

**Registered number: 1420028**

**BBC Worldwide Limited**

**Report and Financial Statements for  
the year ended 31 March 2005**



## **BBC Worldwide Limited**

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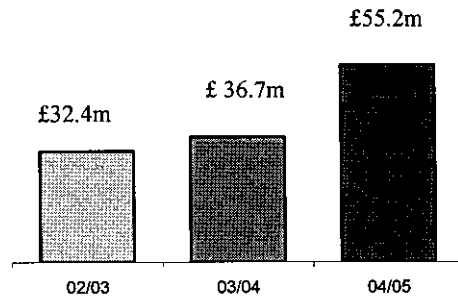
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## Financial review

### Overview

#### Profit before interest and taxation

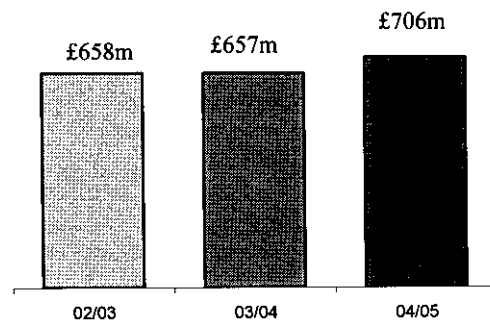
Profit before interest and taxation was £55.2 million (2004: £36.7 million), including the profit on the sale of Eve magazine of £6.5 million and after profit on disposal of Children's Character Books and closure costs of Multimedia publishing. In 2002/03, profit before interest and taxation was reported after losses on discontinued businesses (primarily BBC World) of £9.6 million. Adjusted for discontinued activities, this profit was £42.0 million. Operating profit was £57.5 million (2004: £36.7 million).



#### Turnover

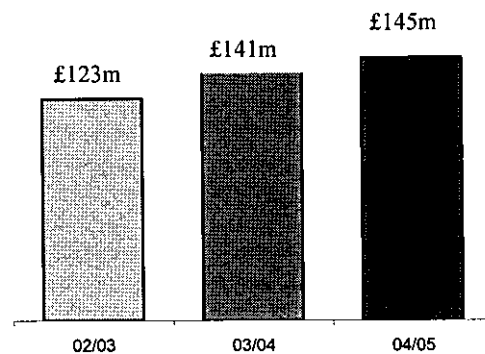
Turnover including share of joint ventures grew 7.4% to £706 million.

Group turnover excluding joint ventures fell from £570 million to £545 million, following the creation of the joint venture 2|entertain. Excluding the DVD/video business, Group turnover, on a like for like basis rose 4.0% from £488 million to £508 million. This included a full year's turnover of Origin, the specialist magazine subsidiary acquired in February 2004. In 2003, turnover and Group turnover included discontinued activities, BBC World, with sales of £18.5 million.



#### BBC Cashflow

BBC Cashflow, the BBC's measure of how much cash BBC Worldwide returns to the BBC, rose 3% to deliver record cash to the BBC of £145 million. Cashflow in 1996/97 the start of the current BBC Charter was £53 million. Cumulative cash returned to BBC over the period is £900 million.



#### Future Performance

Following the Commercial Review, the BBC has concluded that, in future, profit before interest and taxation should be the primary measure of performance for BBC Worldwide. The BBC has set BBC Worldwide a target of doubling such profits over two years to March 2006. This is a stretching target, but plans are in place to achieve it.

## Trading Results

BBC Worldwide was restructured during the year, creating the new businesses Television Channels, Television Sales, Magazines, Home Entertainment, Children's and New Media. The year is characterised

by improved performance across the business, as a result of strong trading, restructuring in loss-making activities and cost cutting.

	2005 £m	2004 £m	2005 £m	2004 £m
Television channels	140.6	122.2	4.0	2.7
Television sales	171.0	167.7	31.7	23.2
Magazines (including Children's magazines)	169.4	146.1	22.0	16.2
Home entertainment (including Learning)	168.1	151.3	9.5	10.3
Children's (excluding Magazines)	30.0	40.9	(6.6)	(11.1)
New media	26.9	29.0	(5.4)	(4.6)
	706.0	657.2	55.2	36.7

In Television Channels, the first UKTV dividend of £2.1million was received seven years after the venture was launched. This has enabled Channels to increase profit before interest and tax ("profit") by 48% to £4.0 million, at the same time as investing in the launch of BBC Japan and BBC Prime in Asia.

Television Sales, with profits of £31.7 million, had a record year. Turnover was up £3.3 million despite a weak US dollar, but a profit increase of £8.5 million resulted from an increased proportion of licensing activity relative to lower margin US co-production and format production sales.

In magazines, turnover has increased 16% (4% excluding the effect of acquisitions and Eve sale) reflecting strong performances from a number of titles and the re-launch of BBC Good Homes. Together with the closure of loss making titles and the successful transfer of BBC History, BBC Music and BBC Wildlife to Origin, this delivered a £0.3 million improvement in normalised profit.

Magazine's profit before interest and tax reconciles to normalised profit as follows:

Magazines normalised	2005 £m	2004 £m
Profit before interest and tax	22.0	16.2
Eve sale	(6.5)	-
Discontinued titles and set up of Origin	3.9	3.6
Goodwill	0.8	0.1
Normalised profit	20.2	19.9

In Children's (excluding magazines), following further rationalisation of its cost base, operating losses were reduced by £4.5 million. The full year effect of these changes, combined with the launch of new product in 2006, is expected to deliver further substantial improvement in profitability.

New Media includes Music, Radio, Sales to Mobile, Audiocall and beeb.net, the BBC Motion Gallery clips business and Broadcasting Dataservices. BDS losses of £3.6 million were up from £1.4 million in the previous year, as a result of the running and subsequent exit costs of a loss-making contract, and £1 million accelerated depreciation of IT systems. Despite this, the division has cut its operating loss by £1.9 million, 41%, but incurred exit costs of £2.7 million following the closure of the multimedia publishing activity.

Home Entertainment (including Learning) profits have fallen £0.8 million to £9.5 million. 2|entertain's first period ran from 27 September 2004 to 31 January 2005. The impact of the four-month accounting period was to reduce profit in BBC Worldwide by an estimated £2.3 million, in addition to goodwill amortisation of £0.8 million, and transition costs.

The effect of creating the 2|entertain joint venture on turnover is as follows:

DVD/video turnover	2005 £m	2004 £m
BBC Worldwide	37.0	81.6
2 entertain joint venture	64.0	-
	101.0	81.6

In Books, following a year of accelerated investment write-offs in 2004, tight cost control and a refocus on TV-tie in titles delivered a £5.8 million reduction in losses. In Audio, direct cost reductions and strong new releases delivered a £1.5 million improvement in profit.

## 2|entertain Limited

In September 2004 BBC Worldwide entered into an agreement with Woolworths Group plc ('Woolworths') to form a joint venture comprising BBC Worldwide's DVD/video business (excluding children's titles) and the DVD/video and music publishing business of Woolworths. This transaction resulted in the formation of a joint venture company, 2|entertain Limited ('2|entertain'), which is 60% owned by BBC Worldwide.

The accounting reflects BBC Worldwide's retention of 60% of the business and divestment of the remaining 40% in return for a 60% interest in Woolworth's video business. The 40% disposal is recorded at fair value. The difference between this fair value and the 40% of the book value of assets disposed resulted in an unrealised gain on disposal of £22.8 million, which has been recorded directly within reserves. £24.9 million goodwill arose on the transaction, being the difference between the fair value of the 40% video business given up and the value of the separable net assets of the acquired Woolworth's video business.

2|entertain is accounted for as a joint venture under *FRS9: Associates and Joint Ventures*.

## Acquisitions and disposals

BBC Worldwide's trading activity includes the acquisition, development, exploitation, licensing and sale of intellectual property. During the year ended 31 March 2005 BBC Worldwide completed a number of transactions in pursuit of its strategy.

In addition to the 2|entertain transaction, BBC Worldwide has entered into a magazine publishing joint venture, Worldwide Media Limited (see Joint ventures and associates below) and completed the rationalisation of several businesses as follows:

In April 2004 BBC Worldwide announced the formation of a new venture, Children's Character Books Limited, which is 75% owned by Penguin Books and 25% owned by the Group. BBC Worldwide has disposed of its children's books business to the new venture in exchange for cash consideration of £2.3 million. A profit on disposal of £0.4 million has been recorded in respect of the 75% of the business in which the Group no longer holds an interest. The Group's 25% interest in Children's Character Books Limited is accounted for as an associate undertaking.

In May 2004, BBC Worldwide announced its intention to terminate its Multimedia publishing business, which developed and marketed gaming titles for various platforms. During the year ended 31 March 2005 costs totalling £2.7 million were charged to the profit and loss account, of which £1.3 million was in respect of the write off of stock and the balance represented the cash costs of exiting the business.

In January 2005 BBC Worldwide completed the sale of Eve magazine to Haymarket Publishing for a net consideration of £6.5 million. The proceeds have been included within the Group's turnover and the transaction disclosed as an exceptional item within operating profit. Eve magazine did not constitute a separate operation, sharing many services with other titles.

## Joint ventures and associates

In line with FRS9, BBC Worldwide has shown its share of joint venture turnover of £160.9 million (2004: £87.3 million) on the face of the profit and loss account. Gross assets and liabilities are presented on the balance sheet. The Group's share of operating profit of joint ventures, after goodwill amortisation of £0.9 million, was £18.5 million (2004: £0.6 million).

The 2|entertain transaction has had a significant impact on the Group's joint venture investment accounting. The Group's share of turnover for the four-month period to 2|entertain's 31 January 2005 accounting reference date was £64.0 million and the share of operating profit after goodwill amortisation was £15.9 million.

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, for a cash consideration of £5.5 million. Goodwill of £2.9 million arose on the transaction. The Group share of turnover was £0.9 million and its share of operating profit after goodwill amortisation was £0.1 million.

The share of turnover from BBC Worldwide's existing joint venture, BBC Haymarket Exhibitions Limited, was £5.0 million (2004: £4.8 million) and the share of operating profit £0.4 million (2004: £0.6 million).

