Registered number 1420028

BBC Worldwide Limited

Annual Report and Financial Statements for the year ended 31 March 2011

BBC Worldwide is a fast-growing media and entertainment company. Owned by the BBC, our mission is to maximise profits on behalf of the BBC by investing in great brands and content, and exploiting them around the world.

Revenue
£884m

2009/10 £770m

14.7%↑

Profit before tax
£188m

2009/10 £112m

68.0%↑

Headline sales*
£1158m

2009/10 £1074m

7.8%↑

Headline profit*
£160m

2009/10 £145m

10.3%↑

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* Throughout this review, headline sales refers to gross revenue including discontinued operations, and including the Group's share of revenues from joint ventures Headline profit refers to operating profit before specific items, and including profits generated by discontinued operations Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies Specific items are material or non-recurring items which are highlighted by virtue of their size or importance in order to enable a full understanding of the Group's performance A reconciliation between headline profit and profit before tax is provided in the Consolidated Income Statement on page 42

BBC Worldwide at a glance

Operating business	Description	Headline sales*	Headline profit/(loss)*
Channels	Offers a global showcase for the best of British television via a portfolio of 31 international, BBC-branded TV channels, and 10 further channels are operated through a joint venture with Virgin Media – UKTV Also manages advertising and affiliate sales for BBC World News	**£312.0m** +18 8% £262 6m 2009/10	**£40.1m** +2 3% £39 2m 2009/10
Content & Production	Provides TV producers with investment and expertise in return for rights Also develops its own TV formats and runs a global network of production studios	**£102.8m** +9 1% £94 2m 2009/10	**£7.9m** -55.1% £17 6m 2009/10
Digital Entertainment	Comprises BBC com and the investments we have made into two start-up digital businesses – the global BBC iPlayer and a Games Unit	**£27.1m** +86 9% £14 5m 2009/10	**£(6.8)m** +60.0% £(17 0)m 2009/10
	Digital activities are also embedded in other businesses and, on a memorandum basis, the total revenue from digital (predominantly online and mobile) was	**£81.9m** +31 5% £62 3m 2009/10	
Brands, Consumers & New Ventures	Maximises the value of our major brands, including Top Gear and Doctor Who, across all of BBC Worldwide's businesses Manages Lonely Planet, Live Events, licensed products and book publishing partnerships	**£86.0m** +4 2% £82 5m 2009/10	**£(10.3)m** -14 4% £(9 0)m 2009/10
	Memo reporting for all of BBC Worldwide's key brands†	**£308.1m** +12 6% £273 7m 2009/10	
Sales & Distribution	Sells TV programmes to customers around the world on behalf of rights owners the BBC and independent production companies BBC Worldwide is the largest distributor of finished TV programmes outside the major US studios	**£230.5m** +3 3% £223 2m 2009/10	**£58.8m** +14.0% £51 6m 2009/10
Consumer Products	Creates products that complement programming and expand consumers' enjoyment of media brands It comprises 2 entertain (our global DVD and download-to own business), music licensing and publishing	**£234.8m** +1 2% £232 1m 2009/10	**£48.9m** +13 7% £43 0m 2009/10
Magazines	Extends viewers' enjoyment of BBC programming in the UK through a portfolio of high-quality consumer magazines and exhibitions Through 56 international licences, joint ventures in Australia and India, and extensive content syndication, readers around the world can also access Magazines' content The majority of this business has been held for sale during the year	**£164.5m** -0 4% £165 1m 2009/10	**£21.6m** +9 1% £19 8m 2009/10

** Percentages refer to year-on-year change*
† Memo reporting includes brands such as Top Gear Dancing with the Stars and BBC Earth See page 13

Chairman's statement

BBC Worldwide is a wholly owned subsidiary of the BBC With headline sales of well over £1billion in 2010/11, it returned over £180m to its parent body, assisting the BBC in meeting the tighter financial settlement recently agreed with Her Majesty's Government for the remaining Charter period BBC Worldwide especially promotes the BBC's fifth public purpose, which is to bring the UK to the world and the world to the UK

As well as supporting the BBC itself, BBC Worldwide operates as one of the engines of the whole UK creative economy Programmes and formats produced, not only by the BBC itself but also by more than 300 UK independent producers, were distributed by BBC Worldwide in 2010/11 By way of example, more than 540 buyers attended BBC Showcase, our international sales fair, in Brighton in 2011 Even more are expected in 2012 when the event shifts north to Liverpool, helping to make BBC Worldwide the largest programme distributor in the world outside the mighty US majors, with whom, of course, we compete in the marketplace

The BBC Worldwide strategy was approved by the BBC Executive Board in February 2011 and subsequently by the BBC Trust It will see BBC Worldwide increasing its international activity (especially in the USA and in Australia), making more content and increasing the penetration of our channels around the world At the same time it is intended to develop the digital aspect of the business to a target of 10% of sales by 2012 This target seems achievable including, as it does, new Games and apps businesses and piloting the global BBC iPlayer

These strategic objectives will continue to be pursued according to the highest standards of corporate governance All the activities of BBC Worldwide will, as they must, comply with the specific Four Commercial Criteria governing our operations that is, they must fit and be consistent with the BBC's public purposes, be commercially efficient, not harm the BBC brand, and, of course, comply with the extensive letter and spirit of the rules on Fair Trading, as well as with the law of every land where we broadcast or distribute

BBC Worldwide operates without any subsidy from the BBC So should it, but nonetheless we strive to, and succeed in, being imbued with the same value sense as that of our public service and UK-based parent

In the past year we have appointed Charlotte Hogg and Tim Weller to the Board as Non-executive Directors and said farewell to Sharon Baylay, Simon Clift and Thomas Geitner who leave with our sincere thanks for their service

Our Chief Financial Officer, Neil Chugani, resigned on 17 June 2010 His successor, Philip Vincent, was appointed on 1 December 2010 We are grateful for the contribution Neil made and welcome Philip whose prior experience in a number of our businesses will be valuable

The final element of this introduction is to thank our customers for their loyalty, our staff for their hard work and resilience, and our parent, for its patient understanding of and confidence in us

BBC Worldwide is a company of which the BBC and its staff are immensely proud We hope to build on our current success in the year to come

Robert Webb QC
Chairman, BBC Worldwide

Chief Executive's review

It has been quite a year for our industry We are seeing an explosion of apps, the rise of social gaming and a new generation of tablets and e-readers Advertising returned to growth in many markets, and pay-TV is generally in excellent health Challenges exist too – not least the risks to economic growth in the major western economies and the gradual downward trend in physical media products in developed markets

Against this backdrop, BBC Worldwide achieved another record performance

- Headline sales were up 7 8% to a record £1157 7m (£1074 2m 2009/10), and headline profit saw double-digit growth – up 10 3% to £160 2m (£145 2m 2009/10) – evidence that our growth strategy remains right for the times
- Headline operating margin increased to 13 8% (13 5% 2009/10), despite continuing investment in new businesses, owing to the continued success of established high-margin businesses and newer ventures moving towards profitability
- Profit before tax, inclusive of the results of discontinued operations, grew 59 2% to £201 2m, including the gain on disposal from investments in Animal Planet and People&Arts
- Total returns to the BBC, our parent and sole shareholder, increased by 8 6% to £181 9m (£167 5m 2009/10), supporting its development of world-class content This includes dividends of £76 4m in relation to 2010/11 performance and investments in BBC-commissioned programming of £78 5m

Progress against our five strategic objectives is laid out in detail from pages 5 to 9, and the performance of each business from page 12 to 14

Investment in creativity

Our investment in great content continued In addition to the direct investments we made in programming commissioned by the BBC and other UK broadcasters, we also commissioned twice as much programming for our international channels and made local versions of our formats for customers These included Dancing with the Stars (the international version of Strictly Come Dancing) in France for the first time, for TF1, and Top Gear for HISTORY™ in the USA Both have already been recommissioned

Several of the UK independents in which we have stakes garnered awards, such as Best Independent Production Company for Left Bank Pictures at the Broadcast Awards 2011, and new commissions in the year included series two of Rev (Big Talk Productions) and Stephen Fry's Planet Word (Sprout Pictures)

Exports

I am particularly proud of our role in taking so much UK content to the world via our sales and distribution network, our portfolio of BBC-branded channels and our websites In this respect we are uniquely placed to help our sectors of the UK creative industries to expand through exports

In 2010/11 our international sales increased by 9 6% to £642 9m (£586 8m 2009/10) This figure represents 55 5% of headline sales, marginally ahead of 54 6% last year While sales growth outside the UK has been strong, so too has UK performance, so we expect it to take us an extra year (to 2013) to hit our target of two-thirds

In 2010/11 we sold around 74,000 hours of high-quality UK programming to over 690 customers from the USA to Indonesia

Digital sales, predominantly online and mobile, increased to 8 1% of net sales[1] (7 0% 2009/10), on course toward our target of 10% by 2012 Impartial news and information was distributed to a monthly average of 58m users by BBC com The monthly average user base for all our websites is now 68m

What's more, our expertise in further extending enjoyment of content by developing apps, merchandise, games, DVDs, publications and live events continued apace Downloads of our apps in the year were over 12m, we have 11 8m fans of our Top Gear and Doctor Who pages on Facebook, and we have a number of digital games titles in the market

People and Values

I have noted how proud we are of the role we play in building the BBC's reputation around the world and taking UK media brands and content to every habitable continent The responsibility that comes with that role is something those who work for the company take very seriously, whether based in the UK or in our many international offices

Our Values (see p17) are what differentiate BBC Worldwide in the marketplace They reflect the qualities that all our customers have come to expect from us To that end we have taken steps in the past year to embed these Values more formally into our people processes and systems in order to ensure they remain at the heart of our business We have also completed a substantial programme of staff training, including relevant people from our joint ventures and partnerships, in all aspects of our editorial policies and commercial practices

The Values also underpin the way we work with suppliers and manage sustainability Products licensed or commissioned by BBC Worldwide are produced all around the world, and our ethical sourcing team operates an exacting programme to check conditions at manufacturing sites

Our headquarters in London, New York and Sydney are environmentally efficient and, supported by our ISO 14001 environment management system We are continually looking at ways to further reduce the impact of our operations Our long-term commitment to sustainable paper for our publishing businesses was recognised this year with an FSC Global Partner award Rapid international expansion means that we will need to work hard to control our travel footprint

Despite the high-pressure environment in which we work, staff still take time to volunteer in the local community, and I have been personally delighted to see our fledgling, London-based staff choir develop over the year, both in repertoire and outreach

This year we have laid out all our work across these areas in a Corporate Responsibility report on pages 17 to 20 I hope you will read it and contact me should you have any questions or feedback for us As ever, I would like to offer my heartfelt thanks to all the people in our own operations and joint ventures, and to those who produce the excellent and inspiring content we market, for their outstanding efforts

Future plans

Our vision is to be a leading global entertainment company, rooted in BBC Values, offering world-class content that resonates with local audiences Our growth strategy is designed to deliver that vision by building on the assets that set us apart – the BBC brand and our portfolio of distinctive high-quality consumer brands and content In the year ahead, we will continue to invest in these and in the infrastructure via which to exploit them

John Smith
Chief Executive, BBC Worldwide

[1] Net sales refers to headline sales excluding the Group s share of revenue from joint ventures Prior year figures have been restated to conform to current year basis

Our strategic objectives

1 Drive digital growth

We have now embedded digital capability within every area of our business

Our objective is to drive online and mobile growth across all opportunities – websites, content syndication, mobile, apps and games – responding to consumer and customer needs as they develop At the same time, we are reducing our reliance on physical products

Our target is to increase the percentage of our sales derived from digital to 10% by 2012 In 2010/11 we achieved 8 1%

The target we set in 2006/07 of generating 10% of our sales from digital activity by 2012 seemed challenging at the time, but progress since then has been good and we are on track to reach our goal next year

In order to reduce our reliance on physical products, we sold a majority stake in our audiobooks business in July 2010, and are currently in exclusive discussions regarding a possible partnership to help develop our well established magazines business towards a digital future

Online

BBC com is our flagship property online This website offers BBC news and lifestyle content in an advertising-supported environment for international audiences and helps extend the reach of the BBC brand around the world Our objective in 2010/11 was to build advertising revenue, aided by the introduction of localised editions to increase relevance to visitors A US edition was introduced during the year, contributing to BBC com revenues increasing 113% Close to year end, an Asian business edition was launched and we will continue to invest in further localisation in the year ahead We also introduced a travel section, produced in conjunction with Lonely Planet, and will look to enrich the site with other specialist content

The rise of social media is also firmly on our radar It has already provided an interesting opportunity for us to manage fans' interaction with the Top Gear brand on Facebook and to drive traffic to our own website topgear com and we are applying our learning from this initiative to other brands in our portfolio

Digital programme syndication

Another major area of our digital activity is licensing TV programmes to third parties that offer download-to-own and download-to-rent services The former allows the consumer to keep a programme in perpetuity, the latter offers the opportunity to view it once or only within a finite time period

Given the steady increase in online TV viewing worldwide (Market Context page 10), this business is in very good health Our strategy has been to work with a wide range of players on non-exclusive terms in order to test the market and grow our understanding of consumer preferences We believe this remains the best approach given the wealth of new services and devices that are continually being launched We will start piloting our own global BBC iPlayer service in summer 2011

Digital sales of programmes via our online shop bbcshop com and third-party download sites grew by 45 7% year on year Download-to-own sales are managed alongside our DVD business within 2 entertain in order to coordinate product releases effectively across all formats 2 entertain has also started releasing titles in hybrid formats (a digital copy packaged with DVD and/or Blu-ray disc) which has helped maintain sales in the mature DVD marketplace

Apps

BBC Worldwide has also played its part in the rapid emergence of apps available for smartphones and tablets During the year total downloads exceeded the 12m mark, of which 9m were Lonely Planet travel apps for smartphones and Apple iPads Other titles we offer include the BBC international news app, The Mazes of Time (Doctor Who game) and various recipes apps from Good Food Magazine

Games

We have set up a Games Unit based in Los Angeles and London to address a growing digital opportunity Fuelled by new technologies such as Microsoft's Kinect for Xbox 360 and powered by the rise of social and mobile platforms, the market size for games is now over $60bn worldwide (*DFC Intelligence*)

The team is developing games linked to our major brands across all major platforms including Sony, Microsoft and Nintendo consoles, mobile and tablet devices, and Facebook Some key initiatives include a massively multiplayer online Doctor Who game, a partnership between Top Gear and Forza, and Facebook games in development Consumer interest in BBC games worldwide has been strong – so far in 2011 over 250,000 BBC-branded games have been sold on Apple devices alone

Next steps

- Invest in BBC com, particularly by localising the service for selected markets, further expanding our content offering into factual and lifestyle, and building our user base via more marketing activity
- Continue to expand TV distribution across all digital platforms, including piloting a global BBC iPlayer
- Develop a bigger games portfolio and more mobile services and apps
- Enhance our e-commerce capabilities
- Manage a gradual transition from physical products to digital

Our strategic objectives (continued)

2. Become more international

In order to ensure long-term growth, especially in the online age where borders are increasingly irrelevant, we need to develop the business internationally We have initially focused on the English-speaking markets of the USA and Australia, while also developing strategies for other key regions Understanding consumer demand region by region, providing localised content and rolling out engaging and relevant BBC-branded television and online channels are important facets of our approach

Our aim is to increase the share of headline sales derived from outside the UK to two thirds of the total by 2012 In 2010/11 we achieved 55 5% (54 6% 2009/10) Given strong growth in the UK too (up 5 6%), we expect to take a further year to reach this target.

As noted in last year's Review, focusing on building the scale of all of our business areas in a single key market, as we have done since 2007 in Australia, has been a highly effective tactic in growing international revenue Sales and profit in this territory continued to improve in 2010/11 In 2010/11 we turned our attentions firmly to the USA, the world's largest media market

We also took the decision in the year to evolve the orientation of the company gradually to one that is focused on five geographic regions outside the UK

Each region is being overseen by one of our Executive team Marcus Arthur for Australasia, Steve Macallister for Asia, Paul Dempsey for EMEA, Jana Bennett for Latin America and Herb Scannell for North America

We are also in the process of appointing Executive Vice Presidents for each These new roles are designed to maximise revenue growth across all divisions in each region and to look for many new business development opportunities

TV distribution

At the heart of our international expansion is our well established TV programme and format sales operation We have sales offices in most major markets and stage the world's only TV sales fair to be hosted by a single distributor – BBC Showcase

Our customer base has expanded alongside the growth in both digital and pay-TV sectors, and we are assiduous in following up the right opportunities to get our content seen in every market, looking for clients with whom we can build a long-term relationship wherever possible In addition our sales teams have been highly successful in using frontlist titles to broaden interest in related areas of our back catalogue

Formats

One challenge that exercises every TV distributor is finding new hit formats for the international market Our jewel in the crown, Dancing with the Stars, continues to perform very well It was licensed to four new markets in 2010/11 – Armenia, South Korea, Indonesia and Vietnam – affirming its position as the world's most successful reality TV format in the Guinness Book of Records

We are also working on other unscripted formats including Junior Doctors, and we have 19 scripted formats (drama and situation comedy) in development

Publishing

Across our publishing businesses we have continued to tailor products for local markets Lonely Planet advanced plans to expand its offering in languages other than English releasing the first of its locally produced Chinese-language guides in China's provinces in May 2010 The team plans to establish operations in India over the next 12 months to develop print and digital products for Indian travellers and has given Globo Livros the exclusive right in Brazil to publish Lonely Planet guides in Portuguese

Magazines now has 56 licences for international editions of its titles in place across 60 territories, as well as joint-venture businesses in India and Australia Lonely Planet magazine has been a particular success with eight international editions in print at year end and two more due to launch in 2011

BBC-branded platforms

Our other major vehicles for international expansion are our Channels business and BBC com (page 12)

Next steps

- Focus strongly on growing our market share in the USA and Australia
- Drive sales and new business, on a regional basis, in all other overseas markets, developing specific business plans for each region
- Grow international sales across every operating business

Our strategic objectives (continued)

3. Grow the scale of our TV channels

Our TV channels provide high-profile platforms around the world for UK-produced content in a BBC-branded environment. They enable us to showcase a broader range of programmes than we can through third parties alone and to build a direct relationship with local audiences

The global BBC iPlayer – an online TV service initially to be launched as an iPad app – has the potential to do the same via the web, and a pilot will start in summer 2011 By building our Channels business, we can raise awareness of the BBC and what it has to offer, and create a substantial source of value, both financial and cultural, for the future

Over the past four years BBC Worldwide has been building a wholly owned and operated international TV channel business that carries extensive BBC branding This has been a fast-growing area of operation and now delivers the highest sales of any of our businesses The strategy involved exiting a number of existing joint venture agreements for international channels, in order to focus on our own portfolio, and we largely completed this in 2010/11 when we sold our stake in Animal Planet and People&Arts to our partner Discovery Communications Inc We are focusing in particular on BBC America as a springboard for expanding in the US market

New services

We launched nine channels in the year This included CBeebies in South Korea, BBC Knowledge in Italy, a dedicated feed for BBC Entertainment in India, and BBC HD in a number of markets In New Zealand the Documentary Channel was relaunched as BBC Knowledge in March 2011 We also launched two new branded blocks – BBC HD on SKY Brasil and CBeebies on BBC Entertainment Europe

Platform operators increasingly want us to manage video-on-demand (VOD) services alongside our linear channels as this is believed to reduce churn, a development we welcome BBC America, for example, now manages its VOD service on Comcast

Local relevance and impact

We have worked hard to make our channels relevant in their individual markets through appropriate scheduling dubbing and subtitles, and building the profile of talent locally in order to connect with audiences We will do even more to adapt our international channels to suit local tastes in 2011/12 with more dubbing in local languages and locally made commissions At year end we had 343m subscriber homes in over 100 countries including BBC World News, UKTV in the UK, and the relay of BBC public-service channels

We plan to build our international subscriber base by marketing key shows as "TV events", using online tools such as social media and onscreen talent to achieve maximum impact Our creation of special programme schedules around the theme of Royal Weddings to celebrate the marriage of HRH Prince William and Catherine Middleton in April 2011 is one example of this approach

UK

In the UK, our joint venture with Virgin Media UKTV, now has a 5 0% share of the pay-TV market It achieved its third consecutive year of growth In July 2010 it awarded Channel 4 Sales a 10-year deal to represent its advertising sales across its full portfolio of services, beginning in January 2011 Overall ad sales were up 15 6% year on year

Next steps

- Continue to invest in our international portfolio of channels to build scale, driving subscriber numbers and average revenue per user
- Launch new channels in selected markets, including HD and VOD services
- Pilot the global BBC iPlayer in selected markets

Our strategic objectives (continued)

4 Increase investment in new content

At our company's core is the mission to deliver high-quality distinctive content to audiences around the world Promoting the creation of such content is therefore of prime importance to us Given the needs of the different markets we serve, we are increasingly focused on providing bespoke local programming, as well as the best that the UK production community has to offer Investing in brilliant on- and off-screen talent also provides an opportunity to create new British content for export.

We support the creation of new content by

- **Investing in productions commissioned in the UK market, both BBC- and indie-made**
- **Taking minority stakes in independents**
- **Striking long-term talent deals to create new intellectual property**
- **Producing versions of our own formats for foreign broadcasters, which we then distribute in other markets**
- **Commissioning new content for our own channels and our DVD/ download-to-own business**

Given the competition for content we continue to explore all avenues for feeding our pipeline with new properties to exploit across appropriate formats and markets The majority are produced by the BBC and independent companies, but we are also making shows ourselves, particularly local versions of our own formats In doing this we are creating new properties to add to our programme catalogue for worldwide distribution

We are proud of our work in setting up and supporting a number of UK indies, which are developing strongly This role – where BBC Worldwide acts as a significant investor in UK creativity in return for rights – is one we plan to continue

Programme and talent investment

In 2010/11 BBC Worldwide invested £101 0m in new programmes £78 5m in BBC-commissioned content and £22 5m in non-BBC

We concluded new development deals with Fresh One Productions and Oxford Film and Television and struck a partnership with Sharp Jack Media As part of our strategy to develop valuable intellectual property and content with talent we also concluded deals with Kirstie Allsopp and Phil Spencer's Raise the Roof Productions

BBC Worldwide production

In our production business, a major focus this year was to build our profile in the USA Our Los Angeles-based team now has a number of scripted and unscripted formats in development In addition it produced a local version of Top Gear for cable channel HISTORY™ which has been recommissioned, and another highly successful season of Dancing with the Stars for ABC

An exciting development for the team was making the new series of sci-fi drama Torchwood for the first time Co-produced by BBC Worldwide, BBC Cymru Wales and US cable channel STARZ, this promises to be a major event for fans when it airs in the UK and on STARZ later this year

In Australia our production partner Freehand produced a new local version of Top Gear for Channel Nine which has also been recommissioned

Elsewhere, all our production bases secured commissions in 2010/11 India had a particularly strong year The team more than doubled the number of commissions by expanding its client base and working on new genres of programming A fourth season of Dancing with the Stars (Jhalak Dikhla Jaa) was secured with Sony Television and the team landed its first commission with India's number one channel, Star Plus, for a local version of the BBC format, The Week the Women Went

Other commissions

Our international channels commissioned and co-produced 137 hours of programming, and UKTV in the UK broadcast 250 hours of its own commissioned shows 2 entertain, our DVD/download-to-own business, also separately funds programme production designed to premiere on DVD/Blu-ray In the year this included John Bishop Live and Top Gear Apocalypse

Next steps

- Continue to invest in new BBC-produced programmes to support the creation of distinctive quality content
- Support emerging independent companies through development finance, co-production deals and international distribution
- Invest in BBC Worldwide's own production network to secure local commissions and shows for our own channels and programme catalogue
- Develop more direct relationships with talent

Our strategic objectives (continued)

5. Develop more direct connections with consumers

BBC Worldwide has both great brands and extensive international distribution platforms But we know our growth will be constrained unless we put the consumer at the heart of everything we do We are therefore focusing on

- **Deploying brand management skills on key intellectual properties**
- **Understanding our consumers better**
- **Continuing to build strong relationships between consumers and our major brands, especially via social media**
- **Growing consumer loyalty and commercialising it for our major brands though customer relationship management (CRM) systems**

Getting closer to consumers, building strong relationships with them, and using the insight gained from this to develop better products, are all essential to our growth strategy

Digital

Digital platforms are highly important in understanding consumer preferences We can now immediately see if something has caught fans' interest as the number of views, likes or fans climbs

Social media, such as Facebook and Twitter, are particularly key With Top Gear, for example, we had our first hugely successful experience in building a fanbase online via Facebook Based on this learning, we then launched a Facebook page for Doctor Who in December 2010, and in just a few months it had 800,000 fans Via this, we engage daily with fans, give them the most up-to-date news, and provide a single destination for all things Doctor Who The page has also proved a valuable marketing tool, delivering 12 6% of traffic to the BBC's Doctor Who website to date

The key characteristics of online are that it is immediate and global But if fans haven't been able to see the latest episode of their favourite TV series, they can't be part of the global online conversation about it Consequently, they no longer wait for shows to be aired by a local broadcaster (often long after the initial transmission in the home territory) but find them legally or illegally on the internet

For this reason we have been working to bring closer together the transmission times of major series broadcast in our main English-speaking markets of the UK, USA and Australia In April 2011, the latest series of Doctor Who launched within 24-hours in the UK and USA The ratings results for the premiere in the USA were our highest ever (1 4m) Doctor Who was also the number three TV series purchased globally on iTunes in 2010/11 In the USA this was largely driven by our highest ever level of marketing investment – including social media engagement

Consumer Insights

We also use our understanding of what consumers want to build better products for them When Lonely Planet was developing its new Discover and core guidebook series, it used focus groups and surveyed its panel of over 3500 international travellers to ensure they would appeal to consumer segments that were currently underserved Since the Discover series launched in March 2010, Lonely Planet's sales of all its guides to the destinations covered by the series have increased by 32 5%

Live Events

Perhaps the richest experience for TV fans is to engage with their favourite show live To this end, we have further developed our Live Events business in the year Over two million people visited a BBC live show somewhere in the world in 2010/11

We mounted another international Top Gear Live tour featuring the UK show's presenters Walking with Dinosaurs was rated the most successful world tour of 2010 (*Pollstar*) And in the UK, our team produced a Doctor Who live arena show and our first Experience and Exhibition Both opened in London to critical and public acclaim

Audiences also enjoy seeing natural history footage on the big screen and immersing themselves in new worlds through quality 3D productions Therefore a new venture was created for our natural history umbrella brand BBC Earth In November 2010 BBC Earth Films announced the development of three major natural history films One Life, Walking with Dinosaurs 3D and Enchanted Kingdom 3D We intend these to be ground-breaking "event films" that will bring the natural world's most awe-inspiring stories to cinema screens across the globe

Next Steps

- Review how we gather information about our consumers and major brands in key markets
- Accelerate our use of social media to help fans interact with our major brands
- Develop our CRM capability throughout the company including CRM plans for each business to drive customer acquisition and average revenue per user
- Build up our existing Live Events business

Market context

The shift to digital

There can be no doubting the continuing impact of digital distribution methods on traditional media industries The current decade seems destined to be the one where consumers make a real shift to mobile and connected devices All kinds of content can now be enjoyed on smartphones, tablets and e-readers that are powerful, portable and, most importantly, a pleasure to use The industry responded to this opportunity in 2010/11 by offering a huge range of applications and other forms of digital packaged media

Mobile

In November 2010, 62m US subscribers owned smartphones – a full 10% higher than three months previously (*comScore*) In Singapore 70% of all mobile sales in the second half of 2010/11 were smartphones (*Enterprise Innovation*) As wireless broadband networks expand and improve, it seems highly likely that other countries will see similar rapid uptake In that context, providing engaging material for those devices is a new opportunity

Games are the most popular mobile activity in the USA with 23% of users engaging in this activity (*comScore*) Games may be pre-loaded on to phones, but now close to half of all apps downloaded globally are mobile games (*NPD Group*)

Apps are also driving an increase in magazine viewing on tablets since these devices lend themselves more to a "lean back" experience than a phone or PC, replicating better the experience of reading print magazines Zinio™, for example, now offers titles as static-content app downloads, and more interactive versions are being developed by some publishers, including ourselves In addition new e-readers like Kindle seem to have finally captured the hearts of bookworms (*Amazon*)

Importantly, mobile apps offer consumers not just recreation, but also a vast range of information to help them manage their lives better, from travel planning to price checking Whether paid-for or ad-funded, they are an exciting development for our industry

The other key area where better mobile capability is driving consumer behaviour is in video viewing In Japan this activity is second only to search – 23% of mobile users (*comScore*) On smartphones, viewing is more about personal video or TV clips, but the newer tablets provide a much better full-programme viewing experience than earlier generations, which is doubtless helping drive up online viewing figures The number of US subscribers watching video on their mobile devices rose more than 40% year on year in both the third and fourth quarters of 2010, ending the year at nearly 25m people (*The Nielsen Company*)

Online – Social media

The phenomenal growth in social media remains the biggest trend online and this brings both opportunities and concerns

For BBC Worldwide it is the popularity of social, or massively multiplayer online (MMO), games like Zynga's CityVille that is of particular interest One forecaster estimates there will be 69m social gamers in the USA by 2012 (*eMarketer*), with revenue hitting $1 32bn (up from $856m in 2010) This is all the more remarkable considering that this form of gaming took off in earnest less than two years ago Another study suggests online and mobile games will comprise 50% of all games revenue by 2014 (*Ibis Capital*)

