Registered number 1420028

BBC Worldwide Limited

Annual Report and Financial Statements for the year ended 31 March 2012

BBC Worldwide exists to support the BBC's public service mission by exploiting the commercial potential of BBC intellectual property, talent and the BBC brand and, whenever possible, to help other high quality British intellectual property reach global markets. Our aim is to maximise profits on behalf of the BBC in a way that is consistent with BBC standards and values.

Headline sales*

£1,085m

+5.4%

2010/11 £1,030m

Headline profit*

£155m

+7.9%

2010/11 £144m

Profit before tax†

£104m

+13.0%

2010/11 £92m†

Returns to the BBC

£216m

+18.6%

2010/11 £182m

Contents

*** Excludes BBC Magazines titles sold and licensed in the year**

Throughout this review, headline sales refers to gross revenue excluding discontinued operations, and including the Group's share of revenues from joint ventures Headline profit refers to operating profit before specific items excluding profits generated by discontinued operations and including the Group's share of operating profits from joint ventures and associates Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies Specific items are material 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 presented in the Consolidated Income Statement on page 45

† Excludes gains on disposals

BBC Worldwide at a glance

BBC Worldwide has five operating businesses, each driving sales and profits globally

Operating business	Description	Headline sales*	Headline profit/(loss)*
Channels	Offers a global showcase for the best of British television via a portfolio of 32 international, BBC-branded TV channels, and the pilot of the Global BBC iPlayer A further 10 channels – the UKTV portfolio – operate in the UK through a joint venture with Scripps Networks Interactive Also manages affiliate sales for BBC World News	**£344.6m** +13 7% 2010/11 **£303 1m**	**£42.3m** +9 9% 2010/11 **£38 5m**
Sales & Distribution	The largest distributor of finished TV programmes outside the US studios with a sales team present in 11 global offices serving 200 territories Distributes BBC Worldwide's catalogue of high quality content to over 700 international broadcasters and digital platforms	**£292.7m** +12 3% 2010/11 **£260 6m**	**£72.3m** +13 0% 2010/11 **£64 0m**
Consumer Products	Global producer and distributor of TV-based packaged media Encompasses video (including DVD, Blu-ray and download-to-own (DTO)), licensed merchandise, music, book and audio publishing partnerships Also the home of bbcshop com	**£211.4m** -15.8% 2010/11 **£251 1m**	**£49.1m** -4 1% 2010/11 **£51 2m**
Global Brands	Maximises the long-term value of BBC Worldwide's major brands, creates closer consumer engagement, and identifies and cultivates emerging businesses such as Live Entertainment and Digital Entertainment & Games	**£146.6m** +1 7% 2010/11 **£144 2m**	**-£17.3m** -34.1% 2010/11 **-£12 9m**
	Memo reporting for all of BBC Worldwide's key brands†	**£321.1m** +4 2% 2010/11 **£308 1m**	
Content & Production	Develops and acquires content for all BBC Worldwide's businesses to exploit Licenses formats and runs a global network of production studios Also provides expertise to producers, bringing together interested investors to enable projects to come to fruition	**£135.5m** +31 8% 2010/11 **£102 8m**	**£10.5m** +32 9% 2010/11 **£7 9m**

* *Percentages refer to year-on-year change*
† *Memo reporting includes brands such as* Top Gear, Dancing with the Stars *and BBC Earth See page 17*

Chairman's statement

BBC Worldwide and its shareholder, the BBC, have much to celebrate in the results and progress achieved in the year And there are grounds for pride in more than just its financial performance BBC Worldwide makes the best of the BBC's creative output accessible across the world The international channel portfolio it owns and distributes now reaches 356m homes, across every habitable continent *Dancing with the Stars*, the international version of *Strictly Come Dancing*, has been seen by an estimated 250m viewers, and has been licensed to 40 countries The *Planet Earth* DVD can be found in one in 25 US homes To date, over 10m people have been to one of BBC Worldwide's live events Its flagship website, BBC com, achieved a monthly average of 58 5m unique users Premium BBC series travel far and wide, with new hits such as *Frozen Planet* now sold in 195 markets, and *Sherlock* in 158 *Doctor Who* Series 6 claimed its slot as the most downloaded series on iTunes in the USA in 2011

As the UK's largest exporter of finished TV programmes, BBC Worldwide also represents programming from over 200 independent production companies In 2011/12 £76 2m was paid to indies in upfront rights investment, profit share and royalties Research from PACT shows that international revenue today accounts for 25% of the independent sector's revenue, frequently bringing crucial co-production money Without this, some programmes would be simply unaffordable for the BBC's core UK audiences

I took on the chair of BBC Worldwide, in my capacity as Director-General of the BBC, shortly before the year end This followed the departure of Robert Webb QC on taking up a full-time executive position at Rolls-Royce plc Robert oversaw a period of successful reshaping and strong performance, and on behalf of both BBC Worldwide and the BBC, I would like to place on record our thanks for his service This year also saw the departure of Nicholas Eldred, formerly General Counsel for the BBC Nicholas served as a BBC-nominated Non-executive Director of BBC Worldwide for five years, making a valuable contribution throughout

The subject of governance is reported in full on page 27 The Company operates in line with the 4 Commercial Criteria fit with the BBC's public purposes, not jeopardise the good reputation of the BBC or the value of the BBC brand, exhibit commercial efficiency, and comply with the BBC Trust's Fair Trading policy, the BBC's Fair Trading Guidelines and, in particular, avoid distorting the market These are deeply embedded in the company's culture and processes So too are BBC Worldwide's values, which include all those of the BBC

Serving as Director-General of the BBC gives me a unique perspective on the value created by BBC Worldwide Since I became Director-General, revenue has almost doubled under the leadership of John Smith, and its headline profits have grown four-fold in just eight years – a noteworthy track record In an increasingly constrained financial environment, BBC Worldwide delivered a record £215 7m return to the BBC in the year This is vitally important money for the BBC, and I am certain that my successor as Director-General will continue to rely on BBC Worldwide's contribution

Looking forward, the BBC's transformation programme, *Delivering Quality First (DQF)*, designed to deliver operational efficiencies of 20% over five years, will also make some extra demands on BBC Worldwide These include increased investment in BBC productions, a smaller pipeline of BBC-commissioned content and the need to balance immediate cash repatriation with BBC Worldwide's own investment needs To ensure a strong and growing return in future years, the BBC is therefore working closely with BBC Worldwide on possible ways to bring in external investment and promote growth

Finally, on behalf of the shareholder, and the UK licence fee payer, I would like to thank all at BBC Worldwide for their achievements in delivering another excellent performance this year

Mark Thompson
Chairman, BBC Worldwide
and Director-General, BBC

Chief Executive's review

Our company exists to generate investment for BBC programmes and services through commercial exploitation of the BBC's assets, to further the BBC's mission around the world, and to promote the UK's creative industries overseas We made good progress on all three in the year, and are particularly pleased to deliver a record return to the BBC, increasing by 18 6% to £215 7m (2010/11 £181 9m)

- Headline sales grew 5 4% to £1,085 0m (2010/11 £1,029 8m), despite a volatile macro-economic environment and lower market growth rates in many countries
- Headline profit increased 7 9% to £154 8m (2010/11 £143 5m)
- And profit before tax was up 13 0% to £103 5m (2010/11 £91 6m) This excludes gains on last year's disposal of Animal Planet Europe to give a like-for-like picture

We sustained the high level of financial performance of recent years Three of our five operating businesses – Channels and Sales & Distribution, respectively our largest by revenue and by profit, and Content & Production – grew revenue at double-digit rates and together generated over £90m of additional headline sales compared to last year

BBC America performed in line with an ambitious investment plan, while in emerging markets we launched a new BBC HD channel in Latin America, and extended existing feeds such as Pan-Asia into more countries Sales & Distribution achieved double-digit profit growth, with a trebling of programme sales to digital services Advertising revenue grew in double-digits for our channels and BBC com alike Other highlights included continued success with the production of *Dancing with the Stars*, new live events from *Doctor Who* to CBeebies, reaching 1 5m visitors across 10 countries, and the start of production on the feature film *Walking With Dinosaurs 3D*

Transforming our portfolio

At the same time, we furthered our business transformation, parting company with BBC Magazines, a major and long-standing business Along with the disposal of Animal Planet Europe in 2010, this is the second profit centre we have sold in two years While these transactions have helped rebalance our portfolio for future growth, and provided a significant cash return to the BBC, they have also reduced our annual headline profit by some £35m We made positive progress on all our strategic objectives, shown in the KPI table below and discussed in detail on pages 6-13

The decision to exit BBC Magazines came after careful thought Our Board concluded that its long-term success lay with new owners, who could pursue sector consolidation and emerging format investment with fewer constraints Therefore on 31 October 2011, we entered into a sale, licence and contract publishing agreement with Exponent Private Equity, which saw the majority of titles change hands We also sold our shares in our Indian magazine publishing joint venture, Worldwide Media, to our partner Bennett, Coleman & Co Together these transactions commanded a healthy consideration of £121 0m, generating a material profit on disposal and helping increase dividends to the BBC

August saw a change in shareholder at our successful channels joint venture, UKTV I would like to thank outgoing shareholder, Virgin Media, for a successful relationship over many years, and to welcome Scripps Networks Interactive, our new partner

Innovation

It was also a year of enormous digital progress This included a host of content licensing deals to digital services, such as urban science fiction drama *Misfits* to US video-on-demand service, Hulu, where each episode became the most-watched show that week, and which remains in its top 50 shows of all time We have taken great strides with our two-year-old games business – releasing 11 games in the year, with a further 12 in development, resulting in 3 5m downloads We have also had a total of 25m apps downloaded, while our programmes have now been downloaded over 31m times around the world 12 8% of our revenue now comes from digital businesses

Supporting the BBC

We are hugely proud of the contribution we make to the BBC, which is a unifying force throughout our business Our financial support for the BBC mainly takes the form of direct investment and facilitating co-production deals, as well as cash dividends paid from profits and other sources of cash Much loved programmes such as *Frozen Planet* and *Doctor Who* benefit hugely from this funding Our total return to the BBC this year amounted to a record £215 7m, equivalent to over one pound in 10 spent by BBC Vision This takes returns since 2004 to over £1 3bn BBC direct rights and co-production investment totals £78 1m (2010/11 £78 5m) while dividends in respect of the year are £111 0m (2010/11 £76 4m)

Our strategic key performance indicators

	2003/04	2010/11	2011/12
Headline sales from international[1] (%)	38 7	55 5	64 3
Revenue from digital (excl JVs)[2] (%)	0 5	8 1	12 8
Channels subscriber homes (m)	n/a	343	356
Investment in distribution rights (£m)	90 7	92 9*	98 6
Registered eCRM users (m)	n/a	2 3	4 6

[1] *61 1% on a continuing business basis in 2010/11*
[2] *9 3% on a continuing business basis in 2010/11*
* *Comparative figures have been restated to exclude co-production funding from third parties See note 14 of the Financial Statements for further details*

UK creative industries

We licensed over 100,000 hours from our catalogue, exporting the best of the BBC's output and other high quality British content around the world February saw the biggest ever BBC Worldwide Showcase, our annual international sales event This year's Showcase generated an estimated £50m of TV sales We represent content from over 200 independent producers, including output and development deals with 26 in the year, benefiting the wider UK creative sector These are underpinned by our expertise as Europe's leading distributor for finished TV programme sales, we are the largest outside the US studios, according to a report by Attentional in September 2011, and have been rated top in the UK by independent production companies for the last two years

People and society

As custodians of the BBC's brand in the commercial space, *how* we do things is as important as *what* we do That is why we prioritise our values, embedding them in processes from recruitment to appraisals, and considering them above profit in our commercial decisions Our corporate responsibility activity has four components Environment, Ethical Sourcing, Outreach and People We strive towards the highest standards in each, taking meaningful action to improve in each area It is my aim to root corporate responsibility in all areas of our business and inspire engagement in all our staff and company practices

Looking ahead

To ensure BBC Worldwide's continuing ability to supplement the licence fee in future years, and to promote the BBC and British creativity to international audiences, we need to stay abreast of developments in technology, market practice and consumer behaviour With that in mind, we are refreshing our company strategy, and intend to invest more to increase our focus on fast-growing BBC-branded services, such as our wholly-owned and operated channels, around the world This investment will be material in some places, but is justified by the long-term financial returns available

To optimise delivery of our strategy internationally, we are also moving our organisation from global lines of business to an increasingly regional structure This move to a regional focus will be balanced, in our headquarters by strong global accountability and expertise in content, brand and editorial Implementation of these changes will be a primary focus in the year ahead At the same time, we will remain firmly focused on delivery to our consumers and partners, and thereby provide another strong financial performance for our parent, the BBC

John Smith
Chief Executive, BBC Worldwide

Business model

BBC Worldwide is in the business of commercialising TV properties in all kinds of ways, informed by our brand management expertise and by consumer insight We invest in rights usually at the commissioning stage, sometimes having been involved in the development process, and always informed by our understanding of market dynamics and trends

The majority of our catalogue are BBC commissions, produced both by BBC Vision Productions and by the independent sector Rightsholders, including writers, performers and production companies, stand to benefit both from our upfront investment, and from a subsequent stream of royalties from successful commercialisation We monetise rights across a variety of platforms and media around the world – bringing consumer insight, the power of the BBC brand and our local knowledge to bear These include

- selling finished programmes to broadcasters around the world,
- acquiring them for our own BBC-branded channels,
- publishing to consumers on DVD, download-to-own, or other forms of electronic ownership or access,
- building websites, applications and games around the content,
- licensing brands to third parties to turn into consumer products, such as toys, gifts or clothing,
- re-producing formats and related IP with a local flavour through international production,
- delivering live events and experiences to fans, and
- publishing as books and magazines, some through third-party relationships

We actively apply brand management to our highest impact properties – our 'global brands' which have a presence across at least five of the areas above and revenue potential of £50m or more These brands make up over a quarter of our total business We also apply a focused brand management approach to our global channel portfolio and digital service brands 47% of headline sales now comes from 12 brands We are actively driving consumer connections and relationships across all our priority brands Our challenge is to be best-in-class in all our major areas of rights exploitation

Our strategic objectives

1 Drive digital growth

Why digital?

The digital media revolution is progressing at a rapid pace, impacting on traditional media sectors Digital is becoming increasingly important to our industry's future and is where our consumers, platforms, and devices are heading BBC Worldwide has long understood this and sees digital platforms as an opportunity both to bring new audiences to our content and to produce new and unique forms of content and entertainment

How are we doing it?

With consumers' increasing wish for content anytime and anywhere, we are meeting their needs by pursuing multiple distribution opportunities and business models Our focus is to gain competitive advantage through driving digital reach and revenue growth across multiple platforms – websites, apps, connected TV, social networks and consumer electronics like games consoles

As new operators emerge, BBC Worldwide has been at the forefront of the industry, experimenting with our content on new platforms to ensure that BBC-branded programmes reach the widest possible audience

We do this through a combination of building our own direct to consumer propositions like the pilot of the Global BBC iPlayer and BBC com, which enhance our existing multiplatform offer, as well as making our content available to audiences on third-party platforms like iTunes, Amazon, Netflix and Hulu We are also developing new digital entertainment propositions For example, we have developed 11 games titles in the last 12 months and increased the global reach of BBC com to 58 5m unique visitors in 2011/12

Since its launch in 2007, we have worked hard to build BBC com into a profitable business and in the year ahead, as directed by the BBC Executive Board in January 2012, we will pass ownership of the news areas of the site over to Global News, enabling it to reinvest profits from the news areas of BBC com into its core news journalism functions We expect to continue to own and operate the other areas of BBC com and we will work closely with Global News to help to continue to drive BBC com's performance forward as an important part of the BBC Worldwide digital portfolio

Progress against targets

We are pleased with the results so far Four years ago, BBC Worldwide's digital revenue was 2 7% of the total This year it is 12 8%, having experienced a 63% Compound Annual Growth Rate (CAGR) over that term This growth has come from new opportunities for our business We are expecting to deliver 15% of our revenue from digital businesses by 2015 Further progress against the objectives laid out in last year's annual review is set out over the page

Very strong growth in sales to subscription video-on-demand services (SVOD) has been driven by licensing our content to a host of platforms including Netflix and LOVEFiLM for their UK market debuts We have also signed video-on-demand (VOD) deals with Rostelcom and Tvigle ru in Russia, Spiegel in Germany, FetchTV and Quickflix in Australia, Hulu in Japan and Youzee in Spain among others In the download-to-own market, our programming continues to be attractive to a global audience In 2011, *Doctor Who* Series 6 was the most downloaded series on US iTunes and *Sherlock* Series 1 has reached the number one position in Australia, France, Germany and Canada, a great validation of the international appeal of our content

BBC com launched three new editions, for Asia, India and Australia/New Zealand, in November 2011, to keep advancing our strategy of a more localised BBC com experience and to maintain its position as the number one international news site in Asia Pacific Other content enhancements included the refresh of the Sport section of the website ahead of an exciting summer including the Olympics and UEFA Euro 2012 Future – the second specialist vertical following the travel section the year before – was launched in February, offering users in-depth analysis on the latest trends in the worlds of science, technology, health and the environment We also launched our first award-winning Connected TV app exclusively with Samsung allowing users to access news video and text on demand through televisions and Blu-ray players

In Asia, to drive the appeal of our content, BBC Worldwide entered into a partnership with a crowdsourcing and subtitling service, Viki com, in October 2011 Viki com crowdsources subtitles, enabling BBC Worldwide to break down language and distribution barriers, opening up new markets faster and more efficiently

Our digital properties continue to go from strength to strength with bbcgoodfood com's unique visitors up strongly by 58 5% On topgear com, 74 7% of the page views for the website are now from outside the UK and the international appeal of the brand continues to grow

Over 700,000 people are now registered to lonelyplanet com The website received over half a billion page views in 2011/12 and now reaches a monthly average of 11 3m unique users (up 35 8% on last year) Overall downloads of Lonely Planet iPhone apps have now reached 10m Lonely Planet eBooks have also been a big growth area, with more than 260 titles available and revenue up over 200% year on year

As the mobile and tablet market has grown so too has the demand for all our apps BBC Worldwide has seen considerable growth in paid for, freemium and advertising supported apps with over 25m apps downloaded to date and 12 5m apps downloaded in 2011/12

Our strategic objectives (continued)

1 Drive digital growth (continued)

Our specialist games business has been at the forefront of this growth with *Top Gear's Stunt School* app launched for the iPhone and iPad this year, which has now been downloaded 2 4m times

Games have seen growth beyond mobile online We have now launched a *Top Gear* games portal which features 87 games Our first massively multiplayer online social game, *Doctor Who Worlds In Time*, entered beta phase in March A new *Doctor Who* game, *The Eternity Clock* for the Sony PlayStation3 and its new handheld Vita platform is currently in development Also in development this year was the first ever *Dancing with the Stars* free-to-play casual multiplayer online game where fans can pair up virtually with professional dancers from the show and choreograph routines

As consumers increasingly use the internet to watch programmes, we decided to launch a pilot of a global on-demand service in July 2011 The Global BBC iPlayer is a subscription app, piloted on a number of Apple platforms and provides a selection of contemporary and classic British television with a unique focus on editorial curation to guide users through almost 2,000 hours of content For more information please visit page 16

Digital technologies underpin the work we are doing to get closer to customers, particularly our investment in electronic Customer Relationship Management (eCRM) and social media outlined on page 13, and our digital and marketing teams partner closely across this space

Objectives 2011/12	Progress	Objectives 2012/13
• **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**	• **New editions for India, Australia/New Zealand and Asia launched, along with BBC com/future, which achieved double our expectations of unique users in its first month** • **BBC com in 2011/12 attracted 58 5m unique users outside the UK, up from 55 1m the year before** • **BBC com remains the number one international news site across Asia Pacific and EMEA. It is also the fastest growing international news site in the US among affluent individuals, with an increase of 12.0% year on year**	• **Increase the breadth of content and localisation of BBC com** • **Continue to expand our distribution across all digital platforms** • **Continue growth in apps with increased focus on second screen and connected TV** • **Continue our growth in games to extend the engagement with our brands** • **Make all our digital products more social** • **Develop our existing e-commerce capabilities**
• **Continue to expand TV distribution across all digital platforms, including piloting the Global BBC iPlayer**	• **Sales to SVOD services almost trebled in the year** • **The pilot of the Global BBC iPlayer was launched in July 2011**	
• **Develop a bigger games portfolio and more mobile services and apps**	• **11 games released to date** • **78 apps launched in the year, taking total to 375, with a further 30 in development**	
• **Enhance our e-commerce capabilities**	• **Continued to work on a mix of fully owned and industry standard e-commerce opportunities**	
• **Manage a gradual transition from physical products to digital**	• **Continued focus on organic investment in digital, including hybrid product, complemented by exit from BBC Magazines**	

Our strategic objectives (continued)

2 Become more international

Why international opportunities?

For a media company of our size and scale, operating on a global basis is the only way to ensure long-term growth New technologies and distribution methods mean consumers across the globe can access, share and discuss content faster than before That makes for an increasingly borderless market for content and products English-speaking territories are obvious targets for UK-based media companies But as technology progresses there are also untapped opportunities in other global markets, which often have faster-growing economies and entertainment sectors Providing legal distribution of our programmes and products can also diminish the effects of piracy and further supports investment into original content

Focusing on international markets also supports the BBC's fifth public purpose, 'Bringing the UK to the world and the world to the UK ' BBC Worldwide has a critical role to play in raising the profile of the BBC and the UK creative industries overseas In addition, through our global business, BBC Worldwide can provide a springboard for British talent outside the UK

How are we doing it?

In recent years BBC Worldwide has been particularly focused on driving growth in the USA and Australia These are our biggest growth markets, generating revenue of US$500m and Au$140m respectively Both markets will remain vital for future growth But in the past year, we have started to focus more on growth opportunities in other territories, identifying the most favourable markets for us and preparing to reorganise where necessary to deliver them We are in the process of developing market growth strategies for countries in Asia, Western Europe, Central and Eastern Europe, Middle East and Africa (CEEMEA) and Latin America, informed by market knowledge and insight from senior local recruits These strategies are likely to be supported over time, by a regionally focused organisation, balanced by strong global areas of expertise

Progress against targets

In 2007 we set ourselves a target of two-thirds of revenue to be generated from outside the UK by 2012 In 2011/12, 64 3% of headline sales was derived from outside the UK, up from 55 5% in 2010/11 As highlighted last year, growth in the UK market means we expect to take another year to reach our target of two-thirds of revenue from outside the UK

The main drivers for the increase in international revenues were the exit of BBC Magazines, a predominantly British business, the delivery of *Torchwood* Series 4 by BBC Worldwide Productions, digital growth across all areas, BBC America's performance and new channel launches

Our progress against the objectives laid out in last year's annual review is set out below

Objectives 2011/12	Progress
• **Focus strongly on growing our market share in the USA and Australia**	• **The USA and Australia are our biggest growth markets in 2011/12, delivering growth of 15 2% and 8 9% respectively**
• **Drive sales and new business, on a regional basis, in all other overseas markets, developing specific business plans for each region**	• **Regional Executive Vice Presidents (EVPs) recruited for EMEA, Latin America and Asia They led the development of regional business plans, which were submitted to the Worldwide Executive Committee (WEx) in March 2012**
• **Grow international sales across every operating business**	• **64 3% of headline sales was derived from outside the UK in 2011/12 – up from 55 5% in 2010/11** • **International sales grew in four out of five operating businesses in the year**

Objectives 2012/13
• **Grow international sales across every operating business** • **Continue to focus on growing our market share in the USA and Australia** • **Reorganise and devolve more decision-making to markets** • **Implement first steps in growth plans for Latin America, Asia, Western Europe and CEEMEA**

Our strategic objectives (continued)

3. Grow the scale of our TV channels

Why TV channels?

Despite the increasing use of the internet and an explosion in the range of devices available to access media and communications, TV remains the dominant platform to enjoy programmes Today viewers around the world are watching just over three hours, 10 minutes per person a day, up six minutes over the last five years Owning our own TV channel portfolio means we can capture value at all points of the chain – programme, affiliate and advertising sales – as well as brand-building for the long term, and putting ourselves in control of our future

Although the Channels business was only set up in 2005, international channels are now integral to BBC Worldwide They underpin our international growth strategy, allowing our total business to

- Drive BBC Worldwide's international reach and revenue in growing international pay-TV markets
- Use BBC content to build BBC-branded assets
- Provide a 'shop window' to launch and cross-promote our other products and services, such as consumer products and digital services
- Commission content from BBC Production, BBC Worldwide and the independent production community

How are we doing it?