The structure of the arrangements with its joint venture partners, Flextech, Discovery and Alliance Atlantis, is such that BBC Worldwide has no liability to fund the losses of the ventures and its effective financial obligation is therefore adjusted to £nil (2004: £nil). During the year ended 31 March 2005 the Group received its first dividend of £2.1 million from UK Gold Holdings Limited, one of the Flextech joint ventures, which has been recorded within joint venture operating profit. Operating profit from BBC Worldwide's associates, Frontline Limited, UK TV Pty Limited, BBC Worldwide (India) Private Limited and Children's Character Books Limited was £1.2 million (2004: £1.4 million).

### **Taxation**

The tax charge of £22.5 million (45%) compares to £12.0 million (35%) in 2004. UK corporation tax is provided at 30% (2004: 30%). The factors contributing to the increase in the effective rate are attributable to the UK tax on overseas dividends, non-deductible expenditure such as goodwill, a high associate tax rate, overseas tax rates in excess of UK rates and significant prior year adjustments in respect of foreign exchange credits and losses ceasing to be available.

### **Dividends**

Interim dividends of £15.0 million and £0.4 million were paid in December 2004 (2004: £27.0 million). A final dividend of £0.3 million is proposed (2004: £20.2 million), resulting in a total dividend for the year of £15.7 million (2004: £47.2 million).

### **Debt structure and borrowings**

BBC Worldwide had net borrowings of £53.9 million at 31 March 2005 (2004: £73.9 million).

BBC Worldwide has a loan facility with BBC Commercial Holdings Limited, the holding company for the BBC's commercial subsidiaries, and BBC Worldwide's immediate parent company. The outstanding loan balance at 31 March 2005 was £67.6 million (2004: £82.2 million). The loan facility, which was originally scheduled to terminate on 30 September 2005, was in the process of renegotiation at 31 March 2005 and consequently the outstanding balance has been disclosed as a creditor falling due within one year. This renegotiation has been completed post year-end and the facility extended until 30 September 2006.

At 31 March 2005 there were unsecured loan notes outstanding of £1.5 million (2004: £1.6 million). These were issued in connection with the acquisitions of Cover to Cover Limited and Origin Publishing Limited.

### **Foreign exchange**

43% of BBC Worldwide's revenues in the year were generated outside the UK and have been affected by fluctuations in exchange rates. It is the policy of BBC Worldwide to take a risk-averse approach to the management of foreign exchange, including the hedging of risk by entering into forward exchange contracts.

### **Programme investments and amortisation**

BBC Worldwide and its joint venture partners invested a total of £75.2 million in programme investments in the year (following a record year in 2004 of £90.7 million, including substantial investment in Planet Earth). It was split £74.6 million in BBC programmes (2004: £88.6 million) and £0.6 million in non-BBC programming (2004: £2.1 million). £7.7 million of the reduction is accounted for by timing of payments on major JV Programmes LLC investment.

Amortisation at £79.0 million was £10.5 million lower than the previous year. The reduction in charge results from the transfer of DVD/video investment to 2|entertain, the exit of Multimedia publishing, accelerated amortisation on children's and books investments in the prior year, and lower levels of co-production amortisation in Television Sales in the current year.

### **Capital expenditure**

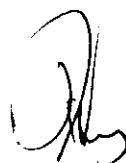
Capital expenditure on tangible fixed assets was limited to £3.9 million in the year (2004: £6.2 million).

### **Post balance sheet events**

In April 2005 BBC Worldwide announced that it had entered into an agreement with Dennis Publishing Limited to form a joint venture comprising the magazine subscription fulfilment business of each company. BBC Worldwide contributed the assets and business of its Galleon Limited subsidiary in exchange for a 50% stake in the new joint venture company, Galleon CI Limited.

In May 2005 BBC Worldwide completed the sale of certain music rights for a total consideration of £10.3 million.

Subsequent to the year end BBC Worldwide acquired the remaining 25% minority interest in Broadcasting Dataservices Limited. On the 10 June 2005 BBC Worldwide agreed to dispose of its entire shareholding in Broadcasting Dataservices Limited to BBC Broadcast Limited, a fellow BBC Group subsidiary. This transaction is planned to complete on 1 July 2005.



**David King**  
Finance Director  
BBC Worldwide Limited

## **BBC's Fair Trading Commitment**

### **BBC commercial activities and Fair Trading**

In performing its commercial role, BBC Worldwide is fully subject to domestic and European Competition Law in the same way as any other United Kingdom company. The Competition Act 1998 and the Enterprise Act 2002 significantly strengthen the powers of the regulatory authorities to enforce fair trading.

In addition to these statutory provisions, and unlike its competitors, the BBC is subject to further requirements to trade fairly, arising from its Royal Charter and accompanying Agreement. These requirements, to which BBC Worldwide is also subject, are published as the BBC's Fair Trading Commitment.

This Fair Trading Commitment requires BBC Worldwide to:

- engage in commercial activities which are consistent with, and support the BBC's role as a public service broadcaster;
- pay fair charges for any goods or services received from other parts of the BBC;
- charge prices which are a fair reflection of both costs incurred and market practice.

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

The Governors consider that the policies contained in the BBC's Fair Trading Commitment are consistent with the requirements of the Royal Charter and the accompanying Agreement. Through the Fair Trading Compliance Committee, they have gained reasonable assurance that the system of controls and procedures designed to ensure that these policies are applied throughout the BBC has been operating effectively throughout the year.

The BBC has appointed external Fair Trading auditors, PricewaterhouseCoopers, who have also issued an opinion. A copy of their report is included in the BBC's Annual Report\*. The Fair Trading auditors' report needs to be read in full but in summary confirms that the BBC overall has established and has applied a system of internal controls which provide reasonable assurance that it has complied with its Fair Trading Commitment for the year ended 31 March 2005.

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

## Directors' report

The Directors present their report and the audited consolidated financial statements of BBC Worldwide for the year ended 31 March 2005. Details of the principal activities and the development of the business during the year, and likely further developments, are given in the Financial Review on pages 1 to 4.

### Principal activity of the Group

The trading activities of BBC Worldwide focus on the acquisition, development, exploitation and licence and sale of media and publishing 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; international television programme sales, television channels, magazine publication, global exploitation of children's brands, home entertainment (publication of books, audio books, video/DVDs, including learning publications, and new media and internet related activities.

### Results and dividend

The consolidated profit after taxation and minority interests for the year was £27.7 million (2004: £22.6 million). Interim dividends of £15.0 million and £0.4 million were paid in December 2004 (2004: £27.0 million). A final dividend of £0.3 million is proposed (2004: £20.2 million), resulting in a total dividend for the year of £15.7 million (2004: £47.2 million).

### Significant acquisitions and disposals

Details of acquisitions and disposals are included in the Financial review and in notes 5, 10 and 15 to the accounts.

### Directors

The Directors who served during the year were:

S F Cooper  
D J King  
M J Phillips  
P S Phippen  
D A Vine  
C C Weller  
M C Young

D C Moody	(appointed 8 December 2004)
P Hornby	(appointed 1 February 2005)
J B Smith	(appointed 18 March 2005)

A R Gavin	(resigned 25 August 2004)
G A Richards	(resigned 31 December 2004)
R V McCall	(resigned 1 February 2005)

### Chief Executive

Following the announcement of the resignation of Rupert Gavin as Chief Executive of BBC Worldwide Ltd on 16 July 2004, John Smith, Chief Operating Officer of the BBC, took over the role on an acting basis. On 18 March 2005, John Smith was appointed as Chief Executive Officer of BBC Worldwide. Rupert Gavin resigned as a Director of BBC Worldwide on 25 August 2004

### Directors' interests

No Director had any interest in the share capital of BBC Worldwide Limited (the Company) at 1 April 2004 or 31 March 2005. No rights to subscribe for shares in or debentures of the Company or any other group company (the Group) were granted to any of the Directors or their immediate families, or exercised by them, during the financial year.

### 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. The Group seeks to comply with the CBI prompt payment code for trade creditors. Company trade creditors at 31 March 2005 were equivalent to 37 days (2004: 31 days) of purchases during the year ended on that date. Based on the consolidated financial statements creditor days outstanding were 35 days (2004: 30 days). Residual creditors have been excluded for the purposes of this calculation, as they relate to payments to artists and contributors rather than trade creditors (note 19).

### **Employee participation**

Within BBC Worldwide, the 'For a Better World' initiative aims to improve participation and communications involving all staff, and champions learning and growth. During the year the BBC has continued with the 'Making it Happen' initiative, which aims to change the BBC into the most creative organisation in the world. BBC Worldwide will continue to pursue the 'For a Better World' initiative within the context of 'Making it Happen'.

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).

### **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 just over ten percent of staff from minority ethnic groups and approximately fifty percent of BBC Worldwide's senior management are female.

### **Disabled people**

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. If an employee becomes disabled whilst in the employment of BBC Worldwide and as a result is unable to perform his/her existing job, every effort is made to offer suitable alternative employment and re-training.

### **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. BBC Worldwide holds the "Investors in People" accreditation.

### **Donations**

BBC Worldwide does not make political donations. During the year the Group made charitable donations totalling £50,000 to the DEC Tsunami Appeal (2004: £nil).

### **The environment**

BBC Worldwide does not operate in industries where there is potential for serious industrial pollution. The board recognises its responsibility to safeguard natural resources and takes steps to control and minimise any damage the business may cause to the environment. The board is working to ensure that ultimately all paper used in products is sourced from well-managed forests, along the guidelines laid down by the Forest Stewardship Council and was the first publisher to have a magazine using paper entirely sourced in accordance with FSC guidelines.

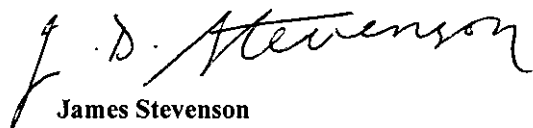
### **Going concern**

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.

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP is to be proposed at the forthcoming annual general meeting.

By order of the board



**James Stevenson**  
Company Secretary

15 July 2005

Registered Office  
Woodlands  
80, Wood Lane  
London W12 0TT

## Corporate Governance

### BBC Worldwide's commitment

The Board of BBC Worldwide is committed to high standards of corporate governance.

The Combined Code, issued by the Financial Services Authority and setting out principles of good corporate governance, is not applicable to BBC Worldwide as a private limited company. The BBC voluntarily complies with the Combined Code to the extent it is relevant. Some useful information relating to BBC Worldwide is provided below.