As well as responding to this trend, TV brand owners need to ensure fans are getting a great experience online around their favourite shows on social media sites and make full use of sites such as Twitter to alert people to new developments

The concern about social media for website owners is that it is now pulling advertising quite strongly away from other sites, even search engines – the biggest sector online Global ad spending on social networks looks set to reach almost $6bn this year with Facebook predicted to receive a 68% share Twitter is rapidly expanding its advertising capabilities, and analysts expect it to attract $150m in advertising this year and $250m in 2012 (*eMarketer*)

Online – TV viewing

Viewing programmes online is a major focus for the TV industry eMarketer estimates that by 2015 three-quarters of US internet users, or 196m people, will watch video content online each month (*eMarketer*) Overall revenue from online viewing is forecast to grow to well over $3bn across the USA and Western Europe by 2012 (*IHS ScreenDigest*)

This trend means distributors have to find ways of effectively managing the time frame in which content is made available across all platforms, whether linear broadcast, on-demand digital service, or physical DVD/Blu-ray No longer can we rely on fans of our shows to wait till a series is shown on a local TV channel or released on disc Instead the industry needs to provide managed options to suit all preferences and purses For really popular series, this includes ensuring downloads are available near simultaneously with the first linear TV transmission and also creating well packaged DVD/Blu-ray discs with added-value features for those who like to own a hard copy

It's worth noting that, although the DVD market is often perceived to be firmly in the "old media" camp, 2010 revenue remained stable in the UK, and fell only 3 5% in the USA About 60% of the purchases in the UK market are made by collectors or those seeking a gift (*Kantar*) Another driver has been the surge in Blu-ray disc sales, which were up 55% in 2010 (*British Video Association*)

Pay-TV

Online and mobile TV viewing may be increasing, but the traditional pay-TV market is expanding too BBC Worldwide is both a supplier to this market and an increasingly important player with 31 international channels and 10 in the UK (in a joint venture with Virgin Media)

Across the world, pay-TV subscription revenues were £120bn in 2010, a year-on-year increase of close to 12% (*IHS ScreenDigest*) This was driven partly by increased household take-up of services, up 7%, and also by increased per-capita spending Advertising revenue on multichannel TV also rebounded strongly, outpacing the global TV advertising average by 3% (*PwC*)

Market context (continued)

TV distribution

In terms of supplying both online and linear channel platforms, the US studios dominate the global TV sales market, but BBC Worldwide is the next largest distributor of finished television programmes

The TV distribution market improved in 2010 as global TV advertising recovered, with digital channels and online experiencing the fastest growth A boom in free digital terrestrial TV (DTT) opened the market to new players, while established broadcasters sought to strengthen their position by launching sister channels, particularly high definition (HD) and video-on-demand services All of this increased demand for quality programming, particularly factual and drama

TV content from the UK continues to be popular overseas and figures show exports of finished programmes were up 9% (*PACT*) Drama is the genre which powers the programme sales market worldwide (*Eurodata/Médiamétrie*) and the US studios are the main provider However, in recent years both the BBC and independent producers have been developing faster-paced series with a more filmic quality that play well domestically, and also capture the interest of foreign audiences Spooks (Kudos Film and Television) and Sherlock (Hartswood Films) are cases in point In factual, the market is smaller but the UK fares well, especially in areas such as natural history The BBC's long-standing investment in its Natural History Unit has resulted in a catalogue that is regarded by buyers as the best in the world

The UK also currently leads the world in TV format exports, accounting for 39% globally in 2010 (*PACT*) The interesting trend in recent years has been the rise in popularity of "factual entertainment" formats These are shows that focus on real people demonstrating a skill, but with the production values and approach of a light entertainment series Production company Shine TV's reworked approach to Masterchef is a good example

One final development to note is the continuing consolidation of the UK indie sector The top five superindies now account for 50% of this sector by revenue (*Televisual*) What's more, the US majors are seeking to acquire UK production companies in order to add to their own slates – in 2010 Time Warner acquired Shed Media and earlier this year NewsCorp/Fox bought Shine Group This means distributors must be ever more creative in working with producers at an early stage to support and lock down new projects or, as in BBC Worldwide's case, in developing their own production capability

Summary

Every media player is focused on managing the transition from physical products to digital ones, but the pace of change varies from format to format and market to market and remains hard to predict What's more, the reduction of per-unit pricing is a challenge (*Ernst & Young*)

However, TV viewing is continuing to rise across mobile, tablet, and PC Internet connected TV will be the next innovation to watch As a result, it is prudent to invest in new businesses for the future whilst still ensuring established contributors to the bottom line are appropriately supported through this transition period

Outlook for the media and entertainment industry

Opportunities

- Smarter mobile devices have opened up new business areas such as apps publishing
- Online, DTT and pay-TV are providing a growing customer base for TV channel and content suppliers
- TV advertising rebounded in 2010 and the outlook is good in emerging markets
- Online advertising continues to grow as spend transfers from other formats

Challenges and risks

- Access to quality content rights is becoming increasingly difficult
- Consumers hold the reins in terms of how and when they want to access content
- Driving the same value from digital formats as from physical is unlikely
- Social media sites are pulling advertising away from other online sectors

Performance review

Details of our performance in 2010/11 by operating business are set out below

Channels

Headline sales (£m)

Year	2011	2010
EMEA	192 7	173 4
Americas	77 7	56 0
Rest of World	41 6	33 2
Channels	**312 0**	**262 6**

Headline profit (£m)

Year	2011	2010
EMEA	25 5	31 8
Americas	11 6	6 0
Rest of World	3 0	1 4
Channels	**40 1**	**39 2**

Channels was a particularly strong revenue performer, with headline sales up 18 8% Subscriber revenue showed 16 1% growth, notably in the UK, USA and Scandinavia Revenue from ad sales grew by 26 9% with strong performances from BBC America, UKTV and our channels in South Africa, Latin America and Australia

Headline profit of £40 1m was up 2 3%, the flow through from revenue growth being partially offset by the loss of our Animal Planet share of profits (results of which were not recorded as it was held for sale in the year) and investment in nine new channel launches Excluding Animal Planet share of profits from the comparative period's results, Channels headline profit grew 49 6%

Americas Headline sales increased by 38 8% to £77 7m, and headline profits by 93 3% This resulted from a significant improvement in BBC America subscriber revenues and improved ratings, our ad sales team driving value, and an underlying improvement in the ad market

EMEA This region constitutes over 60% of our Channels revenue base and was up 11 1% year on year A strong ad-sales performance by UKTV was the main driver, up 15 6% Ratings also improved noticeably across the region Headline profit fell by £6 3m year on year to £25 5m, reflecting the absence of our Animal Planet share of profits

Rest of World Headline sales increased strongly, by 25 3% Australia maintained market share, consolidating our position as the third largest international network in the Australian subscription TV market

Content & Production

Headline sales (£m)

Year	2011	2010
Content & Production	**102 8**	**94 2**

Headline profit (£m)

Year	2011	2010
Content & Production	**7 9**	**17 6**

Headline sales from Content & Production rose by 9 1% to £102 8m, mainly as a result of higher levels of commissions of BBC Worldwide formats in France and India Our French production office delivered significant revenue growth and shared success with TF1 earlier this year when Dancing with the Stars launched to 4 8m viewers

Headline profit of £7 9m was down from £17 6m This was due to increased investment and costs at Dancing with the Stars in the USA, which has just completed season 12 to record ratings, coupled with investment in our new production facility in Los Angeles, particularly in developing our scripted production capability This was rewarded with our first scripted commission – Torchwood Miracle Day, commissioned by US cable channel STARZ and BBC Cymru Wales

Digital Entertainment

Headline sales (£m)

Year	2011	2010
Digital Entertainment	**27 1**	**14 5**
Memo reporting of Digital	**81 9**	**62 3**

Headline profit/(loss) (£m)

Year	2011	2010
Digital Entertainment	**(6 8)**	**(17 0)**

Digital Entertainment encompasses BBC com, the Games Unit and the global BBC iPlayer

Headline sales for Digital Entertainment were £27 1m, which represented year-on-year growth of £12 6m or 86 9% The business reduced headline losses significantly to £(6 8)m from £(17 0)m in 2009/10, reflecting the significant move towards profitability of BBC com offset by the investments in our Games Unit and the global BBC iPlayer

We also have a range of digital activities embedded across all our businesses The total revenue for these in the year was £54 8m, bringing our total digital revenues to £81 9m, an increase of 31 5%

BBC com is a news and lifestyle site that only operates outside the UK, where it is funded by advertising Its headline sales grew significantly year on year (113%), driven by the launch of a range of new services, and a good performance from our in-house advertising sales teams and improved inventory management We continued to invest in new products for BBC com, including a customised US edition, a travel section, and Apple iPhone and iPad apps

Games is a fast-growing area of digital media and a key focus for us We are building teams in Los Angeles and London who will be developing BBC-branded games for multiple platforms We are also investing in the global BBC iPlayer – a pilot for the Apple iPad will start in summer 2011 in selected markets

From 1 April 2011, the Games Unit will be reported within Brands, Consumers & New Ventures

Performance review (continued)

Brands, Consumers & New Ventures

Headline sales (£m)

Year	2011	2010
Brands, Consumers & New Ventures	**86 0**	**82 5**
Memo reporting of key brands	**308 1**	**273 7**

Headline profit/(loss) (£m)

Year	2011	2010
Brands, Consumers & New Ventures	**(10 3)**	**(9 0)**

Brands, Consumers & New Ventures was established to maximise the revenue from our most valuable brands Lonely Planet, Top Gear, Doctor Who, Torchwood, BBC Earth and Dancing with the Stars are all managed, driven and marketed on a Group-wide basis Walking with Dinosaurs is the next brand to be managed in this way The benefits of this brand focus are reported within each business's numbers, but on a memo-reported basis, headline sales from these brands were £308 1m, a rise of 12 6% year on year

Headline losses for the year have increased from £(9 0)m to £(10 3)m in 2010/11 The staff and marketing costs of the brand focus are included in the figures above alongside the revenue and profit from Lonely Planet, Licensed Consumer Products, Live Events, our brand-led websites and our book publishing partnerships

In a difficult market in which guidebook sales were down 24% in key territories compared to 2007/08, Lonely Planet maintained revenues year on year and increased market share in key territories to achieve a five-year high of 21%

Live Events is a nascent but high-potential business in which we are investing for growth During 2010/11 we launched Doctor Who Live (a touring arena show), the Doctor Who Experience (an interactive exhibition), and continued to develop the very popular Top Gear Live international tour

Since 1 April 2011, the Games Unit has been managed within this business, whilst Licensed Consumer Products and book publishing partnerships have transferred to the Consumer Products business

Sales & Distribution

Headline sales (£m)

Year	2011	2010
EMEA	165 8	145 5
Americas	52 0	67 5
Asia Pacific	42 8	36 6
Sales & Distribution (Gross)	**260 6**	**249 6**
Less internal trading of	(30 1)	(26 4)
Sales & Distribution (Net)	**230 5**	**223 2**

Headline profit (£m)

Year	2011	2010
EMEA	44 4	36 3
Americas	1 2	4 8
Asia Pacific	18 4	16 8
Sales & Distribution (Gross)	**64 0**	**57 9**
Less internal trading of	(5 2)	(6 3)
Sales & Distribution (Net)	**58 8**	**51 6**

Sales & Distribution is our biggest profit centre, generating a headline profit of £58 8m on headlines sales of £230 5m in the year

Americas Following the sale of our stake in Animal Planet and People&Arts, our co-production arrangements with Discovery in the USA have been renegotiated, resulting in lower reported revenues for the American business

Excluding this impact, reported revenues increased by 12 0% in total through exploiting the strength of our catalogue, a more focused sales strategy for key brands and titles, and an uptum in the economic environment in most markets

EMEA and Asia Pacific Both saw good revenue growth, with EMEA benefiting from good sales on key brands including Top Gear, Doctor Who and BAFTA winner Sherlock

Consumer Products

Headline sales (£m)

Year	2011	2010
Video Physical	192 3	179 5
Video Digital	9 1	3 3
Others	33 4	49 3
Consumer Products	**234 8**	**232 1**

Headline profit (£m)

Year	2011	2010
Video Physical	43 3	42 3
Video Digital	2 5	1 5
Others	3 1	(0 8)
Consumer Products	**48 9**	**43 0**

Consumer Products continues to generate strong profits for BBC Worldwide, up 13 7% year on year

Video Physical The business performed extremely well in the UK, despite a challenging domestic DVD market, finishing 2010 as the UK's fifth-largest distributor In the USA our sales were up 3 8% in a tough market which saw total sales of DVD and Blu-ray down 3 8%

Video Digital £9 1m or 3 9% of the business's revenue is now accounted for by download to own This revenue stream almost tripled versus last year, reflecting the growth in the market and the success of key brands including Doctor Who and Top Gear

Others Includes our BBC Audiobooks business, the majority of which was sold during the year, reducing revenue by £18m

Performance review (continued)

Magazines

Headline sales (£m)

Year	2011	2010
Continuing	36 6	35 8
Discontinued	127 9	129 3
Magazines	**164 5**	**165 1**

Headline profit (£m)

Year	2011	2010
Continuing	4 9	5 0
Discontinued	16 7	14 8
Magazines	**21 6**	**19 8**

In a difficult UK market Magazines performed well Circulation revenue was up by 1%, compared with the overall market decrease of 6%, and subscription revenue rose by 10% Overall, headline sales were marginally down, by £0 6m, reflecting the held-for-sale status of our joint ventures Dovetail Ltd (subscription management) and Worldwide Media Ltd (Indian publishing business)

Headline profit increased by 9%, or £1 8m, with strong growth from specialist titles such as Good Food and Olive Margins increased from 12 0% to 13 1% as a result of the restructuring completed during the previous year designed to reduce the cost base and improve profitability

Discontinued As we are in exclusive negotiations with regard to finding a long-term partner for our Magazines business and hope to conclude a deal over the summer, this part of the business has been disclosed as a discontinued operation Our continuing business relates to the titles Top Gear, Lonely Planet and Good Food, which we will retain but publish on a different basis

Chief Financial Officer's review

It's been another excellent year for BBC Worldwide, with record revenues and double-digit profit growth We have delivered revenue and profit growth in our established businesses, and shown ourselves to be well positioned for the recent advertising upturn We have also managed our digital businesses towards breakeven, while maintaining investment in this key area

In my nine years with the company I have seen remarkable growth and development across all our businesses I was therefore delighted to be appointed CFO last December and to play a wider role in helping the company to expand further and provide even greater benefit to our shareholder, the BBC

Headline sales

Headline sales for 2010/11 were £1,157 7m, an increase of 7 8%

Our Channels business was once more a particularly strong revenue performer, up 18 8%, reflecting subscriber revenue growth of 16 1%, and 26 9% growth in advertising sales

Other key contributors to revenue growth during the year were Digital Entertainment, up 86 9%, and Content & Production, up 9 1% Consumer Products also performed well and bucked the trend of a flat UK DVD market and a declining US market, as well as the severe UK winter weather which hit sales in the key pre-Christmas period, to deliver stable revenues

In our 2009/10 review, we talked about the steps we had taken to move the advertising sales teams in-house and the results we expected to achieve by doing so We're now seeing the benefits of this re-organisation, which has not only improved our performance in its own right, but has also allowed us to exploit the recovery in the overall advertising market, which grew 3 4% worldwide in 2010 (*Zenith Optimedia*) Our digital business has also benefited from this upturn, with BBC com advertising sales growing 113%

Headline profit

Headline profit was £160 2m, up 10 3% from £145 2m, while headline operating margins rose from 13 5% to 13 8% This reflects the headline sales growth outlined above and our efforts to maintain and improve efficiency across the business Profit before tax, including the results of discontinued operations, grew substantially from £126 4m to £201 2m, a rise of 59 2% This includes the gain on disposal of our investment in Animal Planet and People&Arts

Consumer Products benefited from a full year's contribution from the 2 entertain business and delivered efficiency improvements to increase headline profits by 13 7% Sales & Distribution has been successful in exploiting the strong back catalogue more effectively fuelling an improvement in margins

Returns to our shareholder

The growth achieved in 2010/11 has allowed us to increase our returns to the BBC by 8 6% to £181 9m This was in part through a dividend in relation to 2010/11 performance of £76 4m (£73 6m 2009/10), of which £34 5m was declared in June 2011 The BBC Group owns 100% of BBC Worldwide, and receives returns on that investment in the form of payments for BBC programming, as well as an annual dividend The level of this dividend is agreed each year based on a balance between the BBC's cash requirements and our own need to continue to invest for growth In the past year this investment has gone both into our existing businesses, such as our production facility in Los Angeles, and towards exciting new prospects such as the global BBC iPlayer and our Games Unit

Corporate activity

Corporate activity during the year included the sale of our shareholdings in Animal Planet and People&Arts and BBC Audiobooks and the purchase of the remaining equity in Lonely Planet During the year we sold our 50% share in Animal Planet to our partner, Discovery Communications Inc, for $150m, giving rise to a total gain on disposal of £96 4m This sale reflects a strategic intention to concentrate our efforts and resources on BBC-branded channels and online platforms, and UKTV We also sold an 85% shareholding in BBC Audiobooks, reflecting our ambition to reduce our exposure, over time, to physical products We recently announced that we are in exclusive discussions on a possible partnership for BBC Magazines recognising that another company would be better placed to invest in the transition from print to digital product and support its future growth We hope to conclude a deal in the summer

We purchased the 25% of shares in Lonely Planet we did not already own at the price of Aus $67 2m (£41 7m), in accordance with the terms of the put option, contractually agreed at the time of acquisition of Lonely Planet in 2007 This transaction was completed in February 2011

Investment in programming

During the year we invested £101 0m on acquiring distribution rights, compared with £91 7m in 2009/10 The priority as always, has been to ensure that everything we acquire can be used across as many platforms as possible We always seek to identify titles that will generate the highest possible sales and margin, and we have a great track record of doing so

We can see the evidence of this in the success of programmes such as Polar Bear Spy on the Ice, which was the highest-rating natural history film in the UK in 2010, and Wonders of the Universe, the highest-rated science documentary of the past four years in the UK These ratings are good indicators of performance outside the UK Likewise Sherlock, Luther, and Wonders of the Solar System have all won multiple awards We continue to invest in established BBC brands such as Doctor Who, Torchwood, Top Gear and Strictly Come Dancing as well as in new titles such as Upstairs Downstairs, The Shadow Line, David Attenborough's Life Stories, EarthFlight, Sherlock Series 2, Death in Paradise and Young Leonardo

We continue to have successful relationships with a whole range of independent producers outside the BBC We also hold minority equity stakes in a small number of independents, especially those with expertise in drama, comedy and factual entertainment While Broadcast 2011 data shows that original programming hours for the whole industry were down, these independents delivered more content for us than ever, with 116 hours of exciting new programming added to our catalogue for international distribution These included Misfits from Clerkenwell Films, Zen, Mad Dogs and DCI Banks from Left Bank Pictures, and Friday Night Dinner, Rev and Him & Her from Big Talk Productions

Chief Financial Officer's review (continued)

Taxation

The tax charge for the year, including our share of joint ventures and associates, is £43 5m, an effective tax rate of 20 7% (31 1% 2009/10) This is below the statutory UK rate of corporation tax of 28%, primarily because of our disposal of Animal Planet and People&Arts that did not attract a tax charge However, this was partly offset by a higher effective tax rate on some of our overseas profits, and the fact that some expenses, including goodwill write-downs, are not allowable for tax

Goodwill

Last year, we wrote down our investment in Lonely Planet to take account of the appreciation of the Australian dollar and our transition to International Financial Reporting Standards (IFRS) This year the Australian dollar has strengthened further and, as at the end of December 2010, was at a 27-year high against sterling Australian dollars account for over 80% of Lonely Planet's costs, but only around 20% of revenue This, along with the challenging market conditions outlined below, has led to a write-down of the carrying value of our Lonely Planet investment by £33 8m

Lonely Planet has experienced significant challenges in its key markets of the UK, USA and Australia Book retailers have faced difficulties, with large book retailers Borders and Red Group both entering administration Consumer confidence remains low, with UK residents making 20% fewer overseas trips in 2010 compared with 2008 Despite this, Lonely Planet has maintained market share and now holds 21% of the travel guidebook market in key territories, a five-year high Post year end, Lonely Planet has advanced a programme of changes to increase efficiencies, invest in technology, and ensure that Lonely Planet content is integrated with, and exploited by, other parts of BBC Worldwide, in particular our production and channels businesses

Cash and debt

During the year we generated net cash flows from operating activities of £194 1m, compared with £207 9m in 2009/10 After taking into account the purchase of the outstanding shares in Lonely Planet, the proceeds from the Animal Planet and People&Arts disposal and the payment of dividends of £83 4m, we saw a net increase in cash and cash equivalents of £32 2m

Overall, our debt fell during the year from £102 6m at 1 April 2010 to £52 3m at 31 March 2011, resulting in a lower net interest charge for the year of £9 0m, down £1 4m year on year

Outlook

Next year we aim to continue to grow our business, investing for future expansion in line with our five strategic priorities This will ensure we continue to deliver healthy returns to our shareholder, and we will work actively with it to look at better ways of working together and maximising shareholder value In that vein, significant progress has been made over the year on Futureworks, our initiative to simplify and improve our business processes and systems The programme now has well established plans and a number of workstreams focused on delivering improved results and greater profitability

As we expand overseas and into new areas of business, we will continue to focus on ensuring we remain agile and able to respond quickly to the ever-changing markets and demands of our consumers We will ensure we continue to operate efficiently and effectively

Whilst we have seen recovery in some markets, economic uncertainty still exists in many of our territories We feel confident that with the foundations we have built, the breadth of our business and the talented individuals who work for us, we are well placed to develop the company through this challenging period

Philip Vincent
Chief Financial Officer

Corporate responsibility

BBC Worldwide is uniquely placed to grow the BBC brand around the world, within the framework of the Four Commercial Criteria (see page 25) Along with this exciting remit, however, come challenging responsibilities The over-arching priority across our Corporate Responsibility activity is to protect and nurture the public service brand, and all it stands for, in the commercial arena This includes how we manage editorial standards, work with suppliers responsibly and minimise our impact on the environment In conjunction with this, we focus on continuous development of our people and supporting our local communities Our Values are those of our shareholder the BBC, with the addition of "Enterprise" which reflects our commercial purpose

Our values

- *Creativity* Our creativity is the fuel for growth
- *Quality* We go the extra mile for quality
- *Trust* We say it, do it and deliver on our promises
- *Respect* By understanding others we maximise potential
- *Audiences* Customers are at the heart of everything we do
- *Teamwork* Together everyone achieves more
- *Enterprise* We're passionate about profit and growth

Each of these Values underpins everything we do and is reflected in the five areas of responsible business practice which we believe are central to our mission as ambassadors for the BBC – Editorial standards, People Ethical sourcing, Environment and Outreach

Editorial standards

The BBC is trusted as a source of high-quality broadcasting and content, renowned for accuracy, insights and some of the most original entertainment in the world We have set rigorous standards to ensure nothing we do harms this remarkable reputation

All our people and partners are required to work within our editorial framework and follow our guidelines on editorial integrity and independence from external interest as well as on advertising and sponsorship

People

In order to attract, retain and develop the best people, we strive to be an organisation that is both aspirational and inspirational and to be the best employer in our industry

To ensure that BBC Worldwide is an employer of choice we focus on the following key areas

- Providing a great place to work, both via a stimulating physical environment and culture, and also by promoting engagement with, and pride in, our business
- Continuous learning, which is linked to career progression, developing new skills and ensuring performance is managed to the highest standard
- Providing access to exciting careers where top talent can be identified and nurtured, succession plans are created, and moves across function and country become a reality
- Working to be an inclusive organisation where diversity is reflected in the make-up of our workforce at all levels
- Offering a structure for reward which is fair, competitive, linked to performance and aligned with our Values

Ethical sourcing

Each year BBC Worldwide sources and licenses millions of products that carry the BBC brand We try hard to ensure that appropriate labour standards and working conditions exist in the factories that make these products We have strict minimum standards relating to pay, hours, age, health and safety and we operate on the basis of continuous improvement

All suppliers around the world are required to provide independent third-party factory audits for their factories in higher-risk territories, and these are checked and graded by our ethical team We will only work with factories which are open and honest, have no critical failures, and are prepared to engage with us and make changes when improvements are required

Environment

We are passionately committed to reducing our impact on the environment That we achieved ISO 14001 certification for our UK Environment Management System in 2010 is testament to this commitment and to our philosophy of continuous improvement in the areas where we can make the most difference

Paper used by our publishing businesses represents one of our biggest environmental impacts and we manage it with great care This year our long-term dedication to credible forest certification was recognised by an FSC Global Partner award We also won the Professional Publishers' Association's Environmentally Sustainable Business of the Year award

In order to further minimise our environmental impact, we have begun to measure the carbon footprint of each of our businesses in order to understand how carbon emissions may be reduced Our "Travel Less, Travel Light" policy, introduced in 2008, restricts domestic and close-European flights, and includes measures to limit long-haul travel Our company headquarters in London and regional headquarters in New York and Sydney have high environmental building ratings BREEAM Excellent in London, LEED (due August) in New York and 4 5 NABERS energy rating in Sydney

We continue to offset all business travel and premises carbon emissions through Gold Standard offsets in wind-farm projects

Outreach

We are fortunate in attracting highly educated, well motivated and creative people to work for us We never forget that many people do not have the opportunity to go on to higher education This is why in our outreach activity we have decided to focus mainly on mentoring and enrichment opportunities for secondary school children

Staff are also able to take part in community projects, which benefit our neighbours and also help to foster team spirit and personal development

We actively promote and encourage staff to support BBC charities such as Comic Relief and BBC Children in Need, while giving to registered charities of their choice is made simple via the Payroll Giving scheme Our outreach activity abroad has been largely driven by our Channels business which is working to promote our Values internationally

Our actions to further all these five areas of Corporate Responsibility in 2010/11 and our plans to progress them in 2011/12 can be viewed overleaf

Corporate responsibility (continued)

Responsible business practice: progress and plans

Plan for 2010/11	Progress	Plan for 2011/12
Editorial Standards		
Continue to ensure the highest editorial standards are at the core of the business and that all staff understand the company's editorial framework	Launched the Inspire Trust editorial standards programme in November 2010, over 2100 staff members attended Inspire Trust workshops to update their knowledge	Complete the roll-out of Inspire Trust programme to all staff members, provide more tailored editorial standards training to specific business areas
Share best practice by bringing together senior editorial figures from across the business at regular Editorial Forums (EF) and Editorial Leaders Group (ELG) meetings	ELG met four times across the year, two EFs brought together 70 senior editorial figures to discuss issues, ranging from general election reporting issues to the editorial dilemmas of televising sport	Review the activities and composition of the ELG to ensure editorial standards retain a high level of importance in new business activities
Roll out the new Advertising & Sponsorship Guidelines, ensuring relevant staff fully understand them, review, in association with the BBC, to ensure they remain up to date	Workshops held in the majority of our offices globally, Guidelines translated into Spanish for Latin America and updated to reflect product placement following changes in UK broadcasting regulation	Roll out easily accessible online training, provide training around product placement, ensure we remain competitive by adapting Guidelines where necessary, while protecting BBC Values and brand
People		
Training and development		
Centralise budget and resource in order to focus on delivering more training and development that is aligned efficiently to our strategic objectives, ensure we deliver maximum benefit from our investment, develop and launch online learning management system	Developed a suite of training courses covering all core business skills, agreed preferred training supplier list and developed in-house courses, online learning management system launched, providing access to 250 courses for most staff globally	Extend systems and training course portfolio to Lonely Planet and 2 entertain, continue to develop content to support the delivery of our company strategy, this will include the further development of an in-house sales and marketing academy
Support new and middle managers with bespoke people management training programme, establishing core standards and reinforcing the importance of managing performance and of our culture and Values	Management Essentials programme introduced and 40% of all managers completed Module 1	All managers to complete Module 1 and Module 2 to be introduced
Talent management		
Create better talent and succession planning process, launch a development programme for high achievers	Talent and succession plans now reviewed annually, Personal Development Plans in place to speed individual progress, address skill gaps and help retain key individuals, High Potentials Development programme Aspire 2010 completed in the UK (candidates complete a 12-month rapid development programme), Aspire 2011 launched in the US and Europe	Cascade the process for reviewing talent and creating succession plans further down the organisation, launch Aspire in Australia, Asia and at Lonely Planet and 2 entertain
Values		
Embed the Values formally in all aspects of employee systems and raise the profile of BBC Worldwide as an employer of choice	Values embedded into job descriptions, induction programme, new performance appraisal system and recruitment processes	Develop BBC Worldwide recruitment tools including website
Reward		
Develop and implement a new Reward strategy to realign BBC Worldwide with our commercial competitors whilst taking into account the interests of our shareholder, the BBC, review incentives to drive performance and reward strong performance, ensure reward is fair and competitive	Strategy in place, benchmarking survey completed and new Annual Bonus Scheme and Long-term Profit Sharing Plan developed (senior employee bonuses based on personal performance as well as operating business and/or company financial achievement)	From 2012, most staff bonuses to be linked to personal performance as well as operating business and/or company financial achievement
Consult with and communicate to staff the proposed new BBC Pension changes	Consulted with staff on the BBC Defined Benefit Pension Scheme and introduced a new Defined Contribution Pension Scheme	Continue to monitor the pensions situation and take appropriate action to address issues
Diversity		
Work to achieve a diverse mix of employees across the Group	Currently the Group employs 20 6% of staff from black and minority ethnic backgrounds	Continue to work to ensure recruiting processes actively seek and attract as diverse a range of candidates as possible
Join the BBC's Extend scheme, which facilitates recruitment of disabled employment candidates	Joined scheme and ran several placements in various areas of the business	Continue to ensure people with disabilities have the opportunity to seek and maintain employment with BBC Worldwide

