share of net liabilities (which do not represent operating losses) as at 1 April 2008 has been recorded in the Consolidated Statement of Total Recognised Gains and Losses, resulting in a reserves adjustment of £19.4 million. A share of operating profit of £15.0 million has been recognised in the profit and loss account (2008: £6.2 million dividends credited to operating profit).

**13c Other joint ventures****UK VOD LLP**

UK VOD LLP was created in the year ended 31 March 2008 by BBC Worldwide, ITV and Channel 4 to develop a new UK on-demand service known to the industry as Kangaroo. As detailed in note 5, this operation was terminated during the year. A charge of £4.2 million is recorded as a statutory exceptional in the Group's share of joint ventures' results, reflecting the Group's share of the partnership's net assets impairment.

The impairment charge recorded at Company level is £8.5 million, reflecting the equity investment into the wholly owned subsidiaries VOD Member (BBCW A) Limited and VOD Member (BBCW B) Limited, which jointly own UK VOD LLP (note 12).

### 13c Other joint ventures (continued)

#### Worldwide Media Limited

In December 2004, BBC Worldwide completed the acquisition of a 50% equity interest in Worldwide Media Limited, a magazine publishing joint venture based in India. From December 2009, a put option is exercisable by the Group's joint venture partner. If exercised, this option would require the Group to increase its shareholding from 50% to 74%, through the purchase of 24% of its joint venture partner's shareholding. The consideration payable by the Group under this option is dependent on the profitability of the joint venture.

The Group has guaranteed bank loans outstanding in Worldwide Media Limited totalling Rupees 155 million (£2.1 million) (2008: Rupees 155 million, £2.0 million).

#### Freehand International Pty Limited

A put option is also held by the Group's joint venture partners in Freehand International Pty Limited which may require the Group to increase its shareholding from 37.5% up to 100% between 2012 and 2013.

#### Ragdoll Developments Limited

In April 2006, BBC Worldwide entered into an agreement with Ragdoll Limited to form a joint venture company, Ragdoll Developments Limited, which is 50% owned by BBC Worldwide. The purpose of the joint venture is to invest in the development of new intellectual property rights. Deferred funding of up to £1.3 million remains payable as at 31 March 2009.

The Company has a commitment at 31 March 2009 to provide further loan funding of up to £1.3 million to Ragdoll Developments Limited. The loan funding is interest bearing at a variable rate of LIBOR plus a margin of 1%.

The Company has an option to cease providing funding to Ragdoll Developments Limited from 31 March 2010.

#### 2 entertain Limited

The results and financial position of the 2 entertain Limited ('2 entertain') joint venture have been included using financial information for the 14 months to 31 March 2009. In the prior year, 2 entertain was equity accounted for the year to 31 January to match the accounting reference date of both 2 entertain and its other shareholder Woolworths Media Limited. The change to 31 March 2009 has been effected in the current year to align 2 entertain's results with those of the Group. This reflects the Group's contractual commitment at 31 March 2009 to secure ownership of the remaining stake in 2 entertain following the insolvency of Woolworths Media Limited. The purchase price for the remaining 40% shareholding is yet to be determined. The impact of accounting for the additional 2-month period has been an increase in profit before interest and taxation of £3.4 million.

Certain 2 entertain employees participate in the Woolworths Group Pension Scheme which is managed by the Woolworths Group Pension Trust Limited. Following the administration of Woolworths Group plc, a liability crystallised in 2 entertain in respect of this pension scheme. The Group's share of joint venture results includes a £7.5 million charge in respect of this pension liability, being 60% of the operating exceptional expense recorded by 2 entertain. The Group's share of the corresponding tax credit was also equity accounted, resulting in a net £5.5 million impact on the Group's after taxation results.

**13d Analysis of share of joint venture profits and losses**

<b>Year ended 31 March 2009</b>	Joint venture operating profit/(loss) before goodwill amortisation	Goodwill amortisation (note 13a)	Share of operating profit/ (loss) of joint ventures	Share of joint venture interest	Share of joint venture taxation	Share of joint venture profit/ (loss) after taxation
Name of entity	£m	£m	£m	£m	£m	£m
2 entertain Limited	24.9	(1.5)	23.4	0.7	(7.7)	16.4
JV Programmes LLC	6.3	-	6.3	0.1	(0.3)	6.1
UK Gold Holdings Limited	15.0	-	15.0	(1.4)	(3.2)	10.4
UK Channel Management Limited	10.9	-	10.9	(0.2)	(3.4)	7.3
Other joint ventures (note 13c)	(6.8)	(1.9)	(8.7)	(0.3)	(0.6)	(9.6)
<b>Total</b>	<b>50.3</b>	<b>(3.4)</b>	<b>46.9</b>	<b>(1.1)</b>	<b>(15.2)</b>	<b>30.6</b>

Other joint ventures include a share of loss of £4.2 million in relation to the termination of the Kangaroo venture (see note 5), reducing the carrying value of the investment in UK VOD LLP to nil.

<b>Year ended 31 March 2008</b>	Joint venture operating profit/(loss) before goodwill amortisation	Goodwill amortisation	Share of operating profit/ (loss) of joint ventures	Share of joint venture interest	Share of joint venture taxation	Share of joint venture profit/ (loss) after taxation
Name of entity	£m	£m	£m	£m	£m	£m
2 entertain Limited	42.7	(1.5)	41.2	1.3	(12.1)	30.4
JV Programmes LLC	2.9	-	2.9	(0.1)	-	2.8
UK Gold Holdings Limited	6.2	-	6.2	-	-	6.2
UK Channel Management Limited	10.4	-	10.4	(0.7)	(2.3)	7.4
Other joint ventures	(1.5)	(0.4)	(1.9)	(0.2)	0.2	(1.9)
<b>Total</b>	<b>60.7</b>	<b>(1.9)</b>	<b>58.8</b>	<b>0.3</b>	<b>(14.2)</b>	<b>44.9</b>

**13e Further disclosures in respect of joint ventures**

The following disclosures are based on results for the period ended 31 March 2009, except for JV Programmes LLC and BBC Haymarket Exhibitions Limited which are for the year to 31 December 2008.