As a wholly-owned subsidiary of the BBC, BBC Worldwide is accountable to the BBC rather than to external shareholders. In turn, the BBC is accountable to the public, not shareholders, through the stewardship of the BBC Governors. The BBC Governors constitute the members of the BBC and act as trustees for the public interest.

### Board structure

Details of the Board of Directors of BBC Worldwide are shown on page 6. As a wholly owned private company subsidiary of the BBC, BBC Worldwide does not have any non-executive Directors.

The Board of Directors meets on a monthly basis. Other members of management attend as required.

The Board of Directors refers certain matters to its direct parent company, BBC Commercial Holdings Limited. BBC Commercial Holdings Limited has been established to coordinate and manage the activities and financing needs of the principal commercial subsidiaries. This furthers the overall aims of the commercial governance structure which is to encourage commercial drive and vigour, but at the same time to ensure that the BBC's commercial activities are consistent with the BBC's overriding public service purposes. The BBC's public service aims are therefore enshrined in the Memorandum of Association of BBC Commercial Holdings Limited and many of its powers, including the power to appoint directors of BBC Commercial Holdings Limited, are exercisable subject to the prior approval of the Board of Governors.

BBC Worldwide is represented on the Commercial Holdings Board and on the BBC's Executive Board and is accountable to both bodies and to the BBC Governors. Further information on the Commercial Holdings Board, the BBC's Executive Board and the BBC Governors is available in the BBC Annual Report and Accounts.

### Accountability and internal control

#### Financial reporting

The respective responsibilities of the Directors and the external auditors are set out on pages 10 and 11.

A review of the financial position of BBC Worldwide is included in the Financial Review on pages 1 to 4.

#### Internal control

The Board of Directors 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 misstatement or loss.

The Board of Directors considers there is an 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 appropriate reporting procedures. The key control procedures are described under the following headings:

- 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, is updated and presented to the Board every three months. Management assessments are verified by the BBC's Internal Audit function, which reports on this matter to the BBC's Audit Committee (see below), which considers risk management across the BBC Group as a whole. During the year, BBC Worldwide had a full-time Risk Manager to co-ordinate the risk assessment process.

- monitoring of controls

The BBC's Internal Audit function undertakes regular testing of control systems and compliance with core business processes under a plan agreed by the BBC's Audit Committee. This programme of testing, which is updated periodically, is based on a continuing assessment of key risks and issues. The results of testing are reported to the BBC's Audit Committee, which monitors the operation of BBC Worldwide's controls through the year.

- operating unit controls  
Key controls over major business risks include performance review and exception reporting.

The BBC Worldwide Investment and Cost Committee, a committee of the Board, must approve all transactions over a certain threshold. The BBC Commercial Holdings Limited Board and the BBC Board of Governors must approve all transactions over certain higher thresholds.

BBC Worldwide operates its own treasury procedures within the overall policies set by the BBC's Group Treasury department. Major transactions are processed through BBC Worldwide's treasury function. Each BBC Worldwide operating unit maintains additional financial controls and procedures appropriate to its own business environment and carries out local treasury activities, in both cases conforming to 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 the event of failure of BBC Worldwide's own data processing facility.
- financial reporting  
BBC Worldwide has a comprehensive budgeting system with an annual budget approved by the Board of Directors. 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 corrective action taken by the Directors as appropriate.
- fraud awareness  
Although incidents of fraud are rare, BBC Worldwide takes its responsibilities to minimise the risk of fraud very seriously. During the year, the BBC completed a substantial external review of its anti-fraud measures, which included BBC Worldwide. The anti-fraud policy, clarifying overall and ultimate responsibility for ensuring that the appropriate controls are in place to minimise the risk of fraudulent activity, and fraud response plan have been updated.

During the year, an anti-fraud group was set up by the BBC, chaired by the BBC's Head of Business Assurance, to include representatives from the BBC and its subsidiaries. The key objectives of the group are to embed measures to minimise the risk of fraud and raise overall fraud awareness. BBC Worldwide is responsible for reporting any suspicions of fraudulent activity to the BBC's Investigations Unit.

- whistle-blowing  
BBC Worldwide has a 'whistle-blowing' or 'protected disclosure' policy. The policy facilitates the anonymous communication of any incident in which there is a suspicion that there has been malpractice. The process is administered by an independent external company to ensure anonymity. Each reported incident is notified to the BBC's Head of Business Assurance who ensures that every incident is investigated, a response communicated and action taken as appropriate.

### **Internal audit**

The BBC has an Internal Audit and Risk Management department reporting to the BBC's Audit Committee and to the Director General. The scope of Internal Audit 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. The work programme of Internal Audit is unrestricted and includes BBC Worldwide.

Internal Audit undertakes regular testing of control systems and core business processes under a plan discussed with the BBC's, BBC Commercial Holdings' and BBC Worldwide's Audit Committees. The audit plan, which is reported twice a year, is based on a continuing assessment of key risks, monitoring compliance of key systems and processes. The results of testing are reported at each meeting of the Audit Committee, which scrutinises the operation of controls throughout the year.

### **Audit committees**

Matters relating to BBC Worldwide are also considered by the BBC's Audit Committee, which comprises three of the BBC's Governors.

The BBC's Audit Committee meets four times a year, and is charged with reviewing the effectiveness of internal control, approving and monitoring the Internal Audit work plan, considering issues arising from Internal Audit's work, reviewing management's response to internal control issues, approving the external audit fee, considering the external audit strategy and plans, reviewing the external auditors' reports and reviewing the annual accounts. Both internal

and external auditors are given the opportunity to meet privately with the Audit Committee without any member of management present.

BBC Worldwide has an established Audit Committee, the members of the committee are the Directors and the BBC's Head of Business Assurance. The BBC Worldwide Audit Committee meets at least four times a year. The aim of the BBC Worldwide Audit Committee is to ensure that BBC Worldwide meets the highest standards of corporate governance, particularly with respect to internal control and risk management and will report as required to the Audit Committee of its immediate parent company, BBC Commercial Holdings Limited.

#### **Remuneration policy**

A Remuneration Committee approved by the BBC Governors has responsibility for setting executive remuneration policy, including the remuneration package for BBC Worldwide's Chief Executive.

The Chief Executive appoints and determines the remuneration packages for the rest of the BBC Worldwide Board of Directors, taking account of the remuneration policies set out by the Governors. The Chief Executive measures the performance of the Directors before determining their annual remuneration and bonus awards. The BBC's Director of Human Resources provides technical support to the Chief Executive in this respect.

Directors' remuneration disclosure is shown in note 4e.

#### **Statement of Directors' responsibilities for the preparation of the financial statements**

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed and to disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for maintaining adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

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

We have audited the financial statements on pages 12 to 40.

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 the directors and auditors**

The directors are responsible for preparing the annual reports and, as described on page 10, this includes responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the Group is not disclosed.

We read the other information accompanying the financial statements, and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

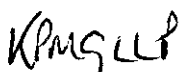
### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG LLP**  
Chartered Accountants  
Registered Auditor  
London

18 July 2005

**Consolidated profit and loss account**

		2005	2004
For the year ended 31 March	Note	£m	£m
Turnover (including share of joint ventures)	2	706.0	657.2
Less: share of joint ventures	15	(160.9)	(87.3)
<b>Group turnover</b>	2	<b>545.1</b>	569.9
Cost of sales		(335.4)	(368.1)
<b>Gross profit</b>		<b>209.7</b>	201.8
Distribution costs		(137.4)	(131.7)
Administrative expenses		(34.5)	(35.4)
<b>Group operating profit</b>	3	<b>37.8</b>	34.7
Share of operating profit of joint ventures	15d	18.5	0.6
Share of operating profit of associates	16c	1.2	1.4
<b>Total operating profit</b>		<b>57.5</b>	36.7
Profit on disposal of business	5	0.4	-
Loss on termination of business	6	(2.7)	-
<b>Profit before interest and taxation</b>	2	<b>55.2</b>	36.7
Interest receivable	7	0.2	0.8
Interest payable	7	(5.7)	(3.3)
<b>Profit on ordinary activities before taxation</b>		<b>49.7</b>	34.2
Tax on profit on ordinary activities	8	(22.5)	(12.0)
<b>Profit on ordinary activities after taxation</b>		<b>27.2</b>	22.2
Equity minority interests	22	0.5	0.4
<b>Profit attributable to shareholders</b>		<b>27.7</b>	22.6
Dividends			
Paid		(15.4)	(27.0)
Proposed		(0.3)	(20.2)
		(15.7)	(47.2)
<b>Retained profit/(loss) for the financial year</b>	22	<b>12.0</b>	(24.6)

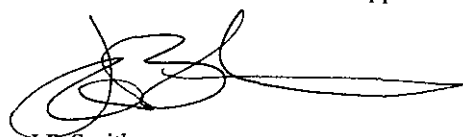
On 19 January 2005 BBC Worldwide completed the sale of eve magazine to Haymarket Magazines Limited. Sale proceeds of £6.5 million have been included within Group turnover.