Corporate responsibility (continued)

Responsible business practice. progress and plans (continued)

Plan for 2010/11	Progress	Plan for 2011/12
Ethical Sourcing		
Training		
Continue targeted ethical training and ethical workshops for staff, introduce ethical training module as part of induction programme for all new managers	New training module developed and launched March 2011	Hold monthly ethical training for new managers, extend to joint ventures and evaluate overseas requirements
Planning and systems		
Review ethical programme scope	Scope reviewed and extended to include joint ventures	Action ethical programme with relevant joint ventures
Extend comprehensive factory and audit data capture to include all business areas	Ethical data record implemented autumn 2010 to include all business areas	Extend data recording to include joint ventures
Factory auditing		
Continue to require third party SMETA (Sedex Members Ethical Trade Audit) audits for all primary factories producing BBC Worldwide products in higher-risk countries	Audits received for all primary factories producing BBC Worldwide products	Extend audit requirement to joint ventures
Continue to conduct control (forensic) audits in order to build on the effectiveness of the core programme and gain increased understanding of labour standards issues within our supply chain	Extended to lower-risk countries	Review requirement to control audit in lower-risk countries
Introduce trial of record verification audits where there is evidence of inconsistency in factory records	Audits trialled in Licensed Products and Children's Publishing	Review effectiveness of these audits and extend use where appropriate
Introduce measures to track and respond to discrepancies between control and third-party audits	Discrepancies report launched, initial findings shared with stakeholders	Further develop strategy for addressing audit discrepancies
Continue to grade all audits	Increased in-house review capability	Extend to joint ventures
Continue to address and resolve all Critical Failure Points (CFPs), encourage use of Hours Action Plans (HAPs) to address extreme hours CFPs, develop a resolution strategy for lesser non-compliance	CFPs resolved as routine, take up of HAPs increased	Establish programme to address lesser non-compliance issues, extend CFP resolution to joint ventures, establish monitoring mechanism for HAPs
Check ethical programme compliance and understanding across our businesses	Factory and grade data tracked for all business areas	Extend to joint ventures
Communication and learning		
Develop more links with companies with comparable programmes, labour standards organisations and NGOs	Initial dialogue established with a number of trade bodies, retailers, compliance initiators and NGOs	Extend discussions with a view to collaboration on key issues, including transparency and audit reliability
Conduct a trial capacity-building programme	Trial commenced in China March 2011	Evaluate impact of trial, adapt/extend as appropriate
Research and conduct trial social programme in high-risk country	Trial launched in India December 2010	Track progress, evaluate effectiveness, adapt/extend as appropriate

Corporate responsibility (continued)

Responsible business practice. progress and plans (continued)

Plan for 2010/11	Progress	Plan for 2011/12
Environment		
Management		
Maintain and develop the ISO 14001 Environmental Management System (EMS)	ISO 14001 (achieved in London HQ May 2010) passed first surveillance audit in November 2010	Develop and use the EMS according to needs and plans of the company, reviewing targets and objectives regularly
Ensure all staff are aware of environmental impacts and objectives, staff with environmental responsibilities to receive bespoke training	44% of UK staff completed online training, bespoke training provided for key teams, such as IT, legal and facilities	Promote training module and staff awareness, extend bespoke training to other areas, develop training module for international offices
Carbon		
Monitor and track travel carbon emissions against internal target to reduce carbon emissions from travel by 10% by 2010 from a 2008 baseline by enforcing the environmental travel policy	Progress proved challenging owing to our rapid international expansion Travel carbon emissions increased by 6% over the target period but would have been higher without the travel policy	Review strategy to reduce emissions relative to international growth, reinforce travel policy throughout company
As part of a "measure, reduce, offset" approach, offset all unavoidable carbon emissions	Unavoidable emissions from energy consumption in buildings and travel offset with Gold Standard certified credits	Regularly review carbon reduction and offsetting position
Waste and packaging		
Develop and roll out new Environmental Packaging Guidelines	Packaging Guidelines developed	Assess current packaging used and roll out Packaging Guidelines to relevant business areas
Run a bespoke waste audit at our London HQ	Set up for June 2011	Use findings from waste audit to change behaviour where required, introduce binless offices internationally (already in place in London HQ)
Paper		
Ensure paper used in manufacture of BBC products is recycled or sourced from credibly certified, well managed forests	100% of magazines printed on paper from controlled sources, including 82% (peak) FSC-certified paper, 91% of Lonely Planet titles printed on FSC-certified paper, FSC stock sourced for all DVD/Blu-ray titles from April 2011	Continue to increase percentage from either recycled or from credibly certified, well managed forests
Water		
Extend water saving initiatives beyond London HQ's rainwater harvesting system	Low-volume toilets installed in US offices	Continue to monitor water usage
Outreach		
Support not-for-profit initiatives that help young people develop an understanding of the media business and raise their career aspirations	Initiatives with Hammersmith & Fulham Education Business Partnership included Take Two mentoring scheme and running an Explore Media Day, lessons in law provided at a local school via Lawyers in Schools, paid placements provided to students in the Career Academies UK programme	Monitor and assess Take Two mentoring scheme, hold another Explore Media Day, recruit Career Academy interns for summer 2011
Provide opportunities for staff to participate in volunteer activities which benefit local schools and non-profit organisations, help staff understand the needs of our local communities	Team Challenges took place at four schools near our London HQ, for the fourth year, volunteers supported the Jack Tizard School for children with profound special needs	Seek out new opportunities to contribute to local communities in the UK and overseas, sharing London HQ experiences, recruit fresh volunteers for Jack Tizard scheme
Develop opportunities internationally to support young talent in media-related professions	BBC Knowledge with New Zealand's Screen Production & Development Association (SPADA) offered grants to producers under 30 and an opportunity to premiere their documentaries on BBC Knowledge, Young Writers and Public Speaking awards held in Holland, Belgium and Hungary	Continue to support young talent internationally
Continue to give support to BBC charities, provide easy tax-free method for staff to donate to charity via Payroll Giving	Staff raised funds for BBC charities through a variety of activities and our magazines and websites widely publicised them to the public, Payroll Giving drive held in February 2011	Review our Outreach policy in the UK and with our international teams, continue to promote charitable giving across all areas

BBC Worldwide Board and Executive

BBC Worldwide Board of Directors

Name	Role	Date of Appointment	Background
Robert Webb QC	Chairman	1 October 2009	Robert Webb QC was appointed a Non-executive Director of the BBC in January 2007 and Chairman of BBC Worldwide in October 2009 He is also Chairman of BBC Commercial Holdings Ltd He was called to the Bar in 1971 and appointed QC in 1988 Robert was General Counsel at British Airways from 1998 to 2009 He is Chairman of Autonomy Corporation plc and Sciemus Ltd and a Non-executive Director of the London Stock Exchange plc, Hakluyt & Co Ltd and Argent Group plc
John Smith	Chief Executive	18 March 2005	John Smith, CEO, joined BBC Worldwide in July 2004 and was confirmed CEO in March 2005 Before this, John was the BBC's Chief Operating Officer, and held other senior executive roles at the BBC including Finance Director and Director of Finance, Property & Business Affairs Before joining the BBC, he held posts at BR Engineering Ltd, Sealink, Seaspeed Hovercraft and other commercial subsidiaries owned by the British Rail Group John was a member of the BBC's Executive Board from 1996 to 2009 He is a Non-executive Director of Burberry plc, a Director of the Henley Festival and a Vice President of the Royal Television Society
Philip Vincent	Chief Financial Officer	1 December 2010	Philip Vincent became acting Chief Financial Officer in June 2010 and was confirmed in the post on 1 December 2010 As CFO, Philip is responsible for BBC Worldwide's financial strategy, in particular the development of its five-year plan Previously, he held a number of positions in BBC Worldwide including Deputy CFO, Group Finance Director (Broadcast & Digital) and Finance Director (Channels) Philip joined the BBC in 1998, before which he was Financial Controller at Bunzl Disposables Ltd Philip qualified as a Chartered Accountant at KPMG, working in both London and New York
Nicholas Eldred	Non-executive Director	31 January 2006	Nicholas Eldred is Group General Counsel and Secretary of the BBC He is also a Director of BBC Commercial Holdings Ltd and BBC Studios and Post Production Ltd Nicholas joined the BBC in August 2001 from O2 Ltd (previously BT Cellnet) where he had been Director of Legal and Business Affairs and Company Secretary He had joined BT Cellnet from BT plc where he was head of the mergers and acquisitions legal team Previously he was a corporate lawyer with city law firm Simmons & Simmons
Charlotte Hogg	Non-executive Director	24 September 2010	Charlotte Hogg is the UK and Ireland Managing Director at Experian, the global information services company In April 2011 she was appointed Head of Retail Distribution and Intermediaries at Santander and will take up the position later this year She was previously an SVP of Discover Financial Services (formerly Morgan Stanley) Charlotte brings extensive financial and international growth management experience with her to BBC Worldwide She is a member of the Finance Committee of Oxford University Press, a Trustee of the charity First Story and Governor of Nottingham Trent University
Zarin Patel	Non-executive Director	31 January 2006	Zarin Patel joined the BBC in 1998 as Group Financial Controller, becoming Chief Financial Officer in December 2004 Before joining the BBC, Zarin trained as a chartered accountant with KPMG, where she gained 15 years' experience working with multinational corporations across the industrial and commercial sectors Zarin is also a Governor of the University of the Arts in London and a Trustee of the BBC Pension Scheme
Tim Weller	Non-executive Director	26 April 2010	Tim Weller is Chief Financial Officer of Cable&Wireless Worldwide plc and a member of its Board of Directors He was Chief Financial Officer for United Utilities plc from July 2006 and played a key role in strategically realigning the group prior to the £1 8bn sale of United Utilities Electricity Tim's career began at KPMG where he became Partner in the Infrastructure Audit and Accounting Group in 1997 before joining the Granada Group plc where he was Director of Financial Control Tim has been a Non-executive Director of the Carbon Trust since 2007
Jane Earl	Company Secretary		

BBC Worldwide Board and Executive

BBC Worldwide Executive

Name		Background
Marcus Arthur	Managing Director, Brands, Consumers & New Ventures	Marcus manages the development of our major global brands, our consumer relationships and some of our nascent, high-potential businesses He began his career in advertising sales, joining BBC Worldwide in 1991 and the BBC Magazines Board in 2001 Appointed Publishing Director of Radio Times in 2002, he served on the boards of our magazine joint-venture businesses Frontline Ltd, BBC Haymarket Exhibitions Ltd and Galleon CI Ltd He took up his current role in 2008
Jana Bennett	President, Worldwide Networks and Global BBC iPlayer	Jana is responsible for BBC Worldwide's portfolio of TV channels, and the development and roll out of the commercial global BBC iPlayer Until February 2011 she was Director of BBC Vision, in charge of BBC Television and Vision Productions Her extensive television career also includes being EVP and GM at Discovery Communications in the USA In 2000 she was awarded an OBE for services to science and broadcasting
Sarah Cooper	Chief Operating Officer and Deputy CEO	Sarah leads a legal team responsible for the negotiation of all BBC Worldwide's major acquisitions, joint ventures and partnerships, as well as all regulatory compliance and rights acquisition by the company Since 2008 Sarah has led the Technology team of BBC Worldwide, overseeing our IT infrastructure and development, and is also responsible for Talent Accounting and BBC Advertising
Helen Jackson	Managing Director, Content & Production	Helen is responsible for BBC Worldwide's content investment strategy with the BBC and independent producers, our international production network and talent and brand ventures She was appointed to her current role in December 2010, having previously held the post of BBC Worldwide's Director of Independents Joining BBC Worldwide more than two decades ago, Helen has built up formidable commercial experience of the television sector holding various roles across international sales and distribution, marketing and content investment
Helen Kellie	Chief Marketing Officer	Helen joined BBC Worldwide in October 2008 with responsibility for marketing across the BBC Worldwide businesses, building the BBC Worldwide brand and prioritising its portfolio of sub-brands around the world She was previously Director of Marketing Communications and Audiences for BBC Vision and she has also worked around the world for household products company Reckitt Benckiser plc
Steve Macallister	President, Sales & Distribution	Steve took up this role in 2007 and is responsible for the exploitation around the world of our catalogue of BBC and independently produced content He began his career in advertising sales, later moving to television exports covering Europe, Asia Pacific and the Middle East with the Walt Disney Company Prior to joining BBC Worldwide, he was Senior Vice President and Managing Director of Buena Vista International Television for the Asia Pacific region
Paul Dempsey	Managing Director, Consumer Products	Paul is Chief Executive of our video business 2 entertain, comprising DVD and DTO He is also responsible for our music business, licensed products, book publishing partnerships and direct-to-consumer retail sales His sales and marketing experience includes Mars Confectionery and Sales Director of Frontline Ltd He joined BBC Worldwide in 1998 as UK Sales Director, was appointed Director of Audio & Music in 2006 and took up his current role in 2008
Charlotte Elston	Director of Communications	Charlotte took up her role in January 2010 She began her career with Edelman PR in London, and spent seven years at Brunswick, the international corporate communications agency In 2003 she was appointed Head of Communications at Pearson plc and was Group Communications Director at Aegis Group plc from 2005 to 2009
Michelle Emmerson	Group HR Director	Michelle is responsible for all aspects of BBC Worldwide's people strategy including reward, culture and employee relations She also manages business continuity, health and safety, and facilities management Michelle joined the BBC in January 2009 from EMI Music where she held a number of senior positions including Senior Vice President, Human Resources
David Moody	Director of Strategy	David is responsible for all aspects of the company's direction and objectives, he also leads major deal negotiations and business reviews From 2005 to 2009 he combined this role with that of Managing Director of Digital Media, growing our digital activities from a start-up position to the business area it is today He began his career with strategy consultants The LEK Partnership and joined the BBC in 2002 as Commercial Director for BBC Ventures Group, before moving to BBC Worldwide in 2004
Peter Phippen	Managing Director, Magazines	As part of his role Peter is Chairman of Bristol Magazines, Chairman of BBC Haymarket Exhibitions, and Chairman of Park Publishing and of Worldwide Media, our joint ventures in Australia and India respectively He is a Director of Frontline Ltd and of Dovetail Ltd Currently a Director of the international magazine association FIPP and a Director of the Professional Publishers Association (PPA), Peter joined BBC Worldwide from IPC in 1987 and was President of BBC Worldwide Americas from 1998 to 2001
Herb Scannell	President, BBC Worldwide America	Appointed in June 2010, Herb is responsible for the company's US and Canadian business Formerly Vice Chairman of MTV Networks and President of Nickelodeon Networks, he oversaw all creative and business operations for a portfolio of brands including number-one rated Nickelodeon, TV Land, Spike TV and Noggin Herb was most recently CEO of Next New Networks, a digital media company he co-founded in 2006, which was recently acquired by Google

Directors' Report

The Directors present their report and the audited consolidated financial statements of BBC Worldwide Limited (the "Company") and its subsidiary undertakings (together the "Group") and the Group's interest in associated undertakings and joint ventures for the year ended 31 March 2011

Principal activities of the Group

The trading activities of the Group focus on the acquisition, development, exploitation, licensing and sale of intellectual property Rights are acquired from the BBC and from independent owners of intellectual property and are exploited through a number of businesses, both wholly-owned and partly-owned through joint ventures, across multiple formats These businesses are Channels, Content & Production, Digital Entertainment, Brands, Consumers & New Ventures, Sales & Distribution, Consumer Products, and Magazines

Performance review

A review of business performance, including likely future developments, is given on pages 12 to 14 Further information which fulfils the Business Review requirements by reference is set out in the Governance Report on pages 25 to 32

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks The key business risks and uncertainties affecting the Group are discussed in the Governance Report on pages 25 to 32

Results and dividends

The consolidated profit after taxation for the year attributable to equity shareholders of the Company was £161 7m (2010 £87 9m)

Dividends of £83 4m (2010 £32 1m) were paid during the year In addition, the directors propose a further dividend in respect of the year of £34 5m (2010 £41 5m), resulting in a total dividend of £76 4m (2010 £73 6m) in respect of the financial year The dividend will be paid in the year ending 31 March 2012

Acquisitions and disposals

During the financial year the Group purchased the remainder of the shares which it did not already own in Lonely Planet The Group also disposed of its interest in Animal Planet Full details of the Group's acquisitions and disposals are included in the Chief Financial Officer's Review

Directors

The Directors who served during the year are set out in the Governance Report on pages 25 to 32

Payment to creditors

Operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted It is Group policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions Based on the consolidated financial statements creditor days outstanding were 29 days (2010 29 days) at 31 March 2011 Rights creditors have been excluded for the purposes of this calculation, as they relate to payments to artists and contributors rather than trade creditors

Donations

The Group does not make political donations During the year the Group made donations of £27,000 to various charities (2010 £6,843)

Employee participation

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

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

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

The Group 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

The Group monitors diversity figures and aims to ensure that its workforce reflects the UK's population Further information on diversity is included in the Governance Report on pages 25 to 32

Disabled people

People with disabilities are fully and fairly considered for vacancies arising within the Group and are given equal opportunities in relation to training, career development and promotion If an employee becomes disabled while in the employment of the Group 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 The Group organises comprehensive in-house and external training programmes covering job-specific skill enhancement, IT software tuition and management development courses

Going concern

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

Directors' Report (continued)

Directors' interests and indemnities

No Director had any interest in the share capital of the Group at 1 April 2010 or 31 March 2011 No rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year

Directors' and Officers' insurance cover was in place throughout the financial year as appropriate Additionally, an indemnity is in place for the Group's nominated Directors on the board of Australian entities The nominated Directors are held harmless in relation to legal claims against them in their capacity as Directors and Officers, except in the event of fraud, dishonesty or wilful default The indemnity covers all liability incurred by nominated Directors and Officers to the fullest extent permitted by Australian law and is intended to offer protection to the nominated Directors and Officers in addition to the cover under the Group's Directors' & Officers' insurance policy

Statement as to disclosure of information to auditors

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

Auditors

In accordance with Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board,

Jane Earl
Company Secretary
10 June 2011

Registered office
Media Centre
201 Wood Lane
London W12 7TQ

Governance report

Effective governance is at the heart of everything we do The Board is committed to maintaining high standards of accountability, transparency and probity within the framework of the Four Commercial Criteria Protecting the reputation of the BBC and ensuring that we continue to deliver sustainable returns, while providing the BBC and the wider UK creative community with an internationally recognised export platform, are fundamental to our purpose

During the year we have made some changes as we continue our progress towards full compliance with the UK Corporate Governance Code As a wholly owned subsidiary of a public body there are inevitably some departures from the Code which are explained within the report, for example, the requirement to hold an annual general meeting It is also our aim to explain not only the extent of our compliance with the UK Corporate Governance Code, but also our approach to all commercial governance activities

Robert Webb QC
Chairman

Relationship with the BBC our shareholder

BBC Worldwide is the principal commercial subsidiary of the BBC and has a first-look agreement relating to BBC in-house production This gives BBC Worldwide the first opportunity to bid for commercial rights in BBC programmes All negotiations are held on an arm's-length basis with the BBC's Commercial Agency which represents the BBC's interests The Commercial Agency is free to, and often does, reject BBC Worldwide's purchase offer if better terms can be secured elsewhere In addition, a proportion of BBC programme rights do not fall within the first look and are offered on the open market, providing an external benchmark

Whilst BBC Worldwide operates as a separate company, we follow the principles set out in the BBC Royal Charter and Agreement and the Trust Protocol C4 – Commercial Services (May 2010) and the BBC Trust s Commercial Review (November 2009)

In particular, BBC Worldwide must comply with the Four Commercial Criteria (4CC), which stem from the BBC Royal Charter and Agreement, requiring all the BBC's commercial activities to

- Be commercially efficient
- Fit with the BBC's Public Purposes
- Not jeopardise the good reputation of the BBC or the value of the BBC brand
- Comply with BBC Fair Trading Guidelines and the requirement not to distort the market

The BBC Trust's Commercial Review proposed that the current requirement for BBC Worldwide to "fit with the BBC's public purposes" should be supplemented with an additional assessment around being "consistent" with them There are a number of formal and informal arrangements that enable information to be cascaded to both the BBC Trust and BBC Executive

As a wholly owned subsidiary of the BBC, there is no requirement for the Directors to seek annual re-election, nor do we hold a formal annual general meeting The company is required to present an annual review of performance to both the BBC Trust and the BBC Executive

4CC and Fair Trading framework

The 4CC approvals framework embedded within BBC Worldwide's governance structure ensures that key projects and investments are subject to rigorous evaluation, ensuring compliance with each of the 4CC prior to completion or launch In addition a 4CC Compliance Report is submitted annually to the BBC Executive Board and the BBC Trust

BBC Fair Trading arrangements have been accredited with the ISO 9001 2008 quality standard In December 2010, the British Standards Institute confirmed that these procedures were continuing to operate effectively The BBC Trust commissions independent auditors, currently Deloitte, to undertake an annual Fair Trading Audit In its report published in June 2010, Deloitte did not identify any specific Fair Trading audit risks in relation to BBC Worldwide for the year ended 31 March 2010 Further details of the audit and opinion can be found in the BBC Annual Report and Accounts for 2010/11

Governance report (continued)

BBC Worldwide's governance framework

1 Leadership

Role of the Board

The Board is responsible for setting the strategic objectives for the company and for monitoring progress against those objectives The Board reviews both business and financial performance with a view to ensuring that the company has sufficient resources to execute the strategy effectively The Board is accountable to the BBC in terms of delivering financial performance and protecting the longer-term financial return in the form of dividends The Investment Guidelines (the company's policies for approving investment and expenditure) provide the framework for controlling the governance processes and providing clearly delegated authorities and robust processes

The Chairman and Chief Executive

There is a clear separation of the roles of the Chairman and the Chief Executive, which is set out in writing and has been adopted by the Board A copy can be found on the BBC Worldwide website

The Chairman's principal role is to lead the Board and to ensure that it works effectively and through its various committees The Chairman is also responsible for setting the Board agenda and promoting a culture of healthy debate and challenge The Chairman is also required to sit on the BBC Executive Board as a Non-executive Director

Robert Webb, our Chairman, is thus a Non-executive Director on the BBC Executive Board The Chairman has a fixed term of appointment until 31 December 2012 as Chairman of BBC Worldwide which may be extended by mutual agreement subject to the consent of the Director-General of the BBC The terms of the employment contracts for the Chief Executive and Chief Financial Officer are set out in the Remuneration Report

Non-executive Directors

The independent Non-executive Directors serve initially for a term of two years which may be extended subject to satisfactory performance and agreement from the shareholder The two Public Service Non-executive Directors, Nicholas Eldred and Zarin Patel, are our shareholder's nominees on the BBC Worldwide Board Neither Nicholas Eldred nor Zarin Patel has a fixed term appointment, however, both appointments may be replaced at any time by the shareholder The Board has not appointed a senior independent Non-executive Director

Independence

The Board considers each of the Non-executive Directors to be independent in character and judgment Charlotte Hogg and Tim Weller do not have any relationships or circumstances which are likely to affect or could appear to affect their judgment and are therefore considered to be totally independent Nicholas Eldred and Zarin Patel are employees of the ultimate parent, and, as previously mentioned, the Chairman is also a Non-executive Director on the BBC Executive Board

Insurance Indemnities

The company maintains liability insurance for its Directors and Officers which is renewed on an annual basis The company has also entered into deeds of indemnity with its Directors

Company Secretary

The Company Secretary reports directly to the Chairman All Directors have access to the advice and services of the Company Secretary who acts as Secretary to the Board and its committees The Company Secretary is accountable to the Board for ensuring that Board processes and corporate governance practices are followed Directors are also given access to independent professional advice at the company's expense where they consider such advice is necessary to enable them to fulfil their responsibilities

Tenure of office

Three Directors have served for over three years, one Director for between one and three years, and three Directors for less than one year

Governance report (continued)

2. Effectiveness

Board composition and appointments

During the current financial year Simon Clift and Thomas Geitner retired from the Board having served as independent Non-executive Directors for four years Sharon Baylay, who was one of the BBC public-service nominated Directors, retired from the BBC on 26 November 2010 Neil Chugani, the CFO, resigned on 17 June 2010 to join the Shine Group External headhunters were engaged to undertake searches for replacements for each of these positions and job descriptions for the new roles were agreed

Charlotte Hogg joined the Board on 24 September 2010 As stated in last year's report, Tim Weller joined the Board on 26 April 2010 In addition, Philip Vincent was appointed as CFO following a selection exercise Philip was previously Deputy CFO of BBC Worldwide His appointment commenced on 1 December 2010

On joining the Board, each of the Directors undertook a formal induction programme This is designed to give them an understanding of each of the strategic objectives and how these will be delivered within the context of the governance structure

The current members of the BBC Worldwide Board are shown on page 21 together with details of their external commitments

Board attendance

	Board	Nominations Committee	Remuneration Committee	Audit Committee
Robert Webb	7/7	2/2	6/6	-
Sharon Baylay	3/5	-	-	-
Neil Chugani	2/2	-	-	-
Simon Clift	2/4	-	-	-
Nicholas Eldred	7/7	2/2	-	4/4
Thomas Geitner	3/5	-	-	-
Charlotte Hogg*	3/4	-	-	1/1
Zarin Patel	5/7	-	6/6	2/3
John Smith	7/7	2/2	-	-
Philip Vincent	2/2	-	-	-
Tim Weller*	5/7	-	-	3/3

** The Board calendar had been set before these Directors were appointed and they each notified in advance of their non-availability for meetings*

3. How the BBC Worldwide Board operates

The Board has a schedule of matters reserved for its attention and the Company Secretary also maintains a forward agenda of matters requiring discussion and/or approval

Financial and risk management

The Board receives regular updates on the company s financial position, agrees the budget, and monitors risk management and financial controls One issue that the Board examined in some detail during the year was the impairment of the Lonely Planet investment and financial instruments The implementation of the new Bribery Act was also discussed at Board level and the Board asked management to engage auditors to test the adequacy of the procedures in place The restricted access to the debt market and the limited availability of headroom was also monitored by the Board during the year and the Board asked for greater visibility of cash flow and hedging

Corporate transactions

Various corporate transactions were presented to the Board including the exercise by Tony and Maureen Wheeler of their put option in respect of the outstanding equity in Lonely Planet not then owned by BBC Worldwide Following the exercise of the option, Lonely Planet became a wholly owned subsidiary of BBC Worldwide The disposal of BBC Worldwide's interest in the Animal Planet and People&Arts joint ventures was successfully completed The Board also received regular updates on the potential partnering of the Magazines business Special Board meetings are called where necessary to review the specific detail of major transactions

Business oversight

At each Board meeting the Chief Executive presents his report on all aspects of the company's strategy and performance in the presence of the BBC Worldwide Executive Committee (WEX) Each of the Managing Directors has the opportunity to attend Board meetings and to comment on their business performance In addition, the Board receives a report from each of the businesses At regular intervals the businesses make presentations to the Board on specific initiatives

Legal and governance issues

At each Board meeting the chief operating officer presents a report on legal, editorial and fair-trading issues The Board approves each quarterly fair-trading return which is then submitted to the BBC Recognising the importance of editorial and reputational issues, the Board members received a condensed version of our Inspire Trust editorial standards training which is mandatory for every employee

People and succession

The Board held a half-day session on people management and succession planning Three senior executives had resigned during the year and the Board played an active part in supporting the Chief Executive in filling these important business positions Health and safety updates are presented to the Board and a specific update was provided to the Board in March following the earthquake and tsunami in Japan relating to our employees in Tokyo

Governance report (continued)

Board Committees

The board delegates to its committees as set out below

Nominations Committee

The Nominations Committee is chaired by Robert Webb, Nicholas Eldred and John Smith are members The committee is responsible for reviewing the composition of the BBC Worldwide Board and for proposing new Directors to the Board, and to the BBC Executive Board and the BBC Trust No formal Board evaluation has taken place during this year as a consequence of the number of new Directors who have been appointed During the year the committee recommended changes to the membership of the Audit Committee and was directly involved in the engagement of external headhunters and the appointment of the new Directors

Under the terms of reference (available on our company website) the appointment of the Chairman and the Chief Executive are conditional upon the specific approval of the Director-General of the BBC

The Nominations Committee is not fully compliant with the UK Corporate Governance Code Given the company's status as a wholly owned subsidiary of the BBC we believe, at the current time, the members of the committee are appropriate The Company Secretary supports the activities of the committee

Remuneration Committee

The UK Corporate Governance Code recommends that the Remuneration Committee should comprise three independent Directors Robert Webb chairs the committee and Charlotte Hogg and Zann Patel are members Given the close relationship with the BBC we believe the membership of the committee to be appropriate to the company in its current evolution