Our TV channels business is a high growth area, and our largest business by revenue This year we grew the number of subscribers globally to 356m up from 343m, by launching channels onto new platforms, into new markets, and by growing our subscriber base in line with the growth of our platform partners

UKTV, our joint venture partnership with Scripps Networks Interactive provides an important second window for BBC content in the UK through a portfolio of 10 channels in both the pay TV and free-to-air spaces The launch of Really on the Freeview platform in August 2011 increased availability and viewership of the portfolio which in part contributed to a significant year-on-year increase in advertising sales

The UKTV channels remain a significant source of income and profit for BBC Worldwide

Our biggest channel, BBC America, was one of the fastest growing networks for ratings and subscriptions in the US and is now in 77 4m homes (up from 68 5m last year), due in part to a new deal with Cablevision

Investment in BBC America saw a 29% ratings growth in the fourth quarter year on year, and the channel is up seven places in the overall US cable rankings over 2011

This year, we had 10 launches of our channel brands across three key regions BBC Knowledge, BBC Lifestyle and BBC Entertainment made their first appearance in Taiwan The same three launched in Thailand, along with CBeebies, while BBC Lifestyle debuted in Indonesia CBeebies launched as a programming block in the Nordics, in partnership with one of the region's largest commercial broadcasters BBC HD launched as a full channel in Spanish-speaking Latin America This has been followed in May 2012 by the launch of our first dedicated BBC channel in Brazil, one of the fastest growing TV markets in the world

On air, this was our first year of significant original commissions – both locally and globally New titles included *Dripping In Chocolate*, a murder mystery for UKTV in Australia and New Zealand Its premiere was seen by 3 2% of the subscription TV audience *Come Dine with Me South Africa*, commissioned for BBC Entertainment in that market, set audience and advertising sales records, with time slot share up 172% For BBC Knowledge channels around the world, we made *Year of Adventures*, based on the Lonely Planet book of the same title BBC America is in the process of building new BBC franchises with a raft of original shows, including *Would You Rather* with Graham Norton The channel's first original drama *Copper* is due to follow in August

We are also creating unique global viewing experiences for our viewers by hosting live events with real scale This new strategy premiered with the successful broadcast of the Royal Wedding in April 2011 These synchronised broadcasts, which also included Sport Relief in early 2012, leverage the global reach of our channel network and connect with public service BBC channels in the UK We have also begun to air major series, like the latest series of *Top Gear* and *The Graham Norton Show*, within days of their UK broadcast as a way of serving loyal fans and combating piracy Post year end, we also broadcast *Planet Earth Live*, the BBC's first live global wildlife event in May *London Calling*, a global programming event designed to showcase the British capital to the world ahead of the Olympics, began in June with the Queen's Diamond Jubilee celebrations live from London

Another development was the launch of the Global BBC iPlayer pilot to extend our branded services into the digital on-demand space

Our strategic objectives (continued)

3 Grow the scale of our TV channels (continued)

BBC international channels and platforms include

- Five BBC-branded genre channels which are individually tailored for each market – BBC Entertainment, BBC Lifestyle, CBeebies, BBC HD and BBC Knowledge Two branded programming blocks – BBC Earth and Lonely Planet – are integrated into our factual channel, BBC Knowledge
- BBC America
- BBC-branded UKTV Australia and UKTV New Zealand
- BBC Canada (with Shaw Media) and BBC Kids (with Knowledge Network) in Canada
- BBC World News – distribution and advertising sales for the BBC's commercially funded news and information channel
- 10 channels in the UK via UKTV (co-owned with Scripps Networks Interactive) including Dave, Watch and Yesterday
- Management of the relay of BBC public-service channels to Ireland, Belgium and the Netherlands
- The pilot of the Global BBC iPlayer in 16 markets across Europe, Canada and Australia

Objectives 2011/12	Progress	Objectives 2012/13
• Continue to invest in our international portfolio of channels to build scale, driving subscriber numbers and average revenue per user	• Subscriber homes up from 343m to 356m, advertising up in double-digits and consistent across every region, particularly where we have made recent investment in channels	• 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 video-on-demand (VOD) services	• 10 new services launched, including new HD feed in Latin America, and CBeebies block in Nordics	• Launch new channels in selected markets, including HD and video-on-demand (VOD) services
• Pilot the Global BBC iPlayer in selected markets	• Global BBC iPlayer now launched into 16 countries in pilot phase	• Showcase the best of British creativity through a range of branded services

Our strategic objectives (continued)

4. Increase investment in new content

Increase Investment In new content

Over the last year, BBC Worldwide has invested £98 6m in distribution rights, three-quarters of which was into BBC commissions We have produced and licensed 36 formats in 43 countries around the world

Why new content investment?

As audiences' tastes and viewing habits change, we are changing the way we look at and develop content BBC IP is the cornerstone of our content strategy and forms the vast majority of investments we make This investment is even more crucial to fund BBC programmes after a tighter licence fee settlement We need increasing levels of content to fuel the growth ambitions of all our businesses and so we also look to supplement the BBC content in our pipeline with programmes from other sources Understanding the needs of different markets and having a flexible approach to addressing them is vital, and we are finding innovative ways to bring commissioners, producers and other partners together

How are we doing it?

We are committed to enhancing the benefits we bring to the BBC and to independent production companies by providing producers with greater expertise and market understanding To that end, our Content & Production business was restructured in February, from three teams (acquiring rights from the BBC, from independent producers and a strategy team) to five genre-focused teams (factual, drama, comedy, entertainment and music), each consisting of specialists who seek, develop and secure the best content from the creative community for BBC Worldwide to manage and distribute As part of this, we also extended our investment and acquisition responsibilities across all BBC Worldwide businesses, including our branded channels, DTO and home video

As always outstanding content sits at the heart of our growth A summary of activity by genre follows here

International demand for factual programming is healthy and the UK is producing some of the best factual content in the world Landmark factual series such as *Frozen Planet* are in increasing demand and co-production financing is key to delivering this ambition Our deal to bring Chinese state broadcaster CCTV on board for BBC Science's *Wonders of Life* and *Generation Earth* is a prime example of this

In drama there has been a renaissance in the period sub-genre, and crime shows remain unrelentingly popular Two titles demonstrate how we are increasingly bringing partners together Edwardian drama *Parade's End*, written by Sir Tom Stoppard and produced by Mammoth Screen, is the first project to be co-produced and distributed under the new co-venture between BBC Worldwide and Lookout Point with BBC One, HBO and ARTE Our first scripted co-production with France Télévisions, *Death in Paradise*, produced by Red Planet, was successful for the BBC and has been commissioned for a second series

In the growing music television genre, the BBC's coverage of Coldplay's headline performance at the Glastonbury festival was broadcast live across the USA, Brazil and Germany – the first performances from Glastonbury to be broadcast live outside the UK Exporting British culture to viewers across the globe is a strategy we will look to continue with events such as Radio 1's Hackney Weekend We have also completed an output deal with Sony Music in the UK, to complement an existing deal with Universal Music

Comedy remains a key genre for us and has seen us invest in shows such as *Twenty Twelve* for BBC Two, Big Talk's award-winning *Rev* for BBC Two and Ruth Jones' latest show *Stella*, helping to bring a new dimension to the comedy genre

Eurodata research shows that 83% of programmes are produced in the same country they are broadcast in, and so localising formats continues to be a successful way to enter new markets Our flagship show *Dancing with the Stars* has now been licensed to 40 countries The past year has seen local versions of *Top Gear* launched in South Korea and China, building on the continued success of the format in the USA for HISTORY Channel Love Productions' format *The Great Bake Off* delivered excellent ratings for the BBC and was an emerging international hit this year with four local versions greenlit BBC Productions' *The Week the Women Went* became the first format we have licensed to Morocco

This year we have also increased commissioning activity for our channels and more details on these programmes can be found on pages 9-10

Our management of talent rights brings access to new content Building a relationship with Nigella Lawson has resulted in a distribution deal that also sees BBC Bristol produce her new series and our strong partnership with Steve Backshall means an exciting future for *Deadly 60* as it becomes an important brand for BBC Worldwide

Our strategic objectives (continued)

4 Increase investment in new content (continued)

In addition to our relationship with the BBC, our ability to acquire content rights comes from the success of our indie relationships We partner with more than 200 UK indies on a range of output and distribution deals, and have backed two start-up indies this year, Burning Bright Productions Limited and Slim Film & TV Limited, each headed up by proven British producers This year we took delivery of almost 150 hours of original programming from indies in which we hold an interest

Objectives 2011/12	Progress	Objectives 2012/13
• **Continue to invest in new BBC-commissioned programmes and content to support the creation of distinctive quality content**	• **£78 1m invested in titles including *Doctor Who* Series 7, *Ice Age* and *Top Gear***	• **Further increase our support for BBC programming** • **Invest in and develop more content to support our branded services**
• **Support emerging independent companies through development finance, co-production deals and international distribution**	• **£76 2m returned to UK independents through upfront rights investment, profit share and royalties** • **Start-up investment provided to two award-winning British producers to establish new companies**	• **Develop more content for digital platforms** • **Find and develop content and talent brands that can be used across all of BBC Worldwide's businesses** • **Continue to support the UK creative economy through our work with the indie community**
• **Invest in BBC Worldwide's own production network to secure local commissions and shows for our own channels and programme catalogue**	• **A particularly successful year for France, with a variety of commissioned formats** • **BBC Worldwide Productions had 26 shows greenlit** • ***Dancing with the Stars* licensed to two more markets, taking the total to 40**	
• **Develop more direct relationships with talent**	• **Worked with key UK talent including Nigella Lawson, Hairy Bikers, Steve Backshall and Brian Cox to create dynamic and commercial content**	

Our strategic objectives (continued)

5. Develop more direct connections with consumers

Why direct consumer connections?

For any business, knowing its fans and building a relationship with them is vital for a successful future This focus is helping to drive the continued growth of our biggest brands In 2011/12, BBC Worldwide's top five brands accounted for 30% of headline sales, and the top 12 for 47%, up from 24% and 36% just three years earlier Understanding consumers enables us to have a far better chance of giving them what they want, when they want it, and how they want it This becomes even more important in the rapidly changing world in which we operate

Investing in fan relationships can help grow consumer loyalty towards a brand, extend consumer interest to similar brands in a company's portfolio and eventually, by the fan becoming an advocate for a brand, grow its engagement within new social circles

The growth of social media platforms has given businesses another, and more direct, means of communication The functionality of platforms like Facebook and Twitter allows companies to build brands and move from a traditional consumer relationship to one where the consumer can be an actively engaged fan

How we are doing it?

BBC Worldwide is evolving from a predominantly business-to-business organisation to one which has a strong business-to-consumer focus We are building direct consumer relationships through our websites, social media, consumer products, mobile applications, games and live events, and in particular through our biggest brands which have scale and global appeal

Specifically we are harnessing direct consumer connections by

- Building an electronic customer database to tell consumers about our brands, products and services
- Focusing on marketing our brands to core fans and increasing revenue per fan
- Extending our existing analysis of the BBC brand globally, covering more territories and all key brands
- Enhancing our existing e-commerce offering to grow deeper relationships with our consumers

Our target and progress against it

We have been increasing our investment in consumer insight and sharing this insight across the company Over the past year we have invested in global segmentation studies for *Doctor Who*, BBC Earth and *Top Gear* and this consumer understanding is helping shape how we grow these brands in new territories and new formats

We have increased investment in consumer engagement, most particularly in social media and electronic Customer Relationship Management (eCRM) This will allow us to personalise each offer and to communicate other products or services which may be of interest to the consumer, based on each consumer's preference In the last year we've doubled our customer contacts from 2 3m to 4 6m and are setting up a single database with eCRM functionality for all our consumers A new team has been established this year to lead eCRM and continue to drive consumer acquisition and the average revenue per fan

In addition we continue to invest in an e-commerce offering on bbcshop com to provide our customers with an improved consumer journey

Social media sites are proving rich platforms on which to interact with our consumers In the last year we have used skills and knowledge learnt from building successful profiles for our key brands on Facebook and Twitter to drive interaction across our portfolio of brands Facebook fans of BBC Worldwide's global brands grew to over 23m This year we have experimented with different ways of interacting with fans on social networks to drive consumers to our range of offers for each brand, including our own websites Now 39 6% of the *Top Gear* website's traffic is directed from Facebook

Live Events form a key part of our strategy of extending and deepening consumers' relationship with our brands The breadth of Live Events we offer has grown significantly over the last year, and our ambition is for this to double again within the next year Launches in the year included the *Doctor Who* Symphonic Spectacular, which sold out in Melbourne, the fifth *Strictly Come Dancing* Tour and the CBeebies Live event More details can be found on pages 17-18

Objectives 2011/12	Progress	Objectives 2012/13
• **Review how we gather information about our consumers and major brands in key markets**	• **Comprehensive eCRM programme put in place, and consumer contacts doubled from 2 3m to 4 6m**	• **Develop further consumer insight on the BBC brand and our key brands globally**
• **Accelerate our use of social media to help fans interact with our major brands**	• **Specialist social media team put in place, and social media focus extended beyond five global brands** • **Facebook fans for core brands increased to over 23m**	• **Deliver our social media strategy to enhance our fan based approach** • **Continue to evolve and execute our eCRM strategy, with clearer acquisition and increasing our revenue per fan targets for each brand**
• **Develop our eCRM capability throughout the company including eCRM plans for each business to drive customer acquisition and average revenue per user**	• **Focus on sharing eCRM knowledge with Leadership Group and other key staff**	• **Double the tickets sold this year to BBC Worldwide events** • **Continue to work on enhancing our digital product offering through new formats**
• **Build up our existing Live Entertainment business**	• **1 5 m tickets sold this year**	

Market context

Once again, the last 12 months have been exciting and challenging in equal measure for the media industry Indications of potential long-term – or structural – changes in the industry have become more prominent during the year Adding to the challenge, macroeconomic conditions have been volatile And the outlook for the coming year remains uncertain BBC Worldwide is diversified geographically, by format and by sources of income, which include advertising, business-to-business and consumer We believe this diversification offers strength in uncertain trading conditions

Macroeconomic environment

Financial markets have been on edge all year with news on the sovereign debt crisis sparking rapid changes in sentiment In the real economy, there are some indications of a more sustained recovery in some parts of the world, notably the USA with real GDP growth of 2 1% expected in 2012 But growth forecasts for the Eurozone continue to weaken – the IMF's forecast in April 2012 was for a contraction of 0 3% in real GDP for the year – and the outlook for the UK is weak with growth of 0 8% expected for 2012 Australia, an important market for BBC Worldwide, is forecast to grow 3 0% thanks in part to its natural resources and economic links with China China and other developing countries, formerly brighter spots on the economic horizon, are now seeing growth moderate According to IMF data, Brazil's growth rate in 2011 dipped to 2 7%, down from 7 5% in 2010 India's economy slowed from 10 6% growth in 2010 to 7 2% in 2011 China slowed from 10 4% growth in 2010 to 9 2% in 2011, with 8 2% growth forecast for 2012

Advertising

One of the results of macroeconomic uncertainty has been uncertainty among advertisers For much of 2011 advertising held up well, but in recent months media companies have found it increasingly difficult to predict advertising revenues In an uncertain environment, advertisers are shortening their buying horizons While many of the larger global advertising conglomerates have continued to deliver reasonable growth, particular formats and geographies are suffering within that global mix While the big winner continues to be online advertising, television advertising also performed well during the year in most countries Total nominal advertising expenditure globally is forecast to increase by 4 8% in calendar 2012, up from 3 7% growth in 2011

Consumers

Real disposable incomes have been squeezed in many high income countries, including the USA (0 0%), UK (-1 2%) and many Eurozone economies The impact on the media industry has been mixed In the USA, the cable and satellite industry saw its first decline in subscribers in Q2 2011 (IHS Screen Digest) This has been largely attributed to economic conditions, with many of the subscribers lost on lower-end packages, rather than seen as an indication of a longer-term shift away from traditional pay television In the UK, the home video market held up reasonably well despite the long-term trend away from physical product Consumers continue to want small treats and with restaurant visits now less frequent, nights in watching the best films and television shows may, conversely, be more frequent

New media markets rising

Arguably, even more important for the industry's longer-term health than the volatile economic environment are indications of structural change during the year One such trend, though far from new, is the growing economic power of 'developing' markets Forecasts for media markets specifically show the rising importance of countries like Brazil, China and India While the USA and Japan will remain the two largest media markets over the next five years, and the USA will deliver the largest absolute growth, change is expected in the markets ranked 3-6 While the proportion of BBC Worldwide's revenue from international markets has risen over the past five years we are today nonetheless comparatively small outside the mature UK, US and Australian markets We are seeking rapid growth in key markets in Asia, in EMEA and in Latin America

US majors expanding reach

The US media companies have continued their international expansion, using the cash flows from their large domestic market to build strong positions with faster growth prospects overseas Examples included Discovery launching its fifth European free-to-air channel in Spain in January 2012, Disney agreeing a joint venture for a free-to-air channel in Russia, and Disney buying out its partner in Indian production venture UTV Discovery reported in February 2012 that a third of operating profit now comes from non-US channels and Fox International Channels (FIC) have been driving Fox's growth, with 58% of FIC's FY11 Q1 revenues coming from emerging markets

New entrants in pay television

New business models have continued to emerge in internet-distributed video content The big question is whether internet-distributed services have the potential to subvert the traditional cable and satellite-based distribution platforms Netflix, one such internet 'over-the-top' (OTT) service, had an extraordinary year It reported 26m streaming subscribers at the end of March 2012, with its 23m in the USA making it the largest pay TV platform in the world's largest pay TV market YouTube launched its channels strategy, seeking to add premium content to its large base of user-generated clips The traditional cable and satellite-based platforms are responding with authenticated video-on-demand services

Evidence so far suggests that traditional cable and OTT services can co-exist and indeed be complementary, at least for now Two questions for the future are whether the subscribers lost to traditional pay TV in the downturn will return when their disposable income recovers, and whether there is a generational effect where younger viewers do not sign up to pay TV in the same way as their parents did Faster wireline and wireless broadband will add to the potential for internet distribution of video The development of easier and more seamless access to internet distributed programming on television screens, which we have begun to see this year, could be the catalyst for bigger change

The entire media industry keeps an active watching brief on the long-term challenge to traditional pay TV But for now traditional pay television continues to be the dominant business model in many parts of the world and is seeing strong growth We expect traditional pay TV to remain dominant for the next five to ten years at least Global pay TV subscription revenues are forecast to grow at 5% p a over the next four years and pay television advertising by 6% p a

Market context (continued)

Digital opportunities abound

Internet distribution of long-form video is coming of age It allows audiences to view video across multiple devices television (often via a games console) alongside PC, tablet and smartphone

This was another year of strong smartphone and tablet sales Smartphone penetration continues to rise and in some markets, particularly in Asia, laptop, tablet or smartphone is the 'first screen', not television The proportion of the population using smartphones in urban China is now 35%, higher than in the USA at 31%, and in the UK at 30% In tablets, the year included the launch of the Amazon Kindle Fire and Apple's new iPad New devices are not just offering new routes for distributing traditional media They are also contributing to the apps explosion – the 25 billionth iOS app was downloaded in March 2012 – and they are changing the way audiences consume media Multi-screen consumption is increasingly the norm In the US, Nielsen estimates 42% of tablet owners use them daily at the same time as watching television

For publishers, in-app purchasing has become an established business model, generating almost as much revenue as paid-for apps and forecast to become the dominant business model over the next few years Advertising on mobile devices continues to grow strongly, topping $4 6bn in 2012, a 28% increase on 2011, with growth forecast to drop only slightly to 20% in 2015 However, mobile poses challenges as well as opportunities for many media companies Facebook's initial IPO filing highlighted the challenge it faces in monetising mobile users Facebook had 425m monthly users on mobile platforms in December 2011 but admitted it did not have a business model for monetising them It has since launched a mobile marketing solution

Very social

Social media continues to mature, with companies such as LinkedIn, Zynga, RenRen and Groupon all going public in the year on the back of social media business models Despite the challenges of mobile, Facebook's ad revenue is forecast to exceed $5bn in 2012, representing a 6 5% share of all US online advertising This brings increasing competitive pressure for all ad-funded media, including other digital outlets

As the size of Facebook's user base has grown, it has rapidly become a major source of traffic for many sites, including a number of BBC Worldwide's properties The increasing number of Facebook apps is also having a major impact on the digital media landscape Companies such as Spotify and Zynga have used Facebook apps as a key pillar for their business and more traditional media titles such as The Guardian and The Wall Street Journal are following suit, releasing apps which allow viewers to engage with their content within the Facebook environment

New digital ecosystems are increasing the value of content, especially video, to users and advertisers – a trend content owners must capitalise on However, this also poses challenges for content owners, both financial in terms of revenue sharing and in maintaining relationships with consumers, around the ability to access consumer information and to provide a seamless experience across multiple ecosystems and platforms Regardless of the ongoing negotiation between content owners and technology platforms, consumers will continue to benefit from rapid innovation

The battle for content

The increasing number of outlets for media content, enabled by the growth of digital distribution and new devices, has increased the demand for quality content

This battle for content has fuelled yet more interest in content creation ITV has identified ITV Studios as key to rebalancing its revenue sources away from advertising And the UK independent production sector remains a popular route for international media companies to acquire both content rights and the companies that create them The flow of deals has continued this year including, for example, the acquisition of UK indie Betty by Discovery – Discovery's first acquisition of an independent production company

Access to quality content is a major battleground for the industry and at BBC Worldwide we work hard to remain the distributor of choice for independent producers

What the consumer wants

Ultimately, structural changes in the industry are driven by a combination of new technology and what consumers want from their media experiences Consumer choice is proliferating Despite this, for now, time spent watching television is stable (on average 146 hours 45 minutes per month in the USA) Time spent watching video on the internet grew 7% year on year, but remained relatively low by comparison at four hours 31 minutes per month

Change is the only constant in the media industry and, only by understanding and responding to consumer needs can media companies grow At BBC Worldwide, we have a strong content catalogue, we believe our diversification is a strength, and we are enhancing our ability to understand what consumers want and deliver our content in the right way and at the right time We continue to invest in building new businesses, particularly consumer-facing, but balance this with continued investment in the best content to offer to our partners around the world We believe this positions us well for the excitement and challenges ahead

Performance review

Channels

Year	2012	2011
EMEA	210 9	184 9
Americas	88 2	77 7
Rest of World	45 5	40 5
Headline sales (£m)	**344 6**	**303 1**
Headline profit (£m)	**42 3**	**38 5**

The Channels business is our biggest revenue generator, producing headline sales of £344 6m (2010/11 £303 1m), up 13 7%, with headline profits up 9 9% to £42 3m (2010/11 £38 5m) Revenue growth reflects three drivers First, growth in distribution from 343m to 356m homes Second, further growth in advertising sales on the back of strong ratings performances And third, the launch of new channels, and a full year's contribution from the previous year's launches in Italy and New Zealand, as well as successful carriage renewals in multiple territories

This year saw 10 launches for our channel brands BBC HD launched as a full channel in Spanish-speaking Latin America and BBC Lifestyle debuted in Indonesia BBC Knowledge, BBC Entertainment and BBC Lifestyle made their first appearance in Taiwan, and those same three channels launched in Thailand, along with CBeebies CBeebies also debuted in the Nordic Region as a programming block on one of the region's largest commercial broadcasters We continue to distribute BBC World News as part of our BBC-branded portfolio The channel's distribution was significantly extended this year, including through a major deal with Comcast's Xfinity TV in the USA

Subscription revenue for the business grew by 10%, including an 18% increase for our BBC-branded portfolio in EMEA As well as growth in subscription revenue, we also saw strong growth in advertising revenue It increased by 36% in South Africa, 34% in Latin America, and 25% in Poland BBC America grew by 31% and at UKTV, our joint venture in the UK with Scripps Networks Interactive, it grew by 9% These are all performing ahead of the TV advertising market in each territory

BBC America achieved its highest ratings ever, up 23% for daytime viewing on the previous financial year with monthly reach averaging 24m, up 10% on last year's 22m *Doctor Who* Series 6 was BBC America's best series ever, averaging more than 1 2m total viewers per episode

This ratings success was mirrored at the Golden Globe awards where the channel was one of the most nominated cable channels with three nominations for *The Hour* and a win for Idris Elba for *Luther*

The rest of our portfolio experienced strong ratings as well, our factual and entertainment channels had their best ever start to a calendar year in 2012 in both Poland and New Zealand BBC Knowledge in Singapore became the most effective channel for delivering upmarket homes in the Factual and Entertainment spaces, and BBC Lifestyle in South Africa maintained its number one spot in the Lifestyle category

In Britain, the calendar year 2011 saw the highest ever share of commercial impacts for our joint venture UKTV BBC content delivers the majority of commercial impressions for UKTV and this content has been supplemented with an increased investment in original commissions to drive overall ratings

The Global BBC iPlayer, now managed in this business, has so far met the targets set for the pilot The service was launched in July 2011 as a pilot, debuting in 11 Western European markets It now reaches 16 markets around the world, including Canada and Australia, on iPad, iPhone and iPod Touch As a commercial subscription service, aimed solely at the international market, it has a different business model and editorial proposition from the BBC iPlayer in the UK The service provides a selection of contemporary and classic BBC and British content across all genres

Sales & Distribution

Year	2012	2011
EMEA	164 6	165 8
Americas	73 7	52 0
Rest of World	54 4	42 8
Headline sales (£m)	**292 7**	**260 6**
Headline profit (£m)	**72 3**	**64 0**

Sales & Distribution is our biggest profit centre, and this year increased headline profit by 13 0% to £72 3m (2010/11 £64 0m) on headline sales of £292 7m (2010/11 £260 6m) The continuation of a successful growth strategy, focusing on key client relationships, programme prioritisation, active catalogue management and digital, resulted in a fourth year of double-digit profit growth

We have 100 salespeople in 11 offices serving over 200 markets We are the UK's largest international distributor of finished television programming as demonstrated by a range of surveys in the year, including those from Televisual and Broadcast in the UK We remain the biggest distributor outside the US studios We represent over 200 independent producers, with international rights distribution now accounting for 25% of sector revenue, according to PACT

Our single biggest growth area in the year was sales to digital services The market has seen dramatic growth in digital services from both new OTT operators, and established platforms and broadcasters Across our top five digital markets by revenue, we have licensed digital streaming rights (whether on-demand or catch-up) to over 140 customers As a result, we have almost tripled our presence

We licensed over 100,000 hours of content globally in the year Our top selling brands were all BBC commissions *Top Gear, Doctor Who, Frozen Planet, Torchwood, Spooks, Sherlock, Planet Earth,* and *Natural World,* all of which sold in over 100 markets

This year saw the move of our annual sales conference, BBC Worldwide Showcase, in its 36th year, to Liverpool A new venue allowed us to accommodate more buyers, including new delegates from digital services and emerging markets, and client registrations increased by 19% to 640 buyers We also hold annual sales and screening events under the BBC Showcase banner in both Rio de Janeiro and Beijing

We continued to manage the catalogue actively, increasing programme viewing hours at Showcase from 1,400 to 2,800, and we made further progress in drama, a highly commercial genre, which we have cultivated in recent years Drama now forms a greater proportion of frontlist hours and total sales, and overtook light entertainment for the first time in several years Titles such as *Sherlock, DCI Banks, Scott & Bailey* and *Luther* have performed particularly well in the crime sub-genre New series from the BBC, including *Frozen Planet, Earthflight* and *Great Barrier Reef* underpinned a very successful year in Natural History We completed the first phase of transition to a new asset and distribution platform with Sony DADC, delivering programmes to our clients digitally, and designed to equip us with an efficient and scalable supply chain to accommodate future growth