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**

		2005	2004
As at 31 March	Note	£m	£m
<b>Fixed assets</b>			
Intangible fixed assets	9	20.3	16.8
Tangible fixed assets	11	11.5	13.8
Investment in programmes for future sale	13	97.3	107.6
Investments			
Investments in joint ventures:	15		
Share of gross assets		139.4	68.2
Share of gross liabilities		(175.9)	(125.4)
Adjustment to reflect effective obligation		46.7	57.6
Goodwill		26.9	-
		37.1	0.4
Interests in associated undertakings	16	1.3	1.3
		38.4	1.7
		167.5	139.9
<b>Current assets</b>			
Stocks	17	18.5	29.2
Current debtors	18	167.8	170.6
Long-term debtors	18	13.8	16.9
Total debtors		181.6	187.5
Cash at bank and in hand		15.2	9.9
		215.3	226.6
<b>Creditors: amounts falling due within one year</b>	19	(263.8)	(289.2)
<b>Net current liabilities</b>		(48.5)	(62.6)
<b>Total assets less current liabilities</b>		119.0	77.3
<b>Provisions for liabilities and charges</b>	20	(15.9)	(8.1)
<b>Net assets</b>		103.1	69.2
<b>Capital and reserves</b>			
Called up share capital	21	0.2	0.2
Profit and loss account	22	103.3	68.9
<b>Equity shareholders' funds</b>		103.5	69.1
Equity minority interests	22	(0.4)	0.1
<b>Total capital employed</b>		103.1	69.2

The financial statements were approved by the Board of Directors on 15 July 2005 and were signed on its behalf by:



J B Smith  
Director

15 July 2005

# Company balance sheet

		2005	2004
As at 31 March	Note	£m	£m
<b>Fixed assets</b>			
Intangible fixed assets	9	0.1	0.1
Tangible fixed assets	12	7.2	8.2
Investment in programmes for future sale	13	93.8	101.3
Investments			
Investments in subsidiary undertakings	14	42.3	37.2
Investments in joint ventures	15	67.5	-
Investment in associated undertakings	16	0.1	0.1
		109.9	37.3
		211.0	146.9
<b>Current assets</b>			
Stocks	17	8.6	19.1
Current debtors	18	189.1	202.1
Long-term debtors	18	10.2	11.2
Total debtors		199.3	213.3
Cash at bank and in hand		-	6.5
		207.9	238.9
<b>Creditors: amounts falling due within one year</b>	19	(298.1)	(341.8)
<b>Net current liabilities</b>		(90.2)	(102.9)
<b>Total assets less current liabilities</b>		120.8	44.0
<b>Provisions for liabilities and charges</b>	20	(15.9)	(8.1)
<b>Net assets</b>		104.9	35.9
<b>Capital and reserves</b>			
Called up share capital	21	0.2	0.2
Profit and loss account	22	104.7	35.7
<b>Equity shareholders' funds</b>		104.9	35.9

The financial statements were approved by the Board of Directors on 15 July 2005 and were signed on its behalf by:

  
J-B Smith  
Director

15 July 2005

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

	<b>Group 2005</b>	<b>Group 2004</b>	<b>Company 2005</b>	<b>Company 2004</b>
<b>For the year ended 31 March</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Profit for the financial year	<b>27.7</b>	22.6	<b>25.2</b>	21.9
Effect of foreign currency translation	<b>(0.4)</b>	(2.1)	-	-
Unrealised gain on disposal of business (note 10)	<b>22.8</b>	-	<b>59.5</b>	-
Total recognised gains and losses relating to the financial year	<b>50.1</b>	20.5	<b>84.7</b>	21.9

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

	<b>Group 2005</b>	<b>Group 2004</b>	<b>Company 2005</b>	<b>Company 2004</b>
<b>For the year ended 31 March</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total recognised gains and losses for the year	<b>50.1</b>	20.5	<b>84.7</b>	21.9
Dividends paid and proposed	<b>(15.7)</b>	(47.2)	<b>(15.7)</b>	(47.2)
Net decrease in equity shareholders' funds	<b>34.4</b>	(26.7)	<b>69.0</b>	(25.3)
Equity shareholders' funds at start of year	<b>69.1</b>	95.8	<b>35.9</b>	61.2
Equity shareholders' funds at end of year	<b>103.5</b>	69.1	<b>104.9</b>	35.9

**Consolidated cash flow statement**

<b>For the year ended 31 March</b>	<b>Note</b>	<b>2005 £m</b>	<b>2004 £m</b>
<b>Net cash inflow from operating activities</b>	23	<b>142.1</b>	96.4
<b>Dividends from joint ventures and associates</b>		<b>13.6</b>	1.3
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>0.2</b>	0.8
Interest paid		<b>(5.7)</b>	(3.3)
<b>Net cash outflow from return on investments and servicing of finance</b>	7	<b>(5.5)</b>	(2.5)
<b>Taxation</b>			
Taxation paid		<b>(10.1)</b>	(10.2)
<b>Capital expenditure and financial investments</b>			
Purchase of tangible fixed assets		<b>(3.9)</b>	(6.2)
Purchase of intangible assets		-	(0.4)
Investment in programmes for future sale		<b>(75.2)</b>	(90.7)
Decrease in loan to associated undertaking		<b>0.3</b>	0.2
<b>Net cash outflow for capital expenditure and financial investments</b>		<b>(78.8)</b>	(97.1)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings	9	-	(9.3)
Investment in joint ventures	15c	<b>(7.1)</b>	-
Disposal of business	5	<b>1.4</b>	-
<b>Net cash outflow from acquisitions and disposals</b>		<b>(5.7)</b>	(9.3)
<b>Cash inflow/(outflow) before distributions and financing</b>		<b>55.6</b>	(21.4)
<b>Equity dividends paid to shareholders</b>		<b>(35.6)</b>	(57.0)
<b>Cash inflow/(outflow) before financing</b>		<b>20.0</b>	(78.4)
<b>Financing</b>			
(Repayment)/drawdown of loan from parent undertaking		<b>(14.6)</b>	63.9
Repayment of external funding		-	(2.6)
Outflow in respect of unsecured loan notes		<b>(0.1)</b>	(0.6)
<b>Net cash (outflow)/inflow from financing</b>		<b>(14.7)</b>	60.7
<b>Increase/(decrease) in cash in the year</b>	24	<b>5.3</b>	(17.7)

## 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, which have been applied consistently throughout the year and with the preceding year, is set out below.

#### 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 made up to 31 March 2005. 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.

The results of the joint ventures and associates within the Flextech and Discovery agreements have been included using information from unaudited accounts drawn up to 31 December 2004 (notes 15 and 16). The results of the 2 entertain Limited joint venture have been included using information from audited accounts drawn up to 28 January 2005 (note 15).

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 turnover for the year was £400.5 million (2004: £434.9 million) and the Company's profit after taxation for the year dealt with in the Group's financial statements was £25.2 million (2004: £21.9 million). The Company's results form part of the consolidated financial statements.

#### 1c Turnover

Group turnover represents licence fees from international television programme sales; distribution and advertising income from the broadcast of television channels and the publication of magazines; and income and licence fees from the publication of Audiobooks, books and videos/DVDs and the sale of character merchandising.

The basis upon which turnover is recognised is as follows:

Income from licence fees - recognised on the later of delivery of rights and the start of the licence period;

Distribution, advertising and other sales commission income— recognised 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, including publishing are stated after deduction of the sales value of actual and estimated returned goods.

#### 1d Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the date of the transactions.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at 31 March or at forward rates where related hedging contracts are in place. Surpluses and deficits arising from the translation of 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 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 Intangible assets and goodwill

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 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.

Other intangible assets are written off over their useful economic lives, not exceeding 20 years.

### 1f 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 incremental internal direct 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:

Short leasehold buildings	Unexpired lease term
Freehold property	50 years
Plant and machinery	3 to 8 years
Fixtures and fittings	3 to 5 years

### 1g Operating leases

Operating lease rentals are written off on a straight-line basis over the term of the lease.

### 1h Research and development

Research and development expenditure is written off as incurred.

### 1i 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 unrecoverable.

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 the estimated average marketable life of the programme genre, 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.

### 1j Stocks

Stocks comprising videos, DVDs, books and paper stock and work in progress are stated at the lower of cost and net realisable value.

### 1k Pension costs

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

#### Defined benefit scheme

The defined benefit scheme provides benefits based on final pensionable pay. The pension assets of the BBC Main Scheme, to which the majority of employees belong, are held separately from those of the BBC Group.

The Group, following the provisions of FRS 17, 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 reliable basis. The expenditure charge for the Group therefore represents the contributions payable in the year.

#### Defined contribution scheme

BBC Worldwide participates in a group personal pension scheme that is a defined contribution scheme. Contributions to the scheme are charged to the profit and loss account when payable.

## 11 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.

## 2 Segmental analysis

The comparative figures for the year ended 31 March 2004 have been restated to reflect the revised segmental disclosure adopted for the year ended 31 March 2005. The revised segmental disclosure reflects the current group business and reporting structure. Segments comprise media formats with the exception of Children's, which comprises the exploitation of children's brands through international television programme sales, publishing activities, including video/DVD, and other licensing activities. Home entertainment formats comprise the publication of books, Audiobooks, video/DVDs and Learning publications.

### 2a Turnover analysed by type of business

	Group turnover £m	Share of joint ventures £m	Total £m
<b>2005</b>			
Television channels	62.4	78.2	140.6
Television sales	158.2	12.8	171.0
Magazines	163.5	5.9	169.4
Home entertainment (including Learning)	104.1	64.0	168.1
Children's	30.0	-	30.0
New media	26.9	-	26.9
	<b>545.1</b>	<b>160.9</b>	<b>706.0</b>

	Group turnover £m	Share of joint ventures £m	Total £m
<b>2004</b>			
Television channels	53.4	68.8	122.2
Television sales	154.0	13.7	167.7
Magazines	141.3	4.8	146.1
Home entertainment (including Learning)	151.3	-	151.3
Children's	40.9	-	40.9
New media	29.0	-	29.0
	<b>569.9</b>	<b>87.3</b>	<b>657.2</b>

On 19 January 2005 BBC Worldwide completed the sale of eve magazine to Haymarket Magazines Limited. Sale proceeds of £6.5 million have been included within Group turnover.

### 2b Turnover analysed by geographical destination

(all Group turnover originates from within the UK)

	2005 £m	2004 £m
United Kingdom	310.8	330.1
Americas	108.3	113.4
Europe	85.2	85.5
Rest of World	40.8	40.9
Group turnover	<b>545.1</b>	<b>569.9</b>
Share of joint ventures	<b>160.9</b>	<b>87.3</b>
Total	<b>706.0</b>	<b>657.2</b>

Television sales include licensing for standard television and cable sales. Co-production contributions to the BBC are administered by BBC Worldwide but not included in turnover.