2009	2entertain Limited £m	UK Gold Holdings Ltd £m	UK Channel Mgmt Ltd £m	Other joint ventures £m	Total joint ventures £m
BBC Worldwide share of:					
<b>Turnover</b>	155.6	55.4	34.6	53.4	299.0
Profit/(loss) before taxation	25.6	13.6	10.7	(2.3)	47.6
Taxation	(7.7)	(3.2)	(3.4)	(0.9)	(15.2)
<b>Profit/(loss) after taxation</b>	17.9	10.4	7.3	(3.2)	32.4
Adjustment to reflect effective obligation*	-	-	-	1.6	1.6
<b>Goodwill amortisation</b>	(1.5)	-	-	(1.9)	(3.4)
<b>Share of joint venture profit after taxation</b>	16.4	10.4	7.3	(3.5)	30.6
<b>Fixed assets</b>	9.5	-	-	16.1	25.6
<b>Current assets</b>	69.6	19.2	20.7	52.5	162.0
<b>Gross assets</b>	79.1	19.2	20.7	68.6	187.6
Liabilities less than one year	(59.7)	(8.8)	(10.0)	(14.1)	(92.6)
Liabilities more than one year	-	(30.4)	(10.5)	(46.6)	(87.5)
<b>Gross liabilities</b>	(59.7)	(39.2)	(20.5)	(60.7)	(180.1)
Adjustment to reflect effective obligation*	-	-	-	22.8	22.8
<b>Goodwill</b>	12.6	-	-	3.7	16.3
<b>Net book value</b>	32.0	(20.0)	0.2	34.4	46.6
Including:					
- Interest in joint ventures	32.0	-	0.2	34.4	66.6
- Share of joint venture net liabilities	-	(20.0)	-	-	(20.0)
	32.0	(20.0)	0.2	34.4	46.6

\*Details in respect of the adjustment to reflect effective obligation are set out in note 13b.

Other joint ventures include a share of loss of £4.2 million in relation to the termination of the Kangaroo venture (see note 5), reducing the carrying value of the investment in UK VOD LLP to nil.

Net liabilities of UKGH of £20.0m have been reflected in provisions in accordance with FRS 9 (note 18).

**13e Further disclosures in respect of joint ventures (continued)**

2008	2entertain Limited	UK Gold Holdings Ltd	UK Channel Mgmt Ltd	Other joint ventures	Total joint ventures
	£m	£m	£m	£m	£m
BBC Worldwide share of:					
<b>Turnover</b>	146.8	49.3	34.0	44.5	274.6
Profit/(loss) before taxation	44.0	9.2	9.7	(0.3)	62.6
Taxation	(12.1)	(4.2)	(2.3)	(1.0)	(19.6)
<b>Profit/(loss) after taxation</b>	31.9	5.0	7.4	(1.3)	43.0
Adjustment to reflect effective obligation*	-	1.2	-	2.6	3.8
<b>Goodwill amortisation</b>	(1.5)	-	-	(0.4)	(1.9)
<b>Share of joint venture profit after taxation</b>	30.4	6.2	7.4	0.9	44.9
<b>Fixed assets</b>	8.8	-	-	8.8	17.6
<b>Current assets</b>	74.2	22.9	37.7	43.3	178.1
<b>Gross assets</b>	83.0	22.9	37.7	52.1	195.7
Liabilities less than one year	(72.5)	(12.8)	(13.3)	(11.4)	(110.0)
Liabilities more than one year	-	(29.5)	(14.8)	(40.0)	(84.3)
<b>Gross liabilities</b>	(72.5)	(42.3)	(28.1)	(51.4)	(194.3)
Adjustment to reflect effective obligation*	-	19.4	-	23.1	42.5
<b>Loan receivable from joint ventures</b>	-	-	-	-	-
<b>Goodwill</b>	14.1	-	-	5.5	19.6
<b>Net book value</b>	24.6	-	9.6	29.3	63.5

\*Details in respect of the adjustment to reflect effective obligation are set out in note 13b.

Prior year comparative information for UKGH has been updated to reflect the final statutory position of the entity.

**14 Interests in associated undertakings and trade investments****14a Movements in the year**

	Interests in associated undertakings (Group) £m	Investments in associated undertakings (Company) £m
Cost		
At 1 April 2008	(2.7)	6.7
Additions	0.4	9.6
Transfer to BBC Magazines Limited	-	(0.6)
Reversal of deferred consideration	-	(0.1)
Provision charged in the year	-	(4.0)
<b>At 31 March 2009</b>	<b>(2.3)</b>	<b>11.6</b>
Share of post acquisition reserves		
At 1 April 2008	2.5	
Share of loss after taxation	(6.3)	
Provision for unrealised profit	(0.5)	
Adjustment to reflect effective obligation (note 14b)	10.0	
Dividends	(3.6)	
Exchange adjustment	(0.3)	
UK.TV elimination of pre-acquisition reserves	(1.3)	
<b>At 31 March 2009</b>	<b>0.5</b>	
Goodwill		
At 1 April 2008	4.0	
Additions	9.9	
Amortisation	(0.9)	
<b>At 31 March 2009</b>	<b>13.0</b>	
Net book value:		
<b>At 31 March 2009</b>	<b>11.2</b>	
At 31 March 2008	3.8	

Additions during the year relate to the acquisition of minority shareholdings in Clerkenwell Films Limited, Hardy Pictures Limited, Plain Vanilla Productions LLP, Big Talk Productions Limited, Baby Cow Productions Limited, Sprout Pictures (TV) Limited and Temple Street Productions Inc. (see note 19b). During the year, the Group acquired the remaining 80% of the issued share capital of UK TV Pty Limited ("UK.TV"). The Group previously held a 20% interest in UK.TV (see note 19a).

Provision charged during the year in the Company results primarily relates to the carrying value of certain Magazines investments being written down to their recoverable amount. No such write-down is required at Group level due to the investment being held at a lower carrying value on consolidation.



