


Registered number 1420028

BBC WORLDWIDE LIMITED

Annual Report and Financial Statements for the year ended 31 March 2008

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Chief Executive's Review

Against the backdrop of growing competition, complexity and the transition to digital, it is extremely encouraging for me to report another double digit increase in profit for BBC Worldwide in 2007/08 to £117.7 million (up 17.0% before prior-year exceptional items), with revenues up 13.1% to £916.3 million. The profit performance is all the more noteworthy because it has been delivered after investments of over £30 million in new businesses, and it is the fourth consecutive year of significant growth.

The challenges being faced by the industry are, of course, our challenges too. On screen and online, the competition for eyeballs is intense, the advertising sales market is changing rapidly and, as digital distribution grows, those in physical publishing find it harder to maintain market share and margins. Crucially for BBC Worldwide, the intellectual property (IP) rights supply in the UK is increasingly competitive. The UK independent production sector has seen significant consolidation in the last two years, with 72% of the market now controlled by just 15 top players, many of which are now undertaking their own distribution.

What has helped us to succeed in this shifting landscape is the wide range of our business portfolio and the broad spread of geographies in which we operate. Plus we have a wealth of inspiring stand-out content to offer, stamped with the gold standard of the BBC brand. Our mature businesses - Sales & Distribution, Magazines and Home Entertainment - have proved to be highly resilient and are still growing, and our new businesses - Channels, Content & Production, Digital Media and Global Brands - are all making very good progress.

Looking across the results, I would single out the profits delivered by Sales & Distribution and Home Entertainment as highlights. These well established businesses have again delivered substantial returns, especially in the US - one of our top priority markets for growth. In addition, within Channels, UKTV has had an excellent year, with the new channel Dave being a star performer. And the success of *Dancing with the Stars* (the international name for the BBC's hit show *Strictly Come Dancing*) continues, again particularly in the US, resulting in a doubling of profits within our new Content & Production business.

In terms of future growth, we believe that *bbc.com* (the commercialisation of international traffic to the BBC's website *bbc.co.uk*) and the development of a commercial media player - project name Kangaroo - with partners ITV and Channel 4 (subject to BBC Trust approval), are strategically important milestones. The BBC Trust's role in rigorously reviewing proposals like this is important. It ensures we only bring into the market new services which really add value to the BBC and which adhere to the framework of the four commercial criteria. The BBC Trust also approved our first major acquisition, a majority stake in the world's leading travel information group Lonely Planet, which will help us in our ambition to diversify our content supply, build strong, branded franchises and deliver more online revenues.

The Lonely Planet acquisition is now managed in a new business called Global Brands, headed by Marcus Arthur, who joined the Board on 31 March 2008, having worked extensively in our magazines and website businesses. Another global brand - Top Gear - is also part of his responsibilities from 1 April 2008 and others will be added as their international cross-media potential is identified.

Of course, there have been plenty of hurdles to overcome during the year - achieving robust distribution deals for our new channels in certain markets, for example, and creating the right infrastructure for *bbc.com*, plus - as with any company achieving fast growth - the inevitable need to monitor and control costs. Much of the investment we had planned to make in 2007/08 on *bbc.com* and Kangaroo will now be made, and will impact profits, in the new financial year, rather than 2007/08 as we had expected.

It is disappointing that the Children's business within Home Entertainment has reported increased losses this year when, over the past two years, its results had been moving in the right direction. The downward pressures on the children's sector are well known, however, we have appointed strategy consultants to help us undertake a fundamental review of this business to determine the best way forward.

Overall EBITDA grew to £233.3 million (up from £220.0 million last year) and I am confident that the company as a whole is in fine shape and that the investments we have made in new businesses will deliver a good return to the BBC in the latter half of our five-year plan and beyond.

Chief Executive's Review (continued)

I am also pleased to welcome Neil Chugani to the Executive Board as Chief Financial Officer. Neil has extensive media and corporate finance experience which will be invaluable to us in the years ahead. I also pay tribute to our outgoing CFO, David King, for his dedicated contribution to BBC Worldwide over the past 12 years.

PERFORMANCE AGAINST OBJECTIVES

At the end of the first year of our five-year growth plan I am delighted to report good progress across all five growth objectives.

1) Increasing overseas revenue towards two-thirds

Revenues from outside the UK grew significantly in 2007/08, particularly in the countries we have designated as Priority One where we expect all our businesses to increase in scale. UK revenues, however, also grew through strong performances from UKTV and 2|entertain. Even with this healthy uplift in UK business, international revenues now account for 49% of the total revenues compared with 46% in 2006/07. Good foundations have been laid in Priority One territories which should start to deliver further international growth in 2008/09, a year when more senior executive time will be devoted to the Priority Two markets.