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

	Group operating Profit £m	Share of joint ventures/ associates £m	Total operating profit £m	Profit/(loss) on disposal (note 5&6) £m	Profit before interest and taxation £m
<b>2005</b>					
Television channels	1.3	2.7	4.0	-	4.0
Television sales	31.7	-	31.7	-	31.7
Magazines	20.8	1.2	22.0	-	22.0
Home entertainment (including Learning)	(6.4)	15.9	9.5	-	9.5
Children's	(6.9)	(0.1)	(7.0)	0.4	(6.6)
New media	(2.7)	-	(2.7)	(2.7)	(5.4)
	37.8	19.7	57.5	(2.3)	55.2

	Group operating Profit £m	Share of joint ventures/ associates £m	Total operating profit £m	Profit/(loss) on disposal £m	Profit before interest and taxation £m
<b>2004</b>					
Television channels	2.4	0.3	2.7	-	2.7
Television sales	23.2	-	23.2	-	23.2
Magazines	14.5	1.7	16.2	-	16.2
Home entertainment (including Learning)	10.3	-	10.3	-	10.3
Children's	(11.1)	-	(11.1)	-	(11.1)
New media	(4.6)	-	(4.6)	-	(4.6)
	34.7	2.0	36.7	-	36.7

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

	Group operating Profit £m	Share of joint ventures/ associates £m	Total operating profit £m	Profit/(loss) on disposal (note 5&6) £m	Profit before interest and taxation £m
<b>2005</b>					
United Kingdom	16.9	19.0	35.9	(2.3)	33.6
Americas	3.9	-	3.9	-	3.9
Europe	11.4	-	11.4	-	11.4
Rest of World	5.6	0.7	6.3	-	6.3
Total	37.8	19.7	57.5	(2.3)	55.2

	Group operating Profit £m	Share of joint ventures/ associates £m	Total operating profit £m	Profit/(loss) on disposal £m	Profit before interest and taxation £m
<b>2004</b>					
United Kingdom	19.3	1.7	21.0	-	21.0
Americas	1.8	-	1.8	-	1.8
Europe	7.0	-	7.0	-	7.0
Rest of World	6.6	0.3	6.9	-	6.9
Total	34.7	2.0	36.7	-	36.7

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

	<b>Total 2005 £m</b>	<b>Total 2004 £m</b>
United Kingdom	<b>74.6</b>	35.5
Americas	<b>28.5</b>	33.7
<b>Total</b>	<b>103.1</b>	69.2

All net assets are owned, either in the UK and made available for regional offices, or through the US subsidiary, BBC Worldwide Americas Inc.

Further disclosure 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 not practical or useful to provide further analysis on a consistent or reliable basis.

**3 Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging:

	<b>2005 £m</b>	<b>2004 £m</b>
Operating lease rentals		
- plant and machinery	<b>3.0</b>	3.8
- land and buildings	<b>6.0</b>	5.9
- satellite costs	<b>1.0</b>	0.9
Depreciation - owned assets	<b>5.2</b>	4.9
Depreciation - impairment	<b>1.0</b>	-
Amortisation of investment in programmes for future sale	<b>79.0</b>	89.5
Amortisation of intangible fixed assets	<b>1.6</b>	0.5
Auditors' remuneration		
- company audit fee	<b>0.1</b>	0.1
- subsidiaries audit fees	<b>0.2</b>	0.2
- taxation and advisory fees	<b>0.2</b>	0.3
Foreign exchange (gain)/loss	<b>(3.1)</b>	1.6
Research and development expenditure	<b>1.2</b>	1.7

Auditors' remuneration comprises amounts payable by the Group in the UK and overseas. In addition to the £0.2 million (2004: £0.3 million) of auditors' remuneration charged to the profit and loss account for taxation and advisory services, a further £0.1 million (2004: £0.2 million) was paid to the Auditors for due diligence services. Such costs are included within the cost of the related subsidiary, joint venture or associate investment.

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

The average number of persons employed (full-time equivalent) in the year was:

	<b>2005 Average</b>	<b>2004 Average</b>
Television channels	<b>50</b>	47
Television sales	<b>358</b>	338
Magazines	<b>849</b>	721
Children's	<b>115</b>	138
New media	<b>192</b>	233
Home entertainment	<b>410</b>	472
Learning	<b>121</b>	133
<b>Total</b>	<b>2,095</b>	2,082

Within the averages above, 190 (2004: 188) part-time employees have been included at their full-time equivalent of 118 (2004: 116). In addition to the above, the Group employed an average full-time equivalent of 66 (2004: 56) persons on a casual basis. Their payroll costs are included in note 4b.

**4b Staff costs**

	2005	2004
	£m	£m
Salaries and wages	81.8	80.1
Social security costs	6.8	6.7
Other pension costs	2.9	2.7
	91.5	89.5

In addition to the above, redundancy costs and compensation for loss of office payments totalling £4.0 million (2004: £1.8 million) were incurred in the year.

**4c BBC Group Pension Scheme**

Many BBC Worldwide employees are members of the BBC Group Pension Scheme, which 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 2002 by Watson Wyatt, consulting actuaries, using the projected unit method. At 1 April 2002, the actuarial value of the assets was sufficient to cover 109% of the benefits due to members, after allowing for expected future increases in earnings.

Employer contributions have remained steady for a number of years. However, in order to maintain the financial health of the scheme, it has been agreed with the trustees, that employer and employee contributions will rise to 6.0% by 2006 and 2007 respectively. The position will be reviewed again in 2005/6 after a new formal actuarial valuation.

Contribution rates	Projection		Actual			
	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%
Employer	6.0	6.0	5.5	5.0	4.5	4.5
Employee	6.0	5.5	5.0	4.5	4.5	4.5

The Group, following the provisions within FRS 17, 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 charged for this scheme therefore represents contributions payable by the group to the scheme and the costs amounted to £2.3 million in the year (2004: £2.4 million). The 1 April 2002 full actuarial valuation was updated for FRS17 purposes to 31 March 2005 by Watson Wyatt, consulting actuaries. This valuation identified a deficit on the scheme at 31 March 2005 (2004: deficit).

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 The Director of Governance, BBC Governance Unit, 35 Marylebone High Street, London, W1U 4AA.

**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 charge represents contributions payable by the Group to the funds and the costs amounted to £0.6 million in the year (2004: £0.3 million).

#### 4e Directors' remuneration

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

	2005 £'000	2004 £'000
Emoluments	1,627	1,727
Bonus	349	261
	1,976	1,988
Compensation for loss of office	905	-
Long-term incentive plan	228	212
	3,109	2,200

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

	2005 No of Directors	2004 No of Directors
Defined benefit schemes	10	9
Money purchase schemes	7	8

The Company contributed £102,000 (2004: £115,000) to money purchase schemes for its Directors during the year.

The remuneration of the highest paid Director included:

	2005 £'000	2004 £'000
Emoluments	214	314
Bonus	44	59
	258	373
Long-term incentive plan	23	39
	281	412

The Company contributed £nil (2004: £52,000) to money purchase schemes on behalf of the highest paid Director during the year. The highest paid Director had accrued pension benefits of £46,000 (2004: £9,000) per annum as at 31 March 2005 under the Company's defined benefit scheme. The highest paid Director in the year ended 31 March 2005 was a different individual to that in the comparatives.

John Smith was appointed Chief Executive Officer of the BBC Worldwide on 18 March 2005. During the period from 16 July to his appointment as a director of the company on 18 March 2005 he was acting Chief Executive Officer of BBC Worldwide and emoluments of £99,000 were recharged by the BBC to the Group in respect of his services.

#### 5 Disposal of Children's book business

On 30 April 2004 BBC Worldwide announced the formation of a new venture, Children's Character Books Limited, which is 75% owned by Penguin Books and 25% owned by the Group. BBC Worldwide has disposed of its children's books business to the new venture in exchange for cash consideration of £2.3 million. A profit on disposal of £0.4 million has been recorded in respect of the 75% of the business in which the Group has not retained an interest.

	2005 £m
Net current assets disposed of / written-off	1.1
Profit on disposal	0.4
	1.5
Of which:	
Cash consideration received	2.3
Less cash transaction costs	(0.9)
Net cash proceeds from sale of operations	1.4
Interest in associated undertaking (note 16)	0.1
Total consideration, net of transaction costs	1.5

The Group's 25% interest in Children's Character Books Limited is accounted for as an associate undertaking.

## 6 Loss on termination of business

On 10 May 2004, BBC Worldwide announced its intention to terminate its Multimedia publishing business, which developed and marketed gaming titles for Playstation, Xbox and Gameboy platforms.

During the year ended 31 March 2005 termination costs totalling £2.7 million were charged to the profit and loss account, of which £1.3 million was in respect of the write off of stocks held at 31 March 2004. The balance of £1.4 million comprised the cash costs of exiting the business.

## 7 Interest

	2005 £m	2004 £m
Loan from parent undertaking	(5.4)	(3.2)
Other loans	(0.3)	(0.1)
Total interest payable	(5.7)	(3.3)
Total interest receivable	0.2	0.8
	(5.5)	(2.5)

## 8 Taxation

### 8a Analysis of charges for the year

The charge for the year, based on a rate of corporation tax of 30% (2004: 30%), comprised:

	2005 £m	2004 £m
Current tax:		
UK corporation tax	2.0	2.5
Group relief payable	5.4	5.5
Deduct: double tax relief	(2.0)	(2.5)
	5.4	5.5
Adjustments in respect of prior years	0.6	-
Foreign tax	3.8	8.3
Share of joint venture/associated undertakings' tax	5.5	0.5
Total current tax	15.3	14.3
Deferred tax:		
Origination and reversal of timing differences	4.1	(2.9)
Adjustments in respect of prior years	3.1	0.6
Total deferred tax	7.2	(2.3)
<b>Charge for the year</b>	<b>22.5</b>	<b>12.0</b>

**8b Factors affecting the tax charge**

	2005 £m	2004 £m
Profit before tax	49.7	34.2
Profit before tax multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	14.9	10.3
Effects of:		
Disallowed expenditure	1.2	0.9
UK Taxation on intra-group overseas dividends	1.6	-
Non-taxable income	(0.6)	(0.4)
Tax differential on overseas earnings	1.7	1.3
Timing differences	(4.1)	2.9
Utilisation of brought forward losses	-	(0.7)
Adjustments to tax charge in respect of prior years	0.6	-
<b>Current tax charge for the year (8a)</b>	<b>15.3</b>	<b>14.3</b>

**8c 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.

	2005 £m	2004 £m
<b>Net deferred tax provision</b>		
Net provision at start of year	0.6	2.2
Exchange adjustment	0.3	0.7
Deferred tax charge (note 8a)	7.2	(2.3)
Net provision at end of year	8.1	0.6
<b>Deferred tax liability/(asset)</b>		
Accelerated capital allowances (note 20)	13.6	8.1
US timing differences (note 18)	(5.5)	(7.5)
	8.1	0.6

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

**8d 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 and the statutory tax rates applicable in these territories.

The future Group tax charge will also be higher than the UK statutory rate of corporation tax as a result of expenses disallowable for corporation tax deduction (including goodwill amortisation). A higher tax rate will also result should further intra-group overseas dividends be paid to UK group companies.