**14b Discovery Communications**

BBC Worldwide has major partnership deals with Discovery Communications for the incorporation and operation of new channels around the world and provision of new co-production funding for programmes. These alliances operate under a number of statutory entities listed below:

Name of entity	Nature of entity	Partner	Date entered
Animal Planet (Latin America) LLC	Associate	Discovery	March 1998
People & Arts (Latin America) LLC	Associate	Discovery	March 1998
JV Network LLC	Associate	Discovery	March 1998
Animal Planet (Asia) LLC	Associate	Discovery	May 1998
The Animal Planet Europe Partnership	Associate	Discovery	May 1999
Animal Planet Japan LLP	Associate	Discovery	December 2000
Animal Planet Japan KK	Associate	Discovery	December 2000
Animal Planet Canada Company ULC	Associate	Discovery	September 2001

Under the terms of the agreements with Discovery and Alliance Atlantis, the Group has no obligation to fund losses incurred by the entities or to make good their net liabilities. As a result, the Group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2009 (2008: £nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation, with the exception of JV Network LLC. JV Network LLC was formed for the purpose of providing debt funding from Discovery to the other Discovery joint ventures and BBC Worldwide is not entitled to any profits arising within this entity.

During the year ended 31 March 2009, the Animal Planet Europe Partnership achieved a net assets position and the Group has recognised a £5.0 million share of operating profit for the period ended 31 March 2009 (2008: £nil), as included in note 14d below.

**14c Other associate undertakings**

In addition to the arrangements with Discovery and Alliance Atlantis, BBC Worldwide has other associated undertakings that are listed in note 30. These are accounted for separately from the Discovery entities. The Group's total share of operating loss of associates, including goodwill amortisation, was £0.3 million (2008: profit of £1.5 million). The related taxation charge was £0.5 million (2008: £0.3 million).

**14d Further disclosures in respect of associate undertakings**

The following additional disclosures are based on results for the year ended 31 December 2008 for the Discovery companies (with the exception of the Animal Planet Europe Partnership), Children's Character Book and Woodlands Books Limited and for the period ended 31 March 2009 for the other associates listed in note 30. During the year, the Animal Planet Europe Partnership achieved a net assets position; due to the materiality of the entity's results, its profit and net assets have been recorded and disclosed for the period to 31 March 2009. The remaining Discovery entities continue to be presented based on results for the year ended 31 December 2008. This has no impact on the Group results as these entities have not reached a net assets position and are therefore not equity accounted.

These additional disclosures given below are in accordance with FRS 9. The amounts disclosed represent BBC Worldwide's equity share of the assets and liabilities of the entities.

**14d Further disclosures in respect of associate undertakings (continued)**

	2009	2008
BBC Worldwide share of:	£m	£m
<b>Turnover</b>	<b>57.8</b>	<b>48.8</b>
Loss before tax	(3.9)	(3.7)
Taxation	(2.4)	(2.6)
<b>Loss after tax</b>	<b>(6.3)</b>	<b>(6.3)</b>
Adjustment to reflect effective obligation*	10.0	7.7
Goodwill amortisation	(0.9)	(0.1)
	<b>2.8</b>	<b>1.3</b>
Fixed assets	18.8	8.9
Current assets	39.0	46.7
<b>Gross assets</b>	<b>57.8</b>	<b>55.6</b>
Liabilities less than one year	(38.5)	(41.5)
Liabilities more than one year	(212.5)	(122.2)
<b>Gross liabilities</b>	<b>(251.0)</b>	<b>(163.7)</b>
Adjustment to reflect effective obligation*	191.4	107.9
Goodwill	13.0	4.0
<b>Net book value</b>	<b>11.2</b>	<b>3.8</b>

\*Details in respect of the adjustment to reflect effective obligation are set out in note 14b.

The figures are based on unaudited financial statements.

**14e Interests in trade investments**

	Interests in trade investment (Group) £m	Interests in trade investment (Company) £m
<b>Cost</b>		
At 1 April 2008	4.2	-
Exchange adjustment	(0.2)	-
At 31 March 2009	4.0	-
<b>Provision</b>		
At 1 April 2008	(1.5)	-
Charge for the year	(2.7)	-
Exchange adjustment	0.2	-
At 31 March 2009	(4.0)	-
<b>Net book value:</b>		
<b>At 31 March 2009</b>	<b>-</b>	<b>-</b>
At 31 March 2008	2.7	-

Trade investments relate to the Group's 20% unquoted investment in the ordinary share capital of Radio Mid-Day (West) India PVT. Limited, a company registered in India. The principal activity of the company is to obtain and operate FM radio licences in India. During the year, the Directors reassessed the carrying value of the Group's trade investment based on its future business plan and recorded an additional provision of £2.7 million (2008: £1.5 million), bringing the carrying value of the investment to £nil.

**15 Stocks**

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Raw materials and consumables	2.3	1.5	-	0.1
Work in progress	6.1	5.9	0.1	0.2
Programme stock	21.0	10.0	2.8	-
Finished goods and goods for resale	10.8	12.6	0.3	0.6
	<b>40.2</b>	<b>30.0</b>	<b>3.2</b>	<b>0.9</b>

**16 Debtors**

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Amounts falling due within one year:				
Trade debtors	110.9	107.4	54.0	63.6
Amounts owed by subsidiary undertakings	-	-	255.3	151.3
Amounts owed by fellow subsidiary undertakings	14.0	3.8	28.1	16.5
Amounts owed by associates and joint ventures (note 28)	40.7	32.9	39.2	23.9
Deferred taxation (note 7c)	4.0	3.0	-	-
Other debtors	7.7	7.8	2.1	-
Prepayments and accrued income - other	26.2	20.1	12.7	14.0
Prepayments and accrued income - BBC	8.8	4.8	1.1	4.8
	<b>212.3</b>	<b>179.8</b>	<b>392.5</b>	<b>274.1</b>
Amounts falling due after more than one year:				
Amounts owed by associates and joint ventures (note 28)	2.8	4.3	-	4.3
Deferred taxation (note 7c)	14.3	12.1	-	-
Deferred launch support costs	0.6	1.3	-	-
	<b>17.7</b>	<b>17.7</b>	<b>-</b>	<b>4.3</b>
<b>Total debtors</b>	<b>230.0</b>	<b>197.5</b>	<b>392.5</b>	<b>278.4</b>

Deferred launch support costs comprise prepaid costs for use of channel broadcasting platforms. Amounts owed by associates and joint ventures falling due after more than one year include the present value of deferred disposal consideration receivable in respect of the disposal of Origin Publishing Limited in May 2006. This amount has been transferred to BBC Magazines Limited.