2) Grow online revenues to more than 10%

The online business has grown from 1.1% of revenues in 2006/07 to 2.7% in 2007/08. The main areas of growth were advertising sales from websites, including bbc.com and lonelyplanet.com, syndication deals with partners such as YouTube, plus the migration to online of our TV clip sales business, Motion Gallery. The 'passion site' strategy (building online communities around key consumer interests) is progressing well. We launched gardenersworld.com in September 2007 and bbcgreen.com in March 2008. The Lonely Planet website already has 4.6 million unique users and work is underway to fundamentally improve that site.

Following approval from the BBC Trust, bbc.com was launched in November 2007. We expect the business to build quickly in 2008/09. Kangaroo is being progressed and if this project gains approval it will also be a significant addition to our portfolio.

3) Roll out of BBC-branded channels

2007/08 saw the pay-TV launch outside the UK of the channel brands BBC Knowledge, BBC Lifestyle, BBC Entertainment and CBeebies into the international market. Total sales from the Channels business grew by 8.8% year on year. Nine different iterations of the new channels went on air across India, Asia and Central Europe (Poland), and launches in South Africa, Australia and Latin America are imminent. Also BBC HD, a new channel offering high-definition content, is now broadcast in Australia.

4) Create a global production business

Our Content & Production business has seen strong growth since it was created in 2005/06, and this year it doubled its profits to £14.2 million. This is primarily owing to the continued success of *Dancing with the Stars* in the US, but work is in hand to diversify the flow of IP by identifying or creating winning new entertainment formats. The first examples – *How Much is Enough?* in the US and *Outback Wildlife Rescue* in Australia – are evidence of our progress.

In addition to new production capabilities in the US, India and Australia, BBC Worldwide acquired equity stakes in the start-up UK independent production companies Left Bank Pictures Ltd and Cliffhanger Productions Ltd. Both acquisitions feature experienced production talent and deliver valuable IP to the whole business.

5) Acquire businesses to help achieve the overall plan

The Board identified the need to achieve some growth through acquisition and we set clear criteria to help us assess opportunities swiftly. The global travel information company Lonely Planet offered a clear fit with these criteria and, after appropriate consideration by our Board, the BBC Executive Board and the BBC Trust, we bought a 75% stake in the business in October 2007.

Chief Executive's Review (continued)

Like the BBC, Lonely Planet's core mission is to serve individuals by imparting accurate and unbiased information and advice. It has a respected global brand, a large customer base of travellers from all over the world, predominantly in the 25-45 age range, and strong editorial principles which underpin its print, TV and online businesses. We identified that, whilst the publishing side was profitable, the online business was underexploited yet had excellent profit potential.

Even more importantly, by developing the Lonely Planet website and linking it to the network of passion sites we are building around BBC brands and genres, we can introduce a wide community of young consumers to our rich catalogue of travel and world culture programming (and vice versa). In 2008 the priority is the re-launch of lonelyplanet.com so that the business can take full advantage of the digital opportunity. In addition, many ideas for exploiting the brand are being progressed by our other businesses, including a magazine.

PEOPLE AND CULTURE

For a company such as BBC Worldwide where a creative and specialised workforce is a crucial asset, it is important to support people through periods of change, both practical and cultural. To this end, the internal culture initiative launched in 2006/07 to help the company redefine its purpose and identify the best cultural mindset for achieving growth has begun to bed in, although there is plenty of work still to do.

One of the major factors that has been a barrier to new ways of working in the past – the company's ageing headquarters in west London – has been addressed with the move into the award-winning Media Centre building in the BBC's main complex nearby. This has been a catalyst for re-examining every aspect of working life, from IT to team behaviour, and we are confident that it will facilitate more flexible working practices, more interaction between businesses and a more creative and collegiate approach to developing new commercial opportunities. The move began in November 2007 and most staff will be in situ by August 2008.

CORPORATE SOCIAL RESPONSIBILITY

As BBC Worldwide grows, we recognise the need to look carefully at the increasing impact and influence of our activities. Our mission is to 'entertain the world and bring value to the BBC', but this must be done responsibly and with integrity, not just because we are passionate about corporate responsibility, but also because we are in the unique position of being the commercial arm of a much-loved public service organisation. We were therefore dismayed by the discovery of a practice in our telephone services business Audiocall, which resulted in monies not being passed to various charities, when they should have been. This was the income from calls that were made outside the designated voting periods within TV shows over a two-year period, and subsequently £106,000 plus sufficient to cover interest was paid over to the rightful recipients. The technology to prevent people being charged for such calls was only available from September 2007 and was then introduced on Audiocall-run services. The Board and I are committed to ensuring the values of BBC Worldwide (see p 34) pervade every corner of our company and we will do everything we can to prevent such a misjudgement happening again.