## 9 Intangible fixed assets

	Group Other intangible £m	Group Goodwill £m	Group Total £m	Company Total £m
Cost				
At 1 April 2004	0.4	17.7	18.1	0.2
Additions	-	5.1	5.1	-
<b>At 31 March 2005</b>	<b>0.4</b>	<b>22.8</b>	<b>23.2</b>	<b>0.2</b>
Amortisation				
At 1 April 2004	0.1	1.2	1.3	0.1
Charge for the year	0.3	1.3	1.6	-
<b>At 31 March 2005</b>	<b>0.4</b>	<b>2.5</b>	<b>2.9</b>	<b>0.1</b>
Net book value:				
<b>At 31 March 2005</b>	<b>-</b>	<b>20.3</b>	<b>20.3</b>	<b>0.1</b>
At 31 March 2004	0.3	16.5	16.8	0.1

On 20 February 2004 BBC Worldwide acquired 100% of the share capital of Origin Publishing Limited for a total consideration of £10.2 million and a net cash consideration of £9.3 million giving rise to goodwill of £9.5 million. Under the terms of the agreement, further contingent consideration of up to £5.1 million is payable, based on the financial performance of the acquired business in the period to 30 September 2005.

No contingent consideration was estimated as payable and recognised at 31 March 2004. At 31 March 2005, based on the applicable financial targets, the actual performance of the business to date and the Board's expectation of the business' financial performance during the remaining period to 30 September 2005, contingent consideration of £5.1 million has been accrued. This additional consideration has increased the cost of goodwill by £5.1 million.

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

## 10 Exchange of business: 2|entertain Limited

On 27 September 2004 BBC Worldwide entered into an agreement with Woolworths Group plc ('Woolworths') to form a joint venture comprising BBC Worldwide's video/DVD business (excluding children's titles) and the video/DVD and music publishing business of Woolworths. This principally non-cash transaction resulted in the formation of a joint venture company, 2|entertain Limited ('2|entertain'), which is 60% owned by BBC Worldwide.

The transaction has been accounted for under *UITF 31: Exchange of business or other non-monetary assets for an interest in a subsidiary, joint venture or associate*. The accounting reflects BBC Worldwide's retention of 60% of its business and divestment of the remaining 40% in return for a 60% interest in Woolworth's video business. The transaction has resulted in an unrealised gain on disposal of £22.8 million which is recorded in the statement of total recognised gains and losses.

	2005 £m
Investment in programmes for future sale	5.5
Net current assets	0.9
	6.4
Cash contribution	1.6
Unrealised gain on disposal of business	22.8
Interest in joint venture undertaking at time of exchange	30.8
Represented by:	
Goodwill	24.9
Additions to investments in joint ventures (note 15)	5.9
	30.8

The Company's investment in 2|entertain is £67.5 million, being the fair value of the business acquired (note 15). BBC Worldwide's equity share of the results of 2|entertain are disclosed in note 15e.

## 11 Tangible fixed assets

Group	Freehold land & buildings £m	Short leasehold buildings £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost					
At 1 April 2004	0.2	1.8	37.1	11.2	50.3
Additions	-	0.1	3.1	0.7	3.9
Disposals	-	-	(2.9)	(2.4)	(5.3)
Reclassification	-	(0.3)	-	0.3	-
<b>At 31 March 2005</b>	<b>0.2</b>	<b>1.6</b>	<b>37.3</b>	<b>9.8</b>	<b>48.9</b>
Depreciation					
At 1 April 2004	-	0.9	24.8	10.8	36.5
Charge for the year	-	0.1	4.8	0.3	5.2
Provision for impairment	-	-	1.0	-	1.0
Disposals	-	-	(2.9)	(2.4)	(5.3)
<b>At 31 March 2005</b>	<b>-</b>	<b>1.0</b>	<b>27.7</b>	<b>8.7</b>	<b>37.4</b>
Net book value:					
<b>At 31 March 2005</b>	<b>0.2</b>	<b>0.6</b>	<b>9.6</b>	<b>1.1</b>	<b>11.5</b>
At 31 March 2004	0.2	0.9	12.3	0.4	13.8

During the year the Group reviewed the carrying value of certain information technology assets included within plant and machinery and made provision for impairment, in accordance with *FRS 11: Impairment of fixed assets and goodwill*. The discount rate applied in the review to calculate the value in use was 11%, which reflected the risks associated with the assets.

## 12 Tangible fixed assets

Company	Short leasehold buildings £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost				
At 1 April 2004	0.3	29.6	9.6	39.5
Additions	0.1	2.1	0.5	2.7
Disposals	-	(2.3)	(2.4)	(4.7)
Reclassification	(0.3)	-	0.3	-
<b>At 31 March 2005</b>	<b>0.1</b>	<b>29.4</b>	<b>8.0</b>	<b>37.5</b>
Depreciation				
At 1 April 2004	-	22.0	9.3	31.3
Charge for the year	-	3.5	0.2	3.7
Disposals	-	(2.3)	(2.4)	(4.7)
<b>At 31 March 2005</b>	<b>-</b>	<b>23.2</b>	<b>7.1</b>	<b>30.3</b>
Net book value:				
<b>At 31 March 2005</b>	<b>0.1</b>	<b>6.2</b>	<b>0.9</b>	<b>7.2</b>
At 31 March 2004	0.3	7.6	0.3	8.2

**13 Investment in programmes for future sale**

	<b>Group £m</b>	<b>Company £m</b>
Cost		
At 1 April 2004	330.5	216.1
Exchange adjustment	(2.2)	(0.3)
Financing benefit	0.2	0.2
Additions	75.2	74.5
Disposal of business (note 10)	(40.1)	(40.1)
Elimination in respect of programmes fully amortised	(134.9)	(31.9)
<b>At 31 March 2005</b>	<b>228.7</b>	<b>218.5</b>
Amortisation		
At 1 April 2004	222.9	114.8
Exchange adjustment	(1.0)	(0.1)
Charge for the year	79.0	76.5
Disposal of business (note 10)	(34.6)	(34.6)
Elimination in respect of programmes fully amortised	(134.9)	(31.9)
<b>At 31 March 2005</b>	<b>131.4</b>	<b>124.7</b>
Net book value:		
<b>At 31 March 2005</b>	<b>97.3</b>	<b>93.8</b>
At 31 March 2004	107.6	101.3

The exchange adjustment arises on the re-translation of the opening programme investments held by the US subsidiary. Included in the Group and the Company net book values is £2.5 million relating to investments held under a licence agreement (2004: £3.5 million).

The financing benefit relates to monies received for tax credits on investments in sale and leaseback programmes.

**14 Investments in subsidiary undertakings**

	<b>Company £m</b>
Cost	
At 1 April 2004	42.7
Additions (note 9)	5.1
<b>At 31 March 2005</b>	<b>47.8</b>
Provisions	
<b>At 1 April 2004 and at 31 March 2005</b>	<b>(5.5)</b>
Net book value:	
<b>At 31 March 2005</b>	<b>42.3</b>
At 31 March 2004	37.2

The principal operating subsidiaries of the company as at 31 March 2004 are shown in note 31.

## 15 Interests in joint ventures

### 15a Movements in the year

	Interests in joint venture undertakings (Group)	Investment in joint venture undertakings (Company)
	£m	£m
Cost		
At 1 April 2004	-	-
Additions	8.5	67.5
<b>At 1 April 2005</b>	<b>8.5</b>	<b>67.5</b>
Share of post acquisition reserves		
At 1 April 2004	0.4	
Exchange Adjustment	0.1	
Share of profit after taxation	22.8	
Adjustment to reflect effective obligation*	(8.6)	
Dividends	(13.0)	
<b>At 31 March 2005</b>	<b>1.7</b>	
Goodwill		
At 1 April 2004	-	
Additions	27.8	
Amortisation	(0.9)	
<b>At 1 April 2005</b>	<b>26.9</b>	
Net book value:		
<b>At 31 March 2005</b>	<b>37.1</b>	
At 31 March 2004	0.4	

### 15b Flextech and Discovery Communications joint ventures

BBC Worldwide has major partnership deals with Flextech, the content division of Telewest Communications plc, 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 alliances operate under a number of statutory entities listed below:

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

\*Under the terms of the agreements with Flextech 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 and accordingly no share of losses is included in the financial statements for the year ended 31 March 2005 (2004: £nil). The Group is entitled to its share of any profits or net assets only once the ventures' cumulative profits exceed cumulative losses since incorporation. During the year ended 31 March 2005, the Group received its first dividend of £2.1 million from UK Gold Holdings Limited. This dividend has been included within the Group's share of operating profit of joint ventures, as set out in note 15c below.

## 15c Worldwide Media and other joint ventures

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 for total cash consideration of £5.5 million. Goodwill of £2.9 million arose on the transaction. The Group's share of turnover was £0.9 million and its share of operating profit was £0.2 million.

Contingent consideration of up to Rupees 211 million (£2.5 million) may be payable, based on the financial performance of the acquired business in the period to 31 July 2006. Based on the applicable financial targets and the Board's expectation of the short term financial performance of the business during this period, no contingent consideration has been recognised in the calculation of goodwill at 31 March 2005.

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 future profitability of the joint venture.

The Group has guaranteed bank loans outstanding in Worldwide Media Limited totalling Rupees 366 million (£4.5 million). This debt may rise to Rupees 400 million (£5.0 million) over the next 2 years.

During the year ended 31 March 2005, BBC Worldwide entered into a new joint venture, 2|entertain Limited, further details of which are set out in note 10. The Group's share of its results are set out in note 15e.

The total cash outflow for the year in respect of joint ventures totalled £7.1 million; £5.5 million relating to the investment in Worldwide Media and £1.6 million to 2|entertain.

BBC Haymarket Exhibitions Limited is included in the joint venture total and is accounted for separately from the Flextech and Discovery joint ventures. The Group share of its turnover was £5.0 million (2004: £4.8 million) and of operating profit was £0.4 million (2004: £0.6 million).

## 15d Analysis of share of joint venture profits and losses

Name of entity	Joint venture operating profit before goodwill amortisation £m	Goodwill amortisation £m	Share of operating profit of joint ventures £m	Share of joint venture taxation £m	Share of joint venture profit after taxation £m
2 entertain Limited	16.7	(0.8)	15.9	(5.1)	10.8
Worldwide Media Limited	0.2	(0.1)	0.1	-	0.1
BBC Haymarket Exhibitions Limited	0.4	-	0.4	(0.1)	0.3
UK Gold Holdings Limited (note 15b)	2.1	-	2.1	-	2.1
<b>Total</b>	<b>19.4</b>	<b>(0.9)</b>	<b>18.5</b>	<b>(5.2)</b>	<b>13.3</b>

In 2004, the Group's share of the operating profit of Haymarket Limited was £0.4 million.