**17 Creditors**

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Amounts falling due within one year:				
Trade creditors	55.0	61.3	34.7	37.5
Rights creditors	38.5	35.1	30.2	29.2
Amounts owed to the BBC	41.6	31.9	30.3	27.6
Amounts owed to intermediate parent undertaking	0.1	-	0.1	-
Amounts owed to subsidiary undertakings	-	-	172.3	173.1
Amounts owed to fellow subsidiary undertakings	9.4	2.2	1.6	2.3
Amounts owed to associates and joint ventures (note 28)	7.0	2.5	6.5	2.2
Corporation tax payable	10.8	7.3	8.9	4.8
Other creditors including other taxes and social security	57.8	49.7	14.5	13.1
Other short term loans	3.3	0.8	-	-
Finance lease creditor	1.4	1.0	-	-
Accruals and deferred income	85.4	79.3	52.3	52.8
	<b>310.3</b>	<b>271.1</b>	<b>351.4</b>	<b>342.6</b>
Amounts falling due after more than one year:				
Bank loans	50.0	50.0	50.0	50.0
Loan owed to intermediate parent undertaking	158.4	89.5	158.4	89.5
Finance lease creditor	0.3	1.2	-	-
	<b>208.7</b>	<b>140.7</b>	<b>208.4</b>	<b>139.5</b>
<b>Total creditors</b>	<b>519.0</b>	<b>411.8</b>	<b>559.8</b>	<b>482.1</b>

Rights creditors comprise royalty payments owing to contributors to television programmes and other media. Other creditors include a £32.3 million (2008: £31.0 million) liability in relation to a put option of up to 25% of the issued share capital of Lonely Planet, which is exercisable by the minority shareholders for a period of up to 25 months from the acquisition date (see note 19c). The increase in the liability since the previous year-end date is due to exchange rate movements, as the liability is denominated in Australian dollars.

At 31 March 2009, BBC Worldwide had an unsecured £118.0 million (2008: £60.0 million) loan and investment facility with an intermediate parent undertaking, BBC Commercial Holdings Limited (BBC Commercial Holdings), that is due to terminate on 30 April 2011. Under this facility, interest is payable at a rate which reflects the base cost of funds to BBC Commercial Holdings after taking into account any impact of any interest rate caps taken out to hedge the same. Added to this base cost of funds will be a margin of 0.325%. At 31 March 2009, BBC Worldwide's drawn down element of the facility was £110.4 million (2008: unutilised).

In September 2007, BBC Worldwide entered into an unsecured AU\$196.0 million loan agreement facility (£90.5m) with BBC Commercial Holdings, which was due to terminate on 7 June 2012. On 16 June 2008 BBC Worldwide entered into an additional unsecured AU\$31.2 million loan agreement facility (£14.4m) which is due to terminate on 7 June 2012. Under these facilities, interest is payable at a rate which reflects the base cost of funds to BBC Commercial Holdings on its Australian dollar loans after taking into account the impact of any interest rate swaps taken out to hedge the same. Added to this base cost of funds will be a margin of 0.275%. These loan facilities have been renegotiated subsequent to year-end and reduced to a single facility of AU\$100.0 million with the same termination date of 7 June 2012. At 31 March 2009, BBC Worldwide's drawn down element of the facilities was AU\$100.0 million (£48.0 million) (2008: AU\$ 195.5 million (£90.3 million)).

At 31 March 2009, BBC Worldwide had a secured loan of £25.0 million (2008: £25.0 million) and an unsecured loan of £25.0 million (2008: £25.0 million) with the European Investment Bank. This facility is due to terminate in November 2011 (£20.0 million) and May 2012 (£30.0 million). Under this facility, interest is payable at the European Investment Bank's own funding cost plus a margin of 0.09% on unsecured loans. At 31 March 2009 and 2008, the facility was fully drawn down.

**17 Creditors (continued)**

At 31 March 2009, Lonely Planet had borrowing facilities of AU\$18.6 million (£8.9 million) with ANZ Bank (2008: AU\$23.3 million (£10.8 million)). These borrowing facilities are secured by a mixture of fixed and floating charges on the assets of Lonely Planet Publishing Pty Ltd. At 31 March 2009 Lonely Planet's total drawn down element of the facility was AU\$9.3 million (£4.5 million) (2008: AU\$6.0 million (£2.8 million)) of which AU\$ 6.9 million (£3.3 million) (2008: AU\$ 1.7 million (£0.8 million)) was actual borrowings.

The minimum lease payments under finance leases fall due as follows:

	2009 £m	2008 £m
Within one year	1.4	1.1
In more than one year but not more than five years	0.4	1.3
After five years	-	-
<b>Total gross payments</b>	<b>1.8</b>	<b>2.4</b>
Less finance charges included above	(0.1)	(0.2)
	<b>1.7</b>	<b>2.2</b>

**18 Provisions for liabilities and contingent liabilities**

Group	Deferred tax (note 7c) £m	Share of joint venture net liabilities (note 13e)	Other provisions £m	Total £m
At 1 April 2008	8.7	-	2.3	11.0
Provided during the year	-	20.0	2.1	22.1
Released in the year	(8.2)	-	(1.4)	(9.6)
Utilised in the year	-	-	(0.9)	(0.9)
<b>At 31 March 2009</b>	<b>0.5</b>	<b>20.0</b>	<b>2.1</b>	<b>22.6</b>

Company	Deferred tax £m	Other provisions £m	Total £m
At 1 April 2008	8.7	2.3	11.0
Provided during the year	-	1.5	1.5
Released in the year	(7.2)	(1.4)	(8.6)
Utilised in the year	-	(0.9)	(0.9)
<b>At 31 March 2009</b>	<b>1.5</b>	<b>1.5</b>	<b>3.0</b>

Other provisions at 31 March 2009 primarily comprise property dilapidation provisions and litigation provisions. The decrease in other provisions during the year reflects the utilisation of onerous lease provisions and the release of litigation provisions following the successful outcome of prior year legal claims brought against the Group.