The duties of the committee include determining the framework for the remuneration of the Chief Executive, CFO and WEX to ensure that members of the Executive management are provided with appropriate incentives to encourage enhanced performance in a fair and responsible manner The committee regularly reviews the appropriateness and relevance of remuneration policies as well as the individual packages of each WEX member

The committee also approves the design of, and determines targets for, performance-related pay schemes and any long-term incentive programmes It is responsible for establishing the criteria for selecting, appointing and setting the terms of reference for remuneration consultants who advise the committee The committee also is responsible for ensuring that members have reliable and up-to-date information about remuneration in other companies, particularly in the media environment The terms of reference for the committee are available on our company website

A full report of the remuneration policies and activities of the committee, chaired by Robert Webb, can be found on pages 33 to 39 The Company Secretary and the Group HR Director support the activities of the committee and attend every meeting by invitation

Charlotte Hogg was appointed to the committee on 1 April 2011

BBC Worldwide Executive Committee

The BBC Worldwide Executive Committee (WEX) meets weekly and is chaired by John Smith John Smith, Philip Vincent (CFO) and the BBC Worldwide Executives listed on page 22 comprise the core membership of WEX The Company Secretary also attends and supports the activities of the committee

WEX takes responsibility for all aspects of the company's activities as delegated to it by the Board WEX is also responsible for devising and implementing the strategy which it proposes to the Board for approval Every week, WEX concentrates on market, competitor and technology developments and these are supplemented with detailed presentations and workshops on new and future technology innovations such as the Apple iPad, connected TV and smartphones which will all impact our businesses in the future The development of the global BBC iPlayer continues to be reviewed and assessed Business developments and relationships are monitored including our relationships with existing and potential partners – for example, UKTV and the independent production community Customer relationship management has also been a focus during the year

To reflect the investment in the USA, WEX accompanied the Board to New York in January 2011 and received presentations from the BBC America channels and Los Angeles production teams together with external US media experts Our employees are fundamental to our success and WEX devotes significant time to reviewing the framework for pay and reward, succession planning, training and development, and how our Values are embedded within the culture of the company Following the launch of the Aspire programme (which targets and offers aspirational employees a year-long development programme with a WEX member as mentor) each successful Aspire candidate presented their business project at a WEX meeting

WEX delegates to a Content Investment Committee, which is responsible for approving programme and product investments of between £0 5m and £2 0m, and to the Investment Review Group, which approves other financial commitments between £1 0m and £2 0m Both these committees are chaired by the CFO Each business has authority for approving non-content budgeted spend up to £1m

Governance report (continued)

Accountability and risk

Audit Committee

The Audıt Committee ıs chaıred by Tim Weller, Nıcholas Eldred and Charlotte Hogg are members The committee ıs responsıble for monıtorıng the ıntegrıty of the financıal statements ıncludıng crıtıcal accountıng polıcıes and estimates The commıttee spends tıme revıewıng emergıng ıssues and understandıng the ımpact of matters such as ımpaırments and exchange-rate ımplıcatıons The commıttee also revıewed hedgıng and treasury polıcıes together wıth tax complıance

The Talent Accountıng department at BBC Worldwıde ıs responsıble for payıng royaltıes to contrıbutors, ındependent producers and thırd-party profit partıcıpants, from sales of programmes and many other actıvıtıes such as lıve events and games The commıttee receıves an annual report detaılıng the accuracy and tımelıness of payments to talent and producers

The commıttee also revıews the effectıveness of systems for ınternal control and reportıng, together wıth those ensurıng adequate procedures are ın place for staff to raıse concerns It regularly revıews the rısk profile of the company, focusıng on key rısks as approprıate The ımplementatıon of the Brıbery Act 2010 has been consıdered closely durıng the year and, followıng a revıew of the Whıstle Blowıng procedures, a campaıgn to ıncrease awareness was undertaken both ın the UK and overseas The enhanced powers of the Informatıon Commıssıoner also resulted ın the commıttee askıng the management team to revıew data protectıon and ınformatıon securıty

The commıttee also undertook a revıew of the effectıveness of the KPMG external audıt The commıttee was satısfied wıth the performance of the audıt team and welcomed changes ın ıts key members ın lıne wıth KPMG's polıcy of regularly refreshıng ıts teams The polıcy for non-audıt servıces ıs revıewed on an annual basıs The commıttee also revıews the ındependence of KPMG and receıves confirmatıon that such ındependence has not been compromısed ın accordance wıth ISA(UK&I) 260 and the APB's Ethıcal Standard 5 Representatıves from KPMG attend each of the audıt commıttee meetıngs and the commıttee meets regularly wıth them prıvately wıthout the Chıef Executıve, CFO and management representatıves beıng present

The commıttee revıewed the effectıveness of the ınternal audıt functıon Internal audıt resources are provıded to BBC Worldwıde vıa the BBC and the members of the commıttee meet prıvately wıth the BBC Dırector of Rısk and Assurance wıthout the CEO, CFO and management representatıves beıng present

The commıttee ıs supported ın ıts actıvıtıes by the Company Secretary, the BBC Dırector of Rısk and Assurance, and the company's Rısk Advısory team The commıttee submıts quarterly returns to the BBC Executıve Audıt commıttee detaılıng the key ıssues dıscussed by the commıttee The terms of reference for the commıttee can be found on the company's websıte The commıttee ıs not fully complıant wıth the UK Corporate Governance Code as not all the members of the commıttee are ındependent Gıven the company's status as wholly owned subsıdıary of the BBC we belıeve at the current tıme the members of the commıttee are approprıate

Zarın Patel resıgned as a member of the Audıt Commıttee on 22 November 2010

Governance report (continued)

Risks and uncertainties	Potential impact	Mitigation
Financing/uses of cash		
Increased challenge of balancing capital repatriation to the BBC against investment in long-term business growth	BBC Worldwide may not have the resources or the agility to take full advantage of emerging market opportunities	Rigorous approach to investment approvals and the allocation of capital to projects to ensure the maximum value return Monitoring performance of investments and ensuring underlying trading performance is sufficient to fund any new investment prior to commitment Ongoing dialogue with the BBC regarding BBC Worldwide investment needs and future returns against the BBC's immediate requirements and short-term returns
Competitive/market pressure		
Increased competitive pressures arising from industry consolidation and increased competitor focus on key markets Tougher trading conditions in major markets	Increased competition for key content and talent Reduced trade and consumer demand for products and services, including broadcast and format rights, advertising and consumer products Reduced access to high-quality content, affecting sales catalogue and wider intellectual property (IP) exploitation opportunities, and applying greater downward pressure on pricing	Building own-production capability, both wholly owned and through partnerships with selected independent production companies Diverse portfolio and global business Ensure that performance is maximised from existing businesses through recruitment and retention of specialist staff and ongoing review of strategy and performance against internal targets and external benchmarking Driving growth from emerging formats and markets to complement established businesses
Strategic execution		
Execution of business priorities may not meet strategic targets	Financial performance below anticipated levels or not delivering adequate returns on investment Future expansion outside core areas may increase company risk profile	Ownership of strategic risk held by CEO, progress on strategic delivery regularly reviewed by WEX and the Board Regular review of strategy in the context of the market and prompt revision of plans to reflect changing circumstances Diversified business portfolio, with a number of partnership agreements in place, limiting overall risk exposure
Technology		
Changing technology may undermine/replace core businesses	Radical shift in consumption habits or disruptive technology rendering business models obsolete Systems and processes unable to provide support for changing business Increased importance of digital rights and ability to exploit IP in a variety of formats Digital business skills required to manage business to consumer	Strategic focus on digital services, integration of digital teams into core business divisions and partnering with technology innovators Focus of investment in growth businesses, including digital formats and moving away from more traditional hard formats Chief Technology Officer and Digital Director now in place to ensure all digital strands of activity are brought together and opportunities are not missed
Reputation		
Unethical activities (including those of suppliers and service providers) that are not consistent with the BBC Values in respect of ethical standards, may jeopardise the value of the brand	Adverse publicity or damage to BBC Worldwide's or to the BBC's reputation Loss of revenue in key territories or on key brands	Risk assessment of third parties, including due diligence, training and contractual obligations Active monitoring of suppliers and vendors by management, including site visits Compliance with the Four Commercial Criteria (4CC) reviewed annually by the BBC and with the BBC's editorial policies Commercial Policy provides 4CC and editorial training to staff All new or changed commercial service proposals require a 4CC compliance assessment to be approved prior to launch or completion Reputational safeguards built into agreements with joint-venture partners and equity investments (eg, the appointment of an editorial guardian and prescribed product approval processes) Common Values with BBC incorporated into the ethical sourcing programme, requiring all licensees and vendors to operate to a high ethical standard Monitoring of third parties built into internal audit planning and execution

Governance report (continued)

Risks and uncertainties	Potential impact	Mitigation
Compliance		
Challenge of complying with statutory obligations and regulatory requirements in all countries in which we operate, including data protection Failure to obtain required approvals	Failure to comply with tax and statutory accounting requirements could affect the ability to continue to operate within a jurisdiction Non-compliance, resulting in fines, litigation or prosecution Reputational risks associated with non-compliance, including loss of trust from customers when handling personal data Becoming subject to future enquiries or proceedings from regulatory authorities	Compliance and other business risks monitored in each business area and regularly reviewed by Risk Management and Internal Controls Committee Responsibility for tax compliance, including transfer pricing negotiations, taken by the BBC Tax and accounting compliance overseen by BBC Worldwide Audit Committee Company Secretariat and the BBC monitor adherence to key statutory and regulatory filing obligations Robust approach to data protection and information security, including procedures to ensure compliance, both internally and by third party service providers, and mandatory data protection training for all staff
Currency		
Exposure to fluctuations in major currencies and interest rates, particularly against the key currencies of the euro, and US dollar and Australian dollar	Adverse impact on cash flows and reported financial results Potential to undermine value of key assets	Risk-averse approach to the management of foreign-currency trading Clear hedging policy to minimise volatility in the financial results Hedging policy reviewed and challenged by Audit Committee
International expansion		
Inherent risks involved with international expansion and overseas markets	Complexity of doing business in multiple territories and markets, including ongoing control over overseas activities Potential failure to comply with specific local legislation Inability to attract quality staff and ensure staff act in accordance with BBC Worldwide Values Challenge of ensuring BBC Values are protected in face of local custom and practice	Executive Board members given regional accountability and regional Executive Vice Presidents to be put in place for each region (dedicated management already in place for USA and Australia) Market and risk assessments from local experts including due diligence on third parties Review of controls and governance for major acquisitions Compulsory training in all areas for editorial and commercial compliance for nominated roles Implementation of policies and procedures that underpin BBC Worldwide's values Internal audit plan takes into account existing international operations and areas of expansion
People		
Economic, regulatory and political constraints may affect our ability to recruit, retain and motivate personnel Increased competition in the market to attract skilled staff	Reduction in overall competitiveness, including loss of key skills, relationships and knowledge, and business disruption Higher acquisition and retention costs	Increased focus on management development and training, with new programmes and appraisal system in place Alignment of incentives to reward superior performance Succession planning in place for senior managers and WEX plan reviewed by Board
Business continuity		
Exposure of UK and international offices to natural disasters, terrorism and other unforeseen events	Health and safety risks to staff Disruption to operations, infrastructure and loss of revenue	Business Continuity officer reporting to nominated Executive Sponsor Extensive continuity plans encompassing international offices and business operations Rolling plan of testing and rehearsal at all levels of the organisation
Fraud and corruption		
Increased levels of fraud seen across businesses as result of economic downturn Increase in global anti-corruption legislation	Financial loss and impact on reputation and attractiveness as a business partner Increased international scrutiny and joint prosecutions Financial penalties, and monitoring procedures in event of incident occurring	Anti-bribery and corruption framework in place supported by zero-tolerance messages, compulsory training and communication programme and detection Framework subject to independent external assessment Assessment procedures to identify key risk areas Executive sponsor in place and regular reporting to Audit Committee and Executive Board Robust controls framework subject to regular audit review

Governance report (continued)

Magazines Annual Review

Editorial Advisory Boards (EABs) work alongside all BBC magazines and websites and play a key role in ensuring that the magazine portfolio reflects the BBC's public purposes and editorial values The EABs are overseen by an Annual Review Panel (ARP), consisting of external experts and senior representatives from BBC Magazines, BBC Vision and BBC Audio and Music It is chaired by the BBC's Chief Adviser, Editorial Policy

The ARP conducted its sixth review of BBC magazine output during the course of 2010/11 (the first was completed in May 2006) and concluded that, overall, BBC magazines are quality publications, which display originality and editorial integrity The portfolio is strong, with successful, varied titles which reflect a range of viewpoints and interests The EAB system continues to be a considerable success, with members offering invaluable advice and insights Connectivity with BBC output remains particularly strong in the pre-school and pre-teen titles, it is good in Gardeners' World magazine, Good Food, Lonely Planet, BBC Music, Countryfile magazine, BBC Wildlife and Radio Times Further details on the Editorial Framework can be found on pages 17 and 18

Brand Protection

BBC Worldwide's brand protection team continues (together, where appropriate, with local investigators and enforcement authorities, including customs, trading standards and police) to investigate infringements of the Group's and its partners' intellectual property rights It undertakes takedowns, seizures and prosecutions around the world, to help control the market for pirate audiovisual products, counterfeit goods and other infringements, with an increasing emphasis on online infringements, notably on auction and content-sharing sites BBC Worldwide is a member of various industry and enforcement bodies, including the Anti-counterfeiting Group, Television Against Piracy and Internet Enforcement Group in the UK, ABAC-BAAN in Belgium, and SNBREACT in the Netherlands The team also manages trade-mark protection across the BBC Worldwide brands globally, including the clearance and registration of brands and resolving conflicts with other brands

Respecting the privacy of individuals

BBC Worldwide engages with millions of individuals on a daily basis This will continue to grow as the company creates more direct relationships with consumers The organisation is committed to respecting and protecting the privacy of its customers and audiences as well as that of employees, contributors and talent

BBC Worldwide and its subsidiaries are registered with the Information Commissioner's Office as Data Controllers and are regulated in the UK by the Data Protection Act 1998 and the EU Data Protection Directive As a global organisation with a significant international following, BBC Worldwide also complies with local data protection requirements in the territories in which it operates

BBC Worldwide strives for the best systems in data protection and information security compliance At the heart of this are the eight principles of the Data Protection Act With brands such as Doctor Who and CBeebies, the organisation attracts a youthful audience and BBC Worldwide adopts a strict approach when handling any data provided in relation to minors

Report on Directors' remuneration

This report sets out BBC Worldwide's remuneration policy and details the remuneration receivable by the members of the current Board of Directors in respect of 2010/11 BBC Worldwide has no statutory requirement to prepare a Directors' Remuneration Report Nevertheless, on a voluntary basis the requirements of the UK Companies Act 2006 and Schedule 8 of the Large- and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 have been followed, where relevant, in preparing this report The BBC Worldwide Remuneration Committee ("the Committee") also used as a benchmark the requirements of the Listing Rules

Letter from the Chairman of the Remuneration Committee

BBC Worldwide Limited is a commercial organisation, owned by a public service broadcaster, the BBC Its remit is to exploit BBC intellectual property and other high-quality content around the world in order to deliver strong returns to its shareholder which supplement the licence fee

The Committee believes that a remuneration framework that is effective in rewarding the architects of BBC Worldwide's success has a part to play in securing strong future financial performance, and is in the best interests of both BBC Worldwide and its shareholder This is achieved by providing an overall package that is market competitive, supports the retention of its key staff and incentivises the achievement of stretching growth targets

The principal tenets of BBC Worldwide's remuneration strategy are to

- Adopt a commercial approach to pay, with emphasis on performance-related pay, without leading the market
- Ensure that overall remuneration is affordable and appropriately linked to absolute profit growth
- Balance the public purposes of the BBC with the need to attract and retain key staff in an industry where competition for talent is fierce

During the year the Committee made a number of changes to the company's incentive arrangements to create better alignment between management and shareholder interests and to drive growth in line with the company's five-year strategic plan Full details of the new schemes are provided in the main body of the report and the key changes are summarised as follows

- To incentivise continuing strong performance, we placed an increased emphasis on variable pay, which now accounts for up to 67% of an executive's compensation package (excluding pension)
- In order to retain staff, we introduced a new long-term performance plan, which provides value to participants if the sustained profit and growth targets of the five-year plan are achieved
- To focus on delivering absolute growth in profitability year on year, rather than exceeding a target based on the current year budget, we revised BBC Worldwide's Annual Bonus targets
- To reward the management team for delivery of financial results over and above the annual bonus targets, we extended the Annual Bonus Scheme

The Committee is confident that these changes will support superior performance and are well aligned with BBC Worldwide's strategic objectives and growth in value for our shareholder, the BBC

Robert Webb QC
Remuneration Committee Chairman

Report on Directors' remuneration (continued)

Remuneration Committee

Composition

During the year the BBC Worldwide Remuneration Committee comprised Robert Webb (Chairman) and Zarin Patel, both of whom are Non-executive Directors On 1 April 2011 Charlotte Hogg was appointed to the Committee as a Non-executive Director

Summary terms of reference can be found on page 28 in the Corporate Governance section

Advisors

The Committee obtains advice from various sources in order to ensure it makes informed decisions The Committee's main advisors are

- *Deloitte LLP* *retained on a consultancy basis to advise on changes to both the annual and long-term incentive schemes*
- *Towers Watson* *provided comparative benchmark data on executive remuneration*

At the invitation of the Committee, the Chief Executive, the Chief Financial Officer, the Human Resources Director, the Company Secretary and both the BBC's Director of People and Head of Reward provided assistance to the Committee during the financial year

No individual is responsible for setting his/her own remuneration

Activities in 2010/11

The Committee's activities included

- Determining individual award levels for the BBC Worldwide Executive Committee based on benchmarking of roles and the market
- Setting Annual Bonus targets for 2010/11
- Approving performance against targets for the 2010/11 Annual Bonus and long-term incentive schemes, and the resulting payments to individuals
- Approving the design and implementation of a new long-term Profit Sharing Plan to replace the existing Long-term Incentive Plan
- Oversight of the implications for BBC Worldwide staff of changes to the BBC Pension Plan

Executive Directors

Full details of the composition of the BBC Worldwide Executive Committee are shown on page 22 This report summarises the remuneration of the relevant BBC Worldwide Board members

Changes to the BBC Worldwide Board, Executive members

On 17 June 2010, Neil Chugani tendered his resignation following his decision to join Shine Group It was agreed that it was no longer appropriate that Mr Chugani should continue to fulfil his operational responsibilities and he was placed on a period of garden leave until 31 August 2010

Philip Vincent was appointed acting CFO on 17 June 2010 and was formally appointed to the Board as CFO on 1 December 2010

Full details of both individuals' remuneration during the year are disclosed on page 38

There were no other changes to the Executive Directors of the BBC Worldwide Board

Our reward strategy has been formulated in the context of the following

- BBC Worldwide's status as a commercial entity with no access to public or guaranteed funding of any description
- The need to balance the public purposes of the BBC with a high-performance culture, by incentivising individuals to optimise performance and achieve growth in line with the company's strategic priorities
- The requirement for BBC Worldwide to deliver absolute growth and substantial cash returns to its shareholder, the BBC
- That being a global business we therefore compete globally for the best talent, other competitors are often able to offer incentives not available to BBC Worldwide such as equity-based compensation

Report on Directors' remuneration (continued)

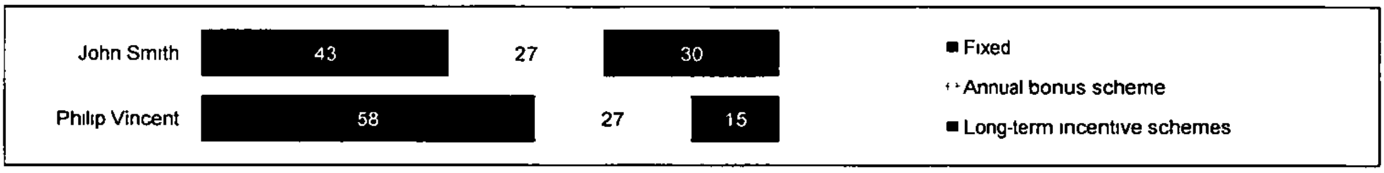
Components of reward

The following table summarises the key fixed and variable components of reward

Element	Objective	Performance period	Performance conditions
Base Salary	Maintain a competitive package at the median of the market for all levels recognising individual contribution and the scope of the role	Not applicable	Reviewed annually taking into account the industry in which BBC Worldwide operates, performance of the executive, individual responsibilities and affordability
Annual Incentives	Reward achievement of short-term strategic goals and profit growth	1 year	Subject to achievement of challenging profit[1] and individual performance targets
Bonus Matching Scheme	Align interest of management with the performance of the company over the longer term	3 years	Participants are invited to defer up to 50% of their annual bonus for three years with a potential matching award of up to 25% of the deferred amount subject to the achievement of a Return on Capital Employed threshold
Profit-sharing Plan	Drive profit performance and returns to BBC Worldwide's shareholder over the long term, whilst promoting the retention of key management	3 years	Provides participants with a share in profits[2] above a set of absolute profit hurdles linked to the five-year strategic plan Annual payments commence after three years of participation in the plan, with balancing payments made at the end of the five-year period

1 *Based on operating profit before specific items*
2 *Based on profit after interest and tax*

The diagram below illustrates the balance between fixed and variable remuneration (excluding pension) for the Executive Directors of the BBC Worldwide Board for the current financial year



The graph above shows the annual bonus scheme as a % of total remuneration before any deferral into the bonus matching scheme

Base salary

In determining base pay the Committee takes into account the base pay of the other organisations with which BBC Worldwide competes for talent, the affordability of executive rewards, individual responsibilities and the performance of the Executive

The Committee reviews salaries annually Any change in base salary is usually effective from 1 July

Annual base salaries of those Executive Directors currently serving on the BBC Worldwide Board from 1 April 2011

- *John Smith* *Chief Executive* *£440,000*
- *Philip Vincent* *Chief Financial Officer* *£250,000*

Annual Incentives

Annual incentives are provided through the BBC Worldwide Annual Bonus Scheme in which all staff participate (other than those on sales schemes) The Chief Executive is eligible to receive a core bonus of up to 55% of base pay and the Chief Financial Officer is eligible for a core bonus of up to 40% of base pay The performance conditions are weighted 25% against individual objectives with 75% determined by the performance of BBC Worldwide against stretching profit targets

Following a review of the company's incentive schemes, the following changes have been made to BBC Worldwide's Annual Bonus Scheme

- Revision of the methodology for setting Annual Bonus targets The scheme now seeks to reward for delivering absolute growth in profitability year on year, rather than exceeding a target based on the current year budget
- Modification of the performance conditions so that for senior employees, 75% of the bonus opportunity is conditional upon the delivery of profit performance of BBC Worldwide and the balance is dependent upon individual performance against pre-determined objectives
- A new element has been added to the scheme to reward senior managers for delivering financial performance beyond the already stretching targets set out in the Annual Bonus Scheme This is self funding and achieved by creating a pool, calculated as a percentage of profits achieved above the annual bonus target 80% of this pool is shared across participating members All senior managers (above a defined grade) are eligible to participate in this element of the scheme The remaining 20% is awarded on a discretionary basis for outstanding performance Both John Smith and Philip Vincent are eligible to participate in this
- Total individual reward under the Annual Bonus Scheme is capped at 100% of salary

The company element of the annual bonus awards to be paid in respect of 2010/11 performance reflects the strong performance of BBC Worldwide during the year, including headline profit growth of 10 3%

Report on Directors' remuneration (continued)

Long-term incentives

Bonus-matching scheme

In previous years up to 2009/10, Executive Directors could voluntarily invest up to 75% of their annual bonus into the now closed Long-term Incentive Plan (LTIP) which would be eligible for a matching award based on the subsequent performance of the company Two awards remain outstanding under this plan the conditional award relating to the period 2007/08 to 2010/11 which will be paid out in June 2011 and the final award, made in 2008/09 which will vest in 2011/12

Although the LTIP has now been replaced, performance of the outstanding deferred bonus awards continues to be determined in accordance with the original LTIP criteria Two measures Profit Growth (75% weighting) and Return on Sales Growth (25% weighting) over a three-year period will be used to rank BBC Worldwide performance relative to a comparator group of at least 15 other international media companies

The comparator group was selected for their mix of business, industry, size and geographical representation In the current year the composition of the Group was updated to ensure it continues to reflect as closely as possible BBC Worldwide's business

The constituent companies of the comparator group		
British Sky Broadcasting Group plc	ITV plc	RTL Group
Cablevision Systems Corporation	Mediaset SpA	Singapore Press Holdings
Comcast Corporation	M6-Metropole Television SA	Special Broadcasting Service Corporation
CKx Inc	News Corporation	The Walt Disney Corporation
Entertainment One Ltd	Pearson plc	UBM plc
Fuji Television Network Inc	ProSiebenSat 1 Media AG	Village Roadshow Ltd
Grupo Televisa	Reliance MediaWorks	Vivendi Group

Matching will be determined on a straight line basis with the top ranking delivering a 100% match and the bottom ranking resulting in the forfeit of 50% of the total amount deferred

From 2009/10 a new scheme has been introduced, under which directors can defer up to 50% of their annual bonus for three years The deferred amount is then eligible for a 25% matching award at the end of three years, subject to a cumulative return on capital employed (ROCE) threshold of 40% over the period having been met

Profit Sharing Plan

During the year the company's Long-term Incentive Plan (LTIP) was replaced with a new Profit Sharing Plan (PSP)

The new plan was introduced to better align reward to BBC Worldwide's long-term strategy, drive profit performance and deliver strong returns to the BBC Participants receive an award of units which entitles them to a share of a profit pool each year over the life of the plan The profit pool is calculated as a percentage of profits achieved above a set of absolute profit hurdles, derived from the company's strategic five-year plan Annual payments commence after three years of participation and equate to 50% of the accumulated pool A balancing payment is then due at the end of the five-year period

Profit after interest and tax is used as the profit basis for the plan as it aligns management's interests with a key measure for the shareholder To enable the scheme to be introduced with immediate effect and to replace the pre-existing LTIP scheme, the new scheme has been backdated to 2008/09 with its first performance payout due in June 2011 for the three-year performance period 2008/09 to 2010/11 Balancing payments are due to be made at the end of the plan Both current Executive Directors waived their outstanding awards from the pre-existing Long-term Incentive Plan to participate in this new scheme

The annual cash PSP payout is capped at 100% of base pay for each participant

Defined benefit schemes

Executive members of the Board are eligible to participate in the BBC Pension Scheme, which provides for pension benefits on a defined benefit basis

For an employee joining the Pension Scheme before 1 November 2006, the accrual rate is 1/60th of the final pensionable salary for each year of service with pensionable salary being base pay, adjusted in line with inflation up to retirement However, with effect from 1 April 2011, all future increases in pensionable salary will be limited to a maximum of 1% per annum, reflecting the recent changes to the BBC Pension scheme For employees in this group the normal pensionable age is 60 Pension contribution rates for these employees were increased from 1 April 2010 to 7 5% (6 75% at 1 April 2009) with a corresponding reduction in employer contributions For an employee who joined on or after 1 November 2006 the accrual rate is 1 67% of their pensionable pay for each year of service, adjusted in line with inflation up to retirement As before, with effect from 1 April 2011 all future increases in pensionable salary will be capped at 1% Participating employees contribute 4% of their pensionable salary to the Pension Scheme For employees in this group the normal pensionable age is 65

Members of existing BBC pension schemes have been given the opportunity to transfer to a new Career Average Benefits scheme (CAB2011) for future pension build up and have their pension built up to date deferred in the scheme This deferred pension would build up broadly in line with inflation Under CAB2011 there is no cap on increases in pensionable salary and employee contributions to the scheme are 6% Transfers must be made in the period between 1 April to 31 December 2011

Report on Directors' remuneration (continued)

Defined benefit schemes (continued)

John Smith and Philip Vincent both have a normal pensionable age of 60 but may continue in employment to age 65 Philip Vincent's pensionable earnings are subject to a maximum cap of £123,600 No maximum annual cap is applied to John Smith who joined the BBC before 31 May 1989 The Pension Scheme provides for early retirement on medical grounds and life assurance of four times pensionable pay up to a prescribed limit

Any participating employee who reaches or exceeds the statutory Lifetime Allowance of £1 80m (2010 £1 75m) may opt out of the Pension Scheme and instead receive a cash supplement

Other benefits

In addition to pension, the other main contractual benefits are a car allowance and private health insurance

Employment contracts

The notice period of Board Directors serving during the year are detailed in the table below These are subject to earlier termination for cause No payments are made to Directors on termination other than as contractually required If termination arises through redundancy, Board Directors are entitled to one month's pay for each year of continuing service, subject to a 24-month cap

	Date of appointment to BBC Worldwide Board	Notice period from Company	Notice period from Director
John Smith	18 March 2005	12 months	12 months
Philip Vincent	1 December 2010	6 months	6 months
Neil Chugani [1]	3 December 2007	12 months	12 months

1 *Neil Chugani resigned from BBC Worldwide on 17 June 2010*

Outside Interests

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

During the year, John Smith served as a Non-executive Director of Burberry plc, for which he received a fee of £65,000 It is recognised that BBC Worldwide's own Non-executive Directors are likely to have other directorships and the restriction regarding paid external directorships applying to Executive Directors does not apply to them