We have had a strong year in the Americas with our digital strategy delivering very solid results Major deals with SVOD platforms included Netflix and Amazon, and we have been successful in forming exclusive digital-first content partnerships for titles such as *Misfits* with Hulu

Trading in EMEA was impacted by the Eurozone crisis, particularly in Southern Europe, but good growth in major markets such as Germany and Russia limited the impact

Revenue growth in Asia Pacific was particularly strong in Australia and New Zealand, where we renewed our first option deal with public service broadcaster, ABC, signed a number of digital licensing deals, and had further benefit from favourable exchange rates We had an excellent year in China, helped by digital growth and pre-sales on Science programming Healthy growth in this region also reflects a strong SVOD performance and a highly effective windowing strategy, allowing us to place our content with a wider selection of clients, enabling more viewers to enjoy great British shows

Performance review (continued)

Consumer Products

Year	2012	2011
EMEA	138 6	153 4
Americas	55 4	81 5
Rest of World	17 4	16 2
Headline sales (£m)	**211 4**	**251 1**
Headline profit (£m)	**49 1**	**51 2**

Our Consumer Products business faced a number of challenges in the year These included the loss of much of our stock, and consequential business interruption, in a fire at a warehouse belonging to our UK DVD logistics partner, Sony, during the civil disturbances of last summer, a weak US video market (and our landmark US release delayed until next year), and continuing declines in consumers' discretionary spending In view of this, the business held up well and remains the UK market leader in the TV genre with increased market shares in both volume and value Headline sales of £211 4m (2010/11 £251 1m) declined 15 8%, with headline profit of £49 1m (2010/11 £51 2m) down 4 1% Operating margin improved in the year and overall profit was resilient, reflecting a successful performance at retail in the UK and an ongoing focus on costs and efficiency across the business

Consumer Products' focus is on extending fans' enjoyment of their favourite shows Our aim is to publish outstanding products relating to all our brands across physical and digital video, music, licensed products and books Our brand portfolio includes some of the biggest TV entertainment properties such as *Doctor Who*, *Top Gear* and *Sherlock*, as well as exclusive video releases from British talent including John Bishop and Davina McCall

Despite the fire and resulting disruption, in the UK we had one of our best-ever Christmas trading periods, with *Celebrity Juice*, *Idiot Abroad 2* and *Frozen Planet* performing particularly well In stand-up comedy, John Bishop has now sold over 1m DVDs since our first release in 2010 We remain the largest distributor of TV content in the UK, increasing market share in 2011 to 32 1% of units sold, up from 29 7% in 2010

Performance was also strong in our digital business In the UK, the week after Christmas was our most profitable ever with revenue up 29% year on year due to strong sales of *Sherlock*, *Frozen Planet* and *The Office* Our content also made up half of the most downloaded TV titles available via iTunes UK, with *The Office* at number three and *Come Fly with Me* at number six Our best-selling title in the USA was *Doctor Who Series 6*, and in Australia *it was Come Fly with Me*

In Licensing we launched a range of new brands and saw continued success from established ones The first *Deadly 60* range launched at retail and Character Options' *Deadly 60* construction range has proven a huge sales success, selling nearly 50,000 units in the first two months Our successful relationship with Boots saw the range of *Strictly Come Dancing* cosmetics win a prestigious International Licensing Industry Merchandisers' Association award *Doctor Who* now has around 100 separate licensees across a wide range of product categories, and was the fourth biggest licence in the market for boys aged 5-14

Despite a music market that remained challenging, especially in compilation albums, the latest *Live Lounge* album reached number one in the compilation chart, the fifth time for the franchise Demon Music Group, our catalogue marketing business, had a range of successful re-releases, including *Suede* and *The Jesus and Mary Chain*, along with successful new children's releases such as Justin Fletcher's *Hands Up – The Album*

In books, all our associates performed well, with *The Doctor Who Annual* and *The Great British Bake Off* being the stand-out performers in the Children's and Adult categories respectively AudioGo, publisher of BBC audio books, recorded strong profits in its first year under new ownership

BBC Shop our direct to consumer online retail site, dispatched over 200,000 products to customers' homes and rolled out a range of exclusive products Its database now holds over a quarter of a million customers' details, who are among the BBC's most loyal fans

Global Brands

Year	2012	2011
EMEA	80 9	86 4
Americas	33 3	31 1
Rest of World	32 4	26 7
Headline sales (£m)	**146 6**	**144 2**
Memo reporting (£m)	**321 1**	**308 1**
Headline loss (£m)	**-17 3**	**-12 9**

Headline sales of £146 6m (2010/11 £144 2m) were up 1 7%, with headline losses of £17 3m (2010/11 £12 9m) This reflects the combined results of businesses in an investment phase – Live Entertainment, Digital Entertainment and Games, BBC com – as well as Lonely Planet and our residual interest in BBC Magazines Performance overall was stable and the £4 4m movement in losses reflects further growth investment, the cyclical nature of some of the businesses and the cost of operating our new Magazines Unit

This business also carries the total cost of managing BBC Worldwide's five key global brands Revenue from these brands is recognised across our individual businesses on a memo-reported basis and represents 30% of the company's headline sales, growing by 4 2% to £321 1m Corporate functions, including Advertising Sales and Marketing are also managed by this division

In Live Entertainment, we have significantly increased the number of events we are putting on, both in the UK and overseas A fifth *Strictly Come Dancing* Live UK Tour sold 213,000 tickets, and in February, The *Doctor Who* Symphonic Spectacular debuted to sold-out houses in Melbourne and will tour globally in the year ahead

In our Digital Entertainment and Games business, this year alone we launched 11 new titles across console, social, online and mobile and more information can be found on pages 6-7

BBC com delivered another year of excellent revenue growth, and significant profit uplift on the back of the previous year's move towards profitability Further details on BBC com's activity and future plans can be found on pages 6-7

Lonely Planet once again performed creditably in the travel guidebook market, growing audiences across print and digital Despite a challenging book retail market, in 2012 Lonely Planet became the number one brand in travel publishing in the USA, up from number three at the time of our first investment, taking us to leadership positions in all main markets In emerging markets, we established operations in Delhi, creating and publishing travel guides by Indian authors, launched our first Portuguese language guides in Brazil and signed an agreement with a Russian publishing partner Lonely Planet digital products continue to attract an avid following online and more information can be found on page 6

In November 2011, following the sale and licensing agreement with Exponent, a Magazines Unit was established This has two responsibilities The first is to oversee the 17 licensed magazines with a BBC genre or programme connection, and to ensure, through an established process of editorial governance, that they remain the highest quality publications The unit is also the publisher of the four magazine brands that remain wholly-owned by BBC Worldwide, produced under contract by Immediate Media Co – *Top Gear*, *Good Food*, *Easy Cook* and *Lonely Planet*

Performance review (continued)

Global Brands (continued)

Year	2012	2011
EMEA	80 9	86 4
Amencas	33 3	31 1
Rest of World	32 4	26 7
Headline sales (£m)	**146 6**	**144 2**
Memo reporting (£m)	**321 1**	**308 1**
Headline loss (£m)	**-17 3**	**-12 9**

The brand teams bnng best practice brand management and commercial innovation to our five biggest brands, *Top Gear*, *Doctor Who*, *Dancing with the Stars*, BBC Earth and Lonely Planet This includes a cohesive plan for fan engagement, as well as identifying and moving into new areas that deliver a financial return and delight fans

Top Gear featured in the multi-million selling Forza 4 console dnving game, took its live tour to Perth, Stockholm, Moscow, Copenhagen and Oslo for the first time, while *Top Gear* magazine's appeal continued to grow, increasing international versions to 31

Strictly Come Dancing announced branded cruises with P&O, which will feature TV judge Craig Revel Horwood In the US, a new *Dancing with the Stars* live show was developed and opened in Las Vegas in Apnl 2012

Doctor Who also had a busy year The interactive *Doctor Who Expenence* was seen by almost a quarter of a million visitors in London, and will open in Cardiff Bay later this year Three thousand fans attended our first Official *Doctor Who* Convention in Cardiff over two days in March

BBC Earth and SEGA agreed a partnership for a new multi-sensory adventure, opening in Japan in 2013 We joined forces with Emmy-winning composer George Fenton for *Planet Earth Live in Concert*, an orchestral performance set against cinematic scenes from the hit senes The first of BBC Earth Films' three title package, *One Life*, launched in the UK to cntical acclaim, and in Japan was the highest grossing film in its opening weekend, with gross box office takings of $15 7m

Looking forward, we are nurtunng two new brands The *Deadly 60* senes has been a major success, premienng in the USA in 2011 on National Geographic Wild and launching its first licensed product range We also plan to use the second film, a major 4-quadrant 3D family film of *Walking with Dinosaurs*, to launch a number of products and expenences in 2013 The third film, *Enchanted Kingdom* 3D, is also in production

Content & Production

Year	2012	2011
EMEA	16 9	13 8
Amencas	114 3	79 2
Rest of World	4 3	9 8
Headline sales (£m)	**135 5**	**102 8**
Headline profit (£m)	**10 5**	**7 9**

Headline sales rose by 31 8% to £135 5m (2010/11 £102 8m) and headline profit grew by nearly a third to £10 5m (2010/11 £7 9m)

Sales growth reflects a strong US performance, with continued success for ABC's *Dancing with the Stars* and delivery of scnpted drama *Torchwood Miracle Day*, a Starz, BBC Cymru Wales and BBC Worldwide co-production This year also saw new US shows such as *Hairy Bikers* and a successful second senes of *Top Gear* produced for HISTORY Channel, contributing to our growth Headline profit is up due to the US growth detailed above, our production office in France and our talent nghts management business

There were many highlights from our BBC Worldwide Productions business in Los Angeles These included a fantastic 14th season for *Dancing with the Stars US*, attracting 18 5m viewers, the recommission of the US format of *Top Gear* by HISTORY for a third season and a deal with Starz for the production of two scnpted senes During 2011/12, they produced eight onginal senes for channels including BBC Amenca, ABC, TLC, HISTORY, Starz and OWN

Our French production office had a record year, delivenng revenue growth of 60% and producing a second senes of *Danse Avec Les Stars*, seen by over 5m viewers with a 25 2% market share for the final Other successful shows included *Star Report 2* and a commission for *When Romeo Met Juliet* Another BBC format, *The Week the Women Went*, attracted 3 7m viewers, outperforming France 2's slot and pnme time average On the back of that success, France 2 commissioned two specials *The Week the Women Went on Holiday* and *The Week Without Electncity*

In India, *Jhalak Dikhla Jaa* (the local version of *Dancing with the Stars*) was commissioned by local entertainment channel Colors for two years and season four won the Best General Entertainment Programme at the Asian Television Awards The *My Big Decision* format has been commissioned for Indian youth-focused Channel [v]

Our associate in Germany, Tower Productions GmbH, has seen a raft of new formats commissioned These include *Generation Gap*, *Clever vs Stupid*, *Food Factory* and *Junior Doctors*

Other format successes included sales of *Dancing with the Stars* to Panama and Georgia, bringing the total number of temtones where the show has been licensed to 40 In Australia, the show's eleventh season continued to grow audience and share up by 12% and 11% respectively senes on senes BBC formats proved to be extremely successful with BBC Worldwide's top five in terms of revenue developed in-house respectively *Dancing with the Stars*, *Torchwood*, *Top Gear*, *What Not to Wear*, and *The Week the Women Went*

2011/12 also saw Lonely Planet TV joining Content & Production for the first time and secunng two commissions BBC Worldwide Channels commissioned *Year of Adventures* and US cable's Travel Channel greenlit *Best Parks Ever* Our Talent Rights team also enjoyed success working with core Bntish talent including Steve Backshall on *Deadly 60*, and Kirstie Allsopp on *Kirstie's Book of Crafts*

Chief Financial Officer's review

This was another good financial performance from BBC Worldwide – the result of solid trading across most of the Group's businesses and geographic markets, coupled with restraint on costs, as we sought to balance future investment opportunities with near-term returns This was achieved despite market conditions that were, and remain, unpredictable and which varied across the world For example, while digital sectors saw strong growth, the physical product market faced significant challenges

Discontinued businesses

We have recorded the results of our Magazines business as discontinued These results include the gain on disposal of £95 0m and seven months' contribution from the business up to the point of disposal The commentary below relates to our continuing business operations unless otherwise noted

Revenue

Headline sales increased 5 4% to £1,085 0m (2010/11 £1,029 8m) Statutory revenue, which excludes our share of joint venture sales, was £934 9m, an increase of 5 8%

Growth drivers included

- Very strong programme sales to new video-on-demand services around the world for the Sales & Distribution business
- A healthy advertising performance, most materially at BBC America, where programming and marketing investments have driven ratings
- A growing US production base
- New channel and branded block launches in Latin America and the Nordics respectively, a number of new distribution deals, particularly in Asia, and a full year's result from the previous year's launches in Italy and New Zealand

Our Consumer Products business operated in the face of tough US market conditions, and demanding comparatives following the US release of *Life* on DVD and DTO in the previous year Despite a strong Christmas performance, UK revenue overall was impacted by the loss of much of our stock, and consequential business interruption, following the Sony warehouse fire during the civil disturbances of last summer

Profit

Headline profit increased 7 9% to £154 8m (2010/11 £143 5m) reflecting the strong sales performances from Channels, Sales & Distribution and Content & Production At the same time we continued to invest in social media, digital initiatives, Live Entertainment, the Global BBC iPlayer and gaming development, with social games for both *Doctor Who* and *Dancing with the Stars* developed in 2012 Headline profit margins improved slightly from 13 9% to 14 3% through the higher levels of sales and tight control of costs

Statutory results

Key reconciling items between headline profit and statutory profit before tax include a pension deficit reduction payment to our shareholder, a £6 5m charge reflecting the change in fair value of put options over non-controlling interests, and a £16 1m goodwill impairment charge set out in more detail below

Statutory profit before tax of £103 5m (2010/11 £188 0m) was 44 9% less than last year This is principally because the prior year includes a £96 4m gain on disposal of our shareholding in Animal Planet Europe Excluding this gain, profit before tax rose by 13 0%

Shareholder returns

2011/12 was another year of exceptionally high returns to the BBC, as dividends were enhanced by cash proceeds from the Magazines transaction

Total returns to the BBC increased by 18 6% from £181 9m to £215 7m Direct investment into BBC-commissioned programmes totalled £78 1m (2010/11 £78 5m) and BBC Worldwide dividends of £111 0m (2010/11 £76 4m) in respect of the financial year's performance were significantly funded for a second year by disposal proceeds With no substantial disposals anticipated next year, we would expect dividends to our parent to maintain a balance between profits and the continued investment needs of the business

Corporate activity

The most significant corporate transaction in the year was our majority disposal of the Magazines business This reflected our view that the business would be better served by an owner with greater flexibility than BBC Worldwide to invest in digital transition, and to expand the business into new areas

Following an auction process that resulted in expressions of interest from a wide variety of parties, and several stages of bidding, BBC Worldwide entered into an agreement with Exponent Private Equity ('Exponent') that saw Exponent buy six titles, including *Radio Times*, outright, acquire rights to publish a further 18 titles on long-term licences, and contract to publish six titles, relating to global brands such as *Top Gear* and *Lonely Planet*, of which we retained overall ownership A 50% interest in Worldwide Media, our Indian publishing joint venture, was sold to fellow shareholder Bennett, Coleman & Co Total proceeds before working capital adjustments were £121 0m and we have recognised a gain on disposal of £95 0m within the results of discontinued operations

Taxation

The tax charge for the year was £30 2m (2010/11 £30 0m) and represents an effective tax rate of 29 2% (2010/11 16 0%) In 2010/11 the effective tax rate was reduced by the gain on sale of our Animal Planet business, which attracted no tax Without this, the 2010/11 tax rate was 32 8%

Goodwill

Lonely Planet made further strategic progress in the year, with the successful execution of a far-reaching cost reduction programme, continuing transition from print to digital product, and progress in television, including the launch of branded blocks globally on BBC Knowledge and a commission from our own channels for *Year of Adventures* Market share increased against a backdrop of further deterioration in the travel publishing market We have taken a non-cash impairment charge of £16 1m against the carrying value of Lonely Planet Good progress has been made reducing the cost base and rebalancing the currency mix However, the Australian dollar nonetheless remains the primary currency for its costs, while revenues are primarily denominated in sterling, US Dollars and euros During the year the Australian dollar continued to appreciate against other currencies, recording a 28-year high versus sterling If the Australian dollar had remained at prior year levels, no impairment would have been recorded

Chief Financial Officer's review (continued)

Assets held for sale

Dunng the year, the Board agreed to pursue a possible sale of the Group's interest in the children's properties joint venture, Ragdoll Worldwide Limited (Ragdoll) In light of our ongoing discussions, we have presented our interest in Ragdoll and related programme rights as a disposal group held for sale

Balance Sheet

The net asset position of the Balance Sheet has strengthened from £231 3m to £262 0m driven by retained profits after dividend payments Increases in distribution rights, programme rights inventory and trade and other receivables were offset by higher trade and other payables

Content investment is included within distribution rights and programme rights, with significant investments in the year in both areas driving the Balance Sheet carrying values up by almost £30m, and driving growth in our Sales & Distribution and Channels businesses

Cash and debt

Cash generated from operations was £177 9m, slightly lower than the prior year inflow of £186 0m due to higher working capital outflows reflecting increased investment in programme inventory Tax paid amounted to £33 7m, broadly consistent with the prior year Interest paid, net of interest received, was £9 2m Investments in distribution rights absorbed £98 6m and spending on other tangible and intangible fixed assets amounted to £24 3m, while dividends from joint ventures and associates fell to £18 7m As a result, free cash flow was £28 9m, compared with £78 3m in the prior year

Free cash flow is net cash flow excluding debt repayments, dividends and acquisitions and disposals

Cash proceeds from the disposal of the Magazines business totalled £111 1m and dividends of £139 9m were paid

Overall we saw a small increase in net debt in the year, from £52 3m to £64 4m During the year, a £20m tranche of our borrowing facility with the European Investment Bank expired This facility was originally opened in 2006 and the final tranche of £30m expired in May 2012 These expirations have been replaced with equivalent additional capacity within the debt facility of BBC Commercial Holdings Limited, along with further headroom, increasing the total available facility from £168m to £210m in the year, and to £240m from May 2012 The use of this facility above £190m is conditional upon an equivalent holding in cash

Outlook

BBC Worldwide has a clear and effective strategy, designed to maximise returns to the BBC over the long term, while building the BBC's brands around the world We have an established track record of success and we continue to seek means of promoting growth, while working on new initiatives to secure external investment While market conditions remain uncertain and visibility limited, our existing portfolio of brands and businesses, global diversification and a prudent approach to expenditure in current and new markets give us confidence that BBC Worldwide is well placed for the year ahead

Going concern

As set out in other sections, BBC Worldwide operates in unpredictable and varied market conditions However, the strength of the BBC brand and the company's product offering provides resilience to these factors Accordingly, the directors believe that BBC Worldwide is well placed to manage the risks it faces, and that it has sufficient financial resources to do so for the foreseeable future As a result, they continue to adopt the going concern basis in preparing the accounts

Philip Vincent
Chief Financial Officer

Corporate Responsibility

As a company, we have responsibilities to a number of stakeholders These include our clients and audiences, the businesses with which we trade (and particularly the people employed in our supply chain), and the communities where we operate

As custodians of the BBC's brand, we have a duty of care to act responsibly and appropriately, and to honour the expectations of our customers and partners, for whom the brand denotes quality and integrity We integrate this into all aspects of our business, from policies and practices to culture and behaviour Our Corporate Responsibility programmes are designed, where appropriate, to extend our responsibilities beyond our daily business activities

As we grow our business internationally, it is essential that we ensure that we always trade ethically and minimise our environmental impact wherever possible and also contribute to the lives of our people and the people in our local communities

In 2011/12 Corporate Responsibility activity was led by separate specialists, with WEx leaders heading steering groups for the Environment, Ethical Trading and Editorial Standards John Smith also attends the quarterly BBC Diversity Board meetings Outreach activity has been led by our Head of Internal Communications While this has ensured that each area of focus has had leadership with direct responsibility and expert knowledge of their discipline, we recognise that for our Corporate Responsibility activity to be even more effective, we need more cohesion and expect to make some changes to the leadership of Corporate Responsibility at BBC Worldwide in 2012/13

Environment

The environmental strategy is overseen by the Head of Ethical Sourcing and Environmental Policy and Deborah Rowland, BBC Worldwide's People Director

This year has seen a review of our environmental strategy We have collated up-to-date utilities data from our offices around the world, providing a more complete picture of energy, water and waste A team from our Aspire management training programme conducted a detailed investigation into office waste and recycling levels, and the results will be used to drive behavioural change and increase recycling

We send zero waste to landfill from our main office building, by diverting non-recyclables to a waste-to-energy plant A rainwater harvesting system in the same building minimises our use of mains water, saving 1 7m litres of mains water per annum

Our three regional headquarters buildings in London, New York and Sydney have high environmental building ratings, namely BREEAM Excellent, LEED, and Nabers Office systems include lights that dim automatically according to outside daylight, and centralised pull-printing to reduce paper and energy use

BBC Worldwide is carbon neutral for offices and business travel BBC Worldwide employees who park at the media centre must pay for parking, and the money is used to buy Gold Standard carbon offsets to balance unavoidable emissions In the UK, domestic and close European flights are not allowed by the company's 'Travel Less, Travel Light' green travel policy, with exceptions reported to WEx

BBC and Lonely Planet branded books and magazines are predominantly printed on FSC certified paper, as are, since June 2011, the paper sleeves for our DVD titles

In March 2012, we launched an international online environment training module aimed at all employees The aim is to ensure our employees around the world understand and follow our environment policy

In April 2012, the PPA Production & Environment Awards awarded the Head of Ethical Sourcing and Environmental Policy, Best Environmental Person Award

Plans for 2012/13

- Developing further targets for our data on energy usage, water usage, waste to landfill and waste to be recycled
- Launching international environment manuals for BBC Worldwide premises and staff
- Publishing environmental packaging guidelines for BBC Worldwide products

Ethical sourcing

The Ethical Sourcing programme is overseen by a dedicated Ethical Policy team and governed by the Ethical Steering Group, chaired by BBC Worldwide's General Counsel, Martyn Freeman This group provides regular reports to WEx

Each year, BBC Worldwide sources and licenses millions of products that carry the BBC brand We try hard to ensure that workers at the sites manufacturing the BBC-branded products are treated fairly We recognise that many factories will struggle to be fully compliant with some aspects of our Ethical Policy straightaway and so, in line with best practice in this area, our approach is to work with those factories that meet our minimum requirements who have shown commitment to improvement in critical areas

However, we take a zero tolerance approach to the issues of the employment of child workers, the use of bonded labour, uncontrolled working hours and dangerously poor health and safety provisions Our policy is to work with suppliers who address these critical issues provided that those suppliers are entirely open and honest Transparency is an absolute requirement and is vital for making progress in improving conditions for workers

We require independent third-party audits for our manufacturing sites in high-risk countries prior to manufacture We determine the level of risk through industry data and expert advice and we will only accept audit reports that provide a detailed assessment of working conditions in each factory All audits are carefully reviewed and graded by our team according to a traffic light system

A site is graded red when it does not comply with our minimum standards, we call this a critical failure point In this event, we can suspend the production of our product until we are satisfied that the failure has been corrected Through this approach, we are able to track real improvements in factory working conditions Only factories that have no unresolved critical issues are approved to manufacture our products

We also conduct control audits, sometimes referred to as 'forensic audits', to check the effectiveness of the overall programme These control audits are carried out by labour standards experts and are accompanied by BBC Worldwide staff There is a strong emphasis on listening to workers and getting to the root causes of issues

We appreciate that there also can be issues in lower risk countries, and we have started expanding the scope of our audit programme to these areas

Plans for 2012/13

- Collaborating with key industry companies to raise the standards for all factory audits and work together on the most pressing issue of transparency in audits
- Ensuring that all operational and commercial staff, senior managers, and legal teams receive updated training on ethical trading
- Extending audit programme to joint venture companies

Corporate Responsibility (continued)

Outreach

Our outreach work is headed up by our Head of Internal Communications

We believe it is important to help improve the quality of life for people in the communities local to our operations Not only is this part of being a 'good neighbour', but it also helps provide a fresh perspective on working life As a commercial entity we believe it makes sense to focus on projects that are relevant to our skills base and businesses, or which provide some team-building or personal development opportunities In this way both parties benefit and commitment increases

Our outreach activity now has several well established projects, mostly UK-based This year over 50 employees participated in the following volunteer schemes with local students Lawyers in Schools providing guidance to students to complement their Personal, Social, Citizenship and Health Education studies, Explore Media Days on 'building brands' which saw 10 employees mentor 25 local students, 32 BBC Worldwide employees have taken part in the Take Two mentoring scheme which helps to improve young people's confidence and communication skills, Jack Tizard Scheme in which 12 of our employees visit children with profound and multiple learning difficulties in their lunch hour We also recently launched our Reading Partners Scheme which aims to help improve literacy in primary age children, 17 BBC Worldwide employees have volunteered for this programme

Our employees also participate in ad hoc Team Challenges such as playground tidy-ups and painting tasks in local schools and the BBC Worldwide Choir has performed in a variety of community settings, to much acclaim

We share our expertise and encourage young people interested in the media through 'guru lectures' given by our employees at schools and colleges We also offer two paid summer placements via the Career Academy organisation to students from disadvantaged backgrounds We were partners in the English Speaking Union Young Writers and Public Speaking Awards held in Holland, Belgium and Hungary

We also enable our employees to support BBC-affiliated charities such as Sport Relief and Children in Need through a variety of fundraising activities They are also able to donate to a registered charity of their choice via Payroll Giving