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

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

**18 Provisions for liabilities and contingent liabilities (continued)**

The Company and some of its subsidiaries operate a cash pooling arrangement. At 31 March 2009, total overdrafts under this arrangement were £68.3 million (2008: £104.4 million).

The Company and some of its fellow BBC Commercial Holdings subsidiaries have given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement. At 31 March 2009, total amounts drawn down by the BBC Commercial Holdings group under this facility were £243.5 million (2008: £170.6 million).

**19 Acquisitions****19a UK.TV**

On 1 July 2008 the Group acquired the remaining 80% of UK.TV, registered in Australia for a total cash consideration of AU\$31.2 million (£15.1 million). The Group previously held a 20% interest in UK.TV.

The total adjustments required to the book values of the assets and liabilities of UK.TV in order to present the net assets of those companies at fair value and under the accounting policies of the Group were £0.6 million. These are set out below:

	Book value (1) £m	Fair value and accounting policy alignments (2) £m	Fair value £m
<b>Fixed assets</b>			
Tangible fixed assets	0.1	-	0.1
<b>Current assets</b>			
Stock	5.6	-	5.6
Debtors	1.9	-	1.9
Cash	1.9	-	1.9
Other current assets	0.1	-	0.1
<b>Total assets</b>	<b>9.6</b>	<b>-</b>	<b>9.6</b>
<b>Liabilities</b>			
Taxation			
- Current	(0.1)	-	(0.1)
- Deferred	(1.3)	-	(1.3)
Creditors and accruals	(3.1)	(0.6)	(3.7)
<b>Total liabilities</b>	<b>(4.5)</b>	<b>(0.6)</b>	<b>(5.1)</b>
<b>Net assets acquired</b>	<b>5.1</b>	<b>(0.6)</b>	<b>4.5</b>
Goodwill			10.6
<b>Purchase consideration and costs of acquisition</b>			<b>15.1</b>

(1) The book values of the assets and liabilities have been taken from the management accounts of UK.TV at 1 July 2008 (the date of acquisition) at the actual exchange rates used to settle the consideration on that date.

(2) The adjustments between book value and fair value reflect the restatement of assets and liabilities from UK.TV's accounting policies to the Group's accounting policies.

Goodwill is amortised over its estimated useful economic life of 20 years.

In its last financial year to 30 June 2008, UK.TV made a profit after tax of AU\$6.6 million.

**19a UK.TV (continued)**

An adjustment of £1.3 million was recorded in the Reconciliation of Movements in Total Equity Shareholders' Funds, being the cumulative profits recorded by the Group in relation to UK.TV for the period during which it was an associate. This adjustment is required to properly reflect the increase in stake in accordance with UK GAAP.

**19b Content & Production acquisitions**

During the year ended 31 March 2009, the Group's Content & Production business acquired minority shareholdings in the following entities (all registered in the United Kingdom unless stated):

	Shareholding acquired	Date acquired	Financial year end	Profit/(loss) after tax in last financial year £m
Clerkenwell Films Limited	25%	4 April 2008	March	0.6
Hardy Pictures Limited	15%	23 May 2008	March	0.1
Big Talk Productions Limited	25%	28 August 2008	June	N/A
Plain Vanilla Productions LLP	25%	31 October 2008	April	N/A
Baby Cow Productions Limited	25%	27 November 2008	March	0.8
Temple Street Productions Inc. (registered in Canada)	25%	18 December 2008	August	N/A
Sprout Pictures (TV) Limited	25%	30 January 2009	March	0.1
Freehand International Pty Limited (registered in Australia)*	13%	4 March 2009	June	(0.1)

\*25% previously owned

Big Talk Productions Limited and Plain Vanilla Productions LLP are start-up entities and hence no results in the last financial year are presented. The results for Hardy Pictures Limited are presented for the year ended 31 August 2007. Hardy Pictures Limited subsequently changed its accounting reference date to 31 March. Consolidated accounts for Temple Street Productions Inc. have not been prepared previously, hence the result for the year ended 31 August 2008 is not presented. In accordance with FRS 9, all of the above have been assessed as associated undertakings with the exception of Freehand International Pty Limited which has been assessed as a joint venture.

The total adjustments required to the book values of the assets and liabilities of the companies listed above in order to present the Group's share of net assets of those companies at fair value and under the UK GAAP accounting policies of the Group were approximately £0.1 million. These are set out below in aggregate:

**19b Content & Production acquisitions (continued)**

	Book value	Fair value and accounting policy alignments	Fair value
	(1)	(2)	(3)
	£m	£m	£m
<u>Share of:</u>			
<b>Fixed assets</b>			
Tangible fixed assets	0.1	-	0.1
<b>Current assets</b>			
Stock	0.1	-	0.1
Debtors	2.7	-	2.7
Cash	0.8	-	0.8
Taxation			
- Current	(0.1)	-	(0.1)
<b>Total assets</b>	<b>3.6</b>	<b>-</b>	<b>3.6</b>
<b>Liabilities</b>			
Creditors	(3.1)	(0.1)	(3.2)
<b>Total liabilities</b>	<b>(3.1)</b>	<b>(0.1)</b>	<b>(3.2)</b>
<b>Net assets</b>	<b>0.5</b>	<b>(0.1)</b>	<b>0.4</b>
Goodwill			10.0
<b>Purchase consideration and costs of acquisition</b>			<b>10.4</b>

- (1) The Group's share of book values of the assets and liabilities have been taken from the management accounts of those companies at the respective dates of acquisition and, where relevant, at the actual exchange rates used to settle the consideration on those dates.
- (2) The adjustments between book value and fair value reflect BBC Worldwide's share of liabilities in connection with certain contractual commitments entered into by some of the acquired companies.
- (3) Certain fair values calculated have been determined provisionally at the balance sheet date.