We have been developing a corporate social responsibility programme over the past year that will build on successful initiatives already in place and introduce some new ideas. Four main areas have been identified – the environment, ethical trading, diversity and outreach – and more detail can be found on pp 33-34.

BRAND MANAGEMENT

In 2008/09 a key focus will be on ensuring that the company's communications to all audiences, both internal and external, engagingly project our unique proposition to consumers around the world. This work is essential as the business launches more direct-to-consumer online and channel services. A brand management project has been in development through much of 2007/08 to define this proposition and we plan to roll out the results during 2008/09.

OUTLOOK

The way ahead is never crystal clear, but the progress we have made in 2007/08 has further convinced us that our growth strategy is the right one for the times. 2008/09 will be BBC Worldwide's biggest ever year for investment with more channel launches, production offices and online initiatives. Therefore we project our profits will be impacted by the size of those investments in 2008/09, but the underlying businesses are all expected to continue to perform well, and the Children's business will be turned around or restructured. We are also diversifying further our revenue streams and geographic spread which will help mitigate the impact of weaknesses in the global economic environment.

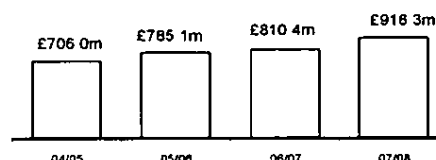
BBC Worldwide is focused on fulfilling its remit to deliver a growing stream of additional funding to the BBC and to build the BBC brand around the world. It is one of the additional pleasures of my job to be able to say that, in carrying out that role, we are also delivering value to other players in the UK media industry, especially the independent production sector. The Board and I are looking forward to working with the whole company, and our many partners, on the fresh challenges ahead as we continue on our path towards becoming one of the world's leading media entertainment companies.

Business and Financial Review

This has been another year characterised by very strong operating and financial performance, as well as one in which significant investment has been targeted in areas where substantial growth is expected in future years

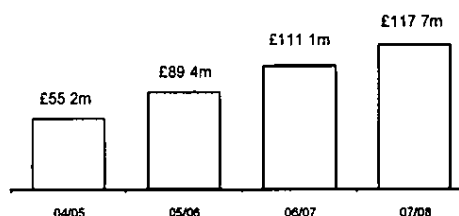
SALES

Overall sales, including the BBC Worldwide Group of companies' (the Group) share of the sales of joint ventures, grew 13.1% to £916.3 million (2006/07 £810.4 million). Excluding the impact of the Lonely Planet acquisition in October 2007, sales grew by 10.2% to £893.2 million compared with the previous year (2006/07 £810.4 million).



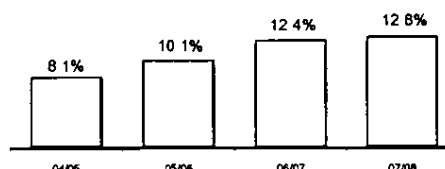
PROFIT

Operating profit has grown 17.0% to a record £117.7 million (2006/07 £100.6 million before net exceptional profit of £10.5 million). In the current year there are no exceptional items. Profit after prior-year exceptional items grew 5.9% over the same period (2006/07 £111.1 million).



OPERATING MARGINS

BBC Worldwide remains focused on growing margins. Operating margins before prior-year exceptional items have increased each year since the BBC's commercial review in 2004 and grew again to 12.8% in 2007/08 (2006/07 12.4%).



OUTLOOK

The existing portfolio of activities is expected to continue to perform well in 2008/09, subject to the prevailing economic conditions. However, during the year the Group will invest in new services, including TV channel launches around the world, new web-based services, new magazine titles and the continued roll-out of international production businesses. In addition, should it be approved by the BBC Trust, investment will be made in the proposed commercial media player, Kangaroo. These significant investments in the long-term future of the Group are expected to impact profits in the short term.

In light of the changing macro-economic environment it is more important than ever that the Group remains focused on disciplined value creation and the pursuit of profitable growth. Only those investments will be undertaken which deliver a clear value proposition for the Group, and deliver a healthy return in excess of our cost of capital as determined by the use of a rigorous investment appraisal process. The four commercial criteria (see p 31) provide the Group with an essential framework for those decisions.