Plans for 2012/13

- Develop our outreach policy and increase our activity internationally
- Hold two Explore Media Days, one mock interview day, four Team Challenges, involving over 150 students and 80 employees in the year
- Recruit two Career Academy interns for summer 2012
- Establish work experience opportunities for local students
- Monitor and assess the impact of the new Reading Partners Scheme
- Recruit up to 40% more volunteers for Jack Tizard, providing improved support to the existing 12 volunteers

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

People

Responsibility for People Development sits with Deborah Rowland, BBC Worldwide's People Director

Our aim at BBC Worldwide is simple to be the best employer in the industry The success of our business is dependent on the commitment and drive of our employees and therefore attracting, retaining and developing the best talent in the industry is critical

By aligning our people and organisation strategy to our business strategy we have been able to drive forward our work around people development In particular we have been focusing on

- Building capabilities for our employees through implementing the opportunity for continuous learning This year online training modules were made available for the first time, and more than 1,100 were downloaded from our internal employee website Mandatory training is also now managed through this website, enabling centralised recording and tracking of all training As a result, completion rates are high across all areas of mandatory training At least 3,100 mandatory courses have been completed online since June last year
- Training our managers, through a Management Essentials training module which has now been opened up to employees in the USA and Australia in order to bring out the best in managers and teams alike Since commencement over 300 managers have completed the module and a second Management Essentials module has been introduced in the UK, USA and Australia
- Inspiring growth and development for the emerging talent through our Aspire programme, a one year accelerated development programme open to all employees which gives them a WEx member as mentor for the duration of the programme After the success of the programme in the UK and Europe, Aspire has now launched for our US employees
- Implementing a fair, transparent and differentiated reward structure which recognises performance and is aligned with our values
- Putting diversity at the heart of our organisation to drive our global mindset across the organisation
- Providing a great place to work that is warm, fun, collaborative and is a purpose-led culture through offering a stimulating physical work environment and a culture that promotes engagement with, and pride in, our business
- Continuously improving the appraisal cycle and ensuring the system is clear and simple to follow which will allow further accountability for employees and support a dynamic, empowering organisation
- Motivating our employees through the implementation of personal performance bonuses From 2012, most employee bonuses will be linked to personal performance, including adherence to our values, as well as operating business and/or company financial achievement
- Communicating the pension options for employees now a new defined contribution pension option is in place

Plans for 2012/13

- Creating five Professional Academies in Sales, Business and Legal Affairs, Finance, IT, and Marketing for the enhancement of professional skills in those disciplines
- Launching a global recruitment website in June 2012 to raise the profile of BBC Worldwide and expand our access to talent
- Developing a new Inspire programme for top talent to provide them with coaching, mentoring and deployment into roles that give development challenge and new experience, expected to launch in 2012/13
- Developing a global mobility policy to ensure that, where necessary to meet the needs of the business, employees can be deployed internationally on a fair, consistent and cost-effective basis

BBC Worldwide Board as at 31 March 2012

Name	Role	Date of Appointment	Background
Mark Thompson	Chairman	12 March 2012	Mark Thompson, in his capacity as BBC Director-General, took over the role of BBC Worldwide Chairman in March 2012 As Director-General of the BBC since May 2004, Mark is responsible for the Corporation's services across television, radio and online and for a global workforce of 20,000 that provides over 400,000 hours of content each year Mark was Chief Executive of Channel 4 from 2002 to 2004 and before that had worked for the BBC since joining in 1979 as a production trainee, in roles including Editor of the *Nine O'Clock News* and *Panorama*, Controller of BBC Two, Director of National and Regional Broadcasting and Director of Television
John Smith	Chief Executive	18 March 2005	John Smith joined BBC Worldwide in July 2004 Before this, John was the BBC's Chief Operating Officer, and held other senior executive roles at the BBC, including Group Finance Director John is also a Director of Burberry plc, Chairman of UKTV, a Vice President of the Royal Television Society, and a Director of the Henley Festival Before joining the BBC, he held senior posts at BR Engineering Ltd, Sealink, Seaspeed Hovercraft and other commercial subsidiaries owned by the British Rail Group He has served as a non-executive Director at Vickers Plc and Severn Trent Plc and was a member of the Accounting Standards Board
Philip Vincent	Chief Financial Officer	1 December 2010	Philip Vincent was appointed as Chief Financial Officer in December 2010 He has 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, practising in both London and New York
Charlotte Hogg	Non-executive Director	24 September 2010	Charlotte Hogg is Head of Retail Distribution and Intermediaries at Santander UK plc She was previously Managing Director of UK and Ireland at Experian, an information services business Prior to that she was a Senior Vice President of Discover Financial Services (formerly Morgan Stanley) Charlotte brings extensive financial and international growth management experience to BBC Worldwide She is a member of the Finance Committee of Oxford University Press, a Trustee of the charity First Story and a Governor of Nottingham Trent University
Tim Weller	Non-executive Director	26 April 2010	Tim Weller is Chief Financial Officer of Petrofac Limited, the FTSE 100 oilfield service provider He joined Petrofac in September 2011 having previously been Chief Financial Officer of Cable&Wireless Worldwide plc Prior to that he was Chief Financial Officer of United Utilities plc from July 2006 to May 2010 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
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 of 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
Jane Earl	Company Secretary		

George Entwistle was appointed to the Board on 25 May 2012

Worldwide Executive Committee

Name	Background
Marcus Arthur Managing Director *Global Brands*	Global Brands drives greater value from the company's leading international and multi-format properties, which include *Top Gear, Dancing with the Stars, Doctor Who*, Lonely Planet and BBC Earth Marcus is also responsible for Digital Entertainment and Games, Live Entertainment, and the Magazines Unit He also oversees the company's global advertising sales and marketing teams He began his career at Redwood Publishing, joining BBC Worldwide in 1991 In 1997 he became Publisher of BBC Magazines' Lifestyle titles and in 2002 was appointed Publishing Director of Radio Times, delivering the listing magazine's most profitable year in 2004
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, one of the world's leading multimedia content groups, commissioning, producing and broadcasting across BBC television and the web Her extensive television career also includes being Executive Vice President and General Manager at Discovery Communications, where she played a key role in the development of its channel portfolio in North America In 2000 she was awarded an OBE for services to science broadcasting
Paul Dempsey Managing Director *Consumer Products*	Paul oversees Consumer Products, a global producer and distributor of TV entertainment packaged media, including DVD, Blu-ray, DTO, licensed product, music, BBC Shop and book publishing partnerships Paul joined BBC Worldwide in 1998 as UK Sales Director and became Managing Director of BBC Audiobooks in 2002 He was appointed Director of BBC Worldwide's Audio & Music business when it was established in 2006 Prior to joining BBC Worldwide, Paul's background in sales and marketing included eight years at Mars Confectionery, followed by two years as Sales Director of Frontline Ltd, formerly BBC Worldwide's magazine joint venture business
Charlotte Elston Director of Communications	Charlotte oversees all areas of communications at BBC Worldwide, including external PR, internal communications, corporate affairs and events Charlotte took up her role in January 2010 She began her career with Edelman PR in London, and then 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
Martyn Freeman General Counsel	Martyn Freeman was appointed General Counsel for BBC Worldwide in November 2011 He has responsibility for all legal, business affairs, policy and regulatory matters, including the negotiation of transactions and joint ventures, rights and deals management, editorial and commercial policy, crisis management, compliance and talent accounting Previously, Martyn was in charge of BBC Worldwide's Legal and Business Affairs teams, and has held a variety of roles across the BBC, including Head of Business Affairs, Radio & Music, Factual & Learning and News
Daniel Heaf EVP & Managing Director *Consumer Digital*	Daniel Heaf was made EVP & Managing Director, Consumer Digital in March 2012, after two years as BBC Worldwide's Digital Director He oversees all BBC Worldwide's global consumer-facing digital businesses and is responsible for driving a unified global digital strategy and consumer vision This new role is in addition to his existing strategic responsibilities for the company's digital growth strategy Dan began his digital career founding and running a successful start-up and has also worked for Time Out, AOL, BBC Radio and Channel 4's corporate venture fund, 4IP
Helen Jackson Managing Director *Content & Production*	Helen is responsible for BBC Worldwide's content development and 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
Steve Macallister President & Managing Director *Sales & Distribution*	Steve took up this role in 2007 and is responsible for the global exploitation of our catalogue of BBC and independently produced TV 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 As part of his role, Steve is responsible for BBC Worldwide Showcase, the biggest TV sales event of its kind hosted by a single distributor
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 He began his career with strategy consultants The LEK Partnership, worked at Singapore Telecom International and United News & Media in strategy and business development roles and co-founded Dataroam, a wireless application service provider, where he was Finance Director He joined the BBC in 2002 as Commercial Director for BBC Ventures Group, before moving to BBC Worldwide in 2004
Deborah Rowland People Director	Deborah Rowland joined BBC Worldwide as People Director in September 2011 and is responsible for all aspects of HR, Technology and Property Her remit incorporates IT infrastructure, programmes and projects, organisational development and learning, talent management, resourcing, training, reward, culture, engagement and employee relations, and the ongoing management of Worldwide's workplace environment Before BBC Worldwide, Deborah was Executive Vice President Global Human Resources at Gucci Group Previously a founder and Managing Partner of Transcend Consultancy, she has also worked for Shell, PepsiCo and Towers Perrin Deborah has researched and published extensively in the field of leadership and organisational change
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 network in cable TV Nickelodeon, TV Land, Spike TV and Noggin Before joining BBC Worldwide, Herb was CEO of Next New Networks, a digital media company he co-founded in 2006, which was subsequently 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 2012

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, Global Brands, Sales & Distribution, and Consumer Products

Performance review

A review of business performance, including likely future developments, is given on pages 16 to 18 Further information which fulfils the Business Review requirements by reference is set out in the Governance Report on pages 27 to 31

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 27 to 31

Results and dividends

The consolidated profit for the year distributable to equity shareholders of the Company was £168 4m (2011 £161 7m)

Dividends of £139 9m (2011 £83 4m) were paid during the year

In addition, the directors propose a further dividend in respect of the year of £6 2m (2011 £34 5m), resulting in a total dividend of £111 0m (2011 £76 4m) in respect of the financial year The dividend will be paid in the year ending 31 March 2013

Acquisitions and disposals

During the financial year the Group sold the majority of the Magazines business to Exponent Private Equity and the 50% interest in Worldwide Media, our Indian publishing joint venture, to fellow shareholder Bennett, Coleman & Co Full details of the Group's acquisitions and disposals are included in the Chief Financial Officer's Review on pages 19 to 20

Directors

Robert Webb resigned as Chairman and Non-executive Director of the Company on 29 February 2012 and Mark Thompson, who is Director General of the BBC, was appointed as Chairman on 12 March 2012 Nicholas Eldred, who was a BBC appointed Non-Executive Director resigned on 28 October 2011 Other Directors who served during the year were John Smith, Chief Executive Office, Philip Vincent, Chief Financial Officer, Zarin Patel, a BBC appointed Non-executive Director, Charlotte Hogg, Non-executive Director, and Tim Weller, Non-Executive Director

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 26 days (2011 29 days) at 31 March 2012 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 £1,163,000 to various charities (2010 £27,000) In particular, BBC Worldwide made a significant contribution towards the BBC's costs in respect of the Royal Wedding coverage in 2011 as part of a rights acquisition agreement In agreement with St James's Palace, the Company's profits from the sale of the Royal Wedding programme, DVDs and downloads were donated to The Foundation of Prince William and Prince Harry

In addition, to avoid any perception of a conflict of interest in the minds of viewers, following Jeremy Clarkson's agreement to voice a satellite navigator, BBC Worldwide and TomTom agreed that all revenues that would have been due to BBC Worldwide would be paid to BBC Children in Need together with an additional charitable donation by TomTom

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

The Company's 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

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

Directors' Report (continued)

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' interests and indemnities

No Director had any interest in the share capital of the Group at 1 April 2011 or 31 March 2012 No rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year

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

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
7 June 2012

Registered office
Media Centre
201 Wood Lane
London W12 7TQ

Corporate governance report

The BBC Worldwide Board is responsible for ensuring that the company, BBC Worldwide Limited, continues to support its shareholder and parent, the BBC It does this by delivering sustainable returns while at the same time providing both the BBC and the wider UK creative community with an internationally recognised export platform Fundamental to our role, however, is the overriding obligation to ensure that, at all times, the BBC brand and its reputation is protected in all respects The governance of the Board and the company has been designed with these principles in mind

As a matter of best practice, BBC Worldwide aims to comply with the UK Corporate Governance Code (the 'Code') for listed companies However, as a wholly-owned subsidiary of the BBC there are inevitably some areas of compliance that are less relevant For example, while we do not hold an annual general meeting with our shareholder, there is, however, an ongoing dialogue with views shared in an open and transparent environment

The Non-executive Directors include both independent directors and BBC Public Service employees who represent the BBC as shareholder As a consequence, compliance with the specific provisions of the Code requiring a committee to have a majority of Independent Directors has not been achieved I believe the committee membership is appropriate given the position of BBC Worldwide within the wider BBC Group

It is my intention to appoint one of the independent Non-executive Directors who currently sit on the BBC Executive to the BBC Worldwide Board in the role of Senior Independent Director This will resolve this current non-compliance with the provisions of the Code Post-year end, it was agreed that the third Public Service nominee on the BBC Worldwide Board will be the BBC's Head of Vision, George Entwistle

Although there has been no formal evaluation of Board performance, the changes that have occurred during the year have enabled me, as incoming Chairman, to review both the effectiveness and composition of the BBC Worldwide Board

The company's thanks to outgoing Directors are noted in my introduction to this Annual Review Robert Webb QC's recent decision to accept a full-time role with Rolls-Royce plc allowed me the opportunity to streamline decision-making and agree with the Chairman of the BBC Trust that the Director-General should, in future, chair our most significant commercial subsidiary

Mark Thompson
Chairman, BBC Worldwide
and Director-General, BBC

Corporate 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 for generating sustainable long-term value, while balancing both investment performance and returns 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 For 11 months of the year Robert Webb QC was Chairman, and also a Non-executive Director on the BBC Executive Board On 12 March 2012, the Director-General of the BBC, Mark Thompson, was appointed as the Chairman of the BBC Worldwide Board The terms of the employment contracts for the Chief Executive and Chief Financial Officer are set out in the Remuneration Report on pages 36-42

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 public service Non-executive Directors are our shareholder's nominees on the BBC Worldwide Board Zarin Patel does not have a fixed term appointment The public service Non-executive Director appointments may be replaced at any time by the shareholder

Re-election of Directors

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

Independence

The Board considers each of the Non-executive Directors to be independent in character and judgement 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 Mark Thompson and Zarin Patel are employees of the ultimate shareholder

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

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 The Company Secretary is Jane Earl

Corporate governance report (continued)

2 Effectiveness

Board composition and appointments

On 29 February 2012 Robert Webb QC retired from the Board having served as Chairman for nearly two and a half years Nicholas Eldred, who was one of the BBC Public Service nominated Directors, retired from the Board on 31 October 2011

The Davies report has recommended that FTSE 100 companies should aim to have a minimum of 25% female representation on their boards by 2015 BBC Worldwide has exceeded this threshold and recognises the value of diversity in all respects

On joining the Board, most 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, as of 31 March, are shown on page 23 together with details of their external commitments

Board attendance

	Board	Remuneration Committee	Audit Committee
Total number of meetings in financial year 2011/12	**7**	**5**	**4**
Mark Thompson	1/1	-	-
Robert Webb	6/6	5/5	-
Nicholas Eldred	3/3	-	1/2
Charlotte Hogg	6/7	3/5	4/4
Zarin Patel	6/7	4/5	-
John Smith	7/7	-	-
Philip Vincent	7/7	-	-
Tim Weller	7/7	-	4/4

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

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 and make presentations to the Board on specific initiatives During the year the Board has received in-depth presentations from the US business, Consumer Products and an update on Showcase from Sales & Distribution The Directors also visited MediaCityUK in Salford for one meeting this year which enabled the Board to hear from colleagues in BBC North and explore complementary strategic initiatives

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 which has received regular monitoring has been the ongoing concerns relating to the Eurozone financial markets and the implications for trading conditions The restricted access to the debt market and the limited availability of headroom was also monitored and, as a result the Board asked for greater visibility of cash flow and hedging As a standing item, the Chair of the Audit Committee reports to the Board on matters discussed at the Audit Committee meetings

Strategic review

During the year the Board has played an active role challenging the Executive in the formation of the refreshed strategy as referred to in the CEO's report on page 4 This was developed and discussed over the course of several substantial sessions The Non-executives were active participants, drawing on experience in the commercial world, to challenge and inform the debate The Board analysed the opportunities available in both the business streams and the regions, conscious of the regions available for investment Performance of the Global BBC iPlayer pilot has been monitored together with plans for developing an e-commerce business while preserving value in our physical formats

The strategy for the Live Entertainment business has been examined with a focus on international growth and investment

Corporate transactions

In accordance with the investment guidelines, the Board approves transactions where the value is in excess of £5 0m or any transaction involving the acquisition of equity

During the year, the sale of the majority of the Magazines business to Immediate Media Co was monitored by the Board, ensuring that appropriate governance arrangements were in place for the ongoing licensing business In addition, the Board has been constantly apprised of discussions relating to our joint venture with Ragdoll and several smaller transactions Special Board meetings are called where necessary to review specific detail of transaction and approve any legal documentation which requires execution

People and succession

The Board has taken a particular interest in the evolving People and Organisation strategy which has been determined during the year The Board has been consulted with regard to the appointment of Martyn Freeman as General Counsel, Daniel Heaf as MD Consumer Digital and Deborah Rowland as People Director

Corporate governance report (continued)

Board Committees

The Board delegates to its committees as set out below

Nominations Committee

During the year under review, the Nominations Committee was initially chaired by Robert Webb with Nicholas Eldred and John Smith as members The Committee is responsible for reviewing the composition of the BBC Worldwide Board and for recommending new Non-executive Directors to the Board

Under the terms of reference, the appointment of the Chairman and the Chief Executive are conditional upon the specific approval of the Director-General of the BBC with the support of the BBC Trust The appointment of the Director-General as Chairman was endorsed by Lord Patten, Chairman of the BBC Trust

The Company Secretary supports the activities of the Committee

The Committee did not meet during the financial year under review

Remuneration Committee

The Code recommends that the Remuneration Committee should comprise three independent Directors Prior to his resignation, Robert Webb QC chaired the Committee and Charlotte Hogg and Zarin Patel were also members Again it is our intention to be as compliant with the Code as is appropriate with our status as a wholly-owned subsidiary of the BBC

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 is responsible for ensuring that members have reliable and up-to-date information about remuneration in other companies, particularly in the media environment A full report of the remuneration policies and activities of the Committee can be found on page 36

The Company Secretary and the People Director support the activities of the Committee and attend every meeting by invitation

Please see the table on page 29 for details of the Remuneration Committee attendance during the financial year under review

BBC Worldwide Executive Committee

The BBC Worldwide Executive Committee (WEx) meets weekly and is chaired by John Smith In addition to the CFO, members of WEx are shown on page 24 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 and 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 mobile gaming, social networks and branded apps which will all impact our businesses in the future The progress of the Global BBC iPlayer pilot which has been launched in 16 countries continues to be reviewed and examined Customer relationship management (CRM) has also been a significant focus during the year

Regular updates are delivered to the Committee on our top brands, which this year have included *Top Gear*'s achievements in the US market, future series of *Doctor Who* and global productions of *Dancing with the Stars* WEx also reviewed a Brand Tracking survey which captured and tracked genre perceptions, awareness metrics, brand values and linkage to the BBC in comparison to four major competitors Other regular updates included advertising sales performance, editorial policy, data protection and information security, mandatory training requirements for all staff and the technology strategy

Social networks are becoming increasingly important to media companies, brands and audiences As a result WEx has received presentations and opportunities to use social media to build new audiences, build direct relationships with customers, promote existing products and develop new ones, target new customers and protect our reputation One of these opportunities included an equity investment in Viki com, which provides a platform for avid fans to publish popular TV and movie titles which they have translated into over 150 languages

Reviewing and refreshing the global strategy for the Company alongside the five year business plan has been one of the major initiatives for the year Five work streams have also been established, led by WEx members, and engaging a wider leadership group, to determine our organisation and people plan required to deliver the strategy

The BBC's and BBC Worldwide's mission is to 'inform, educate and entertain' which has led WEx to investigate the use of our knowledge-rich BBC content to teach English to children in a fun and interactive environment

WEx members travelled extensively in order to promote the continuing global growth of the company, with trips to Abu Dhabi, Asia, Latin America, Australia, New York and Los Angeles New regional EVPs for EMEA, Asia and Latin America have been appointed with responsibility for providing regional business plans focusing on medium-term growth in each region

Our People strategy is fundamental to the success of our business As such, time has been dedicated to reviewing not only our HR systems but also top performers and appropriate frameworks for pay and reward, succession planning, training and development, as well as investigating how our values are embedded within the culture of the company The Aspire programme, which targets and offers aspirational employees a year-long development programme with a WEx member as mentor, has now been launched in both the UK and the USA and is delivering value to the company

WEx delegates to the 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 £1 0m

Corporate governance report (continued)

Audit Committee

The Audit Committee is chaired by Tim Weller, Charlotte Hogg is also a member Nicholas Eldred resigned from the Committee on 31 October 2011 The Committee is responsible for monitoring the integrity of the financial statements including critical accounting policies and estimates The Committee spends time reviewing emerging issues and understanding the impact of matters such as impairments and exchange-rate implications The Committee also reviewed hedging and treasury policies together with tax compliance

The Talent Accounting department at BBC Worldwide is responsible for paying royalties to contributors, independent producers and third-party profit participants, from sales of programmes and many other activities such as live entertainment and games The Committee receives an annual report detailing the accuracy and timeliness of payments to talent and producers

The Committee also reviews the effectiveness of systems for internal control and reporting, together with those ensuring adequate procedures are in place for staff to raise concerns It regularly reviews the risk profile of the company, focusing on key risks as appropriate

The implementation of the Bribery Act 2010 has been monitored during the year and a campaign to increase awareness of the whistleblowing procedures was undertaken both in the UK and overseas WEx and the Audit Committee receive regular progress updates on challenges being faced to ensure compliance with the legislation

Following the issue of the FRC guidance for audit committees, the BBC Worldwide Board endorsed amendments to the terms of reference for its Audit Committee Some of the key changes to the terms of reference included the responsibility to coordinate the internal and external auditors, and to review BBC Worldwide's systems and controls for the prevention of bribery and to review any reports relating to non-compliance

The Committee reviewed the effectiveness of the internal and external audit services Internal audit resources are provided to BBC Worldwide via the BBC and the members of the Committee meet privately with the BBC Director of Risk and Assurance without the CEO, CFO and management representatives being present as they did with the external auditors

The Committee is supported in its activities by the Company Secretary, the BBC Director of Risk and Assurance, and the company's Risk Advisory team The Committee submits quarterly returns to the BBC Executive Audit Committee detailing the key issues discussed by the Committee The terms of reference for the Committee can be found on the company's website The Committee is currently compliant with the UK Corporate Governance Code as all the members of the Committee are independent Please see the table on page 29 for details of the Audit Committee attendance during the financial year under review

During 2011/12, the Committee has been very aware of the impact of world economics, in particular the Eurozone crisis, on the global operations of the Company In this context, as a Committee, we have focused on risk management, fraud and financial controls

Other important topics have included foreign currency and interest rate hedging and implementation of the UK Bribery Act 2010 The implications of this new legislation are significant for a global company such as BBC Worldwide

The wealth and variety of experience of the Audit Committee members has contributed to the quality and effectiveness of the Committee's deliberations throughout the year As a Committee we have sought to follow best practice in terms of compliance with the Code In this context we have reviewed our terms of reference to ensure they were up to date In terms of qualifications, both Charlotte Hogg and I have recent and relevant financial and commercial experience and meet the Code requirements, while Nicholas Eldred has provided valuable access to BBC knowledge and insight

Tim Weller
Chairman, Audit Committee

Risk management

Risk Management

BBC Worldwide is committed to effective and efficient nsk management practices to safeguard our people, reputation, assets and interests Risk awareness is an integral part of the company's culture demonstrated through sponsorship and engagement by the Executive This is communicated through company values, supported by specialist functions, with governance exercised by the BBC Worldwide Audit Committee, WEx and the BBC Worldwide Board The nsk attitude and behaviour of BBC Worldwide is aligned to the BBC to ensure the company acts as a responsible guardian of the BBC brand

The Chief Executive of BBC Worldwide is the ultimate sponsor of nsk management Individual WEx members have a nsk management responsibility, both as a collective, for example, taking a nsk-based approach to executing strategy, and individually to ensure their business manages nsks appropnately, complies with the policy framework and delivers effective internal control Senior management has clearly defined responsibilities, involvement in relevant major decisions and expenence, knowledge and expertise in their business, markets and temtones

Our performance management framework, general management control and company values encompass all BBC Worldwide people This encourages them to take a nsk-based approach to their responsibilities, improving the likelihood of successful outcomes by anticipating and minimising nsks

Key to informing senior committees of strategic nsks is the Risk Management and Internal Control (RMIC) process This provides the BBC Worldwide Board with a regular review of the strategic nsks facing the business and an assessment of how well these are being managed A consistently applied methodology, including an evaluation of the financial and reputational impact of each nsk, is used to identify nsks that could have a significant impact on the ability of BBC Worldwide to achieve strategic objectives The RMIC process requires each division, international office and international Board to take ownership of local nsk management processes, with named nsk owners taking responsibility for each individual nsk A specialist Risk Advisory team supports this process