Of the total cash consideration stated above, £0.9m is payable in future years. Goodwill is amortised over its estimated useful economic life of 20 years.

**19c Prior year acquisition**

On 1 October 2007 the Group acquired 75% of the issued share capital of Lonely Planet Publications Pty Limited and Lonely Planet Publications Inc. (together, "Lonely Planet"), registered in Australia and the USA respectively for a total cash consideration of £89.9 million. Together with £0.4 million paid for another subsidiary business acquired, the total cash paid in the prior year for the purchase of subsidiaries was £90.3 million.

In accordance with *FRS 25: Financial instruments – Presentation*, a AU\$67.3 million (£28.8 million) liability (see note 17) was recognised on the date of acquisition in respect of a put option of up to 25% of the share capital of Lonely Planet, which is exercisable by the minority shareholders for a period of up to 25 months from the acquisition date. This amount was recognised within equity (see note 21b) and not as part of the cost of investment as the minority shareholders are deemed to have retained the risks and rewards of ownership for their 25% shareholding. As a result, the share of minority interest profits and losses and net assets continue to be shown as a deduction to the Group's results and net assets position. Changes to the fair value of the put option liability in the remaining 7 month exercise period, other than in relation to changes in foreign exchange rates, are recorded in the profit and loss account within interest.



**20 Called up share capital**

Group and Company	2009 £m	2008 £m
<i>Authorised</i>		
1,000,000 Ordinary shares of £1 each	1.0	1.0
<i>Issued, allotted, called up and fully paid</i>		
250,000 Ordinary shares of £1 each	0.2	0.2

**21 Reserves****21a Profit and loss account**

	Group £m	Company £m
At 1 April 2008	147.2	101.0
Profit for the year	40.8	103.6
Dividends	(68.4)	(68.4)
Recognition of share of joint venture liabilities (note 13b)	(19.4)	-
Adjustment on acquisition of UK.TV	(1.3)	-
Exchange adjustment	23.1	1.6
Foreign exchange movement transferred to other reserves (note 21b)	1.3	-
<b>At 31 March 2009</b>	<b>123.3</b>	<b>137.8</b>

At 31 March 2009, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14.2 million (2008: £14.2 million).

In the Group reserves, £3.6 million (Company reserves, £2.4 million) of exchange losses on foreign currency borrowings have been offset in reserves against exchange gains on the related investment in overseas subsidiaries (2008 Group: £6.4 million, Company: £4.5 million). The net investment hedge was discontinued from September 2008 following the settlement of the associated foreign currency borrowings.

The Company exchange adjustment relates to long term foreign currency intercompany loans previously treated as quasi-equity and now revaluing to the profit and loss account following part settlement of the underlying balance receivable.

**21b Other reserves**

	Group £m	Company £m
At 1 April 2008	(31.0)	-
Foreign exchange movement on Lonely Planet put option	(1.3)	-
<b>At 31 March 2009</b>	<b>(32.3)</b>	<b>-</b>

Other reserves comprise a put option of up to 25% of the issued share capital of Lonely Planet, which is exercisable by the minority shareholders for a period of up to 25 months from the acquisition date (see note 19c).

**21c Dividends**

Group and Company	2009 £m	2008 £m
Dividends paid in the year	68.8	49.4
Declared and accrued at 2008 year-end	(0.4)	0.4
<b>Total</b>	<b>68.4</b>	<b>49.8</b>

**21d Minority interests**

	2009 £m	2008 £m
At 1 April	6.6	-
Arising on acquisition	-	5.6
Share of profits for the year	0.5	0.5
Dividends	(0.8)	-
Exchange adjustment	(0.4)	0.5
<b>At 31 March</b>	<b>5.9</b>	<b>6.6</b>

Minority interests relate to Lonely Planet (25%) and Bedder 6 Limited (50%).

**22 Reconciliation of operating profit to the net cash inflow from operating activities**

	2009 £m	2008 £m
Group operating profit	39.2	57.4
Depreciation and amortisation	107.4	114.2
Increase in stocks	(0.2)	(1.0)
Increase in debtors	(18.5)	(15.8)
Increase in creditors	23.4	3.8
Decrease in provisions	(1.2)	(5.1)
<b>Net cash inflow from operating activities</b>	<b>150.1</b>	<b>153.5</b>

**23 Reconciliation of net cash flow to movement in net debt**

	2009 £m	2008 £m
Increase in cash in the year	0.9	23.4
Borrowings acquired with subsidiaries	-	(6.8)
Net cash outflow from finance leases	1.2	0.5
Net cash inflow from parent undertaking loan	(73.2)	(66.4)
Net cash inflow from bank loan	-	(30.0)
Net cash (inflow)/outflow in respect of other short term loans	(2.5)	4.0
Other non-cash changes	(0.7)	-
Exchange adjustments	8.6	(6.7)
<b>Change in net debt</b>	<b>(65.7)</b>	<b>(82.0)</b>
<b>Net debt at the beginning of the year</b>	<b>(91.8)</b>	<b>(9.8)</b>
<b>Net debt at the end of the year</b>	<b>(157.5)</b>	<b>(91.8)</b>

**24 Analysis of net debt**

	1 April 2008 £m	Cash flows £m	Other non cash changes £m	Exchange £m	31 March 2009 £m
Cash at bank and in hand	50.7	0.9	-	4.3	55.9
Bank loan due after one year	(50.0)	-	-	-	(50.0)
Loan from intermediate parent undertaking due after one year	(89.5)	(73.2)	-	4.3	(158.4)
Finance leases due within one year	(1.0)	-	(0.4)	-	(1.4)
Finance leases due after one year	(1.2)	1.2	(0.3)	-	(0.3)
Other short term loans	(0.8)	(2.5)	-	-	(3.3)
<b>Net debt</b>	<b>(91.8)</b>	<b>(73.6)</b>	<b>(0.7)</b>	<b>8.6</b>	<b>(157.5)</b>

**25 Post balance sheet events**

As set out in note 17, subsequent to the year end the Group revised the amount of its Australian dollar loan facilities with BBC Commercial Holdings Limited, reducing them to a single facility of AU\$100.0 million.