Non-executive directors

The BBC Non-executive Directors, Nicholas Eldred, Zarin Patel and Sharon Baylay (who ceased to be a Director in November 2010) do not receive remuneration from BBC Worldwide for the services provided to BBC Worldwide The other Non-executive Directors receive a fee, determined by the BBC Trust, reflecting the complexity of the role and the time required to execute the role effectively The fee levels are set with reference to rates paid by other UK corporations, but at a level such that the Non-executive Directors would not be financially dependent on BBC Worldwide Details are provided on page 60 The fee levels are reviewed annually on 1 September, the next review being effective from 1 September 2011

Robert Webb receives a fee of £76,500 for his role as Chairman of the Board of BBC Worldwide This is in addition to fees received from the BBC and from BBC Commercial Holdings in respect of his Non-executive positions on their respective boards Further details are available in the BBC Annual Report and Accounts 2010/11

Tim Weller and Charlotte Hogg, who were appointed as Non-executive Directors on 26 April 2010 and 24 September 2010 respectively, each holds a two-year fixed-term contract

Simon Clift, Sharon Baylay and Thomas Geitner ceased to be Directors on 31 October 2010, 26 November 2010 and 31 December 2010 respectively

Non-executive Directors must maintain a register of all external interests that might be seen to affect their ability to perform their independent duties This register includes declarations of all positions of employment, directorships and voluntary positions as well as interests of close family members if relevant and is approved by the BBC Worldwide Board at least annually

Current fees of Non-executive Directors to whom a fee is payable from 1 April 2011

- *Robert Webb* *£76,500*
- *Charlotte Hogg* *£35,700*
- *Tim Weller* *£40,800*

Report on Directors' remuneration (continued)

Remuneration earned in the year ended 31 March 2011

£'000	Fee/base pay	Annual bonus	PSP	Matching scheme for bonuses deferred from prior years [2]	Taxable benefits	Pension allowance [4]	Total 2011	Total 2010
Executive Directors								
John Smith [1,2,6]	440	138	172	134	14	-	898	823
Philip Vincent [5,6]	83	38	22	-	3	-	146	-
Neil Chugani [3,4,6]	130	-	-	-	4	16	150	521
	653	**176**	**194**	**134**	**21**	**16**	**1,194**	**1,344**
Non-executive Directors								
Sharon Baylay [7,8]	-	-	-	-	-	-	-	-
Simon Clift [9]	21	-	-	-	-	-	21	35
Nicholas Eldred [7]	-	-	-	-	-	-	-	-
Thomas Geitner [10]	27	-	-	-	-	-	27	35
Charlotte Hogg [11]	18	-	-	-	-	-	18	-
Zarin Patel [7]	-	-	-	-	-	-	-	-
Robert Webb	77	-	-	-	-	-	77	45
Tim Weller [12]	38	-	-	-	-	-	38	-
	181	**-**	**-**	**-**	**-**	**-**	**181**	**115**
Total	**834**	**176**	**194**	**134**	**21**	**16**	**1,375**	**1,459**

1 *In addition to his annual bonus, the Chief Executive committed £138,000 or 50% of his annual bonus into the new Deferred Bonus Plan which will vest in March 2014 Annual bonus is stated net of any deferral into the matching scheme*

2 *The Matching payment shown relates to £88,000 of annual bonus which was invested into the plan in March 2008 and was matched at 52% in view of the company's performance over the 2008-2011 period*

3 *Neil Chugani resigned as a Director on 17 June 2010 following his decision to join Shine Group It was agreed with immediate effect that it was no longer appropriate Mr Chugani should continue to fulfil his operational responsibilities and he was placed on a period of garden leave until 31 August 2010 The disclosure reflects his remuneration up to the 31 August 2010*

4 *In the context of Pension contributions Neil Chugani's earnings are subject to a maximum annual limit of £123,600 per annum (£123,600 for 2009/10) and in accordance with his contractual terms he was entitled to a cash supplement of 20% of base pay above the annual limit*

5 *Philip Vincent was appointed acting CFO on 17 June 2010 and was formally appointed to the Board as CFO on 1 December 2010 His remuneration detailed in the table above reflects his remuneration for the period since his appointment to the Board on a pro-rata basis*

6 *The BBC introduced a salary sacrifice arrangement on 1 June 2008 for Old and New Benefits members who joined the Pension Scheme before 1 November 2006 This arrangement is also applicable to all Career Average Benefit members Those Directors indicated in the table above participated in the arrangement From that date, the terms and conditions of employment were changed for those employees opting for the salary sacrifice arrangement and as a result employee pension contributions made via the salary sacrifice have been treated as employer contributions, with a corresponding reduction in salary Base salaries for Executive Directors have not been adjusted to reflect the impact of the salary sacrifice The total salary sacrifice by Executive Directors was £38,150 (2010 £33,000)*

7 *The BBC Non-executive Directors, Nicholas Eldred, Zarin Patel and Sharon Baylay, do not receive remuneration from BBC Worldwide for the services provided to BBC Worldwide*

8 *Ceased to be a Director on 26 November 2010*

9 *Ceased to be a Director on 31 October 2010*

10 *Ceased to be a Director on 31 December 2010*

11 *Appointed on 24 September 2010*

12 *Appointed on 26 April 2010*

Report on Directors' remuneration (continued)

Deferred bonus potential vesting of outstanding schemes

The potential vesting in 2012, 2013 and 2014 for Executive Directors

Participant	End of performance period	Bonus invested £ 000	Potential invested bonus matching award (maximum) £ 000	Total potential payment (maximum) £'000
		a	b	a+b
John Smith	March 2012	69	69	138
John Smith	March 2013	141	35	176
John Smith	March 2014	138	35	173

Pension entitlements

		Annual values		Transfer values [1]		
Executive Directors	Age as at 31 March 2011	Total accrued pension at 31 March 2011 £ 000	Increase in accrued pension over year £'000	Transfer value of accrued pension at 31 March 2011 £ 000	Transfer value of accrued pension at 31 March 2010 £'000	Increase in transfer value less directors contributions £ 000
John Smith	53	201	18	3,319	3,250	69
Philip Vincent [3]	41	25	2	234	189	45
Neil Chugani [2]	42	5	1	36	26	10

1 *The transfer value of accrued pension benefits represents the estimated cost to the Pension Scheme of providing the pension benefits accrued to date The value is affected by many factors including age, pensionable salary, pensionable service and investment market conditions at the date of calculation (in accordance with regulations 7 to 7E of the Occupational Pension Schemes Transfer Values Regulations 1996) It is not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration The effect of the investment market conditions on the transfer value varies according to the member's age – for older members the calculation reflects the yields on index-linked gilts, whilst for younger members the dividend yield on the FTSE All-Share Index is the more significant determinant*

2 *Neil Chugani resigned as a Director on 17 June 2010 and left the scheme on 31 August 2010 The figures have been calculated at 31 March 2011 and include Scheme service up to the leaving date of 31 August 2010 The normal retirement age for Neil Chugani is 65 as he joined the Pension Scheme after 1 November 2006*

3 *Philip Vincent was appointed as a Director on 1 December 2010, although he joined the Scheme on 14 December 1998 The figures shown include the period before he was appointed as a Director*

This report was approved by the Board of Directors on 10 June 2011 and signed on its behalf by

Robert Webb QC
Remuneration Committee Chairman

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period

In preparing the Company financial statements, the Directors are required to

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

In preparing the Group financial statements, IAS 1 and the Companies Act require that Directors

- properly select and apply accounting policies,
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

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

Independent Auditors' report to the members of BBC Worldwide Limited

We have audited the financial statements of BBC Worldwide Limited for the year ended 31 March 2011 set out on pages 42 to 94 The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended,
- the consolidated financial statements of the Group have been properly prepared in accordance with IFRSs as adopted by the EU,
- the Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Paul Korolkiewicz (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL

10 June 2011

Consolidated income statement
for the year ended 31 March 2011

	Note	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Gross revenue including joint ventures	2	**1,029 8**	**127 9**	**1,157 7**	**944 9**	**129 3**	**1,074 2**
Less Share of revenue of joint ventures		(146 1)	(4 5)	(150 6)	(174 7)	(11 2)	(185 9)
Revenue		**883 7**	**123 4**	**1,007 1**	**770 2**	**118 1**	**888 3**
Total operating costs	3	(812 5)	(110 0)	(922 5)	(703 2)	(104 0)	(807 2)
Share of results of joint ventures and associates		27 5	0 1	27 6	39 5	0 6	40 1
Operating profit		**98 7**	**13 5**	**112 2**	**106 5**	**14 7**	**121 2**
Analysed as							
Operating profit before specific items	2	143 5	16 7	160 2	130 4	14 8	145 2
Impairment of goodwill	12	(33 8)	-	(33 8)	(17 5)	-	(17 5)
Share of interest and tax of joint ventures and associates	4	(10 5)	0 1	(10 4)	(9 4)	(0 1)	(9 5)
Other specific items	4	(0 5)	(3 3)	(3 8)	3 0	-	3 0
		98 7	**13 5**	**112 2**	**106 5**	**14 7**	**121 2**
Gain on disposal of Animal Planet	29	96 4	-	96 4	-	-	-
Other gains and losses	8	1 6	-	1 6	15 6	-	15 6
Finance income	9	0 5	0 2	0 7	0 1	-	0 1
Finance expense	9	(9 2)	(0 5)	(9 7)	(10 3)	(0 2)	(10 5)
Profit before tax	**5**	**188 0**	**13 2**	**201 2**	**111 9**	**14 5**	**126 4**
Tax charge for the year	10	(30 0)	(4 2)	(34 2)	(30 3)	(3 9)	(34 2)
Profit for the year		**158 0**	**9 0**	**167 0**	**81 6**	**10 6**	**92 2**
Attributable to							
Equity shareholders of the parent company				161 7			87 9
Non-controlling interests				5 3			4 3
Profit for the year				**167 0**			**92 2**

Consolidated statement of comprehensive income
for the year ended 31 March 2011

	2011 £m	2010 £m
Profit for the year	167 0	92 2
Other comprehensive income		
Recognition and transfer of cash flow hedges	0 1	1 0
Tax on cash flow hedges taken directly to other comprehensive income	-	(0 3)
Exchange differences on translation of foreign operations	(5 1)	4 3
Other comprehensive income for the year	**(5 0)**	**5 0**
Total comprehensive income for the year	**162 0**	**97 2**
Attributable to		
Equity shareholders of the parent company	156 7	91 8
Non-controlling interests	5 3	5 4
Total comprehensive income for the year	**162 0**	**97 2**

Consolidated balance sheet
As at 31 March 2011

	Note	2011 £m	2010 £m
Non-current assets			
Goodwill	12	69 7	102 8
Distribution rights	13	132 1	106 2
Other intangible assets	14	45 5	45 3
Property, plant and equipment	15	28 4	26 9
Investments in joint ventures and associates	16	34 0	55 5
Deferred tax assets	10	22 9	16 3
Trade and other receivables	18	2 5	6 7
Derivative financial assets	23	1 0	0 3
		336 1	**360 0**
Current assets			
Programme rights and other inventories	17	75 4	72 6
Trade and other receivables	18	285 8	219 7
Derivative financial assets	23	3 5	2 6
Cash and cash equivalents		63 1	23 3
Assets classified as held for sale	20	44 4	30 0
		472 2	**348 2**
Total assets		**808 3**	**708 2**
Current liabilities			
Interest bearing loans and borrowings	22	20 1	-
Trade and other payables	19	363 4	360 0
Current tax liabilities		8 7	8 4
Provisions	21	7 2	0 9
Derivative financial liabilities	23	5 0	5 1
Liabilities relating to assets classified as held for sale	20	36 5	12 4
		440 9	**386 8**
Non-current liabilities			
Interest bearing loans and borrowings	22	95 3	134 2
Trade and other payables	19	9 9	5 8
Provisions	21	11 4	14 9
Derivative financial liabilities	23	4 2	8 2
Deferred tax liabilities	10	15 3	2 6
		136 1	**165 7**
Total liabilities		**577 0**	**552 5**
Net assets		**231 3**	**155 7**
Equity			
Share capital	24	0 2	0 2
Hedging reserve	25	0 8	0 5
Translation reserve	26	33 0	36 8
Retained earnings	27	190 8	138 9
Other reserves	28	-	(36 3)
Equity attributable to owners of the parent company		**224 8**	**140 1**
Non-controlling interests		6 5	15 6
Total equity		**231 3**	**155 7**

These consolidated financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors on 10 June 2011 and were signed on its behalf by

John Smith
Chief Executive Officer

Philip Vincent
Chief Financial Officer

Consolidated cash flow statement
for the year ended 31 March 2011

	Note	2011 £m	2010 £m
Cash flows from operating activities			
Cash generated from operations	30	194 1	207 9
Tax paid		(32 8)	(32 8)
		161 3	**175 1**
Cash flows from investing activities			
Interest received		0 7	-
Dividends received from joint ventures and associates	16	43 8	10 7
Purchases of distribution rights	13	(101 0)	(83 4)
Purchases of other intangible assets	14	(11 1)	(5 7)
Purchases of property, plant and equipment	15	(10 6)	(6 5)
Acquisition of non-controlling interests	36	(41 7)	-
Acquisition of subsidiary		-	20 0
Disposal of subsidiary	29	9 5	-
Acquisition of investments in joint ventures and associates	16	(1 6)	(0 7)
Net funding of joint ventures and associates	16	2 2	1 3
Disposal of investments in joint ventures and associates	29	97 9	-
		(11 9)	**(64 3)**
Cash flows from financing activities			
Interest paid		(7 0)	(9 1)
Repayment of loans and borrowings		(23 8)	(89 7)
Capital element of finance lease payments		-	(1 5)
Equity dividends paid		(83 4)	(32 1)
Dividends paid to non-controlling interests		(3 0)	(0 8)
		(117 2)	**(133 2)**
Net increase/(decrease) in cash and cash equivalents		**32 2**	**(22 4)**
Cash and cash equivalents at the beginning of the year		31 6	55 9
Effect of foreign exchange rate changes		(0 7)	(1 9)
Cash and cash equivalents at end of the year		**63 1**	**31 6**
Amount included within assets held for sale		-	(8 3)
Cash and cash equivalents per balance sheet		**63 1**	**23 3**

Consolidated statement of changes in equity
for the year ended 31 March 2011

	Attributable to equity holders of the parent company							
	Share capital £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Other reserve £m	Total £m	Non controlling interests £m	Total equity £m
Balance at 1 April 2009	**0 2**	**82 6**	**25 5**	**-**	**(32 3)**	**76 0**	**11 0**	**87 0**
Profit for the year	-	87 9	-	-	-	87 9	4 3	92 2
Recognition and transfer of cash flow hedges	-	-	-	0 7	-	0 7	0 3	1 0
Tax on items taken directly to equity	-	-	-	(0 2)	-	(0 2)	(0 1)	(0 3)
Exchange differences on translation of foreign operations	-	-	3 4	-	-	3 4	0 9	4 3
Total comprehensive income for the year	**-**	**87 9**	**3 4**	**0 5**	**-**	**91 8**	**5 4**	**97 2**
Adjustment on acquisition of 2 entertain	-	0 5	-	-	-	0 5	-	0 5
Dividends paid	-	(32 1)	-	-	-	(32 1)	(0 8)	(32 9)
Re-issue of put option over non-controlling interests	-	-	-	-	3 9	3 9	-	3 9
Transfer of foreign exchange movement on put option	-	-	7 9	-	(7 9)	-	-	-
Balance at 31 March 2010	**0 2**	**138 9**	**36 8**	**0 5**	**(36 3)**	**140 1**	**15 6**	**155 7**
Profit for the year	-	161 7	-	-	-	161 7	5 3	167 0
Recognition and transfer of cash flow hedges	-	-	-	-	-	-	0 1	0 1
Tax on items taken directly to equity	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	(5 0)	-	-	(5 0)	(0 1)	(5 1)
Total comprehensive income for the year	**-**	**161 7**	**(5 0)**	**-**	**-**	**156 7**	**5 3**	**162 0**
Dividends paid	-	(83 4)	-	-	-	(83 4)	(3 0)	(86 4)
Transfer of foreign exchange movement on put option	-	-	1 2	-	(1 2)	-	-	-
Exercise of put option over non-controlling interests	-	(26 4)	-	0 3	37 5	11 4	(11 4)	-
Balance at 31 March 2011	**0 2**	**190 8**	**33 0**	**0 8**	**-**	**224 8**	**6 5**	**231 3**

Notes to the consolidated financial statements

1. Principal accounting policies

BBC Worldwide Limited (the "Company") is a company domiciled in the United Kingdom The consolidated financial statements of the Company for the year ended 31 March 2011 comprise the Company and its subsidiary undertakings (together the "Group") and the Group's interest in joint ventures and associated undertakings

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates Foreign operations are included in accordance with the policies set out below

(a) Basis of preparation

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

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

(b) Going concern

The Board remains satisfied with the Group's funding and liquidity position The disclosures on page 23 in the Directors' Report in respect of going concern form part of the audited accounts

As at 31 March 2011, the main sources of debt funding were unsecured loan and investment facilities with BBC Commercial Holdings Limited (BBCCH) expiring in April 2012 and June 2012, and an unsecured loan with the European Investment Bank, due to part-terminate in December 2011 and the remainder in May 2012 Further information in respect of these facilities is included in note 22

As described in note 39, the Group renegotiated its main loan facility subsequent to the balance sheet date The group's new facility is due to expire in September 2012, subject to BBCCH securing ongoing external funding Based on ongoing discussions between BBCCH and potential lenders, the Directors are confident that BBCCH will be able to procure such facilities

On the basis of its forecasts, both base case and adjusted, and having regard to available and anticipated financing facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate Further information in respect of liquidity risk is included in note 36

(c) Basis of consolidation

i Subsidiaries

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

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

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

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

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

Notes to the consolidated financial statements (continued)

1 Principal accounting policies (continued)

(c) Basis of consolidation (continued)

ii Joint ventures and associates

A joint venture is an entity over which the Group exercises joint control, established through a contractual arrangement An associate is an entity where the Group is in a position to exercise significant influence over, but not to control, the entity's financial and operating policies

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

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

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

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

The Group consolidates results from investments in joint ventures and associates using results as of 31 March with the exception of Children's Character Books Limited, Woodlands Books Limited, BBC Haymarket Exhibitions Limited and JV Programmes LLC which have been included using information from unaudited accounts drawn up to 31 December The results of certain other ventures jointly controlled by the Group and Discovery Communications LLC, which were disposed of during the year, were previously also included up to 31 December Since these investments were classified as held for sale for the duration of the current year up to the date of disposal, no share of results has been included in respect of these investments (see note 29)

(d) Adoption of new and revised standards

In the current year, the following revised Standards have been adopted and have been applied to business combinations since April 2010

- IFRS 3 (2008) *Business Combinations*
- IAS 27 (2008) *Consolidated and Separate Financial Statements*
- IAS 28 (2008) *Investments in Associates*

These revised standards have introduced a number of changes in the accounting for business combinations and have introduced additional disclosure requirements for acquisitions Further information can be found in the business combinations policy note, below

At the beginning of the current period, the Group adopted the following accounting pronouncements, none of which had a significant impact on its results or financial position

- IFRS 2 (2009) *Share-based Payment*
- IAS 31 (2008) *Interests in Joint Ventures*
- IAS 32 (2009) *Financial Instruments Presentation*
- IAS 39 (2009) *Financial Instruments Recognition and Measurement*
- IFRIC 17 *Distribution of Non-Cash Assets to Owners*
- IFRIC 18 *Transfers of Assets From Customers*

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective

- IFRS 1 (2010) *First-time Adoption of IFRSs**
- IFRS 7 (2010) *Financial Instruments Disclosures**
- IFRS 9 (2009) *Financial Instruments Classification and Measurement**
- IAS 12 (2010) *Income Taxes**
- IAS 24 (2009) *Related Party Disclosures*
- IFRIC 14 (2009) *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The adoption of IFRS 9, which the Group plans to adopt for the year beginning on 1 April 2013, will impact both the measurement and disclosures of Financial Instruments

The Directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods

* Standards marked with an asterisk have not yet been endorsed by the EU

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(e) Non-statutory financial performance measures

The Group believes that 'Gross revenue including joint ventures' and 'Operating profit before specific items' are additional non-statutory measures of financial performance that provide additional guidance to help understand the performance of the business on a comparable basis year on year

The Group's income statement separately identifies significant items affecting operating profit (termed "specific items") which in the Directors' judgement are highlighted by virtue of their size or incidence to enable a full understanding of the Group's financial performance

Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies Items which have been highlighted for consideration include the impairment of goodwill, the Group's share of the interest and tax of joint ventures and associates and other non-recurring items which are considered important in understanding the results of the Group

(f) Business combinations

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

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

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

The acquired entity's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) *Business Combinations* are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively

(g) Non-current assets held for sale

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

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

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

(h) Goodwill

Goodwill arising on acquisition (except those prior to 1 April 2007) is recognised as an asset at the date that control is acquired (the 'acquisition date') Goodwill is measured as the excess sum of the consideration paid, the fair value of the Group's pre-acquisition interest in the acquiree (if any) and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed

For acquisitions which occurred prior to 1 April 2007, goodwill is measured at deemed cost less any impairment write-downs Deemed cost is the amount previously recognised under UK accounting standards prior to transition to IFRS

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

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

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

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes Sales of promotional merchandise and publishing are stated after deduction of the sales value of actual and estimated returned goods

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

- Licence fees from international television programme sales - recognised at the later of the start of the licence period or the delivery of the programme rights
- Licence and production fees from content and production - recognised on delivery of the related programme or on provision of service
- Distribution and other sales commission income - recognised on provision or delivery of service
- Advertising revenue - on transmission of the advertisement
- Subscription fees - recognised over the period of the subscription
- Income from publishing sales and the sale of promotional merchandise - recognised at time of delivery or on provision of service

(j) Foreign currencies

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

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

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

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

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

(k) Retirement benefit costs

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

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

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

(l) Other employee benefits

The Group operates a number of incentive schemes, including a long term incentive scheme whereby senior executives receive a proportion of their remuneration in the form of a share of the Group's profits, which vests over a number of years Where settlement of such amounts is contingent on continued service to the Group, the cost of the arrangement is expensed on a straight-line basis over the service period Where no service conditions exist, the cost of the scheme is incurred over the period in which it is earned

Notes to the consolidated financial statements (continued)

1 Principal accounting policies (continued)

(m) Taxation

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

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

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

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

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

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

(n) Distribution rights

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

Amortisation of distribution rights is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life The expected lives of distribution rights range from 1 to 10 years

(o) Other intangible assets

i Acquired intangibles

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

ii Internally-generated intangible assets development expenditure

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

iii Amortisation

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

• Mastheads	20 years
• Carrier agreements	Unexpired term of agreement
• Software	5 years
• Other	3-8 years

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

Notes to the consolidated financial statements (continued)

1 Principal accounting policies (continued)

(p) Property, plant and equipment (PPE)

Owned PPE is stated at cost less accumulated depreciation and any accumulated impairment losses, other than those items that are classified as held for sale

Freehold land is not depreciated Depreciation is charged on other PPE so as to write off the cost of assets to their residual value, over their expected useful lives using the straight-line method When an item of PPE comprises major components having different useful economic lives the components are accounted for as separate items of PPE Depreciation commences from the date when the asset is available for use

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

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

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

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

(q) Impairment of tangible and intangible assets excluding goodwill

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

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

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

(r) Programme rights and other inventories

Programme rights in this context refers to programme rights acquired for the primary purpose of broadcasting through the Group's Channels business The carrying amount is stated at cost less accumulated amortisation and provision for impairment The Group's estimate of the benefits received from these rights is determined to be most appropriately aligned with a straight-line amortisation profile for the majority of the programme inventory held The cost is recognised in the income statement on a straight-line basis over the shorter of the period of the licence or three years (the expected operating cycle for an item of this nature) In certain instances amortisation is recognised on a reducing balance basis, where this more appropriately aligns the amortisation profile with the expected consumption of economic benefits

Other inventories comprising books, DVDs paper stock, raw materials and work in progress are stated at the lower of cost and net realisable value

Notes to the consolidated financial statements (continued)

1 Principal accounting policies (continued)

(s) Financial instruments

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

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

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

i Classification and Measurement

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

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

ii Effective interest method

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

iii Impairment of financial assets

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

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

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

iv Derivative financial instruments

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

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

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

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(s) Financial instruments (continued)

v Embedded Derivatives

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

vi Hedge accounting

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

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

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

(t) Provisions

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

(u) Leases

Leases are classified as finance leases whenever the terms of the lease are such that the lessee assumes substantially all the risks and rewards of ownership All other leases are classified as operating leases

Assets held under finance leases are capitalised and depreciation is charged accordingly Such assets are initially recognised at their fair value or, if lower, at the present value of the minimum lease payments at inception of the lease The corresponding liability to the lessor is recorded as a finance lease obligation Lease payments are apportioned between finance charges and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability

Lease income or expense arising from operating leases is recorded in the income statement on a straight line basis over the term of the lease, with any associated lease incentives being recorded on a straight line basis over the lease term as a reduction in the rental income or expense

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(v) Critical accounting estimates and key judgements

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

i Basis of consolidation

Judgement is required in determining whether certain entities in which the Group has an economic interest should be considered to be subsidiaries or joint ventures In such circumstances, the Group has assessed its ability to control or influence those entities Control has been assessed with reference to the ability of the Group to direct, unilaterally, key policies of the entity Where such policies are reserved such that an economic partner has the power to veto key strategic financial and operating decisions, the entity is considered to be a joint venture

ii Carrying value of goodwill

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

iii Revenue recognition

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

iv Distribution rights and programme rights

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

v Fair value of financial instruments

Certain financial instruments are carried on the balance sheet at fair value, with changes in fair value reflected in the income statement Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques Further information about fair value measurements is provided in note 36

vi Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income Further information about unrecognised deferred tax assets is provided in note 10

Notes to the consolidated financial statements (continued)

2 Segment information

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

The Board considers the business primarily from a product and service line perspective Management has determined the reportable segments based upon reports reviewed by the Board All segments reported meet the quantitative thresholds required by IFRS 8 The reportable segments are

• Channels	Operates UK and international television channels broadcasting programmes made by both the BBC and other independent providers
• Content and Production	Develops and sells programme formats and manages the Group's rights acquisitions
• Digital Entertainment	Operates the BBC com website and develops interactive computer games Is also developing an international BBC-branded video on demand service
• Brands, Consumers & New Ventures	Provides central management of the Group's international brands, including Lonely Planet, and also operates the Group's key branded websites and live events
• Sales & Distribution	Manages the sale and syndication of the Group's content across television, video on demand and international DVD
• Consumer Products	Creates and distributes consumer products, including DVDs, music and books
• Magazines	Publishes the Radio Times and other Specialist and Lifestyle magazines based upon BBC content

Sales between segments are carried out at arm's length The revenue from external parties reported to the Board is measured in a manner consistent with the income statement The Board also assesses the performance of the reportable segments based upon a measure of results consistent with operating profit before specific items, as defined in note 1 This measurement basis excludes the effect of specific items as set out in note 4, which are separately disclosed by virtue of their size or incidence to reflect more accurately how the business is managed and measured on a day-to-day basis Net financing costs are not allocated to segments as they are driven by the central treasury function of the Group

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

The segment information for the reportable segments provided to the Board for the years ended 31 March 2011 and 31 March 2010 is as follows Where appropriate, comparative information has been re-presented to reflect changes in segment composition since the previous reporting date

2011	Channels £m	Content & Production £m	Digital Entertainment £m	Brands Consumers & New Ventures £m	Sales & Distribution £m	Consumer Products £m	Magazines £m	Total £m
Segment revenue	**312 0**	**102 8**	**27 1**	86 1	260 6	236 6	**164 5**	1,189 7
Intersegmental trading	-	-	-	(0 1)	(30 1)	(1 8)	-	(32 0)
Revenue including joint ventures	**312 0**	**102 8**	**27 1**	86 0	230 5	234 8	**164 5**	1,157 7
Share of revenue of joint ventures	(117 0)	(3 6)	-	(8 5)	(6 0)	(2 4)	(13 1)	(150 6)
Revenue from external customers	**195 0**	**99 2**	**27 1**	77 5	224 5	232 4	151 4	1,007 1
Revenue from discontinued operations	-	-	-	-	-	-	(123 4)	(123 4)
Reported revenue	**195 0**	**99 2**	**27 1**	77 5	224 5	232 4	28 0	883 7
Segment result	**40 1**	**7 9**	**(6 8)**	**(10 3)**	64 0	48 9	21 6	165 4
Intersegmental trading	-	-	-	-	(5 2)	-	-	(5 2)
Operating profit before specific items	**40 1**	**7 9**	**(6 8)**	**(10 3)**	58 8	48 9	21 6	160 2