The portfolio of businesses will also continue to be kept under constant review to ensure that appropriate capital resources are allocated to the operating businesses which offer the highest returns, on a risk-adjusted basis. A fuller review of the operating performance of the Group follows.

Business and Financial Review (continued)

| | Sales (including share of joint ventures) | | Profit before interest and tax (after exceptional items) | |
|----------------------------|---|--------------|--|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| AS AT 31 MARCH | £m | £m | £m | £m |
| Channels | 183.8 | 169.0 | 12.6 | 20.9 |
| Content & Production* | 68.5 | 50.4 | 14.2 | 7.1 |
| Digital Media | 21.9 | 13.9 | (10.9) | (3.9) |
| Global Brands | 23.1 | - | (2.1) | - |
| Sales & Distribution | 212.9 | 216.4 | 46.7 | 40.2 |
| Magazines | 177.9 | 171.3 | 16.7 | 20.0 |
| Home Entertainment* | 228.2 | 189.4 | 40.5 | 26.8 |
| Total BBC Worldwide | 916.3 | 810.4 | 117.7 | 111.1 |

*The 2007 figures have been restated to reflect that Banana Split Productions, part of the 2|entertain joint venture with Woolworths plc, is now managed by Home Entertainment rather than Content & Production

BBC WORLDWIDE CHANNELS

Channels' aim is to continue expanding internationally to offer a window for UK content in key TV markets and to ensure the BBC brand becomes universally known for the breadth and quality of its output. As well as its international channels, this business manages BBC Worldwide's 50% share of UKTV, Britain's second biggest digital broadcaster, with partner Virgin Media.

In 2007/08 sales grew by 8.8% to £183.8 million, with improvements evenly spread between UK and overseas markets. Europe, Middle East and Africa (EMEA) sales and profit growth were driven by the success of the UKTV portfolio of channels. US sales, predominantly from BBC America, continued to grow in US dollar terms although there was a decrease in the sterling value because of exchange-rate fluctuations. Although core performance in the US remained strong, further investment in programming depressed profits in the short term while positioning the channels for future growth. Sales in the rest of the world now include commission from BBC World News. BBC World News advertising revenue grew by more than 20% year on year, while full-time distribution grew by 8% to 159 million households. The profit decrease in the rest of the world reflects the investment in the new portfolio of BBC-branded channels.

BBC-Branded Channels

In 2006/07 the Channels team reviewed its entire portfolio and re-focused the business on developing BBC-branded channels for international rollout. BBC Entertainment, CBeebies, BBC Knowledge, BBC Lifestyle and BBC HD. These channels use clear genre signposting in their branding and marketing, and are fully adaptable to fit individual market preferences through strategically scheduled programming and the use of local languages. In addition, since April 2007 the team has managed the advertising and distribution sales for BBC World News, the BBC's commercially funded, 24-hour, global news and information channel, so presenting a single face to the market.

In Asia, BBC Entertainment launched throughout the region in October 2006, replacing BBC Prime. In 2007 CBeebies, BBC Knowledge and BBC Lifestyle were launched in Singapore in July and in Hong Kong in October. CBeebies and BBC Knowledge began airing in Indonesia in April 2008. In India, BBC Entertainment and CBeebies launched in May 2007 and the Channels team is looking to further the distribution of the two channels there.

In Europe, BBC Entertainment, BBC Lifestyle, BBC Knowledge and CBeebies were launched in Poland in December 2007. Audiences have responded well, with excellent ratings. This success is expected to continue as the channels are rolled out on cable.

Business and Financial Review (continued)

Channels has signed a significant partnership deal with Televisa in Latin America, the largest media company in the Spanish-speaking world. It has also reached a new carriage agreement in Africa, with Multichoice, where four of the new channels will launch later in 2008. These will replace BBC Worldwide's existing channels there, BBC Prime and BBC Food.

BBC HD, a brand new channel showcasing BBC Worldwide's growing inventory of high-definition, multi-genre output, was first to market in Australia where it launched on the Foxtel platform in June 2008. Further HD channels are planned in 2008/09.

By the last quarter of 2007/08 BBC America had more than doubled its rating in the key 25-54 age group year on year. Whilst still a niche cable channel, 7 million subscribers were added within the year and the channel is now available in over 60 million homes (53.8% of all US households). Factors triggering this crucial turnaround included a crisp new schedule introduced in early 2007 featuring a raft of high-profile UK series such as *Torchwood* and *Top Gear*. Also, a new US-facing BBC World News nightly bulletin, anchored by the BBC's former Senior North America TV Correspondent Matt Frei, was introduced in October 2007.