Reporting and monitoring

1 Risk Management and Internal Control (RMIC) Committee is responsible for discussing, challenging and proposing amendments to strategic nsk reports to ensure they represent the key nsks emerging from local nsk registers and the concerns of the Executive and other nsk stakeholders The RMIC meets quarterly, is chaired by the Chief Financial Officer and includes the General Counsel, Company Secretary, Risk Advisory team and two WEx members who attend on a rotating basis
2 WEx sponsors, and is responsible for the internal control and nsk management framework, discussing, agreeing and endorsing regular updates on the strategic nsks facing the company
3 BBC Worldwide's Audit Committee ensures that nsk management arrangements are appropnately sponsored, promoted and developed across the organisation, are sufficiently robust and take place frequently enough to effectively anticipate and detect nsks
4 The BBC Worldwide Board monitors the effectiveness of nsk management and financial controls and receives regular updates on the strategic nsks facing the company

Risk management (continued)

Specific risks to us	Strategic impact	Mitigation	Owner
Strategic Execution			
Expansion is in non-traditional markets, territories and businesses where the company has less experience Risk that we fail to prioritise the right territories, the right investments or that we fail to restructure investments in a rapidly changing marketplace	Company fails to deliver against the strategic plans of the business Financial performance not in line with strategic ambitions Investments not delivering projected returns	Ownership of strategic risk held by the CEO, progress on strategic delivery regularly reviewed by WEx and the Board Regular review of the strategy in the context of the market and prompt reshaping of priorities to reflect changing external conditions Diversified portfolio with partnership deals in place to reduce the overall risk exposure in new territories and markets	WEx
International Expansion			
Lack of leverage or scale in international markets (for example, the key US market with commissioning broadcasters and large multi-service channel operators) Risk that we can't find partners internationally with the right expertise, values and cultural fit to our business	Failure to deliver against the international expansion strategy	US office with a high degree of autonomy implementing a strategy based on its knowledge and insight into the US marketplace Regional Executive Vice Presidents established for Latin America, Asia and Europe, Middle East and Africa region to contribute their insight and market intelligence into regional strategy	WEx
Digital Strategy			
Risk that we can't scale our digital businesses to generate the necessary return Risk that we don't efficiently execute the shift to business-to-consumer for a company that has historically sold business-to-business	Failure to develop a coherent portfolio of successful digital properties	Reviewing the performance of digital initiatives and investments in the portfolio New propositions being developed Director of Consumer Digital coordinating company-wide digital strategy	WEx
Financing			
Limited ability to access capital and reinvest profit adversely impacts growth and business agility	Limited ability to exploit new opportunities in the market Further development of new and traditional businesses inhibited	Rigorous approach to approval of investments, investment committee and investment policy Cash management and monitoring of PBIT with robust cash forecasting Ongoing dialogue with BBC regarding investment needs against the BBC's short and medium-term cash requirements	Chief Financial Officer
Economic Climate			
Business performance sensitive to economic slowdown in the key territories (USA and Australia) Exposure to fluctuations in major currencies and interest rates, particularly the key currencies of the euro, the US dollar and Australian dollar Loss of routes for bringing product to market due to financial pressures causing failure of key retail groups, consolidation of retail outlets or reduced shelf space dedicated to our product categories	Reduced demand from consumers and trade partners Insolvency of major customers, suppliers and partners limits the routes available to bring our products to market Adverse impact on cash flows and reported financial results	Business is diversified across territories and revenue streams Risk averse approach to the management of foreign currency Close monitoring of counterparties including key suppliers, major customers and partners Renegotiating payment terms and credit insurance where appropriate Contractual provisions and contingency plans in place	Chief Financial Officer
Reputation and Standards			
Audience lose confidence in the integrity of our output and the brand through a breach of Commercial Policy or Editorial Guidelines Potential for failure of Ethical Policy by licensee, agent or other third party Risk that a joint venture or partner generates significant reputational risk exposure through association	Adverse publicity or press coverage Reputational or brand damage Potential loss of business	Comprehensive commercial policy and editorial policy framework, supported by a specialist team with training and knowledge disseminated throughout the organisation Editorial oversight from senior committees Senior editorial figures with approval authorities Editorial integrity embedded into the company culture Ethical sourcing and environmental policy with an ethical assurance framework and audit programme (further information is set out in the Corporate Responsibility section) Comprehensive review of potential partners (supported by due-diligence where necessary)	WEx

Risk management (continued)

Specific risks to us	Strategic impact	Mitigation	Owner
Content Pipeline			
Industry consolidation decreasing the content available from Independent Producers Reliance on a continuing pipeline of output from the BBC (at a time of cost reduction) Reliance on a strategic portfolio of brands (e g '*Dancing with the Stars*')	Loss of rights for commercial exploitation Pressure on market position Competitors target key markets Impact or delayed launch of new services	Wholly-owned production office strategy, including establishing a business in Los Angeles to generate internationally exploitable content Minority investment stakes taken in a limited number of indies to increase access to development deals Output deals in place with key Independent Producers Joined-up content investment process across the organisation to maximise commercial exploitation across media formats	Managing Director, Content & Production
People and Organisation			
Failure to attract people with the right skills and talent to seize opportunities, achieve challenging returns and fulfil the strategy Complex international reward landscape in a diverse organisation Rapid upward pressure on pay and reward in certain sectors and dynamic growth territories	Failure to attract, retain and motivate causing the company to under-perform against the market	New reward structure to drive achievement and promote succession HR monitoring reward levels supported by benchmarking reviews Alignment of company performance and personal incentives through the reward structure Values culture reinforced through induction, mandatory training, objectives and performance management	People Director
Technology and Security			
Multiple systems, platforms and processes with increasing volumes of data Challenges adapting internal legacy systems to accommodate business transformation Risks through technology partners hosting and operating services on our behalf	Information systems fail to support business development or the launch of new services Loss of data leading to reputational damage and adverse publicity Financial penalties	Technology strategy addressing the evolution of core systems	People Director
Regulatory and Compliance			
Reputational risks attached to non-compliance with both UK, and international, laws and regulations Breach of the UK Bribery Act or local anti-fraud and corruption legislation Data protection risk through custody of increased consumer/audience data Challenge of being fully cognisant of changes/newly introduced legislation and regulatory requirements Risk that compliance capability does not scale to an increasingly internationalised and digitised business, in particular in relation to compliance with local regulations and tax laws	Civil or criminal challenge or severe financial penalties Reputational loss and/or adverse publicity Increased regulation of business operations, imposed service limitations or exclusion from certain territories	General Counsel appointed Local counsel in place in international key offices External expertise engaged as required Comprehensive anti-bribery and corruption programme applied to operations, territories, agents and service providers Robust, comprehensive and enforced policy framework including Executive sponsorship, guidelines, regular reporting, mandatory training programme, specialist committees and steering groups Oversight by Audit Committee, Executive and Risk Management and Internal Control Committee Programme of Internal Audits aligned to corporate risks	General Counsel
Business Continuity and Safety			
Health and Safety incident causing injury or death Increasing number of UK and international live events Risk of disruption to operations, infrastructure and loss of revenue	Disruption to business operations including natural disasters, terrorism and other unforeseen events Reputational damage and adverse publicity or press coverage	Business continuity and safety officers reporting to nominated Executive sponsor Extensive continuity plans encompassing international offices and business operations Rolling plan of rehearsals (including at the disaster recovery site) Safety management arrangements supported by policy framework, communications, forums and guides	Chief Financial Officer

Risk management (continued)

Legal Governance and 4 Commercial Criteria

At each Board meeting the General Counsel presents a report on current legal, editorial and fair-trading issues and updates the Board on compliance with the 4 Commercial Criteria

(i) 4 Commercial Criteria and Fair Trading Framework

BBC Worldwide follows 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 4 Commercial Criteria (4CC), which stem from the BBC Royal Charter and Agreement, requiring all the BBC's commercial activities to

- Be fit with the BBC's Public Purposes
- Not jeopardise the good reputation of the BBC or the value of the BBC brand
- Exhibit commercial efficiency
- Comply with the Trust's Fair Trading Policy, the BBC's Fair Trading Guidelines and, in particular, avoid distorting the market

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 2011, the British Standards Institute confirmed that these procedures were continuing to operate effectively This year the BBC commissioned independent auditors, currently Deloitte, to undertake an annual Fair Trading Audit this was commissioned this year by the Executive, having previously been commissioned by the BBC Trust Details of the audit and opinion will be available in the BBC Annual Report and Accounts for 2011/12

(ii) 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

In London, our Editorial Forums have provided an opportunity for editorial figures across the company to come together to discuss topical issues, such as the introduction of product placement to the UK Market or the editorial proposition behind the Global BBC iPlayer

New online training modules explaining the editorial, commercial and advertising standards we expect have been launched Staff members across the company, both in the UK and internationally, have participated in these training programmes In 2012, further training is being developed to ensure everyone working with the BBC brand continues to be aware of the rigorous standards we have put in place

(iii) Key Legal Issues

Key legal issues addressed during the course of the year include

UK Bribery Act

BBC Worldwide's Bribery Act compliance programme began in May 2010, building on the organisation's existing anti-fraud and corruption framework (which already included an Anti-Fraud and Corruption Code of Conduct, Fraud Control Policy, a programme of training and targeted due diligence across the company)

Implementation of the programme was managed through the Bribery Act Working Group Following completion, the project was handed over to the BBC Worldwide Compliance Steering Group (chaired by the BBC Worldwide General Counsel) for continuing oversight and monitoring The main initiatives of the project have been to develop an anti-bribery risk assessment framework, with the assistance of external specialists, and assess the portfolio of operations and territories against this framework, to ensure all necessary controls are in place This included refreshing communications and training to both staff and third parties, updating key policies, revising contracts and taking a more centralised approach to risk assessment of third parties in the supply chain

In the past 12 months, BBC Worldwide has also engaged independent third-party experts, including one of the big four accountancy firms, to assess and benchmark the programme and to provide advice on further enhancements to the established framework Monitoring of activities in high corruption risk countries where BBC Worldwide has operations continues to be a high priority for WEx

Data Protection

BBC Worldwide engages with millions of individuals across the globe on a regular basis including customers, audiences, employees, contributors and talent We are committed to protecting any personal information entrusted to us and respecting the privacy of all those people with whom we interact

While data protection rules vary from country to country, BBC Worldwide strives for the best systems in data protection and information security combining legal requirements and a best practice approach We are committed to ensuring that not only our employees and businesses are compliant at all times but that our partners and those processing data on behalf of BBC Worldwide share our approach

We recognise that our products and services, especially some of our websites and games, are enjoyed by people of all ages As a result, we adopt an especially sensitive approach to collecting data from minors As the business continues to develop in areas such as e-commerce and social media to deliver content and engagement, we will ensure that individuals are always clearly informed as to why we collect personal information and for what purposes it will be used

BBC Worldwide and a number of our subsidiaries are registered with the Information Commissioner's Office and are regulated by the Data Protection Act 1998 in the UK, the EU Data Protection Directive and by local legislation in other territories where it operates such as COPPA (Children's Online Privacy Protection Act) in the United States and the Privacy Act 1988 in Australia We are mindful of our obligations under the e-Privacy Directive and we will continue to assess the impact of the draft EU Data Protection Regulation announced this year

We are focused on ensuring that our strategy for data protection remains sustainable in a world of changing laws, technology, consumer trends and business activities

Report on Directors' remuneration

The purpose of BBC Worldwide is set out clearly elsewhere in this Review to supplement the licence fee and support the BBC's mission through the successful commercialisation of BBC programmes, and other high-quality British content, around the world

To do this well, the company must be able to hire and keep high calibre people at all levels and in a range of markets However, this needs to be balanced with its status as the commercial subsidiary of the BBC, an organisation funded by, and serving, the public, meaning that

- it is neither appropriate nor desirable to lead the market on pay, and
- remuneration policies and practices should be as transparent as possible

The Committee believes that the framework and policies it has espoused meet the needs of BBC Worldwide's shareholder for appropriateness, while enabling the company to incentivise in a way that is sufficiently competitive to underpin current and future returns to the parent – returns that will directly benefit the licence fee payer

Despite significant growth in profit performance, the Chief Executive decided that, in the present economic climate, it would not be appropriate to accept any increase in his total compensation this year The Committee, and the BBC Remuneration Committee, accepted his decision

We aspire to set tough performance standards for incentive payouts and this is reflected in the fact that the 2011/12 payout level for the annual bonus was 78 1% of the target opportunity for executives Overall, the ratio of fixed salary to variable incentive pay declined again, reflecting the intention to tie an increasing proportion of senior executive pay to performance

The Committee has also begun the process of simplifying executive compensation, initially by modifying the Profit Share Plan, and intends to continue the process of simplification and consolidation as and when existing schemes come to an end The changes embody BBC Worldwide's continuing commitment to remuneration based on criteria that are objective, transparent and fair

The Remuneration Committee approved a new reward strategy in the year, designed to support BBC Worldwide's future international growth plans, enabling suitably attractive and commercial reward packages, while adjusting for the varying strength of the BBC's brand, mission and values around the world

In summary, the Committee has spent considerable time considering how to ensure that remuneration is pitched appropriately for BBC Worldwide, where pay is attractive, suitably aligned with the business strategy, and linked to sufficiently stretching performance standards

The Remuneration Committee

Report on Directors' remuneration (continued)

Remuneration Committee

Composition

There were several changes during the year in the composition of the BBC Worldwide Remuneration Committee Charlotte Hogg was appointed to the Committee as a Director on 1 April 2011 Robert Webb QC was Chairman until 29 February 2012 and was succeeded on an interim basis by Zarin Patel

Summary terms of reference can be found on page 30 in the Corporate Governance section

Advisors

The Committee obtains advice from various sources in order to ensure it makes informed decisions In the early part of the year, the Committee's main advisor was Deloitte In December 2011, the Committee agreed a change to Towers Watson, which for the remainder of the year both provided comparative benchmark data on executive remuneration and was retained, on a consultancy basis, to advise on the effectiveness of current reward arrangements and propose improvements to accord with best practice

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

No individual is responsible for setting his or her own remuneration

Activities in 2011/12

The Committee's activities included

- Reviewing and refining the BBC Worldwide Reward Strategy
- Determining individual award levels for WEx based on benchmarking of roles and the market
- Approving performance against targets for the 2011/12 Annual Bonus and long-term incentive schemes, and the resulting payments to individuals
- Setting Annual Bonus targets for 2012/13
- Developing proposals and schemes to simplify executive compensation
- Considering the implications of the forthcoming UK regulations on executive pay, with a view to aligning BBC Worldwide practices and disclosures, where appropriate, to upcoming legislation

Executive Directors

Full details of the composition of the BBC Worldwide Executive Committee are shown on page 24 This report summarises the remuneration of the relevant BBC Worldwide Board members

Reward Strategy

The Remuneration Committee reviewed and agreed a new Reward Strategy for senior executives Many elements of the Strategy are applicable at all levels within BBC Worldwide and are being cascaded accordingly It is aimed at ensuring maximum alignment between the BBC mission and BBC Worldwide objectives of developing and commercialising brand and content internationally

The Company's Reward Strategy is designed to ensure that reward arrangements continue to support the delivery of its evolving global business model, in order to generate growing and sustainable returns to the BBC, to the benefit of the licence fee payer To do this, it needs to attract and retain key talent through the following key principles

- Total Direct Compensation (base pay plus all cash incentives) should be positioned
  - In the UK, not more than the market median
  - Within 10%, below or above, of the local market median outside the UK, where the BBC brand is less well-established, but where recruiting and retaining staff is essential for the Company's internationally focussed growth business strategy
- The relevant comparator group in the UK is FTSE 250 companies
- The market median is positioned midway between that of stand-alone companies and subsidiary business units of comparable size
- Remuneration packages should reward both short-term achievement and sustained growth over the longer term

Report on Directors' remuneration (continued)

Components of reward

The following table summarises the current, key, fixed and variable components of reward for executives and employees

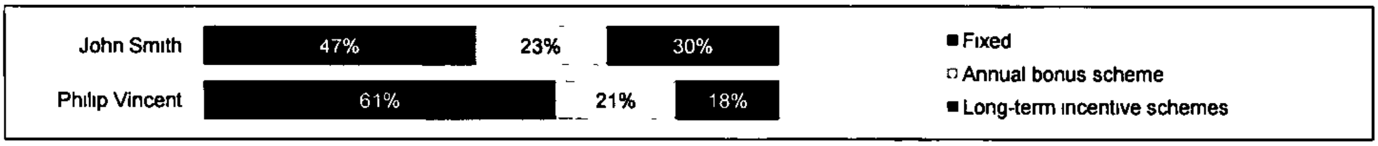
Element	Objective	Performance period	Performance conditions
Base Salary	Maintain a competitive package, at the agreed position for the relevant local market, recognising individual contribution and the scope of the role	Not applicable	Reviewed annually, taking into account the industry in which BBC Worldwide operates, location, individual performance and responsibilities, and affordability
Annual Incentives	Reward achievement of short-term strategic goals and profit growth	1 year	Subject to achievement of agreed profit targets[1]
Bonus Matching Scheme	Align interest of management with the performance of the company and ultimately the BBC over the longer term	3 years	Eligible 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 Share Plan	Drive profit performance and returns to BBC Worldwide's shareholder over the long term, whilst promoting the retention of key management	3 years	The original scheme provided participants with a share in profits[2] above a set of absolute profit hurdles linked to the five-year strategic plan Annual payments commenced after three years of participation in the plan, with balancing payments made at the end of the five-year period Under the simplified 2011/12 scheme, a single payment, calculated as a percentage of base pay, depending on the level of achievement against a cumulative profit[2] target, will be made at the end of the three-year period

1 *based on headline profit (operating profit before specific items)*
2 *Based on profit after interest and tax*

In a tough trading year, BBC Worldwide achieved year-on-year growth of 13 0% in profit before tax excluding gains on disposals, and headline profit growth of 7 9% This result delivered 95 4% of our stretching profit target, set by the Remuneration Committee at £159 5m (headline profit), resulting in annual bonus awards of 78 1% of the target bonus opportunity for members of the BBC Worldwide Executive

Business growth notwithstanding, the Chief Executive decided that, in the present economic climate, it would not be appropriate to accept any increase in his total compensation this year and, to that end, waived a significant proportion of his remuneration for the year Details are shown in the table on page 41

The diagram below illustrates the balance between fixed and variable remuneration as percentages of total direct compensation, before any deferral into the matching bonus scheme or remuneration waiver, for the Executive Directors of the BBC Worldwide Board for the current financial year It shows that more than 50% of the Chief Executive's remuneration is dependent on the company's performance



Base salary

In determining base pay, the Committee takes into account the base pay of organisations with which BBC Worldwide competes for talent It also considers individual performance, experience and competence, the criticality of the role, its value to the business and affordability

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 as at 1 April 2012

- John Smith Chief Executive £448,800
- Philip Vincent Chief Financial Officer £275,000

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 60% of base pay and the Chief Financial Officer is eligible for a core bonus of up to 40% of base pay The Chief Executive's bonus is wholly dependent on the performance of BBC Worldwide as this is deemed to be the most appropriate indicator of his own performance His bonus opportunity and targets are set and agreed annually by the BBC Executive Remuneration Committee

In addition, the Scheme rewards senior managers for delivering financial performance beyond the already stretching targets 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 but no payments were due under this element of the Scheme in 2011/12

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 The final award under this plan – relating to the period 2009/10 to 2011/12 – was made in June 2012 and is disclosed in the table on page 41

Although the LTIP has now been replaced, performance in respect of this final award has been 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 – were used to rank BBC Worldwide performance relative to a comparator group of other international media companies

The comparator group was selected for its mix of business, industry, size and geographical representation

The constituent companies of the comparator group		
British Sky Broadcasting Group plc	News Corporation	The Walt Disney Corporation
Cablevision Systems Corporation	Pearson plc	UBM plc
Comcast Corporation	ProSiebenSat 1 Media AG	Village Roadshow Ltd
Grupo Televisa	RTL Group	Vivendi Group
ITV plc	Scripps Networks	
Mediaset SpA	Singapore Press Holdings	

Matching was 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

Since 2009/10, directors have been able to 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 Share Plan

The Company's original Profit Share Plan (PSP), which covers the five-year period beginning in 2008/09, provided participants with a share in profits 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 For eligible participants, the payments shown on page [#] will be made in June 2012 Any payment due for the final year of the plan will be made in the summer of 2013 Any balancing payments due will be made in 2014 and 2015

The revised PSP, also in operation during the year, covers the three-year period 2011/12 to 2013/14

Profit after interest and tax is used as the basis for both plans, as it aligns Management's interests with a key measure for the shareholder The annual cash PSP payout is capped at 100% of base pay for each participant

Pension

Executive members of the Board are eligible to participate in the BBC Pension Scheme (the Scheme), which provides for pension benefits on a defined benefit basis The Scheme, which has a number of sections, operating on different bases, is now closed to new entrants and any executives appointed to the Board and who are not already members of the Scheme will be eligible to participate in the BBC's defined contribution pension plan

For an employee who joined the 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 only With effect from 1 April 2011, future increases in pensionable salary are limited to a maximum of 1% per annum For employees in this group, the normal pensionable age is 60 The contribution rate for these employees is 7 5% of pensionable salary

For an employee who joined on or after 1 November 2006 and before 1 December 2010, the accrual rate is 1 67% of his or her 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 are limited to a maximum of 1% per annum Participating employees contribute 4% of their pensionable salary to the Scheme For employees in this group the normal pensionable age is 65

To provide a lower cost and lower risk option for the BBC, members of the Scheme were given the opportunity to transfer to a new Career Average Benefits section (CAB2011) for future pension build-up, and have their accrued pension entitlement to date deferred into the scheme This deferred pension would build up broadly in line with inflation Under CAB2011 there is no 1% per annum limit on increases in pensionable salary, and employee contributions to the Scheme are 6% The normal pension age is 65 Transfers had to be made before 31 December 2011

John Smith participates in the original defined benefit section of the Scheme and Philip Vincent now participates in the Career Average Benefits section (CAB2011) Philip Vincent's pensionable earnings are now subject to a maximum cap of £127,800 (rising to £135,000 for the 2012/13 tax year) No maximum annual cap is applicable to John Smith who joined the BBC before 31 May 1989 The Scheme provides for early retirement on medical grounds and life assurance of four times life cover pensionable salary up to a prescribed limit

Other benefits

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

Report on Directors' remuneration (continued)

Employment contracts

The notice periods 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

Outside interests

Where there is no potential for conflict of interest, and with the prior agreement of the Chair, 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 £70,000 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 Zarin Patel and Mark Thompson (who was appointed Chairman in March 2012) do not, and Nicholas Eldred (who left the BBC on 31 October 2011) did not, receive remuneration from BBC Worldwide for the services provided to the Company 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 it 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 are not financially dependent on BBC Worldwide Details are provided on page 41 The fee levels are reviewed annually on 1 September, the next review being effective from 1 September 2012

Robert Webb QC received a fee of £68,750 for his role as Chairman of the Board of BBC Worldwide This was 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 2011/12

Charlotte Hogg was appointed as Non-executive Director on 24 September 2010 for a fixed term of two years Tim Weller was reappointed on 26 April 2012 for a further two-year term

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 2012

- Charlotte Hogg £35,700
- Tim Weller £40,800 *

** £35,700 in respect of duties as Non-executive Director plus £5,100 in respect of duties as Chair of the Audit Committee*

Report on Directors' remuneration (continued)

Remuneration earned in the year ended 31 March 2012

£'000	Fee/base pay	Annual bonus	PSP	Matching scheme for bonuses deferred from prior years [2]	Taxable benefits	Earnings waived [4]	Total 2012	Total 2011
Executive Directors								
John Smith [1 2 3 4]	447	107	279	102	15	(52)	898	898
Philip Vincent [3 5]	269	92	78	-	10	-	449	146
	716	**199**	**357**	**102**	**25**	**(52)**	**1,347**	**1,044**
Non-executive Directors								
Nicholas Eldred [6 7]	-	-	-	-	-	-	-	-
Charlotte Hogg [8]	36	-	-	-	-	-	36	18
Zarin Patel [6]	-	-	-	-	-	-	-	-
Mark Thompson [6 9]	-	-	-	-	-	-	-	-
Robert Webb [10]	69	-	-	-	-	-	69	77
Tim Weller [11]	41	-	-	-	-	-	41	38
	146	**-**	**-**	**-**	**-**	**-**	**146**	**133**
Former Directors	-	-	-	-	-	-	-	198
Total	**862**	**199**	**357**	**102**	**25**	**(52)**	**1,493**	**1,375**

1 *The Chief Executive committed £107,000 or 50% of his annual bonus into the Deferred Bonus Plan which will vest in March 2015 Annual bonus is stated net of any deferral into the matching scheme*

2 *The Matching payment shown relates to £69,000 of annual bonus which was invested into the now closed Long Term Incentive Plan in March 2009 and was matched at 48% in view of the company's performance over the 2008-2012 period*

3 *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 £42,455 (2011 £38,150)*

4 *John Smith decided that, in the present economic climate, it would not be appropriate to accept any increase in his total compensation this year and, to that end, waived £52,000 of his earnings*

5 *Philip Vincent was appointed as a Director on 1 December 2010 The figure for 2010-11 in the table above outlines his remuneration only for the four-month period between the date of his appointment to the Board and year-end*

6 *The BBC Non-executive Directors in the year, Nicholas Eldred, Zarin Patel and Mark Thompson, did not receive remuneration from BBC Worldwide for the services provided to BBC Worldwide*

7 *Ceased to be a Director on 31 October 2011*

8 *Appointed on 24 September 2010*

9 *Appointed on 12 March 2012*

10 *Ceased to be a Director on 29 February 2012*

11 *Appointed on 26 April 2010*

Report on Directors' remuneration (continued)

Deferred bonus potential vesting of outstanding schemes

The potential vesting in 2013, 2014 and 2015 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 2013	141	35	176
John Smith	March 2014	138	35	173
John Smith	March 2015	107	27	134

Pension entitlements

		Annual values		Transfer values [1]		
Executive Directors	Age as at 31 March 2012	Total accrued pension at 31 March 2012 £'000	Increase in accrued pension over year £'000	Transfer value of accrued pension at 31 March 2012 £'000	Transfer value of accrued pension at 31 March 2011 £'000	Increase in transfer value less directors contributions £'000
John Smith	54	208	7	3,803	3,319	484
Philip Vincent	42	28	3	293	234	59