**26 Commitments**

Contracts placed for future capital expenditure not provided:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Programme investments	55.9	75.2	55.7	75.1
Tangible fixed assets	0.3	13.1	-	13.1
Development funding	4.7	2.1	4.7	2.1
Other commitments	8.6	1.7	1.8	1.7
<b>Total</b>	<b>69.5</b>	<b>92.1</b>	<b>62.2</b>	<b>92.0</b>

Development funding relates to amounts to be provided to independent production companies, including £4.0 million (2008: £1.7 million) in respect of joint ventures and associates. Further details of financial commitments in respect of joint ventures are given in note 13c.

Details of the put option held by the minority interest shareholders in Lonely Planet are given in note 19c. The value of put options issued to other minority interest shareholders and exercisable in the future is not reliably measurable at 31 March 2009 but is not anticipated to have a material effect on the Group balance sheet at that date.

Details of the Group and Company's commitment to purchase the remaining shareholding in 2 entertain are set out in note 13c.

**27 Operating lease commitments**

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

Group	Land & buildings 2009 £m	Land & buildings 2008 £m	Plant & machinery 2009 £m	Plant & machinery 2008 £m
Expiring:				
Within one year	0.3	-	0.1	0.1
Between two and five years	9.0	8.2	0.3	0.2
After more than five years	0.5	0.4	-	-
<b>Total</b>	<b>9.8</b>	<b>8.6</b>	<b>0.4</b>	<b>0.3</b>
Company	Land & buildings 2009 £m	Land & buildings 2008 £m	Plant & machinery 2009 £m	Plant & machinery 2008 £m
Expiring:				
Within one year	0.2	-	0.1	-
Between two and five years	6.0	5.7	0.2	-
After more than five years	0.1	-	-	-
<b>Total</b>	<b>6.3</b>	<b>5.7</b>	<b>0.3</b>	<b>-</b>

**28 Related party transactions**

The related party transactions of the Group have been presented in accordance with *FRS 8: Related Party Disclosures*. Related parties of BBC Worldwide include its subsidiary, associated and joint venture companies, its parent undertakings and fellow subsidiaries and members of key management of the Company and their close family members and its parent undertakings. Transactions between BBC and BBC Worldwide Group pension schemes are as disclosed in note 4c.

In accordance with FRS 8, transactions or balances between Group entities, which have been eliminated on consolidation, are not reported. The Company is a 100% owned subsidiary of BBC Ventures Group Limited and the British Broadcasting Corporation (BBC). As a result, the Group has taken advantage of the exemption set out in FRS 8 and has not disclosed transactions between the Group and the BBC or its subsidiaries.

Key management of the Group (including Board Directors) are required to declare any transactions or relationships by themselves, by their close family or by any entities in which they have a controlling interest, with BBC Worldwide Limited or any of its Group entities. These transactions may arise in the normal course of business and the Group has set procedures for dealing with situations to avoid any conflict of interest. There are no related party transactions with members of key management in 2009 (2008: none) requiring disclosure other than those disclosed in the BBC Annual Report and Accounts which can be obtained from [www.bbc.co.uk/annualreport](http://www.bbc.co.uk/annualreport).

The value of transactions conducted with joint venture and associate related parties is measured annually and disclosed below:

<b>2009</b>					
<b>Name of related party</b>	<b>How related</b>	<b>Income</b>	<b>Expenditure</b>	<b>Dividend income</b>	<b>Net debtors/ (creditors) balance</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
2 entertain Limited	Joint Venture	27.6	(2.2)	9.0	17.3
UK Channel Management Limited	Joint Venture	12.5	-	16.7	2.6
UK Gold Holdings Limited	Joint Venture	30.1	-	7.6	8.8
JV Programmes LLC	Joint Venture	29.0	(0.7)	-	1.6
Other joint ventures	Joint Venture	2.2	(10.4)	-	(2.7)
Frontline Limited	Associate	0.3	(2.1)	-	6.2
Other associates	Associate	6.2	(4.4)	3.7	2.7
<b>Total</b>		<b>107.9</b>	<b>(19.8)</b>	<b>37.0</b>	<b>36.5</b>
Total net debtors / (creditors) with related parties:					
Debtors (note 16)					43.5
Creditors (note 17)					(7.0)
<b>Total</b>					<b>36.5</b>

**28 Related party transactions (continued)**

2008					
Name of related party	How related	Income	Expenditure	Dividend income	Net debtors/ (creditors) balance
		£m	£m	£m	£m
2 entertain Limited	Joint Venture	17.9	(1.1)	42.3	5.7
UK Channel Management Limited	Joint Venture	12.8	-	0.5	5.4
UK Gold Holdings Limited	Joint Venture	25.7	-	6.2	12.2
JV Programmes LLC	Joint Venture	31.9	(1.4)	-	-
Other joint ventures	Joint Venture	3.0	(3.0)	-	(0.9)
Frontline Limited	Associate	0.3	(2.2)	0.2	6.6
Other associates	Associate	5.7	(1.0)	-	5.7
<b>Total</b>		<b>97.3</b>	<b>(8.7)</b>	<b>49.2</b>	<b>34.7</b>

Total net debtors / (creditors) with related parties:

Debtors (note 16)	37.2
Creditors (note 17)	(2.5)
<b>Total</b>	<b>34.7</b>

Terms of trade were negotiated on an arm's length basis and conducted in the ordinary course of business in the current and prior year. The nature of transactions conducted with related parties is disclosed below:

Name of related party	Nature of transactions
2 entertain Limited	Dividend income, income from licensing of programme investments, commissions from international distributors of DVD and charges for services. Expenditure represents payment of commissions on distribution of childrens' DVD
UK Channel Management Limited	Dividend income and sale of programmes
UK Gold Holdings Limited	Dividend income, sale of programmes and management fees
JV Programmes LLC	Sale of programmes
Frontline Limited	Dividend income and management fees for the distribution of magazines
Others	Sale of licences, receipt of royalties, and distribution income and expenditure

**29 Parent undertaking and controlling party**

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

**30 Interest in subsidiary, associated and joint venture undertakings**

The principal operating undertakings are listed below. They operate mainly in the countries of incorporation or registration. The investments are in equity share capital and they are all 100% directly owned by BBC Worldwide Limited unless stated otherwise.