UKTV

2007/08 has been a highly successful year for UKTV. Its channels, which include UKTV Gold and Dave, offer a range of quality programming across the entertainment, lifestyle and factual genres and reach 20 million unique homes via pay-TV and free-to-air platforms.

A major step forward in the strategy to review UKTV's entertainment brands was the launch of Dave in October 2007, targeting mainly men in the 16-44 age group. Its innovative marketing, coupled with an enticing schedule of comedy and entertainment, made this an instant hit and it rapidly tripled its audience share to become the third most popular non-terrestrial entertainment channel for this viewer group. In March 2008, the well known TV duo Richard Madeley and Judy Finnigan were signed to develop their own 60-minute daily entertainment show in primetime on UKTV from autumn 2008.

Partnerships

BBC Worldwide also has stakes in UK TV in Australia and New Zealand with Foxtel and FremantleMedia, BBC Canada and BBC Kids with CanWest Inc in Canada, People & Arts with Discovery Channels Inc in Hispanic territories, and Animal Planet with Discovery Channels Inc worldwide.

Outlook

BBC Worldwide Channels has made good progress in establishing its new five-channel portfolio, alongside BBC World News, in many of its identified target markets. Its focus for 2008/09 is to launch the channels in Latin America, Australia and Africa and announce further deals in Europe. It will also be a period of consolidating the growth gained to date and continuing to invest in delivering uniquely compelling and relevant channels for each territory. As a result of the continuing investment in the new channels, profits are expected to fall next year, before rising over the longer term.

Business and Financial Review (continued)

BBC WORLDWIDE CONTENT & PRODUCTION

As BBC Worldwide's capacity to distribute content builds via a range of channels – both TV and online – so the need for protecting, and growing, a strong flow of high-quality content increases. Consequently, in addition to coordinating investment in rights, Content & Production is also building a global network of production offices that can develop and produce shows in order to maximise BBC Worldwide's catalogue of TV formats.

Content & Production delivered strong sales of £68.5 million, up 35.9% on 2006/07, and profits doubled to £14.2 million. The growth came from the US where its Los Angeles production office had a stand-out year as the popularity of *Dancing with the Stars* (the international name for *Strictly Come Dancing*) continued and new shows were brought to air. In Europe sales and profits fell, principally because of *The Weakest Link* ending a long run of six years on French television and the impact of increased development costs. Development funding for projects in Australia impacted profits from other markets. The team also managed the development of a film version of the BBC award-winning series *Planet Earth*.

Rights

In 2006/07, the BBC Content Acquisitions Unit was created to invest in and develop projects specifically with BBC Vision Studios. During 2007/08 BBC Worldwide committed to an early investment in seven drama titles, which have since been commissioned by the BBC and which will air in the UK over the next 18 months. The well established Indie Unit continued to build relationships with the UK independent sector and new output deals agreed within the year include ones with Red, Tern TV and Oxford Film and TV. The latter will deliver Simon Schama's latest project on America. In 2007/08, for the first time, BBC Worldwide also secured stakes in two UK independent production start-ups, Left Bank Pictures Ltd and Cliffhanger Productions Ltd.

Overall, acquisition of rights from independents rose. However total investment across all BBC commissions fell by 22.0%, as this was a year in which there were no major factual series offering investment opportunities.

Production

The production business started late in 2006/07 with a view to both maximising the value of existing rights and also creating its own intellectual property for different markets. The stake BBC Worldwide took in Australian indie The Freehand Group is starting to reap rewards: new property *Outback Wildlife Rescue* is now selling internationally, and a commission to produce *Top Gear* for SBS in Australia was secured.

The business continued along this path in 2007/08, opening an office in Mumbai which has secured the commission to make the next *Dancing with the Stars* season for Sony Entertainment Television. Content & Production now has an office in New York to develop formats for east-coast cable networks and projects are already under way with Lifetime, MTV and TLC. As well as delivering another highly successful season of *Dancing with the Stars* for ABC, the Los Angeles office produced *Clash of the Choirs* for NBC and *Dance War: Bruno vs Carrie Ann* for ABC, and won the commission to make a pilot of *Top Gear* for NBC.