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, as amended) and any contributions made by the individual It is not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration*

This report was approved by the Board of Directors on 1 June 2012 and signed on its behalf by

Zarin Patel
Interim Chair, Remuneration Committee

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 they have elected to prepare the Group financial statements in accordance with International IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 Auditor's report to the members of BBC Worldwide Limited

We have audited the financial statements of BBC Worldwide Limited for the year ended 31 March 2012 set out on pages 45 to 97 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 auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 43, 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 2012 and of the Group's profit for the year then ended,
- the Group financial statements 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 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

7 June 2012

Consolidated income statement
for the year ended 31 March 2012

	Note	Total 2012 £m	Total 2011 £m
Gross revenue including joint ventures	2	**1,085 0**	**1,029 8**
Less Share of revenue of joint ventures		(150 1)	(146 1)
Revenue		**934 9**	**883 7**
Total operating costs	3	(840 8)	(812 5)
Share of results of joint ventures and associates		23 4	27 5
Operating profit		**117 5**	**98 7**
Analysed as			
Headline profit	2	154 8	143 5
Impairment of goodwill	13	(16 1)	(33 8)
Share of interest and tax of joint ventures and associates	4	(9 6)	(10 5)
Pension deficit reduction payment	4	(4 3)	-
Other specific items	4	(7 3)	(0 5)
		117 5	**98 7**
Gain on disposal of Animal Planet	28	-	96 4
Other gains and losses	8	(4 7)	1 6
Finance income	9	0 7	0 5
Finance expense	9	(10 0)	(9 2)
Profit before tax		**103 5**	**188 0**
Profit before tax excluding gain on disposal of Animal Planet		103 5	91 6
Tax charge for the year	10	(30 2)	(30 0)
Profit from continuing operations		**73 3**	**158 0**
Profit from discontinued operations	11, 28	100 3	9 0
Profit for the year	**5**	**173 6**	**167 0**
Attributable to			
Equity shareholders of the parent company		168 4	161 7
Non-controlling interests		5 2	5 3
Profit for the year		**173 6**	**167 0**

Consolidated statement of comprehensive income
for the year ended 31 March 2012

	2012 £m	2011 £m
Profit for the year	173 6	167 0
Other comprehensive income		
Recycling of cumulative currency translation reserve on disposal	(0 7)	-
Recognition and transfer of cash flow hedges	0 4	0 1
Tax on cash flow hedges taken directly to other comprehensive income	-	-
Exchange differences on translation of foreign operations	1 8	(5 1)
Other comprehensive income for the year	**1 5**	**(5 0)**
Total comprehensive income for the year	**175 1**	**162 0**
Attributable to		
Equity shareholders of the parent company	169 9	156 7
Non-controlling interests	5 2	5 3
Total comprehensive income for the year	**175 1**	**162 0**

Consolidated balance sheet
As at 31 March 2012

	Note	2012 £m	2011 £m
Non-current assets			
Goodwill	13	58 2	69 7
Distribution rights	14	132 8	124 0
Other intangible assets	15	50 8	45 5
Property, plant and equipment	16	26 4	28 4
Interests in joint ventures and associates	17	28 9	34 0
Investments	18	4 4	2 5
Deferred tax assets	10	9 4	22 9
Derivative financial assets	25	1 2	1 0
		312 1	**328 0**
Current assets			
Programme rights and other inventories	19	104 8	83 5
Trade and other receivables	20	296 5	285 8
Derivative financial assets	25	2 6	3 5
Cash and cash equivalents		31 1	63 1
Assets classified as held for sale	22	11 9	44 4
		446 9	**480 3**
Total assets		**759 0**	**808 3**
Current liabilities			
Interest bearing loans and borrowings	24	30 5	20 1
Trade and other payables	21	372 0	363 4
Current tax liabilities		2 4	8 7
Provisions	23	2 5	7 2
Derivative financial liabilities	25	1 8	5 0
Liabilities relating to assets held for sale	22	-	36 5
		409 2	**440 9**
Non-current liabilities			
Interest bearing loans and borrowings	24	65 0	95 3
Trade and other payables	21	3 0	9 9
Provisions	23	9 7	11 4
Derivative financial liabilities	25	4 5	4 2
Deferred tax liabilities	10	5 6	15 3
		87 8	**136 1**
Total liabilities		**497 0**	**577 0**
Net assets		**262 0**	**231 3**
Equity			
Share capital	26	0 2	0 2
Hedging reserve	27	1 2	0 8
Translation reserve	27	34 1	33 0
Retained earnings	27	219 3	190 8
Equity attributable to owners of the parent company		**254 8**	**224 8**
Non-controlling interests		7 2	6 5
Total equity		**262 0**	**231 3**

These consolidated financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors on 7 June 2012 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 2012

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Cash generated from operations	29	177 9	186 0
Tax paid		(33 7)	(32 8)
		144 2	**153 2**
Cash flows from investing activities			
Interest received		0 7	0 7
Dividends received from joint ventures and associates	17	18 7	43 8
Purchases of distribution rights	14	(98 6)	(92 9)
Purchases of other intangible assets	15	(18 3)	(11 1)
Purchases of property, plant and equipment	16	(6 0)	(10 6)
Acquisition of non-controlling interests	35	-	(41 7)
Acquisition of asset held for sale	28	(4 6)	-
Disposal of operations	28	111 1	107 4
Acquisition of interests in joint ventures and associates	17	(1 8)	(1 6)
Acquisition of investments	18	(1 6)	-
Amounts advanced to related parties		(0 3)	-
Repayment by related parties		-	2 2
		(0 7)	**(3 8)**
Cash flows from financing activities			
Interest paid		(9 9)	(7 0)
Repayment of loans and borrowings		(20 0)	(23 8)
Capital element of finance lease payments		(0 3)	-
Equity dividends paid		(139 9)	(83 4)
Dividends paid to non-controlling interests		(4 5)	(3 0)
		(174 6)	**(117 2)**
Net (decrease)/increase in cash and cash equivalents		**(31 1)**	**32 2**
Cash and cash equivalents at the beginning of the year		63 1	31 6
Effect of foreign exchange rate changes		(0 9)	(0 7)
Cash and cash equivalents at end of the year		**31 1**	**63 1**

Consolidated statement of changes in equity
for the year ended 31 March 2012

	Attributable to equity holders of the parent company							
	Share capital £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Other reserve £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 April 2010	**0 2**	**36 8**	**0 5**	**138 9**	**(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	**-**	**(5 0)**	**-**	**161 7**	**-**	**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	-	-	0 3	(26 4)	37 5	11 4	(11 4)	-
Balance at 31 March 2011	**0 2**	**33 0**	**0 8**	**190 8**	**-**	**224 8**	**6 5**	**231 3**
Profit for the year	-	-	-	168 4	-	168 4	5 2	173 6
Recycling of cumulative currency translation reserve on disposal	-	(0 7)	-	-	-	(0 7)	-	(0 7)
Recognition and transfer of cash flow hedges	-	-	0 4	-	-	0 4	-	0 4
Tax on items taken directly to equity	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	1 8	-	-	-	1 8	-	1 8
Total comprehensive income for the year	**-**	**1 1**	**0 4**	**168 4**	**-**	**169 9**	**5 2**	**175 1**
Dividends paid	-	-	-	(139 9)	-	(139 9)	(4 5)	(144 4)
Balance at 31 March 2012	**0 2**	**34 1**	**1 2**	**219 3**	**-**	**254 8**	**7 2**	**262 0**

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 2012 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 26 in the Directors' Report in respect of going concern form part of the audited accounts

As at 31 March 2012, the main sources of debt funding were an unsecured credit facility with BBC Commercial Holdings Limited (BBCCH) expiring in September 2013, and an unsecured loan with the European Investment Bank, which expired in May 2012 Further information in respect of these facilities is included in note 24

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 35

(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, unrealised profits and losses are eliminated the extent of the Group's interest in the relevant joint venture or associate

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

(d) Adoption of new and revised standards

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

- 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*

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

- IFRS 1 (2011) *First-time Adoption of IFRSs*
- IFRS 7 (2011) *Financial Instruments Disclosures*
- IFRS 9 (2011) *Financial Instruments Classification and Measurement*
- IFRS 10 (2011) *Consolidated financial statements*
- IFRS 11 (2011) *Joint arrangements*
- IFRS 12 (2011) *Disclosure of interests in other entities*
- IFRS 13 (2011) *Fair value measurement*
- IAS 1 (2011) *Presentation of financial statements*
- IAS 12 (2010) *Income taxes*
- IAS 19 (2011) *Employee benefits*
- IAS 27 (2011) *Separate financial statements*
- IAS 28 (2011) *Investments in associates and joint ventures*
- IAS 32 (2011) *Financial instruments Presentation*
- IFRIC 20 (2011) *Stripping costs in the production phase of a surface mine*

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

- IFRS 9 will impact both the measurement and disclosures of Financial instruments, and
- IFRS 12 will impact the disclosure of interest the Group has in other entities

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed

Notes to the consolidated financial statements (continued)

1. Principal accounting policies (continued)

(e) Non-statutory financial performance measures

The Group believes that 'Headline sales' and 'Headline profit' are additional non-statutory measures of financial performance that provide further guidance to help understand the performance of the business on a comparable basis year on year

Headline sales includes the Group's share of the revenues of its joint ventures, which are closely monitored by the Directors Headline profit excludes significant items affecting operating profit (termed "specific items") which in the Directors' judgement enable a more complete understanding of the Group's financial performance Specific items are identified separately by virtue of their size, nature or incidence

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-routine items which help to facilitate a consistent view of the Group's results

(f) Business combinations

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

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

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

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

(g) Non-current assets held for sale

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

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

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

(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 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 are earned by the Group's Sales & Distribution and Content & Production segments from programme content and programme formats, respectively Once a contract has been signed, licence fees are recognised on the later of the start of the licence period or on delivery of the associated programme
- Subscription fees from the broadcast of the Group's Channels on pay television platforms, and from subscriptions to print and online publications and services, is recognised as earned, pro rata over the subscription period
- Advertising revenue generated by the Group's Channels business and from websites and magazines managed by the Global Brands operating segment are recognised on transmission or publication of the advertisement
- Production fees and participation royalties earned by the Group's Content & Production business are recognised as earned Production fees are recognised on delivery of the programme or on a stage of completion basis, depending on the nature of the contract with the customer Royalties are recognised on receipt or on an accruals basis where sufficient reliable information is available
- Revenue generated from the sale of physical and digital products by the Consumer Products and Global Brands operating segments (and by the Group's discontinued Magazines operations) is recognised at the time of delivery Revenue from the sale of goods is stated net of deductions for actual and expected returns based on management judgement and historical experience

(j) Foreign currencies

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date (the 'closing rate') Income and expense items are translated at the 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 acquired by the group are either purchased, generated internally or licensed following the payment of an advance on royalties Where the Group controls the respective assets and the risks and rewards attached to them, rights are initially recognised at acquisition cost or production cost The carrying amount is stated at cost less accumulated amortisation and provision for impairment

Amortisation of distribution rights is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life The expected lives of distribution rights range from one to 10 years In the case of royalty advances, amortisation is charged as the advances are recouped

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

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

(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

• Masthead	20 years
• Carrier agreements	Unexpired term of agreement
• Software	1-5 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

Programmes in the course of production represent the costs incurred by the Group on the creation of new content where such costs will be recovered from third parties Costs are ordinarily recovered through co-production agreements or through contracts for the provision of production services Costs borne by the Group with a view to exploiting the resulting content through licensing agreements are presented within Distribution rights

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

The carrying amount of a financial asset is reduced 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 IFRS requires the use of certain critical accounting assumptions, and requires management to exercise its judgement and to make estimates in the process of applying the Group's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below

i Basis of consolidation

Judgement is required in determining whether certain entities in which the Group has an economic interest should be considered to be subsidiaries 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 13

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 35

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 international television channels, broadcasting programmes made by both the BBC and other independent providers Manages the Global BBC iPlayer video-on-demand service
- Sales & Distribution — Manages the sale and syndication of the Group's content across television and video-on-demand
- Consumer Products — Creates and distributes consumer products, including DVDs, DTO, music and books
- Global Brands — Provides central management of the Group's international brands Manages the Group's magazines, gaming and live events businesses and its branded websites, including BBC com
- Content & Production — Develops and sells programme content and formats and manages the Group's rights acquisitions

Segment information as presented is consistent with the Group's internal reporting to the Board and has been amended since the previous reporting date As explained in note 11, the Group disposed of its Magazines operations during the year, but retained rights to certain branded titles, which are now published under contract The results from these ongoing magazines operations are included within the Global Brands operating segment

The operations which together made up the Digital Entertainment segment at the previous reporting date are now included within the Global Brands segment, with the exception of the Global BBC iPlayer, which is now included in the Channels segment Comparative information is presented in line with the revised segmental composition adopted in the current year

The Board assesses the performance of reportable segments based on Headline sales and Headline profit, as defined in note 1 Inter-segment sales are conducted on an arm's length basis Specific items, non-trading gains and losses, and net financing costs are not allocated to segments

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

2012	Channels £m	Sales & Distribution £m	Consumer Products £m	Global Brands £m	Content & Production £m	Eliminations £m	Total £m
Headline sales	344 6	292 7	211 4	146 6	135 5	(45 8)	1,085 0
Share of revenue of joint ventures	(128 0)	(7 7)	(0 2)	(11 7)	(2 5)	-	(150 1)
Reported revenue	216 6	285 0	211 2	134 9	133 0	(45 8)	934 9
Headline profit/(loss)	42 3	72 3	49 1	(17 3)	10 5	(2 1)	154 8
Specific items							(37 3)
Operating profit							117 5
Other gains and losses							(4 7)
Finance income							0 7
Finance expense							(10 0)
Profit before tax							103 5

2011	Channels £m	Sales & Distribution £m	Consumer Products £m	Global Brands £m	Content & Production £m	Eliminations £m	Total £m
Headline sales	303 1	260 6	251 1	144 2	102 8	(32 0)	1,029 8
Share of revenue of joint ventures	(117 0)	(6 0)	(2 4)	(17 1)	(3 6)	-	(146 1)
Reported revenue	186 1	254 6	248 7	127 1	99 2	(32 0)	883 7
Headline profit/(loss)	38 5	64 0	51 2	(12 9)	7 9	(5 2)	143 5
Specific items							(44 8)
Operating profit							98 7
Gain on disposal of Animal Planet							96 4
Other gains and losses							1 6
Finance income							0 5
Finance expense							(9 2)
Profit before tax							188 0

Notes to the consolidated financial statements (continued)

2. Segment information (continued)

The Group's revenue by destination was as follows

	Headline sales 2012 £m	Share of JV revenue 2012 £m	Reported revenue 2012 £m	Headline sales 2011 £m	Share of JV revenue 2011 £m	Reported revenue 2011 £m
United Kingdom	387 2	133 1	254 1	400 1	123 3	276 8
United States of America	314 7	7 9	306 8	273 1	8 5	264 6
Australia	92 6	7 1	85 5	85 0	8 9	76 1
Rest of World	290 5	2 0	288 5	271 6	5 4	266 2
	1,085 0	**150 1**	**934.9**	**1,029 8**	**146 1**	**883 7**

The Group's non-current assets, other than financial instruments and deferred tax assets, located in the UK are £200 7m (2011 £188 2m) and located outside of the UK are £100 8m (2011 £115 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 from continuing operations comprise the following categories of expense

	2012 £m	2011 £m
Cost of sales	545 6	505 5
Distribution costs	126 3	111 4
Administration costs	168 9	195 6
Total operating costs	**840 8**	**812 5**

4. Specific items

Impairment of goodwill

The Group has separately identified amounts written off goodwill owing to their scale and one-off nature Further information about amounts written off goodwill is included in note 13

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 reports 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

Pension deficit reduction payment

As described in note 33, the Group accounts for contributions to the BBC Pension Scheme as if it were a defined contribution scheme In July 2011, the Group made an additional cash payment of £4 3m to the BBC in connection with the BBC's deficit reduction plan As this payment is not reflective of the ongoing service cost of active scheme participants, management believes it is appropriate to present this cost as a specific item The Group anticipates making similar payments in future periods

Other specific items

	2012 £m	2011 £m
Reorganisation costs	(5 4)	(0 5)
Amounts written off joint ventures and associates	(1 0)	-
Transaction fees	(0 9)	-
	(7 3)	**(0 5)**

Reorganisation costs relate to the Group's Lonely Planet business

Amounts written off joint ventures and associates relate to the Group's interests in Freehand International Pty Ltd and GP Media S A

Transaction fees are in respect of one-off costs associated with business combinations and other potential investment additions where such costs do not meet the criteria for capitalisation

Notes to the consolidated financial statements (continued)

5. Profit for the year

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

	2012 £m	2011 £m
Rentals on operating leases and similar arrangements	17 0	14 9
Sub-lease rentals received on operating leases	(0 3)	(0 3)
Net foreign exchange losses/(gains)	1 1	(3 5)
Depreciation on property, plant and equipment (note 16)	6 9	9 0
Impairment of goodwill (note 13)	16 1	33 8
Amortisation of intangible assets		
Distribution rights (note 14)	87 2	74 0
Internally generated software assets	10 9	8 0
Other intangible assets	3 2	4 2
Programme rights and other inventories		
Cost recognised as an expense	116 9	115 2
Write downs recognised as an expense	9 1	6 1
Employee costs (note 7)	190 6	195 0
Impairment loss recognised on trade receivables	1 3	1 5
Reversal of impairment losses recognised on trade receivables (see note 20)	(0 3)	(1 3)

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

	2012 £m	2011 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	0 3	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 3	0 4
Total audit fees	**0 6**	**0 6**
Tax services	0 2	0 3
Corporate finance services	1 4	0 5
Other services	0 2	0 3
Total non-audit fees	**1 8**	**1 1**

Notes to the consolidated financial statements (continued)

7. Employee costs

The average number of employees dunng the year was as follows Comparatıve figures have been restated to reflect the segment changes descnbed ın note 2

	2012 Number	2011 Number
Channels	545	473
Sales & Dıstnbutıon	434	390
Consumer Products	298	384
Global Brands	792	763
Content & Productıon	160	105
Continuing operations	**2,229**	**2,115**
Employees of dıscontınued operatıons	336	574
Total number of employees	**2,565**	**2,689**

Within the averages above, 207 (2011 211) part-tıme employees have been ıncluded at theır full-tıme equıvalent of 133 (2011 141) In addıtıon to the above, the Group employed an average full-tıme equıvalent of 36 (2011 47) persons on a casual basıs

The aggregate remuneratıon recognısed ın the ıncome statement ın respect of these employees, ıncludıng casual staff, compnsed

	2012 £m	2011 £m
Salanes and wages	161 6	167 8
Socıal securıty costs	11 1	10 5
Other pensıon costs	17 9	16 7
	190 6	**195 0**

In addıtıon to the above, redundancy costs and compensatıon for loss of office payments totallıng £4 4m (2011 £2 3m) were ıncurred ın the year

The remuneratıon of the Dırectors dunng the year was as follows

	2012 £'000	2011 £'000
Emoluments	1,136	1,181
Long-term ıncentıve schemes	357	194
	1,493	**1,375**

The number of Dırectors to whom retırement benefits have accrued throughout the year under the followıng schemes ıs as follows

	2012 Number of Directors	2011 Number of Directors
Defined benefit schemes	2	3
Money purchase schemes	-	-

Further detaıls of Dırectors' remuneratıon are provıded ın the Report on Dırectors' remuneratıon on pages 36 to 42 Further ınformatıon regardıng the compensatıon earned by key management can be found ın note 36

The Group made no contnbutıons to money purchase schemes for ıts Dırectors ın eıther the current or the comparatıve year

The remuneratıon of the hıghest paıd Dırector dunng the year was as follows

	2012 £'000	2011 £'000
Emoluments	619	726
Long-term ıncentıve schemes	279	172
	898	**898**

The emoluments above ınclude £102,000 (2011 £134,000) whıch vested under the Group's bonus matchıng scheme In addıtıon to the emoluments above, the hıghest paıd dırector ınvested £107,000 (2011 £138,000) ın the Group's matchıng scheme whıch may vest ın March 2015 (2011 March 2014)

The accrued pensıon benefit as at 31 March 2012 of the hıghest paıd Dırector under the Group's defined benefit scheme was £208,000 (2011 £201,000) per annum The Group contnbuted £nıl (2011 £nıl) to money purchase schemes on behalf of the hıghest paıd Dırector dunng the year

Notes to the consolidated financial statements (continued)

8. Other gains and losses

	2012 £m	2011 £m
Change in fair value of derivative financial instruments	1 8	5 6
Change in fair value of put options over non-controlling interests (note 35)	(6 5)	(4 0)
	(4 7)	**1 6**

9 Net financing costs

	Continuing operations 2012 £m	Continuing operations 2011 £m	Discontinued operations 2012 £m	Discontinued operations 2011 £m	Total 2012 £m	Total 2011 £m
Other interest receivable	0 7	0 5	-	0 2	0 7	0 7
Finance income	**0 7**	**0 5**	**-**	**0 2**	**0 7**	**0 7**
Interest payable on loan from parent undertaking	4 5	3 3	-	-	4 5	3 3
Interest payable on bank loans	0 4	0 4	-	-	0 4	0 4
Interest payable on finance leases	-	0 1	-	-	-	0 1
Interest payable on derivative financial instruments	5 0	1 8	-	-	5 0	1 8
Other interest payable	0 1	3 6	-	0 5	0 1	4 1
Finance expense	**10 0**	**9 2**	**-**	**0 5**	**10 0**	**9 7**

Notes to the consolidated financial statements (continued)

10. Tax

	Continuing operations		Discontinued operations		Total	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Current tax						
UK corporation tax	15 3	20 9	1 8	3 9	17 1	24 8
Foreign tax	14 0	11 1	-	-	14 0	11 1
Adjustments in respect of prior years	(2 7)	(1 9)	-	-	(2 7)	(1 9)
	26 6	**30 1**	**1 8**	**3 9**	**28 4**	**34 0**
Deferred tax						
Origination and reversal of timing differences	2 8	(0 4)	-	0 3	2 8	(0 1)
Reduction in rate of UK corporation tax	0 7	0 2	-	-	0 7	0 2
Adjustments in respect of prior years	0 1	0 1	-	-	0 1	0 1
	3 6	**(0 1)**	**-**	**0 3**	**3 6**	**0 2**
Tax on profit on ordinary activities	**30 2**	**30 0**	**1 8**	**4 2**	**32 0**	**34 2**

Reconciliation of tax expense

The total tax charge for the year is higher (2011 lower) than the standard rate of corporation tax in the UK of 26% (2011 28%) The tax charge can be reconciled to the profit per the income statement as follows

	2012 £m	2011 £m
Profit before tax on continuing operations	**103 5**	**188 0**
Tax at the UK corporation tax rate of 26% (2011 28%)	26 9	52 6
Effects of		
Disallowed expenditure	7 1	12 8
Tax exempt disposal of assets held for sale	-	(27 7)
Tax differential on wholly-owned overseas earnings	4 1	0 6
Tax effect of share of results of joint ventures and associates	(6 1)	(7 2)
Reduction in rate of UK corporation tax	0 7	0 2
Adjustments in respect of previous years	(2 5)	(1 3)
Tax charge for the year	**30 2**	**30 0**

A tax credit of £2 7m (2011 £nil) is included in the Income Statement in respect of specific items (see note 4)

In addition to the amount charged to the income statement, a tax charge of £nil (2011 £nil) has been recognised in other comprehensive income in respect of financial instruments treated as cash flow hedges

Factors affecting future tax expense

The UK Government has announced a phased reduction in the main rate of corporation tax in the UK On 1 April 2012, the rate was reduced from 26% to 24% Two further annual reductions of 1% are expected to follow in subsequent years, reducing the corporation tax rate to 22% 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 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**
Credited/(charged) to the income statement	0 1	1 2	(1 2)	(3 7)	(3 6)
Disposal of subsidiary	0 5	(0 3)	-	-	0 2
Foreign exchange translation gains and losses	(0 1)	(0 2)	-	(0 1)	(0 4)
At 31 March 2012	**(4 3)**	**6 3**	**0 6**	**1 2**	**3 8**

Other deferred tax balances predominantly relates to temporary differences arising on tax losses and intragroup eliminations

Deferred tax is recorded in the balance sheet as follows

	2012 £m	2011 £m
Deferred tax assets	9 4	22 9
Deferred tax liabilities	(5 6)	(15 3)
Net deferred tax asset	**3 8**	**7 6**

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 £20 4m (2011 £22 9m) These assets have not been recognised on the basis that there is insufficient certainty that capital 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 (2011 £nil) No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and those differences are not expected to reverse in the foreseeable future

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

Notes to the consolidated financial statements (continued)

11 Discontinued operations

On 12 August 2011 the Group entered into a sale agreement to dispose of its subsidiaries BBC Magazines Limited, Bristol Magazines Limited, Magazines Services Limited and Genealogy Events Limited, its joint venture Dovetail Services (UK) Holdings Limited, and its associates Frontline Limited and Origin Publishing Holdings Limited (OPL) On 3 October 2011, the Group entered into a further sale agreement to dispose of its joint venture Worldwide Media Private Limited These investments collectively formed the Group's Magazines operations

The disposal was effected in pursuit of the group's strategic priorities The disposal of Worldwide Media Private Limited was completed on 14 October 2011 and the disposal of the remaining investments was completed on 31 October 2011 Consideration for these disposals was received wholly in the form of cash (see note 28)

In connection with its disposal, the Group also exercised a call option over 61% of the equity of OPL, taking its interest to 100% immediately prior to completion of the disposal As the acquisition of OPL was linked to the Group's disposal of its Magazines operations, the acquisition costs have been included in the disposal accounting disclosures (note 28)

Continuing operations which previously formed part of the Magazines operating segment are included within the Global Brands operating segment in note 2 Continuing operations include a limited number of magazine titles carrying the Group's key brands where ownership has been retained The Group has entered into an agreement with the buyer under which these titles will be published under contract on the Group's behalf