2010	Channels £m	Content & Production £m	Digital Entertainment £m	Brands, Consumers & New Ventures £m	Sales & Distribution £m	Consumer Products £m	Magazines £m	Total £m
Segment revenue	**262 6**	**94 2**	**14 5**	82 8	249 6	233 1	165 1	1,101 9
Intersegmental trading	-	-	-	(0 3)	(26 4)	(1 0)	-	(27 7)
Revenue including joint ventures	**262 6**	**94 2**	**14 5**	82 5	223 2	232 1	165 1	1,074 2
Share of revenue of joint ventures	(105 0)	(3 3)	-	(9 1)	(19 8)	(29 6)	(19 1)	(185 9)
Revenue from external customers	**157 6**	**90 9**	**14 5**	73 4	203 4	202 5	146 0	888 3
Revenue from discontinued operations	-	-	-	-	-	-	(118 1)	(118 1)
Reported revenue	**157 6**	**90 9**	**14 5**	73 4	203 4	202 5	27 9	770 2
Segment result	**39 2**	**17 6**	**(17 0)**	**(9 0)**	57 9	43 0	19 8	151 5
Intersegmental trading	-	-	-	-	(6 3)	-	-	(6 3)
Operating profit before specific items	**39 2**	**17 6**	**(17 0)**	**(9 0)**	51 6	43 0	19 8	145 2

Included within the result of the Magazines reportable segment is £16 7m relating to discontinued operations (2010 £14 8m)

Notes to the consolidated financial statements (continued)

2 Segment information (continued)

The Group's revenue by destination was as follows

	Gross revenue 2011 £m	Share of JV revenue 2011 £m	Reported revenue 2011 £m	Gross revenue 2010 £m	Share of JV revenue 2010 £m	Reported revenue 2010 £m
United Kingdom	514 8	125 6	389 2	487 4	136 3	351 1
United States of America	273 1	8 5	264 6	259 1	27 4	231 7
Australia	85 0	8 9	76 1	75 0	8 8	66 2
Rest of World	284 8	7 6	277 2	252 7	13 4	239 3
	1,157 7	**150 6**	**1,007 1**	**1,074 2**	**185 9**	**888 3**

The Group's non-current assets, other than financial instruments and deferred tax assets located in the UK are £196 3m (2010 £167 5m) and located outside of the UK are £115 9m (2010 £175 9m)

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

3 Total operating costs

Operating costs comprise the following categories of expense

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Cost of sales	505 5	71 1	576 6	436 4	67 6	504 0
Distribution costs	111 4	25 1	136 5	98 4	24 9	123 3
Administration costs	195 6	13 8	209 4	168 3	11 5	179 8
Total operating costs	**812 5**	**110 0**	**922.5**	**703 2**	**104 0**	**807 2**

4 Specific items

Impairment of goodwill

The Group has separately identified amounts written off acquired goodwill owing to their scale and one-off nature Further information about amounts written off goodwill is included in note 12

Share of interest and tax of joint ventures and associates

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

Other specific items

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Share of change in fair value of derivatives of joint ventures	-	-	-	1 0	-	1 0
(Impairment) / reversal of impairment of joint ventures	-	(2 0)	(2 0)	2 0	-	2 0
Reorganisation costs	(0 5)	(1 3)	(1 8)	-	-	-
	(0 5)	**(3 3)**	**(3 8)**	**3 0**	**-**	**3 0**

As described above, IFRS requires the results of joint ventures and associates to be presented on a net basis, i e after tax and interest The Group includes changes in the fair value of derivative financial instruments within 'other gains and losses' below operating profit Fair value gains and losses included within the results of joint ventures and associates are therefore regarded as a specific item in order to align the operating profits of equity-accounted investees with those of the Group

Notes to the consolidated financial statements (continued)

4. Specific items (continued)

In July 2009, the Group reversed impairment charges totalling £2 0m in respect of its joint venture, UK VOD LLP In the year to March 2011, the Group has impaired its investment in Worldwide Media Limited, following a revised assessment of recoverable amount Further information about these joint ventures is provided in note 16

Reorganisation costs relate to other one-off costs including transaction fees and costs relating to the Group's search for a partner for its Magazines business and costs relating to reorganisation of the Group's Lonely Planet business

5. Profit before tax

Profit before tax is stated after charging/(crediting)

	2011 £m	2010 £m
Rentals on operating leases and similar arrangements	14 9	14 6
Sub-lease rentals received on operating leases	(0 3)	-
Net foreign exchange gains	(3 5)	(2 3)
Research and development costs	2 4	3 0
Depreciation on property, plant and equipment	9 0	10 2
Impairment of goodwill	33 8	17 5
Amortisation of intangible assets		
Distribution rights	74 0	72 5
Internally generated software assets	8 0	6 8
Other intangible assets	4 2	2 9
Programme rights and other inventories		
Cost recognised as an expense	115 2	107 8
Write downs recognised as an expense	6 1	1 2
Employee costs (see note 7)	195 0	175 3
Impairment loss recognised on trade receivables	1 5	2 1
Reversal of impairment losses recognised on trade receivables (see note 18)	(1 3)	(3 8)

Amortisation of distribution rights is recorded within cost of sales Amortisation of other intangible assets, including internally generated software assets, is recorded within administration costs

6 Auditors' remuneration

	2011 £m	2010 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0 2	0 2
Fees payable to the Company's auditors and their associates for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	0 4	0 4
Total audit fees	**0 6**	**0 6**
Tax services	0 3	0 1
Corporate finance services	0 5	0 3
Other services	0 3	-
Total non-audit fees	**1 1**	**0 4**

Notes to the consolidated financial statements (continued)

7. Employee costs

The average number of employees during the year was as follows

	2011 Number	2010 Number
Channels	577	492
Content & Production	105	111
Digital Entertainment	92	92
Brands, Consumers & New Ventures	592	548
Sales & Distribution	390	393
Consumer Products	359	355
Magazines	574	607
	2,689	**2,598**

Within the averages above, 211 (2010 204) part-time employees have been included at their full-time equivalent of 141 (2010 134) In addition to the above, the Group employed an average full-time equivalent of 47 (2010 54) persons on a casual basis

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

	2011 £m	2010 £m
Salaries and wages	167 8	150 2
Social security costs	10 5	9 8
Other pension costs	16 7	15 3
	195 0	**175 3**

In addition to the above, redundancy costs and compensation for loss of office payments totalling £2 3m (2010 £6 7m) were incurred in the year

The remuneration of the Directors during the year was as follows

	2011 £ 000	2010 £ 000
Emoluments	1,181	2,784
Compensation for loss of office	-	128
Long-term incentive schemes	194	363
	1,375	**3,275**

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

	2011 Number of Directors	2010 Number of Directors
Defined benefit schemes	3	10
Money purchase schemes	-	2

Further details of Directors' remuneration are provided in the Remuneration Report on pages 33 to 39 Further information regarding the compensation earned by key management can be found in note 37

The Group made no contributions (2010 £nil) to money purchase schemes for its Directors during the year

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

	2011 £ 000	2010 £ 000
Emoluments	726	575
Long-term incentive schemes	172	248
	898	**823**

The emoluments above include £134,000 (2010 £nil) which vested under the Group's bonus matching scheme In addition to the emoluments above, the highest paid director invested £138,000 (2010 £141,000) in the Group's matching scheme which may vest in March 2014 (2010 March 2013)

The accrued pension benefit as at 31 March 2011 of the highest paid Director under the Group's defined benefit scheme was £201,000 (2010 £183,000) per annum The Group contributed £nil (2010 £nil) to money purchase schemes on behalf of the highest paid Director during the year

Notes to the consolidated financial statements (continued)

8 Other gains and losses

	2011 £m	2010 £m
Change in fair value of derivative financial instruments	5 6	19 1
Change in fair value of put options over non-controlling interests (note 36)	(4 0)	(3 5)
	1 6	**15 6**

Changes in the fair values of derivative financial instruments used in managing foreign exchange risk were previously presented as a specific item within operating profit Likewise, changes in the fair values of derivatives used in managing interest rate risk and changes in the fair value of put options over non-controlling interests were previously included within finance income or expense

The Directors consider it more appropriate to present these changes in fair value within other gains and losses outside operating profit Comparative results have also been restated on the same basis

9 Net financing costs

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Other interest receivable	0 5	0 2	0 7	0 1	-	0 1
Finance income	**0 5**	**0 2**	**0 7**	**0 1**	**-**	**0 1**
Interest payable on loan from parent undertaking	3 3	-	3 3	6 0	-	6 0
Interest payable on bank loans	0 4	-	0 4	0 5	-	0 5
Interest payable on finance leases	0 1	-	0 1	0 1	-	0 1
Interest payable on derivative financial instruments	1 8	-	1 8	2 0	-	2 0
Other interest payable	3 6	0 5	4 1	1 7	0 2	1 9
Finance expense	**9 2**	**0 5**	**9 7**	**10 3**	**0 2**	**10 5**

Notes to the consolidated financial statements (continued)

10 Taxation

The tax charge for the year comprises

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Current tax						
UK corporation tax	20 9	3 9	24 8	16 9	3 9	20 8
Foreign tax	11 1	-	11 1	13 3	-	13 3
Adjustments in respect of prior years	(1 9)	-	(1 9)	(4 4)	-	(4 4)
	30 1	**3 9**	**34 0**	**25 8**	**3 9**	**29 7**
Deferred tax						
Origination and reversal of timing differences	(0 4)	0 3	(0 1)	4 4	-	4 4
Reduction in rate of UK corporation tax	0 2	-	0 2	-	-	-
Adjustments in respect of prior years	0 1	-	0 1	0 1	-	0 1
	(0 1)	**0 3**	**0 2**	**4 5**	**-**	**4 5**
Tax on profit on ordinary activities	**30 0**	**4 2**	**34 2**	**30 3**	**3 9**	**34 2**

Reconciliation of tax expense

The total tax charge for the year is lower (2010 higher) than the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are explained as follows

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Profit on ordinary activities before tax	188 0	13 2	201 2	111 9	14 5	126 4
Share of tax of joint ventures and associates	9 2	0 1	9 3	7 2	0 1	7 3
Group profit excluding tax	**197 2**	**13 3**	**210 5**	**119 1**	**14 6**	**133 7**
Total tax at 28% (2010 28%)	55 2	3 7	58 9	33 3	4 1	37 4
Effects of						
Disallowed expenditure	12 8	0 6	13 4	6 0	-	6 0
Tax exempt disposal of assets held for sale	(27 7)	-	(27 7)	-	-	-
Tax differential on wholly owned overseas earnings	0 6	-	0 6	-	(0 1)	(0 1)
Difference in effective tax rate of joint ventures and associates	(0 6)	-	(0 6)	2 5	-	2 5
Reduction in rate of UK corporation tax	0 2	-	0 2	-	-	-
Adjustments in respect of previous years	(1 3)	-	(1 3)	(4 3)	-	(4 3)
Total tax charge for the year	**39 2**	**4 3**	**43 5**	**37 5**	**4 0**	**41 5**
Share of tax of joint ventures and associates	(9 2)	(0 1)	(9 3)	(7 2)	(0 1)	(7 3)
Tax expense in Income Statement	**30 0**	**4 2**	**34 2**	**30 3**	**3 9**	**34 2**

A tax charge of £nil (2010 £nil) is included in the Income Statement in respect of specific items (see note 4)

Factors affecting future tax expense

Prior to the balance sheet date, the UK Government announced a phased reduction in the main UK corporation tax rate from 28% to 24%, with the first 1% reduction taking effect from 1 April 2011 (and substantively enacted on 20 July 2010) On 23 March 2011, the UK Government announced an additional 1% reduction in the main UK corporation tax rate to 26% taking effect from 1 April 2011 (and substantively enacted on 29 March 2011) A further three reductions of 1% will follow annually, reducing the corporation tax rate to 23% from 1 April 2014 The impact of the future rate reductions will be accounted for in future periods, to the extent that they are enacted at the balance sheet date, however it is estimated that this will not have a material effect on the Group

Notes to the consolidated financial statements (continued)

10. Taxation (continued)

Deferred tax

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

	Fixed asset temporary differences £m	Provisions £m	Financial instruments £m	Other £m	Total £m
At 1 April 2009	**(9 2)**	**12 7**	**9 1**	**5 8**	**18 4**
Credited/(charged) to the income statement	3 8	(3 4)	(5 3)	0 7	(4 2)
Charged to equity	-	-	(0 3)	-	(0 3)
Acquisition of subsidiaries, joint ventures and associates	0 3	2 3	-	-	2 6
Foreign exchange translation gains and losses	-	(1 3)	-	(1 5)	(2 8)
At 31 March 2010	**(5 1)**	**10 3**	**3 5**	**5 0**	**13 7**
Credited/(charged) to the income statement	4 2	(3 6)	(1 7)	0 9	(0 2)
Foreign exchange translation gains and losses	(3 9)	(1 1)	-	(0 9)	(5 9)
At 31 March 2011	**(4 8)**	**5 6**	**1 8**	**5 0**	**7 6**

Other deferred tax balances consist primarily of deferred tax assets of £3 7m (2010 £3 3m) on provisions for unrealised profits

Deferred tax is recorded in the balance sheet as follows

	2011 £m	2010 £m
Deferred tax assets	22 9	16 3
Deferred tax liabilities	(15 3)	(2 6)
Net deferred tax asset	**7 6**	**13 7**

Deferred tax assets in respect of tax losses carried forward are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable The Group has unrecognised deferred tax assets arising on capital losses totalling £22 9m (2010 £24 4m) and on operating losses totalling £nil (2010 £nil) These assets have not been recognised on the basis that there is insufficient certainty that capital or operating gains will arise against which the Group can utilise these losses

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £nil (2010 £3 1m) No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and those differences are not expected to reverse in the foreseeable future

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

11. Discontinued operations

On 1 October 2010, the Board resolved to dispose of the Group's Magazines operations, subject to limited titles being retained on a contract publishing basis Negotiations with interested parties have subsequently taken place and the Group was in exclusive discussions with a potential partner at the date of approval of the financial statements These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the balance sheet The operations are included in the Magazines division in the segmental analysis in note 2 The proceeds of the disposal are expected to substantially exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale

The results of the discontinued operations have been included separately on the face of the consolidated income statement During the year, the discontinued operations contributed £20 9m (2010 £21 2m) to the group's net operating cash flows, paid £3 5m (2010 £nil) in respect of investing activities and paid £0 2m (2010 £0 2m) in respect of financing activities

Operations which form part of the Magazines division, and which are included within continuing operations represent those parts of the business which do not form part of the disposal group, including those Magazine titles which are being retained by the Group

Details of assets which are classified as held for sale are given in note 20

Notes to the consolidated financial statements (continued)

12. Goodwill

	2011 £m	2010 £m
Cost		
At beginning of the year	120 3	87 0
Additions	0 1	25 3
Foreign exchange translation gains and losses	4 6	13 6
Transferred to non-current assets held for sale	(5 1)	(5 6)
	119 9	**120 3**
Accumulated impairment losses		
At beginning of the year	17 5	-
Impairments	33 8	18 6
Foreign exchange translation gains and losses	(1 1)	-
Transferred to non-current assets held for sale	-	(1 1)
	50 2	**17 5**
Carrying amount	**69 7**	**102 8**

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

	2011 £m	2010 £m
Lonely Planet	34 5	64 2
DVD distribution	25 3	25 3
Australian Channels	9 9	8 3
UK Magazines	-	5 0
	69 7	**102 8**

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

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

Lonely Planet

The goodwill in this CGU arose as a result of the acquisition of Lonely Planet on 1 October 2007 Following the impairment review performed during the year to 31 March 2011, the carrying value of this CGU has been written down to its recoverable amount, resulting in a charge to the income statement of £33 8m

The Lonely Planet business is based in Australia, where most of its costs are incurred Accordingly, the CGU's cost base is primarily denominated in Australian dollars However, the business operates internationally and earns revenues in a wide variety of jurisdictions, with the majority of its revenue streams being earned in sterling and in US dollars The strength of the Australian dollar in recent years has led to challenging sales conditions for the Lonely Planet business This has been compounded by declines since 2008 in key travel guide markets suffering from the impact of the Global Financial Crisis Further adverse movements in currency pairings during the course of the year have weakened the commercial environment in which the business operates

The Group is now in the process of identifying areas where efficiencies can be achieved and greater synergies made with its other operations Included in the Group's plans are reductions in the local cost base - which will reduce the exposure of the business to Australian dollars - expansion of the business into new geographical markets and exploitation of the Lonely Planet brand in generating new sources of revenue In accordance with IAS 36 *Impairment of Assets* , some of these plans, which were approved by management subsequent to the balance sheet date, have not been reflected in the forecast future cash flows used in determining value in use

Had foreign exchange rates at the date of the Group's impairment tests remained unchanged since the prior year, the impairment recorded in respect of the Lonely Planet business would have been reduced by £20 7m The remaining impairment of the business reflects the ongoing challenges facing the industry As described above, management is currently in the process of implementing plans which will seek to address these ongoing challenges

The future cash flows used by management in determining the value in use are based on the most recent financial budgets approved by management and cover a period of 10 years from the balance sheet date This period reflects the transition of the business away from traditional print towards mobile and online content, supported by ongoing investment in a proprietary content management system Beyond this period, forecast cash flows have been extrapolated based on an estimated growth rate of 3% (2010 3%) This growth rate does not exceed the average long-term growth rate for the markets in which the Lonely Planet business operates

The rate used to discount forecast cash flows is 13 4% (2010 12 8%)

Notes to the consolidated financial statements (continued)

12 Goodwill (continued)

DVD distribution business

The goodwill in this CGU arose as a result of the acquisition of 2 entertain on 6 August 2009 Prior to this date, 2 entertain had operated as a joint venture between BBC Worldwide and Woolworths Group plc ("Woolworths") The Group gained control of the business on the above date following the administration of Woolworths, at which point it began accounting for the business as a subsidiary The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected growth rate of 2% (2010 1%)

A discount rate of 12 4% (2010 12 3%) has been applied to the cash flows

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

Australian Channels business

The goodwill in this CGU arose as a result of the acquisition of UK TV on 1 July 2008 Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering a period of seven years (2010 eight years) and a discount rate of 13 8% (2010 13 7%) UK TV's cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1% (2010 2%) The terminal growth rate assumes contractual rates remaining in place and a modest growth of subscribers as per external sources Cash flow projections are consistent with the business acquisition plans and those used in the previous year

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

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

UK Magazines business

On 1 October 2010, the board resolved to dispose of the Group's Magazines operations (see note 11) Accordingly, assets associated with the Magazines business, including goodwill, have been classified as held for sale at 31 March 2011 (see note 20)

13 Distribution rights

	2011 £m	2010 £m
Cost		
At 1 April	246 8	210 4
Additions	101 0	91 7
Foreign exchange translation gains and losses	(3 4)	(3 8)
Fully amortised rights written off	(57 3)	(49 0)
Transfers to non-current assets held for sale (note 20)	(1 5)	(2 5)
	285 6	**246 8**
Amortisation		
At 1 April	140 6	122 5
Charge for the year	74 0	72 5
Foreign exchange translation gains and losses	(3 2)	(3 1)
Fully amortised rights written off	(57 3)	(49 0)
Transfers to non-current assets held for sale (note 20)	(0 6)	(2 3)
	153 5	**140 6**
Net book value	**132 1**	**106 2**

Included within distribution rights is self-produced content totalling £11 6m (2010 £nil)

Notes to the consolidated financial statements (continued)

14. Other intangible assets

2011	Masthead £m	Carrier Agreements £m	Software £m	Other £m	Total £m
Cost					
At 1 April	30 7	8 5	29 3	4 8	73 3
Additions	-	1 6	9 5	-	11 1
Foreign exchange translation gains and losses	2 1	0 6	1 3	0 3	4 3
Transfers to non-current assets held for sale (note 20)	-	-	(2 2)	-	(2 2)
	32 8	**10 7**	**37 9**	**5 1**	**86 5**
Amortisation					
At 1 April	3 9	0 9	21 3	1 9	28 0
Charge for the year	1 5	0 5	9 4	0 8	12 2
Foreign exchange translation gains and losses	0 4	-	0 9	0 2	1 5
Transfers to non-current assets held for sale (note 20)	-	-	(0 7)	-	(0 7)
	5 8	**1 4**	**30 9**	**2 9**	**41 0**
Net book value	**27 0**	**9 3**	**7 0**	**2 2**	**45 5**

2010	Masthead £m	Carrier Agreements £m	Software £m	Other £m	Total £m
Cost					
At 1 April	24 4	6 7	27 3	3 0	61 4
Additions	-	-	4 9	0 8	5 7
Disposals	-	-	(3 7)	-	(3 7)
Foreign exchange translation gains and losses	6 3	1 8	1 5	1 0	10 6
Transfers to non-current assets held for sale (note 20)	-	-	(0 7)	-	(0 7)
	30 7	**8 5**	**29 3**	**4 8**	**73 3**
Amortisation					
At 1 April	1 8	0 3	16 9	0 8	19 8
Charge for the year	1 4	0 4	7 1	0 8	9 7
Disposals	-	-	(2 7)	-	(2 7)
Foreign exchange translation gains and losses	0 7	0 2	0 6	0 3	1 8
Transfers to non-current assets held for sale (note 20)	-	-	(0 6)	-	(0 6)
	3 9	**0 9**	**21 3**	**1 9**	**28 0**
Net book value	**26 8**	**7 6**	**8 0**	**2 9**	**45 3**

Other assets comprise advertising relationships, non-compete agreements and software assets under construction

Of total software additions recognised during the period, £9 3m (2010 £4 7m) related to internally developed software

Notes to the consolidated financial statements (continued)

15. Property, plant and equipment

2011	Freehold buildings £m	Short leasehold buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost						
At 1 April	0 2	12 1	32 8	11 5	1 1	57 7
Additions	-	1 9	7 1	2 1	0 3	11 4
Disposals	-	-	(0 3)	-	-	(0 3)
Foreign exchange translation gains and losses	-	(0 1)	0 4	0 4	-	0 7
Transfers to non-current assets held for sale (note 20)	-	-	(4 4)	(0 4)	-	(4 8)
	0 2	**13 9**	**35 6**	**13 6**	**1 4**	**64 7**
Depreciation						
At 1 April	-	4 5	19 4	6 9	-	30 8
Charge for the year	-	1 5	5 4	2 1	-	9 0
Disposals	-	-	(0 3)	-	-	(0 3)
Foreign exchange translation gains and losses	-	(0 1)	0 2	0 3	-	0 4
Transfers to non-current assets held for sale (note 20)	-	-	(3 2)	(0 4)	-	(3 6)
	-	**5 9**	**21 5**	**8 9**	-	**36 3**
Net book value	**0 2**	**8 0**	**14 1**	**4 7**	**1 4**	**28 4**

2010	Freehold buildings £m	Short leasehold buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost						
At 1 April	0 2	11 1	34 2	10 3	0 6	56 4
Assets acquired in business combinations	-	-	0 7	-	-	0 7
Additions	-	1 9	2 9	1 7	-	6 5
Disposals	-	(0 1)	(7 3)	(0 5)	-	(7 9)
Foreign exchange translation gains and losses	-	(0 1)	2 8	0 8	0 5	4 0
Transfers to non-current assets held for sale (note 20)	-	(0 7)	(0 5)	(0 8)	-	(2 0)
	0 2	**12 1**	**32 8**	**11 5**	**1 1**	**57 7**
Depreciation						
At 1 April	-	3 9	18 6	5 0	-	27 5
Charge for the year	-	1 2	6 9	2 1	-	10 2
Disposals	-	(0 1)	(7 2)	(0 5)	-	(7 8)
Foreign exchange translation gains and losses	-	(0 1)	1 5	1 0	-	2 4
Transfers to non-current assets held for sale (note 20)	-	(0 4)	(0 4)	(0 7)	-	(1 5)
	-	**4 5**	**19 4**	**6 9**	-	**30 8**
Net book value	**0 2**	**7 6**	**13 4**	**4 6**	**1 1**	**26 9**

At 31 March 2011, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil (2010 £nil)

Tangible fixed assets include the following assets held under finance leases

	Plant and machinery 2011 £m	Fixtures and fittings 2011 £m	Total 2011 £m	Plant and machinery 2010 £m	Fixtures and fittings 2010 £m	Total 2010 £m
Cost	1 9	-	1 9	1 9	-	1 9
Accumulated depreciation	(1 0)	-	(1 0)	(1 8)	-	(1 8)
	0 9	-	**0 9**	**0 1**	-	**0 1**

Assets held under finance lease and hire purchase arrangements are held in Lonely Planet All lease obligations are denominated in Australian dollars Interest rates are fixed at the contract date All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments

Notes to the consolidated financial statements (continued)

16. Investments in joint ventures and associates

A list of the Group's significant investments in joint ventures and associates, including the name country of incorporation and proportion of ownership interest is given in note e to the Company financial statements

The movement in joint ventures and associates during the year was as follows

	Joint ventures 2011 £m	Associates 2011 £m	Total 2011 £m	Joint ventures 2010 £m	Associates 2010 £m	Total 2010 £m
At 1 April	30 9	11 6	42 5	48 9	11 8	60 7
Additions	1 6	2 1	3 7	-	0 7	0 7
Deemed disposal of 2 entertain (see below)	-	-	-	(39 5)	-	(39 5)
Share of results	25 7	1 9	27 6	27 0	12 1	39 1
Adjustment to provision for unrealised profits	(0 4)	0 1	(0 3)	-	0 4	0 4
Dividends received*	(37 5)	(0 5)	(38 0)	(5 1)	(5 6)	(10 7)
Funding net of repayments	(2 2)	-	(2 2)	(1 3)	-	(1 3)
Transfers to other receivables	-	-	-	(0 7)	-	(0 7)
Foreign exchange translation gains and losses	(0 3)	(0 1)	(0 4)	(0 4)	-	(0 4)
Investment (written off)/written back	(2 0)	(0 1)	(2 1)	2 0	(0 6)	1 4
Transfers to non-current assets held for sale (note 20)	(5 8)	(0 3)	(6 1)	-	(7 2)	(7 2)
At 31 March	**10 0**	**14 7**	**24 7**	**30 9**	**11 6**	**42 5**

* Dividends received excludes £5 8m of dividends received from Animal Planet whilst classified as held for sale (see note 29)

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

	Joint ventures 2011 £m	Associates 2011 £m	Total 2011 £m	Joint ventures 2010 £m	Associates 2010 £m	Total 2010 £m
Investments in joint ventures and associates	19 3	14 7	34 0	43 9	11 6	55 5
Provisions (note 21)	(9 3)	-	(9 3)	(13 0)	-	(13 0)
	10 0	**14 7**	**24 7**	**30 9**	**11 6**	**42 5**

Investments in joint ventures

Investments in joint ventures in the current and previous years included the following material operations

UKTV

BBC Worldwide has a major partnership deal with Virgin Media Television Limited (VMTV), the content division of Virgin Media Limited, for the production and marketing of subscription channels in the UK The partnership operates under the name UKTV and is operated through a number of discrete joint venture entities, each of which has been accounted for separately

Certain joint ventures and associates with VMTV are loss making and have net liabilities In these cases, the Group has no shareholder or other obligation to fund losses incurred by these entities or to make good their net liabilities For these equity accounted investments the Group only accounts for its share of any operating profits or equity once an individual venture attains a positive equity position No share of losses is included in the financial statements until this point

The group headed by UK Gold Holdings Limited (UKGH) has been cumulatively profitable each year since its formation in 1997 but has net liabilities The net liabilities are not a result of trading losses but have arisen entirely from acquisition goodwill written off to reserves in 1997 under UK GAAP Such business combinations prior to 1 April 2007 were not restated by BBCW on transition to IFRS Equity accounting is applied to UKGH as the Directors consider this to be consistent with the Group's long term, constructive commitment to this venture as a result of its programme content and licensing contractual arrangements The Group's share of the net liabilities of UKGH are recorded within provisions (see note 21)

2 entertain Limited

The Group gained control of 2 entertain on 6 August 2009 following the insolvency of the Woolworths Group plc Subsequent to this date, the Group accounts for the business as a subsidiary Upon acquisition of 2 entertain, the Group recorded a deemed disposal of its joint venture investment with the carrying value at the date of acquisition forming part of the acquisition consideration

UK VOD LLP

In the year ended 31 March 2008, an independent joint venture, UK VOD LLP, was created by BBC Worldwide, ITV and Channel 4 to develop a new UK on-demand service known to the industry as Kangaroo On 4 February 2009, the Competition Commission reported that it believed the proposed venture would create a lessening of competition in the emerging video on demand industry in the UK, and blocked the joint venture from continuing The Group impaired its investment in UK VOD LLP in the year ended 31 March 2009 as a result of the Competition Commission ruling In July 2009, UK VOD LLP sold its assets to Arqiva, resulting in a gain to the Group of £2 0m

Notes to the consolidated financial statements (continued)

16 Investments in joint ventures and associates (continued)

Worldwide Media Limited

In December 2004, BBC Worldwide completed the acquisition of a 50% equity interest in Worldwide Media Limited, a magazine publishing joint venture based in India Following a revised assessment of recoverable amount, the Group has written down its investment in Worldwide Media Limited in the year to March 2011 The investment is classified as held for sale at the balance sheet date

A put option over the equity of Worldwide Media Limited 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 ordinary shares held by the Group's joint venture partner The consideration payable by the Group under this option is dependent on the profitability of the joint venture

Freehand International Pty Limited

A put option is held by the Group's joint venture partners in Freehand International Pty Limited which may require the Group to increase its shareholding from 37 5% up to 100% between 2012 and 2013 The consideration payable by the Group under this option is determined with reference to a multiple of earnings

Ragdoll Developments Limited

In April 2006, BBC Worldwide entered into an agreement with Ragdoll Limited to form a joint venture The purpose of the joint venture is to exploit and manage existing Children's intellectual properties and to invest in the development of new intellectual property rights