Formats

Dancing with the Stars continues to delight audiences around the world. The series had a re-commission rate in 2007/08 of nearly 90% and was seen by audiences in 40 countries. It remains key to both the business and BBC Worldwide, and the team is working to help ensure the further longevity of the format. The commissions to make local versions of *Top Gear* in the US and Australia will give this series a launch pad from which to secure more commissions, as well as kick-start further magazine and licensing opportunities.

Although a challenging time for the US industry, the writers' strike in 2007 opened up new opportunities for the LA and New York production offices to discuss scripted formats in more depth with the major players. Content & Production believes it is possible to make UK comedy and drama formats work in this major market but does not underestimate the scale of the challenge. During the year *The Office* format was sold to UCTV in Chile, while the popular crime series *Life on Mars* was sold to Antena 3 in Spain, the setting being adapted to the post-Franco era of 1978.

Business and Financial Review (continued)

The business has a three-pronged strategy to drive growth from formats. Firstly, the in-house development team are devising new formats to appeal to particular markets: for example, a new game show called *How Much is Enough?* was developed and sold to the Game Show Network in the US. The format was then launched to the international broadcasting industry at BBC Showcase 2008 (see p 15). Secondly, Content & Production will be working with the Sales & Distribution business to refine further the approach to selling formats. And thirdly, once the network of international production companies is established, experienced producers can start to unlock the BBC's archive of TV formats.

Films

The feature film *Earth*, based on the widely acclaimed natural history series *Planet Earth*, went on theatrical release in Asia, Europe and the Middle East. In Japan it went to number one at the box office and remained in the top 10 for seven weeks. In Germany it also went to number one, remaining in the top 10 for 12 weeks, and received the Golden Screen Award, a first for a natural history film. In Spain it became one of the highest-grossing documentary films ever. Even before the film reaches US audiences next spring, it has outperformed BBC Worldwide's previous theatrical natural history release, *Deep Blue*.

Outlook

Content & Production has plans to establish further production capability in Europe and the Americas in 2008/09. In the US the focus will be on growing its relationships within the US cable industry and in continuing to develop the potential of comedy and drama formats. Given the ongoing popularity of reality TV, it will devote continuing resource to developing its own formats in this genre. Content & Production's development team is focused on creating new breakthrough international entertainment formats. The team is also working with Lonely Planet to produce a new era of travel programmes and will be managing the Live Events business, previously in Home Entertainment, from 2008/09.

BBC WORLDWIDE DIGITAL MEDIA

Digital Media's web strategy has two parts. Firstly to have a network of strong BBC-branded sites, supported wherever possible by TV channels and magazines. Secondly to distribute BBC Worldwide content widely across the web to reach potential users who are unlikely to come directly to BBC Worldwide's own sites. Digital Media achieved real progress in all of its online-based businesses during 2007/08 and the team worked closely with other areas of the company to guide and support the development of existing and new websites.

Overall BBC Worldwide saw an increase in online revenues from 1.1% to 2.7% of total sales year on year. This reflected growth from Digital Media businesses as well as magazine websites and video on demand sales reported elsewhere. Substantial investment in *bbc.com* and new project *Kangaroo*, as well as in developing infrastructure and acquiring rights in order to drive long-term growth, will continue through 2008/09.

Digital Media delivered sales of £21.9 million, up 57.6% on the previous year, driven by revenue from syndication of content to partners such as YouTube and Apple iTunes and by the launch of *bbc.com*. However, losses increased to £(10.9)m from £(3.9)m in 2006/07, largely as a result of investment in developing *bbc.com* and *Kangaroo*. *Kangaroo* is currently reported in the digital syndication business figures. The revenues gained from digital syndication were more than offset by the cost of the start-up businesses.

bbc.com

In October 2007, BBC Worldwide gained BBC Trust approval to introduce advertising to the international traffic to *bbc.co.uk*. The service, known as *bbc.com*, was launched in November 2007 and is visible only from outside the UK. The revenues will allow BBC Worldwide to invest to make *bbc.com* the international showcase for the BBC's key brands. The company intends to build on the existing strong position of the BBC website internationally, grow its reach, add more content, and make this content more relevant to overseas users through personalisation and localisation. *bbc.com* delivers a new flow of income into the BBC for investment in its core journalistic mission and capabilities, in addition to the fees that BBC Worldwide pays the BBC for the rights and services it uses.

Business and Financial Review (continued)

The service, only visible to ex-UK users, launched with advertising on the most visited parts of the website – news and weather and a new homepage – in March 2008. During 2008/09, advertising will be rolled out to other high-traffic areas of the site. In addition, an international commercial iPlayer functionality is being explored.