The results of discontinued operations, which have been included in the consolidated income statement, were as follows

	Period ended 31 Oct 2011 £m	Year ended 31 March 2011 £m
Revenue	**71 6**	**123 4**
Total operating costs	(64 5)	(110 0)
Share of results of joint ventures and associates	-	0 1
Operating profit	**7 1**	**13 5**
Finance income	-	0 2
Finance expense	-	(0 5)
Profit before tax	**7 1**	**13 2**
Tax charge for the period	(1 8)	(4 2)
Profit for the period	**5 3**	**9 0**
Profit on disposal of discontinued operations	95 0	-
Net profit attributable to discontinued operations	**100 3**	**9 0**

The profit on disposal of discontinued operations was exempt from tax

The net profit attributable to discontinued operations is wholly attributable to owners of the parent company

During the year, the Group's discontinued Magazines operations contributed £4 1m (2011 £20 9m) to the Group's net operating cash flows, contributed £110 2m to (2011 paid £3 5m in respect of) investing activities and paid £nil (2011 £0 2m) in respect of financing activities

12 Dividends

	2012 £'000	2011 £'000
Amounts recognised as distributions to equity holders in the period		
Interim dividends for the year ended 31 March 2011 of £140 16 per share (2011 £166 00 per share)	35 1	41 5
Interim dividends for the year ended 31 March 2012 of £419 26 per share (2011 £167 60 per share)	104 8	41 9
	139 9	**83 4**
Amounts not yet recognised as distributions		
Interim dividend declared but not yet paid for the year ended 31 March 2012 of £21 20 per share (2011 £138 00 per share)	5 3	34 5
Interim dividend proposed but not yet declared for the year ended 31 March 2012 of £3 60 per share (2011 £nil)	0 9	-
	6 2	**34 5**

Notes to the consolidated financial statements (continued)

13. Goodwill

	2012 £m	2011 £m
Cost		
At beginning of the year	125 0	120 3
Additions	-	0 1
Disposals	(5 1)	-
Foreign exchange translation gains and losses	6 4	4 6
	126 3	**125 0**
Accumulated impairment losses		
At beginning of the year	50 2	17 5
Impairments	16 1	33 8
Foreign exchange translation gains and losses	1 8	(1 1)
	68 1	**50 2**
Carrying amount	**58 2**	**74 8**
Classified as held for sale (note 22)	-	(5 1)
Goodwill per balance sheet	**58 2**	**69 7**

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

	2012 £m	2011 £m
Lonely Planet	22 6	34 5
Consumer distribution	25 4	25 3
Australian Channels	10 2	9 9
	58 2	**69 7**

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 2012, the carrying value of this CGU has been written down to its recoverable amount, resulting in a charge to the income statement of £16 1m

Despite solid underlying performance, the Australian dollar has continued to strengthen, proving challenging for the Lonely Planet business, which incurs the majority of its costs in its home of Australia, but earns the majority of its revenue streams in sterling, euros and US dollars Had foreign exchange rates at the date of the Group's impairment tests remained unchanged since the prior year, no impairment would have been recorded in respect of the Lonely Planet business

During the year, the Group began to implement changes to the Lonely Planet business which management believes will help to secure its long-term viability and reduce the impact of further currency appreciation This includes reducing the Australian cost base, relocation of its Digital business from Australia to the UK and exploitation of the Lonely Planet brand through online travel booking services

Key assumptions for the value in use calculations are those regarding growth rates, foreign exchange rates and discount rates

The future cash flows used by management in determining the value in use are based on the most recent financial plan 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 its more mature print activities towards mobile and online content, including travel booking services, where growth assumptions are linked to web traffic and conversion rates Beyond this period, forecast cash flows have been extrapolated based on an estimated growth rate of 3% (2011 3%) This growth rate does not exceed the average long-term growth rate for the markets in which the Lonely Planet business operates

Forecast foreign exchange rates have been based on spot rates at the date of impairment testing Any appreciation or devaluation of the Australian dollar during the forecast period would result in a corresponding reduction or increase in the value in use, respectively

The rate used to discount forecast cash flows is 13 0% (2011 13 4%)

Notes to the consolidated financial statements (continued)

13. Goodwill (continued)

Consumer distribution business

The goodwill in this CGU arose as a result of the acquisition of 2 entertain on 6 August 2009 The cash flow projections used in determining value in use are based on the current business plan approved by management, which covers a five year period after which cash flows have been extrapolated using an expected growth rate of 2% (2011 2%)

A discount rate of 11 4% (2011 12 4%) 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 five years (2011 seven years) and a discount rate of 12 6% (2011 13 8%) Cash flows beyond the forecast period have been extrapolated using an expected growth rate of 1% (2011 1%) 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 31 October 2011, the Group disposed of its Magazines operations (see note 28) Assets associated with the Magazines operations, including goodwill, were classified as held for sale at 31 March 2011 (see note 22)

14 Distribution rights

	2012 £m	2011 £m
Cost		
At 1 April	279 0	246 8
Additions	98 6	92 9
Disposals	(2 2)	-
Foreign exchange translation gains and losses	(3 5)	(3 4)
Fully amortised rights written off	(41 0)	(57 3)
	330 9	**279 0**
Amortisation		
At 1 April	154 1	140 6
Charge for the year	87 2	74 0
Disposals	(0 6)	-
Foreign exchange translation gains and losses	(3 6)	(3 2)
Fully amortised rights written off	(41 0)	(57 3)
	196 1	**154 1**
Net book value	**134 8**	**124 9**
Classified as held for sale (note 22)	(2 0)	(0 9)
Distribution rights per balance sheet	**132 8**	**124 0**

Included within distribution rights is self-funded content in the course of production totalling £1 2m (2011 £3 5m)

Where content in the course of production is funded by a commissioning broadcaster or co-production partner, this is now separately presented as programmes in the course of production within current assets Management believes the revised presentation more faithfully represents the substance of these transactions Comparative information has been restated accordingly, reducing the previously reported additions figure by £8 1m

Notes to the consolidated financial statements (continued)

15 Other intangible assets

2012	Masthead £m	Carrier Agreements £m	Software £m	Other £m	Total £m
Cost					
At 1 April	32 8	10 7	40 1	5 1	88 7
Additions	-	-	18 3	-	18 3
Disposals	-	-	(0 6)	(0 9)	(1 5)
Foreign exchange translation gains and losses	0 2	-	(0 4)	(0 2)	(0 4)
	33 0	**10 7**	**57 4**	**4 0**	**105 1**
Amortisation					
At 1 April	5 8	1 4	31 6	2 9	41 7
Charge for the year	1 7	0 7	10 1	1 6	14 1
Disposals	-	-	(0 1)	(0 9)	(1 0)
Foreign exchange translation gains and losses	(0 1)	0 1	(0 4)	(0 1)	(0 5)
	7 4	**2 2**	**41 2**	**3 5**	**54 3**
Net book value	**25 6**	**8 5**	**16 2**	**0 5**	**50 8**

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
	32 8	**10 7**	**40 1**	**5 1**	**88 7**
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
	5 8	**1 4**	**31 6**	**2 9**	**41 7**
Net book value	**27 0**	**9 3**	**8 5**	**2 2**	**47 0**
Classified as held for sale (note 22)	-	-	(1 5)	-	(1 5)
Other intangible assets per balance sheet	**27 0**	**9 3**	**7 0**	**2 2**	**45 5**

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

Of total software additions recognised during the period, £17 4m (2011 £9 3m) related to internally developed software

Notes to the consolidated financial statements (continued)

16. Property, plant and equipment

2012	Freehold buildings £m	leasehold buildings £m	Plant and machinery £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost						
At 1 April	0 2	13 9	40 0	14 0	1 4	69 5
Additions	-	1 1	3 4	1 5	-	6 0
Disposals	-	(2 6)	(6 6)	(1 2)	-	(10 4)
Foreign exchange translation gains and losses	-	-	(0 2)	(0 3)	-	(0 5)
	0 2	**12 4**	**36 6**	**14 0**	**1 4**	**64 6**
Depreciation						
At 1 April	-	5 9	24 7	9 3	-	39 9
Charge for the year	-	1 6	3 3	2 0	-	6 9
Disposals	-	(2 6)	(4 6)	(1 2)	-	(8 4)
Foreign exchange translation gains and losses	-	-	(0 1)	(0 1)	-	(0 2)
	-	**4 9**	**23 3**	**10 0**	**-**	**38 2**
Net book value	**0 2**	**7 5**	**13 3**	**4 0**	**1 4**	**26 4**

2011	Freehold buildings £m	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
	0 2	**13 9**	**40 0**	**14 0**	**1 4**	**69 5**
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
	-	**5 9**	**24 7**	**9 3**	**-**	**39 9**
Net book value	**0 2**	**8 0**	**15 3**	**4 7**	**1 4**	**29 6**
Classified as held for sale (note 22)	-	-	(1 2)	-	-	(1 2)
Net book value	**0 2**	**8 0**	**14 1**	**4 7**	**1 4**	**28 4**

At 31 March 2012, the Group had contractual commitments for the acquisition of property, plant and equipment totalling £1 0m (2011 £nil)

Tangible fixed assets include the following assets held under finance leases

	Plant and machinery 2012 £m	Fixtures and fittings 2012 £m	Total 2012 £m	Plant and machinery 2011 £m	Fixtures and fittings 2011 £m	Total 2011 £m
Cost	1 6	-	1 6	1 9	-	1 9
Accumulated depreciation	(1 0)	-	(1 0)	(1 0)	-	(1 0)
	0 6	**-**	**0 6**	**0 9**	**-**	**0 9**

Assets held under finance lease 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)

17. Interests in joint ventures and associates

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

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

	Joint ventures 2012 £m	Associates 2012 £m	Total 2012 £m	Joint ventures 2011 £m	Associates 2011 £m	Total 2011 £m
At 1 April	15 8	15 0	30 8	30 9	18 8	49 7
Additions	-	1 8	1 8	1 6	2 1	3 7
Disposals	(5 0)	(1 1)	(6 1)	-	(7 2)	(7 2)
Share of results	22 1	1 0	23 1	25 7	1 9	27 6
Adjustment to provision for unrealised profits	(0 1)	0 4	0 3	(0 4)	0 1	(0 3)
Dividends received*	(18 0)	(0 7)	(18 7)	(37 5)	(0 5)	(38 0)
Amounts repaid by related parties	-	-	-	(2 2)	-	(2 2)
Foreign exchange translation gains and losses	(0 1)	0 9	0 8	(0 3)	(0 1)	(0 4)
Amounts written off	(0 7)	(0 3)	(1 0)	(2 0)	(0 1)	(2 1)
At 31 March	**14.0**	**17 0**	**31 0**	**15 8**	**15 0**	**30 8**

* Dividends received in the year ended 31 March 2011 exclude £5 8m of dividends received from joint ventures classified as held for sale

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

	Joint ventures 2012 £m	Associates 2012 £m	Total 2012 £m	Joint ventures 2011 £m	Associates 2011 £m	Total 2011 £m
Interests in joint ventures and associates	11 9	17 0	28 9	19 3	14 7	34 0
Non-current assets held for sale (note 22)	9 9	-	9 9	5 8	0 3	6 1
Provisions (note 23)	(7 8)	-	(7 8)	(9 3)	-	(9 3)
	14 0	**17 0**	**31 0**	**15 8**	**15 0**	**30 8**

Interests in joint ventures

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

UKTV

BBC Worldwide has a major partnership deal with Scripps Networks Interactive for the production and marketing of subscription channels in the UK The partnership operates under the name UKTV through a number of discrete joint venture entities, each of which has been accounted for separately

Certain UKTV joint venture entities 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 joint ventures 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

Notwithstanding the above, 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 23)

Worldwide Media Private Limited

In December 2004, BBC Worldwide completed the acquisition of a 50% equity interest in Worldwide Media Private Limited, a magazine publishing joint venture based in India In the year ended 31 March 2011, following a revised assessment of recoverable amount, the Group wrote down its interest in Worldwide Media Private Limited The joint venture was classified as held for sale at 31 March 2011

In October 2011, the Group disposed of its interest in Worldwide Media Private Limited (see notes 11 and 28)

Ragdoll Worldwide 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

In May 2011, the Board resolved to dispose of the Group's interest in the joint venture The joint venture is classified as held for sale at the balance sheet date (see note 22)

Notes to the consolidated financial statements (continued)

17 Interests in joint ventures and associates (continued)

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

	2012 £m	2011 £m
Non-current assets	13 7	19 1
Current assets	101 1	93 1
Current liabilities	(58 7)	(57 1)
Non-current liabilities	(55 2)	(59 3)
Shareholders' equity	**0 9**	**(4 2)**
Share of net liabilities not recognised	18 0	19 6
Group's share of net assets of joint ventures	**18 9**	**15 4**
Revenue	159 3	159 1
Expense	(126 8)	(122 4)
Taxation	(8 6)	(9 6)
Share of profit from joint ventures	**23 9**	**27 1**
Share of results not recognised	(1 8)	(1 4)
Share of profit from joint ventures recognised in income statement	**22 1**	**25 7**

Interests in associates

Representing a 100% share of each associate

	2012 £m	2011 £m
Total assets	71 7	116 8
Total liabilities	(63 1)	(121 4)
Net assets/(liabilities)	**8 6**	**(4 6)**
Group's share of net assets	**4 5**	**3 8**
Revenue	140 8	96 8
Result for the year	5 7	3 2
Group's share of results of associates	**1 0**	**1 9**

The Group has board representation and participates in policy-making decisions affecting Educational Publishers LLP, Woodlands Books Limited and Audio London Limited The Group has concluded that it exerts significant influence over these businesses despite holding only 15% of the voting power Accordingly, the Group has classified its interests in these entities as associates

18. Investments

	2012 £m	2011 £m
Available-for-sale investments carried at fair value		
Unquoted equities	0 6	-
Loans receivable carried at amortised cost		
Loans to related parties	2 8	2 5
Loans to other entities	1 0	-
	3 8	2 5
Total investments	**4 4**	**2 5**

Loans to related parties were previously presented within non-current receivables Comparative balances have been re-presented where necessary

Notes to the consolidated financial statements (continued)

19 Programme rights and other inventories

	2012 £m	2011 £m
Programme rights for broadcast	58 0	37 2
Programmes in the course of production	5 3	8 1
Raw materials and consumables	4 8	5 6
Work in progress	7 3	9 3
Finished goods and goods for resale	29 4	23 3
	104 8	**83 5**

Within finished goods and goods for resale is inventory of £3 1m (2011 £4 1m), 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

Programmes in the course of production were previously included within Distribution rights, as described in note 14 Comparative information has been restated where appropriate

20. Trade and other receivables

	2012 £m	2011 £m
Current		
Trade receivables	180 5	189 3
Prepayments	37 7	28 8
Accrued income	36 6	19 6
Amounts owed by fellow subsidiary undertakings	4 8	6 9
Amounts owed by joint ventures and associates (note 36)	27 6	32 3
Other receivables	9 3	8 9
	296 5	**285 8**

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 2012, are balances of £32 0m (2011 £21 4m) 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

	2012 £m	2011 £m
Up to 3 months	26 5	14 5
3 to 6 months	4 2	4 2
Over 6 months	1 3	2 7
	32 0	**21 4**

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 35)

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 9m at 31 March 2012 (2011 £2 7m)

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

	2012 £m	2011 £m
Balance at the beginning of the period	2 7	6 3
Impairment losses recognised	1 3	1 5
Amounts written off as uncollectible	(0 8)	(3 7)
Impairment losses reversed	(0 3)	(1 3)
Foreign exchange translation gains and losses	-	(0 1)
	2 9	**2 7**

Notes to the consolidated financial statements (continued)

21 Trade and other payables

	2012 £m	2011 £m
Current		
Trade payables	50 6	37 8
Rights creditors	96 3	86 5
Accruals	48 4	47 5
Deferred income	60 7	83 1
Amounts owed to ultimate parent undertaking	49 9	35 4
Amounts owed to fellow subsidiary undertakings	1 9	1 9
Amounts owed to joint ventures and associates (note 36)	7 5	16 1
Other payables including other tax and social security	56 7	55 1
	372 0	**363 4**
Non-current		
Accruals	3 0	2 4
Other payables including other tax and social security	-	7 5
	3 0	**9 9**
	375 0	**373 3**

Rights creditors comprise royalty payments owing to contributors to television programmes, DVDs and other media Other payables include £14 0m (2011 £7 5m) relating to put options over non-controlling interests (see note 35)

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

22 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 the Group's investment in the Ragdoll joint venture (see note 17) In the prior year, these related to Magazines operations (see notes 11 and 28)

	2012 £m	2011 £m
Goodwill	-	5 1
Distribution rights	2 0	0 9
Other intangible assets	-	1 5
Investments in joint ventures and associates	9 9	6 1
Property, plant and equipment	-	1 2
Programme rights and other inventories	-	1 4
Trade and other receivables	-	28 2
Total assets classified as held for sale	**11 9**	**44 4**
Trade and other payables	-	(36 5)
Total liabilities associated with assets classified as held for sale	**-**	**(36 5)**
Net assets of disposal groups	**11 9**	**7 9**

The fair value of the disposal group held for sale less costs to sell is expected to exceed the corresponding asset carrying values Accordingly, no loss has been recognised as a result of classifying these assets as held for sale at 31 March 2012

Notes to the consolidated financial statements (continued)

23 Provisions

	Property related £m	Share of joint venture liabilities £m	Litigation £m	Other £m	Total £m
At 31 March 2011	1 8	9 3	4 8	2 7	18 6
Additional provision in the year	0 1	-	-	1 6	1 7
Utilisation of provision	-	-	(4 3)	(1 4)	(5 7)
Unwinding of discount	0 1	-	-	-	0 1
Released to the income statement	(0 3)	(1 5)	(0 5)	(0 2)	(2 5)
At 31 March 2012	**1 7**	**7 8**	**-**	**2 7**	**12 2**

Provisions in respect of the Group's share of joint venture liabilities are further discussed in note 17 Amounts released to the income statement relate to the Group's share of joint venture profits for the year

Other provisions primarily comprise reorganisation provisions

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

	2012 £m	2011 £m
Current	2 5	7 2
Non-current	9 7	11 4
	12 2	**18 6**

24. 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 2012 £m	Australian dollars 2012 £m	Total 2012 £m	Sterling 2011 £m	Australian dollars 2011 £m	Total 2011 £m
Unsecured borrowing at amortised cost						
Loans from related parties	-	64 9	64 9	-	64 5	64 5
Bank loans	30 0	-	30 0	50 0	-	50 0
	30 0	**64 9**	**94 9**	**50 0**	**64 5**	**114 5**
Secured borrowing at amortised cost						
Obligations under finance leases (see note 32)	-	0 6	0 6	-	0 9	0 9
	30 0	**65 5**	**95 5**	**50 0**	**65 4**	**115 4**
Total borrowings						
Amount due for settlement within 12 months	30 0	0 5	30 5	20 0	0 1	20 1
Amount due for settlement after 12 months	-	65 0	65 0	30 0	65 3	95 3
	30 0	**65 5**	**95 5**	**50 0**	**65 4**	**115 4**

The Group has two principal loan facilities

(i) A multi-currency loan facility of £210 0m (2011 £168 0m) with BBC Commercial Holdings Limited (BBCCH), of which £50 0m is available only on condition that an equivalent cash balance is maintained The loan facility expires on 31 July 2013 and attracts interest based on interbank rates plus a margin of 1 00% Interbank rates are based on the period of the loan and are based on LIBOR for the relevant currency except for EUR and AUD drawdowns which are based on EURIBOR and BBSW, respectively

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

The amount available under the Group's facility with BBCCH is due to increase to £240 0m on expiration of the EIB term loan

Notes to the consolidated financial statements (continued)

25. Derivative financial instruments

2012	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 9	2 0	(0 9)	(0 4)	1 6
Derivatives that are held for trading					
Forward foreign currency contracts	0 2	0 6	(0 8)	(0 2)	(0 2)
Interest rate swaps	-	-	(0 1)	(3 1)	(3 2)
Embedded derivatives	0 1	-	-	(0 8)	(0 7)
	0 3	**0 6**	**(0 9)**	**(4 1)**	**(4 1)**
	1 2	**2 6**	**(1 8)**	**(4 5)**	**(2 5)**

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)**

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 2012 was £239 5m (2011 £274 9m) The hedged forecast transactions denominated in foreign currency are expected to occur at various dates in the future

The Group applies cash flow hedge accounting for trades taken out in respect of its forecast foreign currency transactions Hedge accounting is only applied where appropriate designation and documentation, and trades with parties external to the Group exist Net gains 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 2012 were £0 4m (2011 £0 3m) 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 2012 were £99 5m (2011 £144 5m) 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

26. Called up share capital

	2012 £m	2011 £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

Notes to the consolidated financial statements (continued)

27 Reserves

Hedging reserve

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

Translation reserve

Since 1 April 2008, £2 1m 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

Retained earnings

At 31 March 2012, 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 Disposals

As described in note 11, in October 2011 the Group completed its disposal of a number of subsidiaries and investments which, collectively, made up its Magazines operations The Group had classified these investments as assets held for sale as at 31 March 2011 and has not therefore equity accounted for joint ventures and associates included within the disposal group during the year to 31 March 2012 As a result of the cessation of equity accounting, the Group's share of the results of these joint ventures and associates is included in the gain on disposal

The net assets of the Magazines operations at the date of disposal and at 31 March 2011 were

	Oct 2011 £m	March 2011 £m
Distribution rights	1 6	0 9
Other intangible assets	0 5	1 5
Investments in joint ventures and associates	6 1	6 1
Property, plant and equipment	2 0	1 2
Programme rights and other inventories	1 8	1 4
Trade and other receivables	23 0	28 2
Trade and other payables	(30 3)	(36 5)
Current tax liabilities	(0 6)	-
Deferred tax liability	(0 2)	-
Attributable goodwill	5 1	5 1
	9 0	**7 9**
Transaction costs	2 1	
Exercise of option over joint venture (see note 11)	4 6	
Separation costs	1 1	
Cumulative currency translation gain	(0 7)	
Gain on disposal	95 0	
Total consideration	**111 1**	
Satisfied by		
Cash and cash equivalents	111 1	
Net cash inflow arising on disposal	**111 1**	

The net sale proceeds of £111 1m consisted of gross proceeds of £121 0m less working capital adjustments of £9 9m

In the year ended 31 March 2011, the following disposals took place

The Group disposed of its interest in BBC Audiobooks Limited on 13 July 2010 to Audio London Limited for cash consideration of £14 0m resulting in a gain on disposal of £2 0m Consideration was received in the form of cash of £11 6m, deferred consideration of £0 3m and 15% of the ordinary share capital of Audio London Limited Cash disposed of amounted to £2 1m giving rise to a net cash inflow of £9 5m

The Group disposed of its 50% interests in Animal Planet Europe and People & Arts on 12 November 2010 to its joint venture partner, Discovery Communications Cash consideration of £97 9m was received, giving rise to a gain on disposal of £96 4m

Notes to the consolidated financial statements (continued)

29. Notes to the cash flow statement

	2012 £m	2011 £m
Operating profit		
Continuing operations	117 5	98 7
Discontinued operations	7 1	13 5
	124 6	**112 2**
Adjustments for		
Share of results of joint ventures and associates	(23 4)	(27 6)
Gain on disposal of subsidiary	-	(2 0)
Depreciation and impairment of property, plant and equipment	6 9	9 0
Impairment of goodwill	16 1	33 8
Amortisation and impairment of intangible assets	101 3	86 2
Impairment of investments	1 0	2 1
Impairment loss recognised on trade receivables	1 3	1 5
Reversal of impairment losses recognised on trade receivables	(0 3)	(1 3)
(Decrease)/increase in provisions	(4 9)	6 8
Cash flows before movements in working capital	**222 6**	**220 7**
Increase in trade and other receivables	(7 6)	(77 5)
Increase in programme rights and other inventories	(24 2)	(12 6)
(Decrease)/increase in trade and other payables	(12 9)	55 4
Cash generated from operations	**177 9**	**186 0**

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

30 Commitments and contingent liabilities

	2012 £m	2011 £m
Capital commitments		
Distribution rights	46 5	48 6
Property, plant and equipment	1 0	-
Intangible assets	0 3	0 9
	47 8	**49 5**
Other financial commitments		
Programme rights for broadcast	16 7	8 1
Other commitments	29 4	41 9
	46 1	**50 0**
Total unrecognised commitments	**93 9**	**99 5**

In addition to the above, the Group's share of commitments for programme acquisitions and other commitments in respect of its UKTV joint venture amount to £38 6m and £48 6m, respectively (2011 £15 6m and £48 0m, 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 2012, total amounts drawn down by the BBC Commercial Holdings Group under this facility were £169 9m (2011 £190 1m)

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

Notes to the consolidated financial statements (continued)

31. 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

	2012 £m	2011 £m
Within one year	15 8	12 3
In the second to fifth years inclusive	28 2	35 9
After five years	10 0	25 8
	54 0	**74 0**

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

32. Obligations under finance leases

The minimum lease payments under finance leases fall due as follows

	Minimum lease payments		Present value of lease payments	
	2012 £m	2011 £m	2012 £m	2011 £m
Amounts payable under finance leases				
Within one year	0 4	0 1	0 4	0 1
In the second to fifth years inclusive	0 2	0 9	0 2	0 8
	0 6	**1 0**	**0 6**	**0 9**

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

Notes to the consolidated financial statements (continued)

33 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, were £4 5m (2011 £3 5m)

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

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 4m in the year (2011 £13 2m) No contributions were prepaid or accrued at 31 March 2012 (2011 £nil)

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

	2012 £m	2011 £m
BBC Pension Scheme	1,172 0	920 5
Unfunded Scheme	6 6	6 3
	1,178 6	**926 8**

The actuarial valuation for the BBC Pension Scheme was updated for IAS 19 purposes to 31 March 2012 by Towers Watson, consulting actuaries Additional disclosure about the scheme and its financial position under IAS 19 is presented below