**Subsidiary undertakings**

	Note:	Country of incorporation or registration if outside of the UK
<b>Channels</b>		
European Channel Broadcasting Limited		
European Channel Management Limited		
New Video Channel America LLC	(a)	USA
UK TV Pty Limited	(m)	Australia
<b>Digital Media</b>		
BBC.com Limited		
VOD Member (BBCW A) Limited		
VOD Member (BBCW B) Limited		
<b>Content &amp; Production</b>		
BBC Worldwide Productions LLC	(a)	USA
BBC Worldwide Reality Productions LLC	(a)	USA
<b>Global Brands</b>		
Lonely Planet Publications Inc. (75%)	(a)	USA
Lonely Planet Publications Limited (75%)	(j)	
Lonely Planet Publications Pty Limited (75%)	(j)	Australia
<b>Sales &amp; Distribution</b>		
BBC Worldwide Australia Pty Limited		Australia
BBC Worldwide Canada Limited		Canada
BBC Worldwide France Sarl		France
BBC Worldwide Germany GmbH		Germany
BBC Worldwide Japan KK		Japan
UK Programme Distribution Limited (93%)		
<b>Magazines, Children's &amp; Licensing</b>		
BBC Magazines Limited	(n)	
Bedder 6 Limited (50%)		
Bristol Magazines Limited	(n)	
Magazine Services Limited	(n)	
<b>Home Entertainment</b>		
BBC Audiobooks Limited		
Cover to Cover Cassettes Limited	(c)	
<b>Investment companies</b>		
BBC Magazines Holdings Limited		
BBC Magazines Rights Limited		
BBC Worldwide Americas Inc.		USA
BBC Worldwide Australia Channels Pty Limited		Australia
BBC Worldwide Australia Holdings Pty Limited		Australia
BBC Worldwide Australia Publishing Pty Limited	(n)	Australia
BBC Worldwide Holdings BV		Holland
BBC Worldwide Investments Limited		
Worldwide Americas Investments Inc.	(a)	USA
Worldwide Channel Investments Limited		
Worldwide Channel Investments (Europe) Limited	(d)	
Worldwide Channel Investments (Ontario) Limited	(d)	Canada

**30 Interest in subsidiary, associated and joint venture undertakings (continued)****Joint ventures**

	Note:	Country of incorporation or registration if outside of the UK
<b>Channels</b>		
UK Channel Management Limited (50%)		
UK Gold Holdings Limited (50%)		
UK Gold Services Limited (50%)	(h)	
UKTV Interactive Limited (50%)	(h)	
UKTV New Ventures Limited (50%)		
<b>Content &amp; Production</b>		
Freehand International Pty Limited (38%)		Australia
<b>Digital Media</b>		
UK VOD LLP (33%)	(o)	
<b>Sales &amp; Distribution</b>		
JV Programmes LLC (50%)	(e)	USA
<b>Magazines, Children's &amp; Licensing</b>		
BBC Haymarket Exhibitions Limited (50%)	(b)	
Dovetail Services (UK) Holdings Limited (50%)		
Park Publishing Partnership (50%)	(l)	Australia
Ragdoll Developments Limited (50%)		
Ragdoll Worldwide Holdings Limited (50%)		
Worldwide Media Limited (50%)	(d)	India
<b>Home Entertainment</b>		
2 entertain Limited (60%)		

**30 Interest in subsidiary, associated and joint venture undertakings (continued)****Associated undertakings**

	Note:	Country of incorporation or registration if outside of the UK
<b>Worldwide Channels</b>		
Animal Planet (Asia) LLC (50%)	(d)	USA
Animal Planet (Latin America) LLC (50%)	(e)	USA
AP Canada Company ULC (23%)	(g)	Canada
AP Japan KK (33%)	(e)	Japan
AP Japan LLP (50%)	(d)	USA
Jasper Broadcasting Inc (20%)	(g)	Canada
Jasper Junior Broadcasting Inc (20%)	(g)	Canada
JV Network LLC (50%)	(e)	USA
People and Arts (Latin America) LLC (50%)	(e)	USA
The Animal Planet (Europe) Partnership (50%)	(f)	
<b>Content &amp; Production</b>		
Baby Cow Productions Limited (25%)		
Big Talk Productions Limited (25%)		
Clerkenwell Films Limited (25%)		
Cliffhanger Productions Limited (25%)		
Hardy Pictures Limited (15%)		
Left Bank Pictures Limited (25%)		
Plain Vanilla Productions LLP (25%)	(k)	
Sprout Pictures (TV) Limited (25%)		
Temple Street Productions Inc. (25%)		Canada
<b>Digital Media</b>		
Masher Technologies Limited (25%)		
<b>Magazines, Children's and Licensing</b>		
Children's Character Books Limited (25%)		
Frontline Limited (23%)		
OPL Holdings Limited (39%)		
Origin Publishing Limited (39%)	(i)	
<b>Home Entertainment</b>		
Educational Publishers LLP (15%)		
Woodlands Books Limited (15%)		

**Notes:**

- (a) owned through BBC Worldwide Americas Inc.
- (b) owned through BBC Worldwide Investments Limited
- (c) owned through BBC Audiobooks Limited
- (d) owned through Worldwide Channel Investments Limited
- (e) owned through Worldwide Americas Investments Inc.
- (f) owned through Worldwide Channel Investments (Europe) Limited
- (g) owned through Worldwide Channel Investments (Ontario) Limited
- (h) owned through UK Gold Holdings Limited
- (i) owned through OPL Holdings Limited
- (j) owned through BBC Worldwide Australia Holdings Pty Limited
- (k) owned through Mini Milk Limited
- (l) owned through BBC Worldwide Australia Publishing Pty Limited
- (m) owned through Worldwide Channels Investments Limited and BBC Worldwide Australia Channels Pty Limited
- (n) owned through BBC Magazines Holdings Limited
- (o) owned through VOD Member (BBCW A) Limited and VOD Member (BBCW B) Limited