Kangaroo

BBC Worldwide is developing its proposal to launch a commercial media player in partnership with ITV and Channel 4. In 2007/08 an independent joint venture was created by the three broadcasters to develop a new UK on-demand service known to the industry as Kangaroo. Final agreement is subject to the approval of the BBC Trust and each broadcaster's board. The service, which is planned to launch in 2008, is expected to become the destination site for those seeking to access UK-aired TV content on the web. Over 10,000 hours of TV content would become available and revenues would be generated from a mix of advertising-supported and pay-funded content. In April 2008, Ashley Highfield, formerly the Director of the BBC's Future Media and Technology Division and the key architect of its hugely successful public-service iPlayer, was appointed as CEO.

Digital Syndication

The Digital Media team also works with major online partners to ensure BBC content is available across a range of platforms to a wider audience than is reached by BBC Worldwide's own websites. BBC Worldwide was the first global broadcaster to partner with YouTube, in February 2007, and in January 2008 secured a worldwide deal with MySpace to provide clips of BBC content to MySpace TV. It also signed an agreement in the UK to sell BBC programmes on a download-to-own basis via Apple iTunes, a deal repeated in the US and which will also be replicated in other territories around the world. Another deal was struck with Sony Playstation for Top Gear to be downloaded through Gran Turismo TV. Such agreements help establish BBC Worldwide as a leading UK distributor for both BBC and independently produced content on digital platforms.

Operations

Digital Media has created a centre of expertise in building and operating websites as well as syndicating content. It works with other businesses, particularly Magazines, to enhance existing websites and introduce compelling new services supporting people's 'passions'. The team invested in recruiting expert personnel in London, New York and Melbourne (Lonely Planet) during the year. Working alongside other BBC Worldwide teams, Digital Media has created a global advertising sales capability and has also invested in a dedicated global rights team.

Motion Gallery

During the year this video archive sales operation successfully developed new business in a variety of digital markets and continued to expand its geographical reach. Continued investment in the website helped online sales grow by 47.0% as part of an overall 5.5% growth year on year. Profits, however, were reduced as a result of increased infrastructure costs. These were required in order to provide a platform for future growth in a world where demand for online video content is increasing rapidly.

Outlook

In 2008/09 Digital Media aims to enhance bbc.com significantly, launch Kangaroo, if approvals are granted, and continue to develop its content syndication business. Profits will again be impacted by investment cost.

Business and Financial Review (continued)

BBC WORLDWIDE GLOBAL BRANDS

Marcus Arthur, who had been MD of BBC Magazines' London-based publishing business, was promoted to the BBC Worldwide Board as MD of this new operating business. From 1 April 2008 both Lonely Planet, the leading travel information group in which BBC acquired a controlling interest in October 2007, and Top Gear, the world's biggest media motoring brand, will be managed from within this new business area. Other brands will be incorporated into the new business in due course.

Lonely Planet

In its five-year strategy set out in July 2007, BBC Worldwide outlined its intention to achieve some growth through acquisition. In October it acquired a 75% stake in Lonely Planet. Based in Melbourne, Australia, the business has an internationally recognised brand, shares common cultural values with the BBC and has established capability in print, TV and online formats. Not only does the acquisition give BBC Worldwide additional online and international growth opportunities, but it also provides a route via which new audiences can be introduced to BBC content.

In the six months since acquisition, the underlying business performed well, with sales volume up 6.4% and underlying trading profit of £4.4 million in the main publishing and licensing business. Following the acquisition, the Lonely Planet Board agreed to develop a strategy that harnesses BBC Worldwide's expertise and assets. As a result, considerable investment has been made in the website, due to re-launch in autumn 2008. This investment, together with the post-acquisition costs incurred in aligning the business with BBC Worldwide, and goodwill amortisation, resulted in a loss of £(2.1)m.

Publishing and Licensing

In a year in which the market for travel guides was up only 1.3% in volume terms, Lonely Planet grew volume by 6.4%, outperforming its competitors. Much of this growth was due to the success of the Encounter series aimed at short-break city trips. Lonely Planet now has a 13.6% market share of this sector.

Regionally, Lonely Planet's performance reflects its market-leading position. Trading has become tougher for all guidebook publishers in the key US market as the economy slows, although here Lonely Planet has increased sales 4.5% against an overall market decline. Lonely Planet's established licensing arrangements have also grown in the last year and one in every five Lonely Planet books sold is now in a language other than English.