The following represents the Group's aggregate share of joint ventures, including those that were held for sale during the year

	2011 £m	2010 £m
Non-current assets	19 1	21 7
Current assets	93 1	99 7
Current liabilities	(57 1)	(39 7)
Non-current liabilities	(59 3)	(80 4)
Shareholders' equity	**(4 2)**	**1 3**
Share of net liabilities not recognised	19 6	24 9
Group's share of net assets of joint ventures	**15 4**	**26 2**
Revenue	159 1	185 9
Expense	(122 4)	(152 0)
Taxation	(9 6)	(6 9)
Share of profit from joint ventures	**27 1**	**27 0**

Investments in associates

Investments in associates include the Group's investments in Hardy Pictures Limited, Educational Publishers LLP, Woodlands Books Limited and Audio London Limited Athough the Group holds only 15% of the voting power of these businesses, it has been concluded that the Group exerts significant influence over them, as it has Board representation and participates in policy-making decisions

Representing a 100% share of each associate

	2011 £m	2010 £m
Total assets	116 8	154 0
Total liabilities	(121 4)	(519 2)
Net liabilities	**(4 6)**	**(365 2)**
Group's share of net liabilities	**3 8**	**(1 9)**
Revenue	96 8	186 9
Result for the year	3 2	14 2
Group's share of results of associates	**1 9**	**12 1**

Notes to the consolidated financial statements (continued)

17 Programme rights and other inventories

	2011 £m	2010 £m
Programme rights for broadcast	37 2	39 4
Raw materials and consumables	5 6	1 4
Work in progress	9 3	7 5
Finished goods and goods for resale	23 3	24 3
	75 4	**72 6**

Within finished goods and goods for resale is inventory of £4 1m (2010 £4 9m), relating to Lonely Planet, which is expected to be sold more than 12 months after the balance sheet date in accordance with the entity's normal operating cycle

18. Trade and other receivables

	2011 £m	2010 £m
Current		
Trade receivables	189 3	130 0
Prepayments and accrued income	48 4	39 1
Amounts owed by fellow subsidiary undertakings	6 9	6 3
Amounts owed by joint ventures and associates (note 37)	32 3	27 0
Other receivables	8 9	17 3
	285 8	**219 7**
Non-current		
Amounts owed by joint ventures and associates (note 37)	2 5	5 7
Other receivables	-	1 0
	2 5	**6 7**
	288 3	**226 4**

The net carrying amount of trade and other receivables is approximately equal to their fair value

Included in the Group's trade and other receivables at 31 March 2011, are balances of £21 4m (2010 £16 2m) which are past due at the reporting date but not impaired because the Group expects to recover these balances in full and has historical analysis to support the recovery profile The aged analysis of these balances is as follows

	2011 £m	2010 £m
Up to 3 months	14 5	14 0
3 to 6 months	4 2	1 9
Over 6 months	2 7	0 3
	21 4	**16 2**

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date Trade receivables are provided for based on estimated irrecoverable amounts, determined by reference to past default experience of the counterparty and an analysis of the counterparty's financial situation The concentration of credit risk is limited due to the customer base being large and unrelated (see note 36)

There are no significant impairment provisions relating to an individual debtor Amounts charged to the impairment provision are written off when there is no expectation of recovery Subsequent recoveries of amounts previously written off are credited to the Income Statement The impairment provision stands at £2 7m at 31 March 2011 (2010 £6 3m)

Notes to the consolidated financial statements (continued)

18. Trade and other receivables (continued)

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

	2011 £m	2010 £m
Balance at the beginning of the period	6 3	7 7
On acquisition of subsidiary	-	1 1
Impairment losses recognised	1 5	2 1
Amounts written off as uncollectible	(3 7)	(0 8)
Impairment losses reversed	(1 3)	(3 8)
Foreign exchange translation gains and losses	(0 1)	-
	2 7	**6 3**

19. Trade and other payables

	2011 £m	2010 £m
Current		
Trade payables	37 8	66 6
Rights creditors	86 5	83 4
Accruals and deferred income	130 6	120 2
Other payables including other tax and social security	55 1	58 6
Amounts owed to ultimate parent undertaking	35 4	25 6
Amounts owed to fellow subsidiary undertakings	1 9	3 3
Amounts owed to joint ventures and associates (note 37)	16 1	2 3
	363 4	**360 0**
Non-current		
Accruals and deferred income	2 4	2 3
Other payables including other tax and social security	7 5	3 5
	9 9	**5 8**
	373 3	**365 8**

Rights creditors comprise royalty payments owing to contributors to television programmes, DVDs and other media Other payables include £7 5m (2010 £37 8m) relating to put options over non-controlling interests (see note 36)

The carrying amount of trade and other payables is approximately equal to their fair value

20 Assets held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows In the current year, these relate to Magazines operations (see note 11) In the prior year, these related to the Audiobooks business and Animal Planet investment (see note 29)

	2011 £m	2010 £m
Goodwill	5 1	4 5
Distribution rights	0 9	0 2
Other intangible assets	1 5	0 1
Investments in joint ventures and associates	6 1	7 2
Property, plant and equipment	1 2	0 4
Programme rights and other inventories	1 4	2 4
Trade and other receivables	28 2	6 9
Cash and cash equivalents	-	8 3
Total assets classified as held for sale	**44 4**	**30 0**
Trade and other payables	(36 5)	(12 1)
Current tax liabilities	-	(0 3)
Total liabilities associated with assets classified as held for sale	**(36 5)**	**(12 4)**
Net assets of disposal groups	**7 9**	**17 6**

Notes to the consolidated financial statements (continued)

21 Provisions

	Property related £m	Share of joint venture liabilities £m	Litigation £m	Other £m	Total £m
At 1 April 2009	1 2	20 0	-	0 9	22 1
Additional provision in the year	0 1	-	-	0 9	1 0
Utilisation of provision	-	(7 0)	-	-	(7 0)
On acquisition of subsidiary	0 6	-	-	-	0 6
Released to the income statement	-	-	-	(0 9)	(0 9)
At 31 March 2010	**1 9**	**13 0**	**-**	**0 9**	**15 8**
Additional provision in the year	0 1	-	4 8	2 7	7 6
Utilisation of provision	(0 1)	(3 7)	-	-	(3 8)
Released to the income statement	(0 1)	-	-	(0 9)	(1 0)
At 31 March 2011	**1 8**	**9 3**	**4 8**	**2 7**	**18 6**

Other provisions primarily comprise reorganisation provisions

Provisions have been analysed between current and non-current as follows

	2011 £m	2010 £m
Current	7 2	0 9
Non-current	11 4	14 9
	18 6	**15 8**

22. Interest bearing loans and borrowings

The Group's principal sources of funding and the currencies in which funding is denominated are summarised as follows

	Sterling 2011 £m	Australian dollars 2011 £m	Total 2011 £m	Sterling 2010 £m	Australian dollars 2010 £m	Total 2010 £m
Unsecured borrowing at amortised cost						
Loans from related parties	-	64 5	64 5	23 7	60 4	84 1
Bank loans	50 0	-	50 0	50 0	-	50 0
	50 0	**64 5**	**114 5**	**73 7**	**60 4**	**134 1**
Secured borrowing at amortised cost						
Obligations under finance leases (see note 33)	-	0 9	0 9	0 1	-	0 1
	50 0	**65 4**	**115 4**	**73 8**	**60 4**	**134 2**
Total borrowings						
Amount due for settlement within 12 months	20 0	0 1	20 1	-	-	-
Amount due for settlement after 12 months	30 0	65 3	95 3	134 2	-	134 2
	50 0	**65 4**	**115 4**	**134 2**	-	**134 2**

The Group has two principal loan facilities

(i) A loan facility of £168 0m (2010 £168 0m) with BBC Commercial Holdings Limited (BBCCH) The loan is divided into two tranches a first tranche of Au$100 0m which expires in June 2012 and attracts interest at the Australian Bank Bill Swap Reference Rate plus a margin of 0 275%, and a second tranche amounting to the remainder of the available facility which is denominated in sterling and expires in April 2012 Interest on the second tranche attracts interest at LIBOR plus a variable margin of between 0 275% and 0 325% £50 0m of the BBCCH loan facility is available only if an equivalent cash balance is maintained

(ii) A £50 0m term loan with the European Investment Bank of which £20 0m expires in December 2011 and £30 0m expires in May 2012 Interest on the loan is accrued based on LIBOR plus a margin of 0 09%

Subsequent to the balance sheet date, the Group negotiated an extension to its loan facility with BBCCH (see note 39)

Notes to the consolidated financial statements (continued)

23. Derivative financial instruments

2011	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Derivatives that are designated in effective hedges					
Forward foreign currency contracts	0 8	2 4	(1 0)	(1 0)	1 2
Derivatives that are held for trading					
Forward foreign currency contracts	0 1	1 1	(3 0)	-	(1 8)
Interest rate swaps	-	-	(0 6)	(3 1)	(3 7)
Interest rate caps	-	-	(0 3)	-	(0 3)
Embedded derivatives	0 1	-	(0 1)	(0 1)	(0 1)
	0 2	**1 1**	**(4 0)**	**(3 2)**	**(5 9)**
	1 0	**3 5**	**(5 0)**	**(4 2)**	**(4 7)**

2010	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Derivatives that are designated in effective hedges					
Forward foreign currency contracts	0 2	0 9	-	-	1 1
Derivatives that are held for trading					
Forward foreign currency contracts	0 1	1 6	(5 1)	(2 4)	(5 8)
Foreign currency options	-	0 1	-	-	0 1
Interest rate swaps	-	-	-	(4 1)	(4 1)
Interest rate caps	-	-	-	(0 4)	(0 4)
Embedded derivatives	-	-	-	(1 3)	(1 3)
	0 1	**1 7**	**(5 1)**	**(8 2)**	**(11 5)**
	0 3	**2 6**	**(5 1)**	**(8 2)**	**(10 4)**

Fair value movements on derivative financial instruments that are held for trading are recorded through the income statement within other gains and losses

The total notional principal amount of the outstanding forward foreign exchange contracts at 31 March 2011 was £274 9m (2010 £223 1m) The hedged forecast transactions denominated in foreign currency are expected to occur at various dates in the future

The Group applies cash flow hedge accounting for trades taken out in respect of its forecast foreign currency transactions Hedge accounting is only applied where appropriate designation and documentation, and trades with parties external to the Group exist Net gains and losses (after tax and non-controlling interests) recognised in the hedging reserve on forward foreign exchange contracts in cash flow hedge relationships at 31 March 2011 were £0 3m (2010 £0 5m) These amounts will be recognised in the income statement in the period when the hedged forecast transaction affects the income statement, at various dates over the next twelve months

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2011 were £144 5m (2010 £140 3m) All outstanding interest rate swaps mature by April 2014

The Group has reviewed contracts for embedded derivatives that are required to be separated from their host contracts Embedded derivatives are recognised at their fair value with subsequent changes to fair value recorded in the income statement

Notes to the consolidated financial statements (continued)

24. Called up share capital

	2011 £m	2010 £m
Authorised		
1,000,000 ordinary shares of £1 each	1 0	1 0
Issued, alloted, called up and fully paid		
250,000 ordinary shares of £1 each	0 2	0 2

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

25 Hedging reserve

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

26 Translation reserve

Since 1 April 2008, £3 6m of exchange losses on foreign currency borrowings have been offset in reserves against exchange gains on the related investment in overseas subsidiaries The net investment hedge was discontinued from September 2008 following the settlement of the associated foreign currency borrowings

27. Retained earnings

At 31 March 2011, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14 2m This amount is unchanged on prior year and remained in equity upon transition to IFRS as permitted by IFRS1

28 Other reserves

Other reserves at 31 March 2010 comprised the cost on initial recognition of a put option over 25% of the issued share capital of Lonely Planet The put option was exercised by the non-controlling shareholders on 4 January 2011

Notes to the consolidated financial statements (continued)

29. Disposals

BBC Audiobooks

On 13 July 2010, the Group disposed of its interest in BBC Audiobooks Limited Consideration was received in the form of cash and 15% of the ordinary share capital of Audio London Limited The net assets of BBC Audiobooks Limited at the date of disposal and at 31 March 2010 were

	13 July 2010 £m	31 March 2010 £m
Distribution rights	0 2	0 2
Other intangible assets	-	0 1
Property, plant and equipment	0 5	0 4
Programme rights and other inventories	2 3	2 4
Trade and other receivables	4 4	6 9
Cash and cash equivalents	2 1	8 3
Trade and other payables	(3 6)	(12 1)
Current tax liabilities	-	(0 3)
Attributable goodwill	4 5	4 5
	10 4	10 4
Transaction costs	0 3	
Separation costs	1 8	
Translation reserve transferred to income statement	(0 5)	
Gain on disposal	2 0	
Total consideration	**14 0**	
Satisfied by		
Cash and cash equivalents	11 6	
Investment in associate	2 1	
Deferred consideration	0 3	
	14 0	
Net cash inflow arising on disposal		
Consideration received in cash and cash equivalents	11 6	
Less cash and cash equivalents disposed of	(2 1)	
	9 5	

Deferred consideration of up to £0 5m is based on the future profitability of BBC Audiobooks Limited and will be settled in cash by the purchaser over the five year period ending September 2015

Animal Planet Europe and People & Arts

On 12 November 2010, the Group disposed of its interests in Animal Planet Europe and People & Arts The Group had classified these investments as assets held for sale as at 31 March 2010 and has not therefore equity accounted for them during the year to 31 March 2011 As a result of the cessation of equity accounting, the Group's share of the results of these investments is included in the gain on disposal Similarly, dividends received during the year have been included within the calculation of the gain on disposal as follows

	12 November 2010 £m	31 March 2010 £m
Investment in associate	7 2	7 2
Dividends received whilst classified as held for sale	(5 8)	
	1 4	7 2
Transaction costs	0 1	
Gain on disposal	96 4	
Total consideration	**97 9**	
Satisfied by		
Cash and cash equivalents	97 9	
Net cash inflow arising on disposal	**97 9**	

Notes to the consolidated financial statements (continued)

30. Notes to the cash flow statement

	2011 £m	2010 £m
Profit for the year	167 0	92 2
Adjustments for		
Share of results of joint ventures and associates	(27 6)	(40 1)
Gain on disposal of joint venture	(96 4)	-
Gain on disposal of subsidiary	(2 0)	-
Other gains and losses	(1 6)	(15 6)
Net finance costs	9 0	10 4
Tax charge for the year	34 2	34 2
Depreciation and impairment of property, plant and equipment	9 0	10 2
Impairment of goodwill	33 8	17 5
Amortisation and impairment of intangible assets	86 2	82 2
Impairment of investments	2 1	1 1
Increase/(decrease) in provisions	6 8	(0 9)
Cash flows before movements in working capital	**220 5**	**191 2**
(Increase)/decrease in trade and other receivables	(77 3)	20 8
Increase in programme rights and other inventories	(4 5)	(6 7)
Increase in trade and other payables	55 4	2 6
Cash generated from operations	**194 1**	**207 9**

Cash generated from operations includes cash flows arising on discontinued operations (see note 11)

31. Commitments and contingent liabilities

	2011 £m	2010 £m
Capital commitments		
Distribution rights	48 6	39 2
Intangible assets	0 9	0 8
	49 5	**40 0**
Other financial commitments		
Programme rights for broadcast	8 1	10 5
Other commitments	41 9	34 2
	50 0	**44 7**
Total unrecognised commitments	**99 5**	**84 7**

The Group's share of commitments for programme acquisitions and broadcasting commitments in respect of its UKTV joint ventures amount to £15 6m and £48 0m, respectively (2010 £10 3m and £40 1m, respectively)

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

The Group and some of its fellow BBC Commercial Holdings subsidiaries have given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement At 31 March 2011, total amounts drawn down by the BBC Commercial Holdings Group under this facility were £190 1m (2010 £211 7m)

The Group occasionally enters into contracts with other equity shareholders of its joint ventures and associates to purchase additional equity In some cases, these contracts place an obligation on the Group to acquire further shares at the option of the counterparty to the contract The Group has not recorded a liability in respect of these contracts as the amounts payable in the event of exercise are based on a proxy for the market value of those shares Amounts payable under such contracts are not expected to be material to the Group as a whole Further information about outstanding put options with joint ventures and associates is provided in note 16

Notes to the consolidated financial statements (continued)

32. Operating lease arrangements

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

	2011 £m	2010 £m
Within one year	12 3	12 9
In the second to fifth years inclusive	35 9	34 8
After five years	25 8	15 7
	74 0	**63 4**

The majority of operating lease payments represent rentals payable by the Group for certain of its properties The rent payable under leases is subject to renegotiation at the various intervals specified in the leases

33 Obligations under finance leases

The minimum lease payments under finance leases fall due as follows

	Minimum lease payments		Present value of lease payments	
	2011 £m	2010 £m	2011 £m	2010 £m
Amounts payable under finance leases				
Within one year	0 1	-	0 1	-
In the second to fifth years inclusive	0 9	0 1	0 8	0 1
	1 0	**0 1**	**0 9**	**0 1**

The fair value of the Group's lease obligations is approximately equal to their carrying amount

Notes to the consolidated financial statements (continued)

34. Retirement benefits

The Group operates a number of defined contribution pension schemes The assets of these schemes are held separately from those of the Group in independently administered funds Pension costs, representing contributions payable by the Group during the year, amounted to £3 5m (2010 £2 6m)

Many BBC Worldwide employees are members of the BBC Group's pension schemes These comprise the BBC Pension Scheme (a defined benefit scheme which is now closed to new members), a small unfunded plan (the unfunded scheme, which is also closed to new members) and defined contribution schemes (Lifeplan and the Group Personal Pension Scheme)

The BBC Pension Scheme provides benefits on a defined benefit basis funded from assets held in separate trustee-administered funds There are four sections to the BBC Pension Scheme Old Benefits and New Benefits, which both provide benefits based on final salary (subject to differing inflation caps), Career Average Benefits 2006 (CAB 2006) and Career Average Benefits 2011 (CAB 2011) All sections are now closed to new entrants, subject to potential transfers of participants between sections, as described below

As a consequence of the level of net pension deficit reported in 2009/10 and the 2010 actuarial valuation changes have been made to future benefits available to members of the Old Benefits, New Benefits and CAB 2006 sections of the scheme From 1 April 2011, future increases in pensionable salary will be limited to a maximum of 1% per annum This has resulted in a curtailment gain of £250 4m Members of these sections can choose to opt out of their current section of membership and join CAB 2011 for future pension benefits with pension benefits earned to date being deferred in the Scheme These deferred pension benefits would increase each year broadly in line with inflation

The pension scheme trustees manage the plan in the short, medium and long term They make funding decisions based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities

BBC Worldwide, following the provisions within IAS 19 *Employee Benefits* for accounting in respect of group schemes, accounts for its participation in the scheme as if it were a defined contribution scheme This is because there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants The pension cost for this scheme therefore represents contributions payable by the Group to the scheme and the costs amounted to £13 2m in the year (2010 £12 8m) No contributions were prepaid or accrued at 31 March 2011 (2010 £nil)

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

	2011 £m	2010 £m
BBC Pension Scheme	920 5	1,640 9
Unfunded Scheme	6 3	6 2
	926 8	**1,647 1**

The actuarial valuation for the BBC Pension Scheme was updated for IAS 19 purposes to 31 March 2011 by Towers Watson, consulting actuaries Additional disclosure about the scheme and its financial position under IAS 19 is presented below

Scheme financial position

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Scheme assets	8,835 8	8,154 8	6,454 0	8,042 0	8,117 9
Scheme liabilities	(9,756 3)	(9,795 7)	(6,592 6)	(7,513 6)	(7,788 6)
Net deficit	**(920 5)**	**(1,640 9)**	**(138 6)**	**528 4**	**329 3**

Reconciliation of plan liabilities

The table below illustrates the movement in plan liabilities during the year The most significant variables which affect this are the additional year of pension benefits earned (and employee contributions made), interest charged on existing liabilities, any gains or losses relating to participants leaving the pension scheme, changes in assumptions made and benefits paid out during the year

	2011 £m	2010 £m
At 1 April	9,795 7	6,592 6
Current service cost	192 8	128 2
Past service cost/(income)	19 3	(301 5)
Gains on curtailments	(250 4)	-
Interest on pension plan liabilities	529 6	463 4
Experience gains arising on plan liabilities	(71 7)	(33 2)
Changes in assumptions underlying plan liabilities	(138 9)	3,266 1
Contributions by plan participants	7 1	7 2
Benefits paid	(327 2)	(327 1)
At 31 March	**9,756 3**	**9,795 7**

Notes to the consolidated financial statements (continued)

34. Retirement benefits (continued)

Reconciliation of plan assets

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

Contributions to the scheme are paid via a salary sacrifice arrangement and have therefore been treated as employer contributions

	2011 £m	2010 £m
At 1 April	8,154 8	6,454 0
Expected rate of return on plan assets	603 4	443 4
Actuarial gains on plan assets	93 1	1,363 0
Contributions by employer	304 6	214 3
Contributions by plan participants	7 1	7 2
Benefits paid	(327 2)	(327 1)
At 31 March	**8,835 8**	**8,154 8**

The allocation of assets by the Trustees is governed by a need to manage risk against the desire for high returns and any liquidity needs A high percentage of assets are held in equities which the Trustees expect will produce higher returns in the long term The target allocation, based on market values, for equities is 50% (UK equities 25% and overseas equities 25%), bonds 30%, property 10% and alternatives 10% Alternatives include private equity, debt and currency

	2011 £m	2011 %	2010 £m	2010 %
Equities	4,479 8	50 7%	4,572 6	56 1%
Bonds	1,938 4	21 9%	1,825 4	22 4%
Property	1,079 8	12 2%	787 3	9 7%
Alternatives	1,324 4	15 0%	719 0	8 8%
Cash	13 4	0 2%	250 5	3 0%
At 31 March	**8,835 8**	**100 0%**	**8,154 8**	**100 0%**

The actual return on scheme assets (being realised gains from the receipt of investment income such as dividends and rent, transactions where assets are sold and unrealised fair value changes) in the year to 31 March 2011 was £697 0m (2010 £1,806 0m)

Funding the Scheme

The 2010 actuarial valuation by Towers Watson of the pension scheme showed a funding shortfall of £1,131m Consequently a recovery plan has been agreed between the BBC and the pension scheme Trustees whereby additional contributions totalling £905m will be paid by the BBC over the next 11 years The first such contribution was paid on 28 March 2011 It was also agreed that employer contributions would decrease from 17 9% to 15 2% from 1 April 2011 and then to 14 2% from 1 January 2012 Employee contributions for Old and New Benefit members rose from 6 8% to 7 5% from 1 April 2010 Employee contributions for CAB 2006 and CAB 2011 members are 4% and 6% respectively

The next formal actuarial valuation is expected to be performed as at 1 April 2013

	Projected 2012 %	2011 %	2010 %	2009 %	2008 %
Employer	14 2/15 2	17 9	18 6	18 8/19 4	18 8
Employee (Old and New Benefits)	7 5	7 5	6 8	6 0	6 0
Employee (CAB 2006)	4 0	4 0	4 0	4 0	4 0
Employee (CAB 2011)*	6 0	-	-	-	-
Underlying cost of scheme to BBC as % of pensionable salaries**	14 2/15 2	17 9	18 6	18 8/19 4	18 8

* *The CAB 2011 section started on 1 April 2011*

** *Excludes the cost effectively paid for by the employee and the salary sacrifice element*

On the basis assumed above, the BBC expects to make contributions to the scheme totalling £152 6m in the year to 31 March 2012

Notes to the consolidated financial statements (continued)

34 Retirement benefits (continued)

Principal actuarial assumptions

The calculation of the scheme liabilities and pension charges, for IAS 19 purposes, requires a number of assumptions, both financial and demographic, to be made

The principal financial assumptions used by the actuaries, at the balance sheet date were

	2011 %	2010 %
Rate of increase in salaries	1 0	3 7
Rate of increase in pension payments		
Old Benefits	3 7	3 7
New Benefits	3 5	3 5
CAB 2006	2 4	2 4
CAB 2011	2 7	n/a
Inflation assumption - Retail Prices Index (RPI)	3 7	3 7
Inflation assumption - Consumer Prices Index (CPI)*	2 9	n/a
Discount rate	5 5	5 5
Expected take up rate**	40 0	n/a

* *The CPI rate is only relevant to the CAB 2011 section All other sections continue to use the RPI rate, adjusted for the change in statutory revaluation This has been treated as a change in assumptions*

** *Following changes to the pension plans in the current financial year, it is anticipated that a proportion of members will transfer out of the current sections of the scheme into either the CAB 2011 or defined contribution plans*

Due to the changes made to future increases in pensionable salary, members of the Old Benefits, New Benefits and CAB 2006 sections of the scheme may opt out of their current section of membership and join CAB 2011

Scheme members may opt to make this change at any time between 1 April 2011 to 31 December 2011 In calculating the present value of scheme liabilities as at 31 March 2011, the BBC has made an assumption as to the expected level of member changes during this time window Based on the best available information as at 31 March 2011, the BBC assumes that 40% of eligible members will leave their current sections A sensitivity analysis surrounding this assumption is provided in the table above

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

	2011 Years	2010 Years
Retiring today		
Male	27 8	27 0
Female	28 4	29 7
Retiring in 20 years		
Male	30 2	29 0
Female	30 1	31 8

The longevity assumptions have been selected to reflect the characteristics and experience of the membership of the scheme This has been done by adjusting standard mortality tables ('S1' series of tables published by the CMI) which reflect recent research into mortality experience in the UK, with a long-term rate of improvement of 1 5% per annum for males and 1 0% per annum for females

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

	Movement	Impact on scheme liabilities %	Impact on scheme liabilities £m
Discount rate	Decrease 0 1%	2 0%	194
Discount rate	Increase 0 1%	1 6%	157
Mortality rates	Increase/decrease 1 year	3 0%	295
Proportion of members expected to transfer schemes	Increase/decrease 10%	0 4%	47

Notes to the consolidated financial statements (continued)

35 Capital management

The Group delivers long term value to its 100% shareholder, the BBC, through cash returned in the form of dividends as a share of the Group's profits, acquisition of BBC content or intellectual property, direct investment in BBC programming, production of original content and growth in the capital value of the BBC's equity in the Group The BBC's expectations of the returns from BBC Worldwide include regular cash returns in the form of dividends, which are an essential part of the BBC's funding stream, and long term appreciation in the market value of BBC Worldwide

The dividend policy of the Group is therefore set by the BBC to achieve the optimum balance between annual cash returns to the BBC and BBC Worldwide investing for growth in, e g programming, intellectual property or other assets to build value over the long term

The BBC Trust's principles require strict compliance with the four Commercial Criteria fit with BBC's public purposes, brand reputation and brand values, commercial efficiency, and fair trading policy The Group's policy in making investment decisions is governed by the BBC Trust's principles and commercial efficiency of the investment The commercial efficiency of an investment is determined on a case-by-case basis, with respect to financial metrics such as net present value, internal rate of return, payback period and profit margin The Group's diversified portfolio of businesses means that generalisation of benchmarks is neither desirable, nor possible Therefore, the Group operates a framework for calculating investment discount rates that are tailored to each investment This framework applies appropriate risk premiums to the discount rate in order to ensure all risks relating to the investment are taken into account and that the required rate of return is commensurate with this level of risk This in turn allows the BBC and BBC Worldwide to achieve the optimal allocation of capital and balance its short term and long term return goals

36. Financial instruments and risk management

Financial risk management objectives

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

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

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

Currency risk

BBC Worldwide is exposed to foreign exchange risk arising from various currency exposures, principally in relation to the US dollar, the Euro and the Australian dollar The Group generates a surplus in most currencies in which it operates The Group's share of income generated outside the UK was 55 5% in 2011 versus 54 6% in 2010

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

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

The overall cost of these contracts in the income statement is therefore fixed, however where these contracts span financial years and hedge accounting is not applied, the fair value of the forward currency contracts results in timing gains/losses in each financial year The gains/losses seen are therefore a result of market conditions as opposed to variances in contract value

Some contracts may contain clauses whereby changes in currency rates outside an agreed range impact on the contract price, in the majority of cases the value of the individual contracts and other features within the contract limit the currency risk exposure to a level that is not significant to the Group Such clauses have been separated from the host contracts and recorded as embedded derivatives The movement in fair values in these derivatives is recorded through the income statement Further details of the value of embedded derivatives is given in note 23

Notes to the consolidated financial statements (continued)

36. Financial instruments and risk management (continued)

Currency risk (continued)

Foreign exchange translation risk arises from the translation of overseas subsidiaries' income statements and balance sheets into sterling This translation currency risk may be hedged by funding overseas investments with loans in the same functional currency as the overseas investment No such net investment hedges were in place at 31 March 2011 or 31 March 2010

Since July 2010 the majority of the forward foreign currency contracts entered into by the Group were designated as hedging instruments in effective cash flow hedges Corresponding fair value movements have, accordingly, been recorded within other comprehensive income For forward foreign currency contracts not designated as hedging instruments, movements in fair value are recorded directly in the income statement within 'other gains and losses'

The following table shows the profit or loss and equity impact of a 10% adverse movement in currency rates on the Group's derivative financial instruments

	2011 £m	2010 £m
Forward foreign currency contracts	(19 4)	(14 0)
Foreign currency options	-	0 1
Embedded derivatives	(1 0)	(1 4)
Total impact on derivatives	**(20 4)**	**(15 3)**
Impact on income statement	(7 8)	(15 1)
Impact on other comprehensive income	(12 6)	(0 2)
Total impact on comprehensive income	**(20 4)**	**(15 3)**