Scheme financial position

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Scheme assets*	9,198 5	8,835 8	8,154 8	6,454 0	8,042 0
Scheme liabilities	(10,370 5)	(9,756 3)	(9,795 7)	(6,592 6)	(7,513 6)
Net deficit	**(1,172 0)**	**(920 5)**	**(1,640 9)**	**(138 6)**	**528 4**

* *excluding funds relating to additional voluntary contributions (AVCs)*

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

	2012 £m	2011 £m
At 1 April	9,756 3	9,795 7
Current service cost	160 0	192 8
Past service cost	4 8	19 3
Gains on curtailments	(45 0)	(250 4)
Interest on pension plan liabilities	527 2	529 6
Experience lossses/(gains) arising on plan liabilities	113 3	(71 7)
Changes in assumptions underlying plan liabilities	189 3	(138 9)
Contributions by plan participants	1 8	7 1
Benefits and expenses paid	(337 2)	(327 2)
At 31 March	**10,370 5**	**9,756 3**

Notes to the consolidated financial statements (continued)

33 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

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

	2012 £m	2011 £m
At 1 April	8,835 8	8,154 8
Expected rate of return on plan assets	643 3	603 4
Actuarial (losses)/gains on plan assets	(157 8)	93 1
Contributions by employer	212 6	304 6
Contributions by plan participants	1 8	7 1
Benefits and expenses paid	(337 2)	(327 2)
At 31 March	**9,198 5**	**8,835 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 42 5%, private markets 16 0%, absolute return 8 5%, return seeking bonds 13 0% and liability matching bonds 20 0% Further information about the Scheme is available at http //www bbc co uk/mypension/

	2012 £m	2012 %	2011 £m	2011 %
Equities	4,100 5	44 6%	4,479 8	50 7%
Bonds	2,369 3	25 8%	1,938 4	21 9%
Property	1,077 1	11 7%	1,079 8	12 2%
Alternatives	1,493 8	16 2%	1,324 4	15 0%
Cash	157 8	1 7%	13 4	0 2%
At 31 March	**9,198 5**	**100 0%**	**8,835 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 2012 was £486 0m (2011 £697 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 was agreed between the BBC and the pension scheme Trustees whereby additional contributions totalling £905m will be paid by the BBC over a period of 11 years commencing in 2011

As described in note 4, additional contributions of £4 3m paid by the Group to the BBC in July 2011 have been presented outside Headline profit The Group anticipates making similar payments in future periods

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

	Projected 2013 %	2012 %	2011* %	2010* %	2009* %
Employer**	14 5	14 5/15 5	18 2	18 9	19 1/19 7
Employee (Old and New Benefits)	7 5	7 5	7 5	6 8	6 0
Employee (CAB 2006)	4 0	4 0	4 0	4 0	4 0
Employee (CAB 2011)	6 0	6 0	-	-	-

* *Comparative figures have been restated to include the BBC's share of additonal voluntary contributions*

** *Includes an allowance for BBC AVC matching contributions of 0 1%/0 3% (2011 0 3%) but 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 £136 8m in the year to 31 March 2013

Notes to the consolidated financial statements (continued)

33 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

	2012 %	2011 %
Rate of increase in salaries	1 0	1 0
Rate of increase in pension payments		
Old Benefits	3 5	3 7
New Benefits	3 3	3 5
CAB 2006	2 4	2 4
CAB 2011	2 4	2 7
Inflation assumption - Retail Prices Index (RPI)	3 5	3 7
Inflation assumption - Consumer Prices Index (CPI)	2 5	2 9
Discount rate	5 2	5 5
Expected take up rate*	-	40 0

* *Assumptions required in the previous financial year to reflect the proportion of members that were assumed to transfer into either the CAB 2011 or defined contribution plans following the changes made to the pension plans As members have transferred during 2011/12, no assumption is required in the current year*

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

	2012 Years	2011 Years
Retiring today		
Male	27 9	27 8
Female	28 5	28 4
Retiring in 20 years		
Male	30 3	30 2
Female	30 2	30 1

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%	(205)
Discount rate	Increase 0 1%	1 6%	166
Retail price inflation rate	Increase 0 1%	1 8%	187
Retail price inflation rate	Decrease 0 1%	1 8%	(186)
Mortality rates	Increase 1 year	3 0%	315
Mortality rates	Decrease 1 year	3 0%	(316)

Notes to the consolidated financial statements (continued)

34. 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 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

35 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 from continuing operations generated outside the UK was 64 3% in 2012 versus 62 2% in 2011

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, and therefore to reduce uncertainty arising from currency risk

The overall cost of a hedged transaction and the associated forward currency contract in the income statement is fixed However, where contracts span financial years and hedge accounting is not applied, the fair value of the forward currency contract gives rise to gains/losses in each financial year due to the timing difference between the recognition of such gains/losses and the recognition of the associated hedged transaction The gains/losses seen are therefore a result of market conditions as opposed to variances in contract value

Some sales contracts also contain clauses whereby changes in currency rates outside of an agreed range impact on the contract price, in the majority of cases the value of the individual contracts and other features within the contract limit the currency risk exposure to a level that is not significant to the Group Such clauses have been separated from the host contracts and recorded as embedded derivatives The movement in fair values in these derivatives is recorded through the income statement Further details of the value of embedded derivatives is given in note 25

Notes to the consolidated financial statements (continued)

35. 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 2012 or 31 March 2011

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

	2012 £m	2011 £m
Forward foreign currency contracts	(14 7)	(19 4)
Foreign currency options	-	-
Embedded derivatives	(1 8)	(1 0)
Total impact on derivatives	**(16 5)**	**(20 4)**
Impact on income statement	(3 1)	(7 8)
Impact on other comprehensive income	(13 4)	(12 6)
Total impact on comprehensive income	**(16 5)**	**(20 4)**

The same movement in currency rates would result in an income statement gain of £3 3m (2011 gain of £3 3m) 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 2012 would increase by £1 5m (2011 increase by £2 5m) 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)

35 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 2012, the net debt limit imposed by BBC Group on BBC Worldwide was £190 0m (2011 £168 0m), with a gross debt limit of £240 0m (2011 £218 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 are

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

The Group is active in monitoring its debt covenants which have been met at 31 March 2012

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

2012	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 4	3 7	-	-	9 1
Embedded derivatives	-	-	-	0 8	0 8
Other creditors	14 0	-	-	-	14 0
Financial liabilities measured at amortised cost					
Bank loans	30 0	-	-	-	30 0
Loans owed to intermediate parent undertaking	3 4	66 0	-	-	69 4
Obligations under finance leases	0 4	0 2	-	-	0 6
Trade and other payables (excluding accruals and deferred income)	262 9	-	-	-	262 9

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

Notes to the consolidated financial statements (continued)

35. 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 2012 £m	Level 2 2012 £m	Level 3 2012 £m	Total 2012 £m	Level 1 2011 £m	Level 2 2011 £m	Level 3 2011 £m	Total 2011 £m
Financial assets at fair value								
Derivative financial instruments	-	3 7	-	3 7	-	4 4	-	4 4
Embedded derivatives	-	0 1	-	0 1	-	0 1	-	0 1
Available-for-sale financial assets								
Unquoted equities	-	-	0 6	0 6	-	-	-	-
	-	3 8	0 6	4 4	-	4 5	-	4 5
Financial liabilities at fair value								
Derivative financial instruments	-	(5 5)	-	(5 5)	-	(9 0)	-	(9 0)
Embedded derivatives	-	(0 8)	-	(0 8)	-	(0 2)	-	(0 2)
Other payables	-	-	(14 0)	(14 0)	-	-	(7 5)	(7 5)
	-	(6 3)	(14 0)	(20 3)	-	(9 2)	(7 5)	(16 7)

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 in the Group's subsidiaries The fair value of such instruments is calculated based on the strike price of the options and management's best estimate of the date at which the options will be exercised

Where the strike price of an option is based on the fair value of the underlying business, this has been estimated based on forecasts of future cash flows prepared by management

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

	Assets £m	Liabilities £m	2012 £m	Assets £m	Liabilities £m	2011 £m
Opening balance	-	(7 5)	(7 5)	-	(41 3)	(41 3)
Purchases	0 6	-	0 6	-	-	-
Settlements	-	-	-	-	41 7	41 7
Unwinding of discount recorded within finance expense	-	-	-	-	(2 8)	(2 8)
Change in fair value recorded in other gains and losses	-	(6 5)	(6 5)	-	(4 0)	(4 0)
Foreign exchange translation gains and losses	-	-	-	-	(1 1)	(1 1)
Closing balance	**0 6**	**(14 0)**	**(13 4)**	**-**	**(7 5)**	**(7 5)**

All remaining put options over minority shares in the Group's subsidiary, Lonely Planet, were acquired by the Group on 14 February 2011 In accordance with IAS 27 (2008) *Consolidated and Separate Financial Statements*, the exercise of the Lonely Planet put option was treated as an equity transaction

Options outstanding at 31 March 2012 were exercised in April 2012 and will be settled in the year ending March 2013

Notes to the consolidated financial statements (continued)

36 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 33

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 20 and 21 respectively

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

	2012 £m	2011 £m
Dividends paid	(139 9)	(83 4)
Interest costs	(4 5)	(3 3)
Acquisition of distribution rights	(60 8)	(56 8)
Royalties and other programme related fees	(17 5)	(17 6)
Web syndication rights and hosting fees	(7 3)	(6 3)
Other expense	(28 5)	(34 3)
Ad sales commission	11 0	10 4
Other income	1 7	1 7
	(245 8)	(189 6)

Other income and expense includes recharges of administrative and other similar costs including property recharges, pension charges, and amounts payable in accordance with service level agreements

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

Name of related party	Relationship	Income 2012 £m	Expense 2012 £m	Dividends received 2012 £m	Income 2011 £m	Expense 2011 £m	Dividends received 2011 £m
UK Channel Management Limited	Joint Venture	9 2	-	1 6	10 3	-	4 8
UK Gold Holdings Limited	Joint Venture	37 0	-	15 6	38 6	-	12 8
JV Programmes LLC	Joint Venture	11 3	(1 6)	0 9	9 0	(0 3)	14 2
Other joint ventures	Joint Venture	5 8	(5 7)	(0 1)	4 1	(7 2)	5 7
Frontline Limited	Associate	-	(1 5)	-	-	(2 2)	0 2
Other associates	Associate	5 0	(4 4)	0 7	7 7	(5 2)	6 1
		68 3	(13 2)	18 7	69 7	(14 9)	43 8

All transactions with related parties arise in the normal course of business on an arm's length basis None of the balances are secured

The following amounts were outstanding at the balance sheet date

Name of related party	Relationship	Receivables 2012 £m	Payables 2012 £m	Net balance 2012 £m	Receivables 2011 £m	Payables 2011 £m	Net balance 2011 £m
UK Channel Management Limited	Joint Venture	3 6	-	3 6	4 1	(12 2)	(8 1)
UK Gold Holdings Limited	Joint Venture	19 4	(4 6)	14 8	15 8	-	15 8
JV Programmes LLC	Joint Venture	-	(1 0)	(1 0)	0 5	-	0 5
Other joint ventures	Joint Venture	3 0	(1 0)	2 0	2 4	(3 1)	(0 7)
Frontline Limited	Associate	-	-	-	5 9	(0 8)	5 1
Other associates	Associate	4 4	(0 9)	3 5	8 8	-	8 8
		30 4	(7 5)	22 9	37 5	(16 1)	21 4

At 31 March 2012, the Group also had an outstanding balance of £2 2m (2011 £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)

36 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

	2012 £m	2011 £m
Short-term employee benefits	5 8	6 4
Post-employment benefits	0 4	0 5
Other long-term benefits	0 9	0 8
Termination benefits	0 5	0 2
	7 6	7 9

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

37 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

38 Events after the balance sheet date

On 2 April 2012, a dividend of £5 3m in respect of 2011/12 was paid

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 2012

	Note	2012 £m	2011 £m
Fixed assets			
Distribution rights	c	103 7	108 5
Tangible fixed assets	d	25 3	17 4
Investments	e	145 3	158 8
		274 3	**284 7**
Current assets			
Programme rights and other stock	f	38 4	25 5
Debtors			
- due within one year	g	398 2	404 7
- due after one year	g	10 0	8 4
		446 6	**438 6**
Creditors amounts falling due within one year	h	(413 1)	(387 5)
Net current assets		**33 5**	**51 1**
Total assets less current liabilities		**307 8**	**335 8**
Creditors amounts falling due after more than one year	h	(69 3)	(98 7)
Provisions for liabilities and charges	i	(3 3)	(3 5)
Net assets		**235 2**	**233 6**
Capital and reserves			
Called up share capital	k	0 2	0 2
Profit and loss account	l	235 0	233 4
Shareholders' funds		**235 2**	**233 6**

The financial statements of BBC Worldwide Limited, registered number 1420028, were approved by the Board of Directors and authorised for issue on 7 June 2012 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 Further information about the going concern assumption is given in note 1 to the consolidated financial statements

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 2012 of £141 5m (2011 £126 9m)

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 2011	225 9
Additions	86 4
Disposal	(0 8)
Elimination in respect of programmes fully amortised	(15 8)
	295 7
Amortisation	
At 1 April 2011	117 4
Charge for the year	90 8
Disposal	(0 4)
Elimination in respect of programmes fully amortised	(15 8)
	192 0
Net book value at 31 March 2012	**103 7**
Net book value at 31 March 2011	108 5

d. Tangible fixed assets

	Short leasehold buildings £m	Plant & Machinery £m	Fixtures & Fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2011	7 3	40 5	5 3	0 3	53 4
Additions	-	16 3	-	-	16 3
Disposals	-	(3 1)	(0 3)	-	(3 4)
	7 3	**53 7**	**5 0**	**0 3**	**66 3**
Depreciation					
At 1 April 2011	2 4	29 7	3 9	-	36 0
Charge for the year	0 8	6 7	0 9	-	8 4
Disposals	-	(3 1)	(0 3)	-	(3 4)
	3 2	**33 3**	**4 5**	**-**	**41 0**
Net book value at 31 March 2012	**4 1**	**20 4**	**0 5**	**0 3**	**25 3**
Net book value at 31 March 2011	4 9	10 8	1 4	0 3	17 4

The Company does not hold any assets under finance leases (2011 £nil)

Notes to the company financial statements (continued)

e. Fixed asset investments

	2012 £m	2011 £m
Subsıdıarıes	115 0	131 2
Joınt ventures	14 5	14 8
Assocıates	14 6	12 8
Other Investments	1 2	-
	145 3	158 8

The Company has ınvestments ın the followıng subsıdıarıes, joınt ventures and assocıates whıch prıncıpally affected the profits or net assets of the Group To avoıd a statement of excessıve length, detaıls of ınvestments whıch are not sıgnıficant have been omıtted

All ownershıp ınterests relate to ordınary share capıtal wıth a corespondıng ınterest ın votıng rıghts unless otherwıse stated

	Note	Country of Incorporation or principal business address	Principal activity	Ownership Interest
Subsidiary undertakings				
BBC Worldwıde Amerıcas Inc	+	USA	Holdıng company	100%
BBC Worldwıde Australıa Pty Lımıted	+	Australıa	Programme dıstrıbutor	100%
BBC Worldwıde Canada Lımıted	+	Canada	Programme dıstrıbutor	100%
BBC Worldwıde France Sarl	+	France	Programme dıstrıbutor	100%
BBC Worldwıde Germany GmbH	+	Germany	Programme dıstrıbutor	100%
BBC Worldwıde Japan KK	+	Japan	Programme dıstrıbutor	100%
BBC Worldwıde Productıons LLC		USA	Content productıon	100%
BBC Worldwıde Realıty Productıons LLC		USA	Content productıon	100%
BBC Worldwıde Channels Australasıa Pty Lımıted		Australıa	TV channel operator	100%
New Vıdeo Channel Amerıca LLC		USA	TV channel operator	100%
UK Programme Dıstrıbutıon Lımıted *	+	England & Wales	Programme dıstrıbutor	100%
BBC Magazınes Holdıngs Lımıted	+	England & Wales	Holdıng company	100%
BBC Magazınes Rıghts 3 Lımıted		England & Wales	Rıghts lıcensıng	100%
BBC Worldwıde Australıa Holdıngs Pty Lımıted	+	Australıa	Holdıng company	100%
Lonely Planet Publıcatıons Pty Lımıted		Australıa	Publıshıng company	100%
Lonely Planet Publıcatıons Inc		USA	Publıshıng company	100%
Lonely Planet Publıcatıons Lımıted		England & Wales	Publıshıng company	100%
fourforty Inc		USA	Dıgıtal technology developer	100%
2 entertaın Lımıted	+	England & Wales	Holdıng company	100%
2 entertaın Vıdeo Lımıted		England & Wales	DVD/vıdeo publısher	100%
Demon Musıc Group Lımıted		England & Wales	CD/musıc publısher	100%
BBC com Lımıted	+	England & Wales	Dıgıtal medıa provıder	100%
Bedder 6 Lımıted	+	England & Wales	Content creatıon	50%
Worldwıde Channel Investments Lımıted	+	England & Wales	Holdıng company	100%
Joint ventures				
UK Channel Management Lımıted	+	England & Wales	TV channel operator	50%
UK Gold Holdıngs Lımıted	+	England & Wales	Holdıng company	50%
UK Gold Servıces Lımıted		England & Wales	TV channel operator	50%
JV Programmes LLC		USA	Content creatıon	50%
Freehand Internatıonal Pty Lımıted	+	Australıa	Content creatıon	38%
Ragdoll Worldwıde Lımıted	+	England & Wales	Content creatıon	50%
BBC Haymarket Exhıbıtıons Lımıted		England & Wales	Consumer exhıbıtıon organıser	50%
Park Publıshıng Partnershıp		Australıa	Magazıne producer	50%
Sub-Zero Events Lımıted		England & Wales	Lıve stage-performance operator	25%

\+ Held dırectly by BBC Worldwıde Lımıted

* BBC Worldwıde holds 93% of the ıssued share capıtal but the non-controllıng shareholders have no rıght to dıstrıbutıons

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				
Knowledge West Communications Corporation *		Canada	TV channel operator	50%
Baby Cow Productions Limited	+	England & Wales	Content creation	25%
Big Talk Productions Limited	+	England & Wales	Content creation	25%
Burning Bright 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%
Slim Film & TV 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%
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%
Other investments				
Viki, Inc	+	USA	Video website operator	1 8%

\+ Held directly by BBC Worldwide Limited

* The shares held by BBC Worldwide entitle it to 20% of voting rights

	Subsidiaries £m	Joint ventures £m	Associates £m	Other investments £m
Cost				
At 1 April 2011	227 8	14 8	13 0	-
Additions	-	-	1 8	1 2
Disposals	(15 9)	-	(0 2)	-
	211 9	**14 8**	**14 6**	**1 2**
Provisions for impairment				
At 1 April 2011	(96 6)	-	(0 2)	-
Written off	(15 7)	(0 3)	-	-
Disposals	15 4	-	0 2	-
	(96 9)	**(0 3)**	-	-
Net book value	**115 0**	**14 5**	**14 6**	**1 2**

During the year, the Company acquired 25% of the issued share capital of each of Burning Bright Productions Ltd and Slim Film & Television Ltd Other additions during the year relate to minority investments in Viki, Inc and spaceport io Inc

Following an assessment of its carrying value, the Company's investment in BBC Worldwide Australia Holdings Pty Ltd (WAH) has been written down by £15 7m to its recoverable amount WAH is the intermediate parent of Lonely Planet and its 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 13 to the consolidated financial statements

The amount written off joint ventures relates to the Company's investment in Freehand International Pty Ltd This investment was sold subsquent to the year end and has been written down to its recoverable amount in light of the proceeds received

During the year, the Company also disposed of a number of subsidiaries and investments which, collectively, made up its Magazines business

Notes to the company financial statements (continued)

f Programme rights and other stock

	2012 £m	2011 £m
Programme rights for broadcasting	32 2	16 0
Programmes in the course of production	5 3	8 1
Raw materials and consumables	-	0 1
Work in progress	0 3	0 4
Finished goods for resale	0 6	0 9
	38 4	**25 5**

g Debtors

	2012 £m	2011 £m
Amounts falling due within one year		
Trade debtors	74 1	95 8
Prepayments and accrued income	27 8	12 6
Amounts owed by subsidiary undertakings	259 4	259 3
Amounts owed by fellow subsidiary undertakings	4 6	5 8
Amounts owed by joint ventures and associates	22 6	22 0
Derivative financial instruments	2 6	2 0
Corporation tax recoverable	4 9	2 2
Deferred tax	-	1 4
Other debtors	2 2	3 6
	398 2	**404 7**
Amounts falling due after more than one year		
Amounts owed by associates and joint ventures	3 1	2 6
Derivative financial instruments	1 2	0 8
Deferred tax	5 7	5 0
	10 0	**8 4**
	408 2	**413 1**

h Creditors

	2012 £m	2011 £m
Amounts falling due within one year		
Bank loans and overdraft	80 8	43 9
Trade creditors	33 8	35 0
Rights creditors	47 5	42 4
Accruals and deferred income	75 5	93 9
Amounts owed to ultimate parent undertaking	48 1	29 6
Amounts owed to subsidiary undertakings	106 1	115 1
Amounts owed to fellow subsidiary undertakings	1 9	4 2
Amounts owed to joint ventures and associates	1 8	2 4
Derivative financial instruments	2 2	4 9
Other creditors including other taxes and social security	15 4	16 1
	413 1	**387 5**
Amounts falling due after more than one year		
Bank loans	-	30 0
Loan owed to intermediate parent undertaking	64 8	64 5
Derivative financial instruments	4 5	4 2
	69 3	**98 7**
Total creditors	**482 4**	**486 2**

Details of bank loans and loans owed to the Company's intermediate parent undertaking are given in note 24 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 2011	0 8	2 7	3 5
Provided during the year	0 1	0 5	0 6
Released in the year	-	(0 1)	(0 1)
Utilised in the year	-	(0 7)	(0 7)
At 31 March 2012	**0 9**	**2 4**	**3 3**

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

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 2012, total amounts drawn down by the BBC Commercial Holdings Group under this facility were £169 9m (2011 £190 1m)

j. Deferred tax

Deferred tax is provided as follows

	Fixed asset timing differences £m	Derivative timing differences £m	Total £m
At 1 April 2011	3 9	1 7	5 6
Charged/(credited) to profit and loss	0 2	(1 0)	(0 8)
At 31 March 2012	**4 1**	**0 7**	**4 8**

k. Called up share capital

	2012 £m	2011 £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 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**
Profit for the year	-	141 5	141 5
Dividends paid	-	(139 9)	(139 9)
At 31 March 2012	**0 2**	**235 0**	**235 2**

Notes to the company financial statements (continued)

m Financial commitments

Contracts placed for future capital expenditure not provided are as follows

	2012 £m	2011 £m
Software	-	0 5
Distribution rights	45 3	48 6
Total	**45 3**	**49 1**

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

	2012			2011		
	Land & buildings £m	Other £m	Total £m	Land & buildings £m	Other £m	Total £m
Leases which expire						
Within one year	-	2 8	2 8	-	0 8	0 8
Between two and five years	6 3	4 4	10 7	0 2	-	0 2
After more than five years	-	-	-	6 2	-	6 2
Total	**6 3**	**7 2**	**13 5**	**6 4**	**0 8**	**7 2**

The Company also has the following unprovided financial commitments

	2012 £m	2011 £m
Programme rights for broadcast	1 9	8 1
Other commitments	13 9	14 2
Total	**15 8**	**22 3**

n. Related party transactions

The Group consolidated financial statements for the year ended 31 March 2012 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 2012 £m	Expense 2012 £m	Dividends received 2012 £m	Income 2011 £m	Expense 2011 £m	Dividends received 2011 £m
Bedder 6 Limited	Subsidiary	6 8	-	4 5	6 3	-	3 0
UK Programme Distribution Limited	Subsidiary	44 6	-	3 5	46 3	-	-
		51 4	-	**8 0**	**52 6**	-	**3 0**
UK Channel Management Limited	Joint Venture	9 2	-	1 6	10 3	-	4 8
UK Gold Holdings Limited	Joint Venture	37 0	-	15 5	38 6	-	12 8
JV Programmes LLC	Joint Venture	11 3	-	-	9 0	-	-
Other joint ventures	Joint Venture	5 6	(3 4)	-	3 7	(3 7)	5 4
Associates	Associate	3 2	(2 4)	0 7	4 7	(4 9)	0 4
		66 3	**(5 8)**	**17 8**	**66 3**	**(8 6)**	**23 4**
		117 7	**(5 8)**	**25 8**	**118 9**	**(8 6)**	**26 4**

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 2012 £m	Payables 2012 £m	Net balance 2012 £m	Receivables 2011 £m	Payables 2011 £m	Net balance 2011 £m
Bedder 6 Limited	Subsidiary	-	(17 3)	(17 3)	-	(13 9)	(13 9)
UK Programme Distribution Limited	Subsidiary	11 8	-	11 8	11 5	-	11 5
		11 8	**(17 3)**	**(5 5)**	**11 5**	**(13 9)**	**(2 4)**
UK Channel Management Limited	Joint Venture	3 6	-	3 6	4 1	-	4 1
UK Gold Holdings Limited	Joint Venture	14 8	-	14 8	14 4	-	14 4
Other joint ventures	Joint Venture	3 0	(0 9)	2 1	2 2	(2 4)	(0 2)
Associates	Associate	4 3	(0 9)	3 4	3 9	-	3 9
		25 7	**(1 8)**	**23 9**	**24 6**	**(2 4)**	**22 2**
		37 5	**(19 1)**	**18 4**	**36 1**	**(16 3)**	**19 8**

At 31 March 2012, the Company also had an outstanding balance of £2 2m (2011 £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 2 April 2012, a dividend of £5 3m in respect of 2011/12 was paid

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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BBC Worldwide also has advertising sales staff based in Switzerland, Atlanta, Chicago Dubai, New Orleans and San Francisco