The Group's share of operating profit in respect of the other joint venture investments listed in note 31 was £nil (2004: £nil).

## 15e Further disclosures in respect of joint ventures

The following disclosures are based on results for the year ended 31 December 2004, except 2|entertain Limited which is for the four month period to 31 January 2005. 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.

### 2005

	2 entertain 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>	64.0	36.8	31.6	28.5	160.9
Profit/(loss) before taxation	16.7	11.0	9.0	(3.2)	33.5
Taxation	(5.1)	(2.8)	(2.7)	(0.1)	(10.7)
Profit/(loss) after taxation*	11.6	8.2	6.3	(3.3)	22.8
Fixed assets	3.8	-	-	5.3	9.1
Current assets	68.2	15.6	21.1	25.4	130.3
<b>Gross assets</b>	72.0	15.6	21.1	30.7	139.4
Liabilities less than one year	(65.0)	(6.6)	(2.9)	(5.1)	(79.6)
Liabilities more than one year	-	(28.1)	(30.4)	(37.8)	(96.3)
<b>Gross liabilities</b>	(65.0)	(34.7)	(33.3)	(42.9)	(175.9)
<b>Adjustment to reflect effective obligation*</b>	-	19.1	12.2	15.4	46.7
<b>Goodwill</b>	24.1	-	-	2.8	26.9
<b>Net Book Value</b>	31.1	-	-	6.0	37.1

### 2004

	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>	32.7	29.4	25.2	87.3
Profit/(loss) before taxation	9.5	6.2	(5.4)	10.3
Taxation	(2.4)	(1.9)	(0.2)	(4.5)
Profit/(loss) after taxation*	7.1	4.3	(5.6)	5.8
Fixed assets	-	0.2	-	0.2
Current assets	14.7	33.4	19.9	68.0
<b>Gross assets</b>	14.7	33.6	19.9	68.2
Liabilities less than one year	(13.2)	(6.6)	(17.6)	(37.4)
Liabilities more than one year	(28.9)	(45.5)	(13.6)	(88.0)
<b>Gross liabilities</b>	(42.1)	(52.1)	(31.2)	(125.4)
<b>Adjustment to reflect effective obligation*</b>	27.4	18.5	11.7	57.6
<b>Net Book Value</b>	-	-	0.4	0.4

#The figures are based on unaudited financial statements.

\*Details in respect of the adjustment to reflect effective obligation relates are set out in note 15b.

## 16 Interests in associated undertakings

### 16a Movements in the year

	Interests in associated undertakings £m	Net loans to associated undertakings £m	Total (Group) £m	Investment in associated undertakings (Company) £m
Cost				
At 1 April 2004	0.1	1.0	1.1	0.1
Exchange adjustment	-	(0.1)	(0.1)	-
Additions (note 5)	0.1	-	0.1	-
Disposals	-	(0.3)	(0.3)	-
<b>At 31 March 2005</b>	<b>0.2</b>	<b>0.6</b>	<b>0.8</b>	<b>0.1</b>
Share of post acquisition reserves				
At 1 April 2004	0.2	-	0.2	
Share of loss after taxation	(16.3)	-	(16.3)	
Adjustment to reflect effective obligation*	17.2	-	17.2	
Dividends	(0.6)	-	(0.6)	
<b>At 31 March 2005</b>	<b>0.5</b>	<b>-</b>	<b>0.5</b>	
Net book value:				
<b>At 31 March 2005</b>	<b>0.7</b>	<b>0.6</b>	<b>1.3</b>	
At 31 March 2004	0.3	1.0	1.3	

### 16b 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 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 2005 (2004: £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.

On 30th April 2004, BBC Worldwide exercised a put option to require Discovery to purchase its entire 25 % shareholding in Animal Planet LLC. The disposal remains subject to the parties agreeing a number of terms in respect of the sale, including the value of consideration to be paid, and therefore the sale transaction has not been recognised in these financial statements. The net book value of the Group's investment in this associate at 31 March 2005 is £nil (31 March 2004: £nil).

## 16c Other associate undertakings

In addition to the arrangements with Discovery, BBC Worldwide has other associated undertakings that are listed in note 31. These are accounted for separately from the Discovery entities.

The results of other associates comprise the Group share of the operating profit/(loss) of UK TV Pty Limited of £0.5 million (2004: £0.3 million), Frontline Limited of £0.7 million (2004: £1.1 million), Children's Character Books Limited of £(0.1) million (2004: £nil) and BBC World (India) Private Limited £0.1 million (2004: £nil). The Group's share of the remaining associates in note 31, including Jasper Broadcasting Inc and Jasper Junior Broadcasting Inc, operated in partnership with Alliance Atlantis, was £nil (2004: £nil).

The Group's total share of operating profit of associates was £1.2 million. The related taxation charge was £0.3 million.

The investment in Children's Character Books Limited arose as part of a transaction to dispose of BBC Worldwide's Children's books business, as set out in note 5.

## 16d Further disclosures in respect of associate undertakings

The following additional disclosures are based on results for the year ended 31 December 2004 for the Discovery companies, and for the period ended 31 March 2005 for BBC World (India) Private Limited, the Alliance Atlantis companies, UK TV Pty Limited, Frontline Limited and Children's Character Books Limited. 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.

### Total associates

	2005 £m	2004 £m
BBC Worldwide share of:		
Turnover	42.9	38.6
Loss before tax	(15.9)	(17.2)
Taxation	(0.4)	(1.1)
Loss after tax*	(16.3)	(18.3)
Fixed assets	38.8	39.5
Current assets	24.5	12.6
Gross assets	63.3	52.1
Liabilities less than one year	(19.3)	(7.2)
Liabilities more than one year	(123.9)	(118.9)
Gross liabilities	(143.2)	(126.1)
Adjustment to reflect effective obligation*	81.2	75.3
Net Book Value	1.3	1.3

The figures are based on unaudited financial statements.

\*Details in respect of the adjustment to reflect effective obligation relates are set out in note 16b.

## 17 Stocks

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Raw materials and consumables	1.7	3.8	1.5	3.1
Work in progress	2.3	4.2	0.6	2.1
Finished goods and goods for resale	14.5	21.2	6.5	13.9
	18.5	29.2	8.6	19.1

## 18 Debtors

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Amounts falling due within one year:				
Trade debtors	98.0	96.2	59.9	63.1
Amounts owed by subsidiary undertakings	-	-	72.7	73.4
Amounts owed by fellow subsidiary undertakings	-	0.5	-	0.1
Amounts owed by associates and joint ventures (note 29)	4.2	8.5	3.0	8.5
Other debtors	14.6	9.0	9.1	8.0
Deferred taxation (note 8)	5.5	6.2	-	-
Prepayments and accrued income - other	4.6	4.7	3.4	3.5
Prepayments and accrued income - BBC	40.9	45.5	40.9	45.5
	167.8	170.6	189.1	202.1
Amounts falling due after more than one year:				
Other debtors	2.5	-	2.5	-
Deferred taxation (note 8)	-	1.3	-	-
Deferred launch support asset	3.6	4.4	-	-
Prepayments and accrued income - BBC	7.7	11.2	7.7	11.2
	13.8	16.9	10.2	11.2
Total debtors	181.6	187.5	199.3	213.3

Deferred launch support costs comprise prepaid costs for use of channel broadcasting platforms.

## 19 Creditors

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Amounts falling due within one year:				
Trade creditors	38.5	32.3	26.9	26.1
Residual creditors	20.6	33.2	16.2	29.4
Amounts owed to the BBC	10.7	21.0	8.6	20.2
Amounts owed to subsidiary undertakings	-	-	79.6	87.7
Amounts owed to fellow subsidiary undertakings	4.3	2.9	2.4	2.9
Amounts owed to associates and joint ventures (note 29)	8.5	1.2	7.6	1.2
Loan owed to parent undertaking	67.6	82.2	67.6	82.2
Unsecured loan notes	1.5	1.6	1.5	1.6
Bank loans and overdrafts	-	-	2.8	-
Corporation tax	0.8	4.2	0.9	1.0
Other creditors including other taxes and social security	10.9	6.5	5.3	3.6
Accruals and deferred income	100.1	83.9	78.4	65.7
Proposed dividend	0.3	20.2	0.3	20.2
	263.8	289.2	298.1	341.8

Residual creditors comprise royalty payments owing to contributors to television programmes and other media.

At the year end, BBC Worldwide had an unsecured loan and investment agreement with its parent undertaking, BBC Commercial Holdings Limited (BBC Commercial Holdings), that was due to terminate on 30 September 2005. This facility has been renegotiated subsequent to the year end and the facility extended for a further year to 30 September 2006.

Interest is payable at 4.60% plus a margin of 0.375% rising to 0.45% should BBC Commercial Holdings borrowings exceed £175 million. A discount will be applied to the above rates reflecting the sub LIBOR funding that BBC Commercial Holdings receives from the European Investment Bank; this is expected to be between 0.10% and 0.15% per annum up to £25 million. Interest receivable on any amounts invested with BBC Commercial Holdings will be at UK Base Rate. At 31 March 2005, BBC Worldwide Limited's drawn-down element of the facility was £67.6 million (2004: £82.2 million).

Unsecured loan notes were issued as deferred consideration for the acquisition of Cover to Cover Limited and associated royalty payments and for the acquisition of Origin Publishing Limited. The loan notes are repayable on demand or in full within 10 years. Interest is charged at 0.5% above bank base rates.

## 20 Provisions for liabilities and charges and contingent liabilities

Group and Company	Other £m	Deferred tax £m	Total £m
At 1 April 2004	-	8.1	8.1
Provided during the year	2.3	5.5	7.8
Prior year charge	-	-	-
<b>At 31 March 2005</b>	<b>2.3</b>	<b>13.6</b>	<b>15.9</b>

Other provisions relate to legal claims and vacant property lease obligations.

The Group also has a number of contingent liabilities arising from litigation. BBC Worldwide makes specific provision of 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.