The same movement in currency rates would result in an income statement gain of £3 3m (2010 gain of £1 7m) in respect of the Group's interest bearing loans and borrowings and intragroup monetary assets and liabilities not eliminated on consolidation

Interest rate risk

The Group's main exposure to interest rate fluctuations arises on external interest bearing liabilities and loans from its parent undertakings BBC Worldwide borrows at floating rates of interest creating an exposure to cashflow interest rate risk BBC Worldwide then use interest rate swaps, caps and collars to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations The Group uses interest rate swaps to fix interest rates so that greater certainty about the level of future interest payments can be achieved Interest rate swaps, caps and collars are taken out based on projected borrowing requirements, therefore differences will occur between the notional amount of swaps, caps and collars and the actual borrowing requirements

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 31 March 2011 would increase by £2 5m (2010 increase by £3 7m) The incremental increase in profit is primarily attributable to the effect that such a change in interest rates would have on the fair value of interest rate swaps which fix all of the Group's external floating rate interest

Other price risk

Other price risk is any price change other than those arising from changes in currency or interest rates

Credit risk

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

The Group's credit risk management policy in relation to trade receivables involves regularly assessing the financial reliability of customers, taking into account several factors such as their financial position and historical performance Despite the existence of some key customers in major geographies, there is no material concentration of credit risk with respect to trade receivables as the Group has a large number of customers, geographically dispersed Credit terms, where given, are generally for a 30-day period The carrying amount of financial assets included in the financial statements represents the Group's maximum exposure to credit risk in relation to these assets

The Group's other classes of financial assets do not contain impaired assets and are not past due

Notes to the consolidated financial statements (continued)

36 Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due BBC Worldwide is subject to ceilings imposed on its borrowings by BBC Group, which in turn is subject to limits set by the Secretary of State in accordance with the Agreement between the BBC and the Department for Culture Media and Sport At 31 March 2011 the net debt limit imposed by BBC Group on BBC Worldwide was £118 0m (2010 £118 0m), with a gross debt limit of £168 0m subject to corresponding cash balances being held These limits are subject to review going forward

BBC Worldwide's loan with the European Investment Bank (EIB) is subject to debt covenants based on the Group's earnings before interest, taxation, depreciation and amortisation, and in addition excluding charges arising from business disposals or restructuring (EBITDA) The covenants, which have been met throughout the year are

- Net borrowings not to exceed three times EBITDA, and
- EBITDA to exceed three times net interest cost

The Group is also active in monitoring its debt covenants which have been met at 31 March 2011

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

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

2011	Due in less than 1 year £m	Due in 1 to 2 years £m	Due in 2 to 3 years £m	Due after more than 3 years £m	Total £m
Financial liabilities at fair value through profit and loss					
Derivative financial instruments	3 5	2 2	1 4	-	7 1
Embedded derivatives	-	-	-	-	-
Other creditors	-	7 5	-	-	7 5
Financial liabilities measured at amortised cost					
Bank loans	20 4	30 0	-	-	50 4
Loans owed to intermediate parent undertaking	3 3	65 3	-	-	68 6
Obligations under finance leases	0 1	0 9	-	-	1 0
Trade and other payables (excluding accruals and deferred income)	240 3	-	-	-	240 3

2010	Due in less than 1 year £m	Due in 1 to 2 years £m	Due in 2 to 3 years £m	Due after more than 3 years £m	Total £m
Financial liabilities at fair value through profit and loss					
Derivative financial instruments	5 0	3 5	0 8	2 7	12 0
Embedded derivatives	-	-	0 2	1 1	1 3
Other creditors	40 6	-	3 5	-	44 1
Financial liabilities measured at amortised cost					
Bank loans	0 3	20 3	30 0	-	50 6
Loans owed to intermediate parent undertaking	9 3	32 8	64 0	2 6	108 7
Obligations under finance leases	-	0 1	-	-	0 1
Trade and other payables (excluding accruals and deferred income)	245 3	-	-	-	245 3

The Group's loan facility from its parent contains a provision for that facility to be cancelled in June 2012 in the event that BBC Commercial Holdings is unable to successfully refinance its Revolving Credit Facility The refinancing of BBC Commercial Holdings is expected to be completed by the end of 2011 The Directors do not foresee any difficulty in obtaining such funding

Notes to the consolidated financial statements (continued)

36 Financial instruments and risk management (continued)

Fair value hierarchy and valuation techniques

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable

- Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets and liabilities,
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1 2011 £m	Level 2 2011 £m	Level 3 2011 £m	Total 2011 £m	Level 1 2010 £m	Level 2 2010 £m	Level 3 2010 £m	Total 2010 £m
Financial assets at fair value								
Derivative financial instruments	-	4 4	-	4 4	-	2 9	-	2 9
Embedded derivatives	-	0 1	-	0 1	-	-	-	-
	-	4 5	-	4 5	-	2 9	-	2 9
Financial liabilities at fair value								
Derivative financial instruments	-	(9 0)	-	(9 0)	-	(12 0)	-	(12 0)
Embedded derivatives	-	(0 2)	-	(0 2)	-	(1 3)	-	(1 3)
Other payables	-	-	(7 5)	(7 5)	-	-	(41 3)	(41 3)
	-	(9 2)	(7 5)	(16 7)	-	(13 3)	(41 3)	(54 6)

There were no transfers between levels during the year

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

Level 3 financial liabilities recorded at fair value and included within other payables relate to written put options issued to non-controlling interests The fair value of such instruments is calculated based on the strike price of the options and management's best estimate of the date at which options may be exercised Options outstanding at 31 March 2011 may be exercised at dates within the period April 2012 to April 2014 (2010 January 2011 to April 2014) Where the strike price of an option is based on the fair value of the underlying business, this has been estimated based on forecasts of future cash flows prepared by management A discount rate of 12 5% (2010 11%) was applied to the forecast post-tax cashflows

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

	2011 £m	2010 £m
Opening balance	(41 3)	(32 3)
Issues	-	(33 0)
Settlements	41 7	36 8
Unwinding of discount recorded within finance expense	(2 8)	(1 4)
Change in fair value recorded in other gains and losses	(4 0)	(3 5)
Foreign exchange translation gains and losses	(1 1)	(7 9)
Total impact on comprehensive income	**(7 5)**	**(41 3)**

Put options over non-controlling interest include a put option over 25% of the issued share capital of Lonely Planet This put option was renegotiated in the year to 31 March 2010, resulting in the cancellation and reissue of the option with revised terms of exercise The revised option was exercised by non-controlling interests on 4 January 2011 resulting in an increase in the Group's ownership interest in Lonely Planet from 75% to 100%, effective 14 February 2011

In accordance with IAS 27 (2008) *Consolidated and Separate Financial Statements*, the exercise of the Lonely Planet put option has been treated as an equity transaction

Notes to the consolidated financial statements (continued)

37. Related party transactions

Trading transactions

The related party transactions of the Group have been presented in accordance with IAS 24 *Related Party Disclosures* Related parties of BBC Worldwide include its subsidiary, associated and joint venture undertakings, its parent undertakings and fellow subsidiaries, and key management personnel of the Group and their close family members Transactions between the BBC and BBC Worldwide Group pension schemes are detailed in note 34

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

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

	2011 £m	2010 £m
Investments in BBC programme rights	(74 4)	(77 5)
Dividends paid	(83 4)	(32 1)
Interest costs	(3 3)	(6 0)
Other income	12 1	12 9
Other expense	(40 6)	(46 8)
	(189 6)	**(149 5)**

Other income primarily relates to commission charged on advertising Other expense includes such items as property recharges, pension charges, and various other items under service level agreements

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

Name of related party	Relationship	Income 2011 £m	Expense 2011 £m	Dividends received 2011 £m	Income 2010 £m	Expense 2010 £m	Dividends received 2010 £m
2 entertain Limited*	Joint Venture	-	-	-	10 1	(0 4)	-
UK Channel Management Limited	Joint Venture	10 3	-	4 8	10 8	-	2 7
UK Gold Holdings Limited	Joint Venture	38 6	-	12 8	33 6	-	2 4
JV Programmes LLC	Joint Venture	9 0	(0 3)	14 2	19 9	(0 2)	-
Other joint ventures	Joint Venture	4 1	(7 2)	5 7	2 7	(3 6)	-
Frontline Limited	Associate	-	(2 2)	0 2	-	(2 1)	0 3
Other associates	Associate	7 7	(5 2)	6 1	6 5	(1 3)	5 3
		69 7	**(14 9)**	**43 8**	**83 6**	**(7 6)**	**10 7**

* 2 entertain Limited was accounted for as a joint venture up to August 2009 and as a subsidiary since that date Transactions and balances subsequent to acquisition have been excluded from the above amounts

The following amounts were outstanding at the balance sheet date

Name of related party	Relationship	Receivables 2011 £m	Payables 2011 £m	Net balance 2011 £m	Receivables 2010 £m	Payables 2010 £m	Net balance 2010 £m
UK Channel Management Limited	Joint Venture	4 1	(12 2)	(8 1)	2 4	-	2 4
UK Gold Holdings Limited	Joint Venture	15 8	-	15 8	6 8	-	6 8
JV Programmes LLC	Joint Venture	0 5	-	0 5	1 1	(0 1)	1 0
Other joint ventures	Joint Venture	2 4	(3 1)	(0 7)	2 5	(0 7)	1 8
Frontline Limited	Associate	5 9	(0 8)	5 1	6 9	(1 5)	5 4
Other associates	Associate	8 8	-	8 8	13 0	-	13 0
		37 5	**(16 1)**	**21 4**	**32 7**	**(2 3)**	**30 4**

At 31 March 2011, the Group also had an outstanding balance of £2 2m payable to a joint venture of the Group's ultimate parent in respect of group relief This balance is included within other payables

Notes to the consolidated financial statements (continued)

37. Related party transactions (continued)

Remuneration of key management personnel

The Group considers key management personnel as defined under IAS 24 *Related Party Disclosures* to be directors of the Group, together with the BBC Worldwide Executive Committee Total emoluments for key management personnel were

	2011 £m	2010 £m
Short-term employee benefits	6 4	5 7
Post-employment benefits	0 5	1 4
Other long-term benefits	0 8	0 6
Termination benefits	0 2	-
	7 9	7 7

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

38. Parent undertaking and controlling party

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

39. Events after the balance sheet date

On 3 May 2011, the Group renegotiated its loan facilities with its intermediate parent company, BBC Commercial Holdings Limited The Group's funding from BBC Commercial Holdings Limited now consists of a £168 0m multicurrency loan facility which supersedes the facilities in place at the balance sheet date The revised facility expires in September 2012, and is subject to BBC Commercial Holdings Limited renewing its own borrowing facility, which is due to expire in June 2012

On 9 June 2011, a dividend of £34 5m in respect of 2010/11 was declared

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

Company balance sheet
As at 31 March 2011

	Note	2011 £m	2010 £m
Fixed assets			
Distribution rights	c	116 6	100 4
Tangible fixed assets	d	17 4	19 3
Investments	e	158 8	197 7
		292 8	**317 4**
Current assets			
Programme rights and other stock	f	17 4	18 8
Debtors			
- due within one year	g	404 7	364 9
- due after one year	g	8 4	4 0
		430.5	**387 7**
Creditors amounts falling due within one year	h	(387 5)	(369 8)
Net current assets		**43 0**	**17 9**
Total assets less current liabilities		**335 8**	**335 3**
Creditors amounts falling due after more than one year	h	(98 7)	(142 7)
Provisions for liabilities and charges	i	(3 5)	(2 5)
Net assets		**233 6**	**190 1**
Capital and reserves			
Called up share capital	k	0 2	0 2
Profit and loss account	l	233 4	189 9
Shareholders' funds		**233 6**	**190 1**

The financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors and authorised for issue on 10 June 2011 They were signed on its behalf by

John Smith
Chief Executive Office

Philip Vincent
Chief Financial Officer

Notes to the company financial statements

a. Principal accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006 They have been prepared in accordance with applicable United Kingdom Accounting Standards and law and are principally prepared under the historical cost convention Areas where an alternative basis of accounting has been applied are identified in the accounting policies below These policies have been applied consistently throughout the year and the preceding year

Going concern

The financial statements are presented on a going concern basis and under the historical cost accounting convention

Investments

Fixed asset investments in subsidiaries, joint ventures and associates are shown at cost less provision for impairment Investments are reviewed for impairment if there are indicators that the carrying value may not be recoverable Only dividends received and receivable are credited to the Company's profit and loss account

Foreign currency

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

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

Distribution rights

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

Amortisation of distribution rights is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life The expected lives of distribution rights range from 1 to 10 years

Tangible fixed assets

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

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

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

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

Leased assets

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

Impairment of fixed assets

The Company reviews the carrying amounts of its fixed assets in accordance with FRS 11 *Impairment of Fixed Assets and Goodwill* whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount

Stocks

Stocks comprising books, DVDs, paper, raw materials, and work in progress are stated at the lower of cost and net realisable value Programme rights for broadcasting refer to the programme rights acquired for the future broadcast on one of the Company's television channels or for sale to third party broadcasters The carrying amount is stated at cost less accumulated amortisation, and after writing off the costs of programme rights that are considered irrecoverable

Financial instruments

The Company has chosen to adopt FRS 26 *Financial Instruments Recognition and Measurement* Policies applied by the Company in respect of financial instruments are therefore consistent with those applied by the Group Further details about the Group's financial instrument policies and their application is provided in the note 1 to the Group financial statements

Notes to the company financial statements (continued)

a. Principal accounting policies (continued)

Provisions

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

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

Pension costs

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

The Company also participates in the BBC Pension Scheme, a multi-employer defined benefit scheme As there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants, the Company has taken the exemption in FRS 17 *Retirement benefits* to account for its contributions to the scheme as if it were a defined contribution scheme

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date Timing differences arise where transactions or events occurring prior to the balance sheet date result in an obligation to pay more tax, or a right to pay less tax, in a future period owing to differences between between the Company's taxable profits and its profit for the year as stated in its financial statements

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

Dividends on shares presented within shareholders' funds

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

Notes to the company financial statements (continued)

b Profit for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year The Company reported a profit for the financial year ended 31 March 2011 of £126 9m (2010 £106 7m)

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

c. Distribution rights

	£m
Cost	
At 1 April 2010	207 9
Additions	92 5
Elimination in respect of programmes fully amortised	(66 4)
	234 0
Amortisation	
At 1 April 2010	107 5
Charge for the year	76 3
Elimination in respect of programmes fully amortised	(66 4)
	117 4
Net book value at 31 March 2011	**116 6**
Net book value at 31 March 2010	100 4

d. Tangible fixed assets

	Short leasehold buildings £m	Plant & Machinery £m	Fixtures & Fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2010	7 2	34 0	5 2	-	46 4
Additions	0 1	6 5	0 1	0 3	7 0
	7 3	**40 5**	**5 3**	**0 3**	**53 4**
Depreciation					
At 1 April 2010	1 5	23 1	2 5	-	27 1
Charge for the year	0 9	6 6	1 4	-	8 9
	2 4	**29 7**	**3 9**	**-**	**36 0**
Net book value at 31 March 2011	**4 9**	**10 8**	**1 4**	**0 3**	**17 4**
Net book value at 31 March 2010	5 7	10 9	2 7	-	19 3

The Company does not hold any assets under finance leases (2010 £nil)

Notes to the company financial statements (continued)

e. Fixed asset investments

	2011 £m	2010 £m
Subsidiaries	131 2	171 3
Joint ventures	14 8	14 8
Associates	12 8	11 6
	158 8	197 7

The Company has investments in the following subsidiaries, joint ventures and associates which principally affected the profits or net assets of the Group To avoid a statement of excessive length, details of investments which are not significant have been omitted

	Note	Country of incorporation or principal business address	Principal activity	Ownership interest
Subsidiary undertakings				
BBC Worldwide Americas Inc	+	USA	Holding company	100%
BBC Worldwide Australia Pty Limited	+	Australia	Programme distributor	100%
BBC Worldwide Canada Limited	+	Canada	Programme distributor	100%
BBC Worldwide France Sarl	+	France	Programme distributor	100%
BBC Worldwide Germany GmbH	+	Germany	Programme distributor	100%
BBC Worldwide Japan KK	+	Japan	Programme distributor	100%
BBC Worldwide Productions LLC		USA	Content production	100%
BBC Worldwide Reality Productions LLC		USA	Content production	100%
BBC Worldwide Channels Australasia Pty Limited		Australia	TV channel operator	100%
New Video Channel America LLC		USA	TV channel operator	100%
UK Programme Distribution Limited	+	England & Wales	Programme distributor	93%
BBC Magazines Holdings Limited	+	England & Wales	Holding company	100%
BBC Magazines Limited		England & Wales	Publishing company	100%
BBC Magazines Rights 3 Limited		England & Wales	Rights licensing	100%
Bristol Magazines Limited		England & Wales	Publishing company	100%
BBC Worldwide Australia Holdings Pty Limited	+	Australia	Holding company	100%
Lonely Planet Publications Pty Limited		Australia	Publishing company	100%
Lonely Planet Publications Inc		USA	Publishing company	100%
Lonely Planet Publications Limited		England & Wales	Publishing company	100%
2 entertain Limited	+	England & Wales	Holding company	100%
2 entertain Video Limited		England & Wales	DVD/video publisher	100%
Demon Music Group Limited		England & Wales	CD/music publisher	100%
BBC com Limited	+	England & Wales	Digital media provider	100%
Bedder 6 Limited	+	England & Wales	Content creation	50%
Worldwide Channel Investments Limited	+	England & Wales	Holding company	100%
Joint ventures				
UK Channel Management Limited	+	England & Wales	TV channel operator	50%
UK Gold Holdings Limited	+	England & Wales	Holding company	50%
UK Gold Services Limited		England & Wales	TV channel operator	50%
JV Programmes LLC		USA	Content creation	50%
Freehand International Pty Limited	+	Australia	Content creation	38%
Ragdoll Worldwide Limited	+	England & Wales	Content creation	50%
BBC Haymarket Exhibitions Limited		England & Wales	Consumer exhibition organiser	50%
Dovetail Services (UK) Holdings Limited	+	England & Wales	Magazine subscription fulfiller	50%
Park Publishing Partnership		Australia	Magazine producer	50%
Sub-Zero Events Limited		England & Wales	Live stage-performance operator	25%
Worldwide Media Limited		India	Publishing company	50%

\+ Held directly by BBC Worldwide Limited

Notes to the company financial statements (continued)

e. Fixed asset investments (continued)

Name	Note	Country of incorporation or principal business address	Principal activity	Ownership interest
Associates				
Baby Cow Productions Limited	+	England & Wales	Content creation	25%
Big Talk Productions Limited	+	England & Wales	Content creation	25%
Clerkenwell Films Limited	+	England & Wales	Content creation	25%
GP Media S A		Argentina	Content creation	35%
Left Bank Pictures Limited	+	England & Wales	Content creation	25%
Sprout Pictures (TV) Limited	+	England & Wales	Content creation	25%
Temple Street Productions Inc	+	Canada	Content creation	25%
Tower Productions GmbH	+	Germany	Content creation	49%
Children's Character Books Limited	+	England & Wales	Children's book publisher	25%
Frontline Limited	+	England & Wales	Magazine distributor	23%
Origin Publishing Limited		England & Wales	Magazine publisher	39%
AudioGo Limited*		England & Wales	Audiobook publisher	15%
Cover to Cover Casettes Limited		England & Wales	Audiobook publisher	15%
Educational Publishers LLP	+	England & Wales	Educational product licensor	15%
Woodlands Books Limited	+	England & Wales	Book publisher	15%

\+ Held directly by BBC Worldwide Limited
* Formerly BBC Audiobooks Limited

	Subsidiaries £m	Joint ventures £m	Associates £m
Cost			
At 1 April 2010	195 1	14 8	11 6
Additions	41 5	-	1 4
Disposals	(8 8)	-	-
	227 8	**14 8**	**13 0**
Provisions for impairment			
At 1 April 2010	(23 8)	-	-
Written off	(72 8)	-	(0 2)
	(96 6)	-	**(0 2)**
Net book value	**131 2**	**14 8**	**12 8**

During the year, new shares were issued to the Company by its subsidiary, BBC Worldwide Australia Holdings Pty Ltd (WAH) Proceeds from the issue of these shares were used by WAH to fund its purchase of the remaining 25% of equity of Lonely Planet Publications Pty Ltd (LP) that it did not already own This purchase resulted from the exercise of a put option previously issued to the minority LP shareholders

Following an assessment of its carrying value, the Company's investment in WAH has been written down by £72 8m to its recoverable amount The recoverable amount is based on value in use calculations using forecast cash flows approved by management and translated into the Company's functional currency using spot rates

Further information about key assumptions used in determining value in use are given in note 12 to the consolidated financial statements

In the year to 31 March 2011, the Company also disposed of its investment in BBC Audiobooks Limited Consideration received on disposal included 15% of the ordinary share capital of Audio London Limited, which was consequently recognised as an associate during the year

Notes to the company financial statements (continued)

f. Programme rights and other stock

	2011 £m	2010 £m
Programme rights for broadcasting	16 0	18 1
Raw materials and consumables	0 1	0 1
Work in progress	0 4	0 1
Finished goods for resale	0 9	0 5
	17 4	**18 8**

g Debtors

	2011 £m	2010 £m
Amounts falling due within one year		
Trade debtors	95 8	71 1
Prepayments and accrued income	12 6	8 3
Amounts owed by subsidiary undertakings	259 3	241 9
Amounts owed by fellow subsidiary undertakings	5 8	24 7
Amounts owed by joint ventures and associates	22 0	11 6
Derivative financial instruments	2 0	2 6
Corporation tax recoverable	2 2	-
Deferred tax	1 4	1 2
Other debtors	3 6	3 5
	404 7	**364 9**
Amounts falling due after more than one year		
Amounts owed by associates and joint ventures	2 6	-
Derivative financial instruments	0 8	0 3
Deferred tax	5 0	3 7
	8 4	**4 0**
	413 1	**368 9**

h. Creditors

	2011 £m	2010 £m
Amounts falling due within one year		
Bank loans and overdraft	43 9	15 4
Trade creditors	35 0	39 5
Rights creditors	42 4	33 1
Accruals and deferred income	93 9	59 1
Amounts owed to ultimate parent undertaking	29 6	21 2
Amounts owed to subsidiary undertakings	115 1	170 9
Amounts owed to fellow subsidiary undertakings	4 2	2 8
Amounts owed to joint ventures and associates	2 4	0 1
Corporation tax payable	-	7 1
Derivative financial instruments	4 9	4 3
Other creditors including other taxes and social security	16 1	16 3
	387 5	**369 8**
Amounts falling due after more than one year		
Bank loans	30 0	50 0
Loan owed to intermediate parent undertaking	64 5	84 1
Derivative financial instruments	4 2	8 6
	98 7	**142 7**
Total creditors	**486 2**	**512 5**

Details of bank loans and loans owed to the Company's intermediate parent undertaking are given in note 22 to the consolidated financial statements

Notes to the company financial statements (continued)

i. Provisions for liabilities and charges and contingent liabilities

	Deferred tax £m	Other provisions £m	Total £m
At 1 April 2010	0 8	1 7	2 5
Provided during the year	-	2 0	2 0
Released in the year	-	(1 0)	(1 0)
At 31 March 2011	**0 8**	**2 7**	**3 5**

Other provisions primarily relate to property dilapidations and reorganisation costs

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

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

The Company and some of its subsidiaries operate a cash pooling arrangement All the cash balances within the pool belong to the legal entity to which they relate, although the Company has access to all funds and each cash pool participant is jointly and severally liable for any overdraft balance At 31 March 2011, total overdrafts under this arrangement were £105 2 million (2010 £61 7 million)

The Company and some of its fellow BBC Commercial Holdings subsidiaries have given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement At 31 March 2011, total amounts drawn down by the BBC Commercial Holdings Group under this facility were £98 0 million (2010 £211 7 million)

j. Deferred tax

Deferred tax is provided as follows

	Fixed asset timing differences £m	Derivative timing differences £m	Other £m	Total £m
At 1 April 2010	0 5	2 8	0 8	4 1
Charged/(credited) to profit and loss	3 4	(1 1)	(0 8)	1 5
At 31 March 2011	**3 9**	**1 7**	**-**	**5 6**

k. Called up share capital

	2011 £m	2010 £m
Issued and fully paid		
250,000 Ordinary shares of £1 each	0 2	0 2

The company has one class of shares which carry no right to fixed income

l. Reconciliation of movements in shareholders' funds

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2009	0 2	115 5	115 7
Profit for the year	-	106 7	106 7
Dividends paid	-	(32 1)	(32 1)
Exchange adjustment	-	(0 2)	(0 2)
At 31 March 2010	**0 2**	**189 9**	**190 1**
Profit for the year	-	126 9	126 9
Dividends paid	-	(83 4)	(83 4)
At 31 March 2011	**0 2**	**233 4**	**233 6**

Notes to the company financial statements (continued)

m. Financial commitments

Contracts placed for future capital expenditure not provided are as follows

	2011 £m	2010 £m
Software	0 5	0 5
Distribution rights	48 6	39 2
Development funding	4 1	1 0
Total	**53 2**	**40 7**

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

	Land & buildings £m	Other £m	2011 Total £m	Land & buildings £m	Other £m	2010 Total £m
Leases which expire						
Within one year	-	0 8	0 8	0 1	1 8	1 9
Between two and five years	0 2	-	0 2	0 3	0 4	0 7
After more than five years	6 2	-	6 2	6 0	-	6 0
Total	**6 4**	**0 8**	**7 2**	**6 4**	**2 2**	**8 6**

The Company also has the following unprovided financial commitments

	2011 £m	2010 £m
Programme rights for broadcast	8 1	10 5
Other commitments	14 2	2 8
Total	22 3	13 3

n Related party transactions

The Group consolidated financial statements for the year ended 31 March 2011 contain related party disclosures Consequently, the Company has taken advantage of the exemption in FRS 8 *Related Party Disclosures*, not to disclose transactions with other members of the BBC Group

The value of transactions conducted with non wholly-owned subsidiaries and with other related parties was as follows

Name of related party	Relationship	Income 2011 £m	Expense 2011 £m	Dividends received 2011 £m	Income 2010 £m	Expense 2010 £m	Dividends received 2010 £m
Bedder 6 Limited	Subsidiary	6 3	-	3 0	4 6	-	0 8
UK Programme Distribution Limited	Subsidiary	46 3	-	-	39 2	-	3 0
		52 6	-	**3 0**	**43 8**	-	**3 8**
2 entertain Limited*	Joint Venture	-	-	-	10 1	(0 4)	-
UK Channel Management Limited	Joint Venture	10 3	-	4 8	10 8	-	2 7
UK Gold Holdings Limited	Joint Venture	38 6	-	12 8	33 6	-	2 4
JV Programmes LLC	Joint Venture	9 0	-	-	19 9	-	-
Other joint ventures	Joint Venture	3 7	(3 7)	5 4	1 9	(0 6)	-
Associates	Associate	4 7	(4 9)	0 4	4 8	(1 3)	0 6
		66 3	**(8 6)**	**23 4**	**81 1**	**(2 3)**	**5 7**
		118 9	**(8 6)**	**26 4**	**124 9**	**(2 3)**	**9 5**

* 2 entertain Limited was accounted for as a joint venture up to August 2009 and as a subsidiary since that date Transactions and balances subsequent to acquisition have not been disclosed

Notes to the company financial statements (continued)

n. Related party transactions (continued)

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

Name of related party	Relationship	Receivables 2011 £m	Payables 2011 £m	Net balance 2011 £m	Receivables 2010 £m	Payables 2010 £m	Net balance 2010 £m
Bedder 6 Limited	Subsidiary	-	(13 9)	(13 9)	-	(8 6)	(8 6)
UK Programme Distribution Limited	Subsidiary	11 5	-	11 5	-	(0 1)	(0 1)
		11 5	**(13 9)**	**(2 4)**	-	**(8 7)**	**(8 7)**
UK Channel Management Limited	Joint Venture	4 1	-	4 1	2 4	-	2 4
UK Gold Holdings Limited	Joint Venture	14 4	-	14 4	6 8	-	6 8
Other joint ventures	Joint Venture	2 2	(2 4)	(0 2)	1 5	(0 1)	1 4
Associates	Associate	3 9	-	3 9	0 9	-	0 9
		24 6	**(2 4)**	**22 2**	**11 6**	**(0 1)**	**11 5**
		36 1	**(16 3)**	**19 8**	**11 6**	**(8 8)**	**2 8**

At 31 March 2011, the Company also had an outstanding balance of £2 2m payable to a joint venture of the Company's ultimate parent in respect of group relief This balance is included within other payables

o. Post balance sheet events

On 3 May 2011, the Company renegotiated its loan facilities with its intermediate parent, BBC Commercial Holdings Limited The Company's funding from BBC Commercial Holdings Limited now consists of a £168 0m multicurrency loan facility which supersedes the facilities in place at the balance sheet date The revised facility expires in September 2012, and is subject to BBC Commercial Holdings Limited renewing its own borrowing facility, which is due to expire in June 2012

On 9 June 2011, a dividend of £34 5m in respect of 2010/11 was declared

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

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