Details of contingent liabilities in respect of deferred consideration and bank guarantees in connection with the Group's investment in Worldwide Media Limited are provided in note 15c.

## 21 Called up share capital

	2005 £m	2004 £m
Authorised 1,000,000 Ordinary shares of £1 each	1.0	1.0
Issued, allotted, called up and fully paid 250,000 Ordinary shares of £1 each	0.2	0.2

## 22 Reserves

### 22a Profit and loss account

	Group £m	Company £m
At 1 April 2004	68.9	35.7
Retained profit for the year	12.0	9.5
Unrealised gain on disposal of business	22.8	59.5
Exchange adjustment	(0.4)	-
<b>At 31 March 2005</b>	<b>103.3</b>	<b>104.7</b>

At 31 March 2005, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14.2 million (2004: £14.2 million).

Included within the Company profit and loss account are gains arising on disposal of businesses of £59.5 million (2004: £nil) which are unrealised and not available for distribution.

### 22b Minority interest

	Group £m
At 1 April 2004	0.1
Share of loss after taxation	(0.5)
<b>At 31 March 2005</b>	<b>(0.4)</b>

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

	2005	2004
	£m	£m
Group operating profit	37.8	34.7
Depreciation and amortisation	86.8	94.9
Decrease/(increase) in stocks	1.6	(2.7)
Decrease/(increase) in debtors	2.8	(21.5)
Increase/(decrease) in creditors	12.2	(9.0)
Increase in provisions	2.3	-
Cash outflow on termination of business (note 6)	(1.4)	-
Net cash inflow from operating activities	142.1	96.4

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

	2005	2004
	£m	£m
Increase/(decrease) in cash in the year	5.3	(17.7)
Net cash outflow/(inflow) from parent undertaking loan	14.6	(63.9)
Net cash outflow in respect of unsecured loan notes	0.1	0.6
Net cash outflow from other external loans	-	2.6
Change in net debt resulting from cash flows	20.0	(78.4)
Issue of new unsecured loan notes	-	(0.5)
Exchange adjustment	-	0.5
Change in net debt	20.0	(78.4)
Net (debt)/cash at the beginning of the year	(73.9)	4.5
Net debt at the end of the year	(53.9)	(73.9)

**25 Analysis of net debt**

	1 April 2004 £m	Cash flows £m	Non-cash Movement £m	31 March 2005 £m
Cash at bank and in hand	9.9	5.3	-	15.2
Loan from parent undertaking	(82.2)	14.6	-	(67.6)
Unsecured loan notes	(1.6)	0.1	-	(1.5)
Net debt	(73.9)	20.0	-	(53.9)

## 26 Post balance sheet events

On 12 April 2005 BBC Worldwide announced that it had entered into an agreement with Dennis Publishing Limited to form a joint venture comprising the magazine subscription fulfilment business of each company. BBC Worldwide contributed the assets and business of its Galleon Limited subsidiary in exchange for a 50% stake in the new joint venture company, Galleon CI Limited.

On 13 May 2005, BBC Worldwide completed the sale of certain music rights for a total consideration of £10.3m.

Subsequent to the year end BBC Worldwide acquired the remaining 25% minority interest in Broadcasting Dataservices Limited. On the 10 June 2005 BBC Worldwide agreed to dispose of its entire shareholding in Broadcasting Dataservices Limited to BBC Broadcast Limited, a fellow BBC Group subsidiary. This transaction is planned to complete on 1 July 2005.

As set out in note 19, subsequent to the year end, the Group extended the term of its loan and investment facility with BBC Commercial Holdings Limited.

## 27 Commitments

Contracts placed for future capital expenditure not provided:

	<b>Group 2005 £m</b>	<b>Group 2004 £m</b>	<b>Company 2005 £m</b>	<b>Company 2004 £m</b>
Programme investments	<b>51.5</b>	45.6	<b>51.5</b>	45.3
Fixed assets	<b>0.1</b>	0.7	<b>0.1</b>	0.7
	<b>51.6</b>	46.3	<b>51.6</b>	46.0

## 28 Operating leases

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

	<b>Land &amp; buildings 2005 £m</b>	<b>Land &amp; buildings 2004 £m</b>	<b>Plant &amp; machinery 2005 £m</b>	<b>Plant &amp; machinery 2004 £m</b>
Expiring:				
Within one year	<b>0.9</b>	0.9	<b>0.4</b>	0.6
Between two and five years	<b>6.4</b>	5.0	<b>1.4</b>	2.0
After more than five years	<b>0.2</b>	0.7	-	-
	<b>7.5</b>	6.6	<b>1.8</b>	2.6

## 29 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 comprise its subsidiary, associated and joint venture companies, its parent undertakings and fellow subsidiaries and members of key management of the Company and its parent undertakings.

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 Commercial Holdings 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.

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

Name of related party	How related	Income £m	Expenditure £m	Dividends £m	Net debtors/ (creditors) balance £m
2 entertain Limited	Joint Venture	7.2	(2.1)	10.5	(7.0)
BBC Haymarket Exhibitions Limited	Joint Venture	0.4	-	0.4	(0.5)
Worldwide Media Limited	Joint Venture	-	-	-	-
UK Channel Management Limited	Joint Venture	10.4	-	-	0.8
UK Gold Holdings Limited	Joint Venture	20.0	-	2.1	0.9
UKTV New Ventures Limited	Joint Venture	2.3	-	-	0.5
JV Programmes LLC	Joint Venture	30.9	0.4	-	(0.5)
UK TV Pty Limited	Associate	1.2	-	-	-
Children's Character Books Limited	Associate	0.4	-	-	-
Frontline Limited	Associate	-	(3.1)	0.6	(0.5)
Animal Planet (Latin America) LLC	Associate	0.7	-	-	0.2
People and Arts (Latin America) LLC	Associate	0.9	-	-	0.2
Animal Planet LLC	Associate	0.7	-	-	-
Animal Planet (Asia) LLC	Associate	0.7	-	-	0.3
The Animal Planet Europe Partnership	Associate	1.0	-	-	0.4
Animal Planet Japan LLP	Associate	0.4	-	-	0.2
Animal Planet Canada ULC	Associate	0.1	-	-	-
Jasper Broadcasting Inc	Associate	1.0	-	-	0.5
Jasper Junior Broadcasting Inc	Associate	0.4	-	-	0.2
BBC World (India) Limited	Associate	-	-	-	-
<b>Total</b>				<b>13.6</b>	<b>(4.3)</b>
Total net debtors / (creditors) with related parties:					
Debtors (note 18)					4.2
Creditors (note 19)					(8.5)
<b>Total</b>					<b>(4.3)</b>

Terms of trade were negotiated on an arm's length basis.

The nature of transactions conducted with related parties is disclosed below:

Name of related party	Nature of transactions
2 entertain Limited	Dividends, income from licensing of programme investments, commissions from international distributors of video/DVD and charges for services. Expenditure represents payment of commissions on distribution of childrens' video/DVD.
BBC Haymarket Exhibitions Limited	Dividends, royalties & management fees
Frontline Limited	Dividends and management fees for the distribution of magazines
BBC World (India) Private Limited	Funding & management fees
Children's Character Books Limited	Royalty income from exploitation of book publishing rights
UK Gold Holdings Limited	Dividends and sale of programmes
All others	Sale of programmes

### 30 Parent undertaking and controlling party

The Company's immediate parent is BBC Commercial Holdings Limited and ultimate parent undertaking and controlling party is the British Broadcasting Corporation 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 by writing to The Director of Governance, BBC Governance Unit, 35 Marylebone High Street, London, W1U 4AA. .

### 31 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>Television channels</b>		
European Channel Broadcasting Limited		
European Channel Management Limited		
New Video Channel America LLC	(a)	USA
<b>Television sales</b>		
BBC Worldwide Americas Inc.		USA
BBC Worldwide Productions LLC	(a)	USA
BBC Worldwide Canada Limited		Canada
BBC Worldwide France Sarl		France
BBC Worldwide Germany GmbH		Germany
BBC Worldwide Japan KK		Japan
UK Programme Distribution Limited (95%)		
<b>Magazines</b>		
BBC Magazines Inc.	(a)	USA
Galleon Limited	(b)	
Origin Publishing Limited		
<b>New media</b>		
beeb Ventures Limited		
Broadcasting Dataservices Limited (75%)		
<b>Home entertainment</b>		
Woodlands Books Limited		
BBC Audiobooks Limited		
Cover to Cover Cassettes Limited	(c)	
<b>Investment companies</b>		
BBC Worldwide Investments Limited		
BBC World Service Television Limited		
Worldwide Americas Investments Inc.	(a)	USA
Worldwide Channel Investments Limited		
Worldwide Channel Investments (Europe) Limited	(d)	
Worldwide Channel Investments (Ontario) Limited	(d)	Canada

**Joint ventures**

	Note:	Country of incorporation or registration if outside of the UK
<b>Television channels</b>		
JV Programmes LLC (50%)	(e)	USA
UK Channel Management Limited (50%)		
UK Gold Holdings Limited (50%)		
UKTV Interactive Limited (50%)		
UKTV New Ventures Limited (50%)		
<b>Magazines</b>		
BBC Haymarket Exhibitions Limited (50%)	(b)	
Worldwide Media Limited (50%)	(d)	
<b>Home entertainment</b>		
2 entertain Limited (60%)		

**Associated undertakings**

	Note:	Country of incorporation or registration if outside of the UK
<b>Television channels</b>		
Animal Planet (Latin America) LLC (50%)	(e)	USA
Animal Planet LLC (20%)	(d)	USA
Animal Planet (Asia) LLC (50%)	(d)	USA
Animal Planet Japan LLP (50%)	(d)	USA
JV Network LLC (50%)	(e)	USA
People and Arts (Latin America) LLC (50%)	(e)	USA
BBC World (India) Private Limited (25%)	(d)	India
Animal Planet Japan KK (33%)	(e)	Japan
The Animal Planet Europe Partnership (50%)	(f)	
Animal Planet Canada Company ULC (23%)	(g)	Canada
Jasper Broadcasting Inc (20%)	(g)	Canada
Jasper Junior Broadcasting Inc (20%)	(g)	Canada
UK TV Pty Limited (20%)	(d)	Australia
<b>Magazines</b>		
Frontline Limited (23%)		
<b>Children's</b>		
Children's Character Books Limited (25%)		

## Note:

- (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