Digital Strategy and Investment

BBC Worldwide moved quickly to bring clarity to Lonely Planet's online strategy and is investing significantly in this. The website will be among the largest sources of authored travel content on the web, combined with the insight of the Lonely Planet user and BBC on-screen talent. The website will be a powerful and unique 'triple play', with users returning to source up-to-date information they can rely upon, to connect with friends and fellow travellers through groups and community tools, and to take content to share through their own sites.

Business and Financial Review (continued)

Top Gear

In April 2008 the team managing the commercial activities associated with the Top Gear series during 2006/07 was transferred into the new Global Brands business

The Top Gear programme, which takes an authoritative but often irreverent approach to cars and motoring, is a long-time favourite in the UK and also has many fans around the world the UK series is shown in 44 countries In the UK, the magazine is the number one motoring title and number three men's lifestyle title, and Top Gear merchandise, from DVDs to books to games, is highly popular In March 2008 BBC Worldwide announced a joint-venture deal that will launch a live version of the Top Gear programme at major UK motor shows The first of these live events will be staged in autumn 2008

BBC Worldwide now intends to drive the brand forward internationally The first fruits of this strategy are the commissioning of two local TV versions – a full series in Australia for SBS and a pilot in the US for NBC BBC Worldwide has also set up a joint venture in Australia with ACP to publish a local version of the Top Gear magazine (local versions are already available in a number of countries including Russia, India and China) and opportunities in other markets are being explored Top Gear's broad appeal, which makes it a hit with audiences beyond the core fan-base of car enthusiasts and young men, means the brand is ideal for development as a global franchise

Outlook

Global Brands will bring increased focus, investment and marketing expertise to key international brands, including Top Gear and Lonely Planet 2008/09 will clearly be a landmark year for Lonely Planet, with mobile propositions in the market and a range of new book products in the pipeline Work on a range of new concepts in collaboration with other BBC Worldwide businesses, from TV formats to magazines, is currently being assessed The relaunch of the Lonely Planet website during the year may depress profit in the short-term while building value in the longer term

BBC WORLDWIDE SALES & DISTRIBUTION

Sales dipped slightly to £212.9 million from £216.4 million in 2006/07, mainly reflecting the change in mix in the US from low-margin co-production deals to more profitable licensing deals Profit grew well at 16.2% year on year to another record of £46.7 million An expanding client base, particularly new digital channels and video-on-demand suppliers, also improved the bottom line

Under the new leadership of Managing Director Steve Macallister, the business rolled out a five-year strategy that will put it in an even stronger position to sustain growth in a fast-evolving market Restructuring the business was a central first step in delivering this strategy, with regional heads being appointed in both EMEA (Europe, Middle East and Africa) and Asia A new US management structure was put in place in April 2008, bolstering BBC Worldwide's presence on the west coast of the USA and allowing it to better leverage relationships with the US networks

A commitment to optimising the BBC Worldwide programme catalogue is a crucial part of the strategy The business will place greater emphasis on maximising the potential of longer-running series such as Doctor Who and Top Gear, that have sustained international appeal and can be readily turned into global cross-platform franchises and drive catalogue sales

Modern drama, including Jekyll, Mistresses, Primeval and Torchwood, sold well to complement period productions such as Cranford, Sense and Sensibility, The Passion and Oliver Twist All these found strong markets and further confirmed the UK's reputation as a leading producer of bold, high-quality drama

As a distributor of programming for the world-renowned BBC Natural History Unit, BBC Worldwide had continued success with Planet Earth, rolled-out Ganges and Life in Cold Blood, and unveiled the landmark Wild China, its first-ever Chinese co-production

Business and Financial Review (continued)

A focal point of the year was once again BBC Showcase, held in Brighton, UK. It remains the world's largest television sales trade event hosted by a single distributor, attracting over 540 customers from around the world. With over 1000 hours of new content in the front catalogue, there was more on offer than ever before for traditional television buyers as well as mobile and digital media buyers.

Sales & Distribution is in the vanguard of the digital broadcasting revolution and 2008's BBC Showcase was fully digitised, allowing buyers to select and view their favourite content by online screening to PC. The digitisation of the back catalogue continues, ensuring that customers will be able to receive content via digital delivery routes as the market adapts.

Europe

Traditional and developing European markets both drove steady sales in a highly competitive marketplace. Sales were up 3.4% to £116.1 million and profits grew from £28.8 million to £30.8 million, up 6.9%. Profits were driven by a higher proportion of licensing business compared with co-productions.

Across the region it was a case of traditional thinking complementing new ways of working. Renewed output deals with SIC in Portugal and FORTA in Spain helped double revenues in Iberia in two years, as did imaginative deals such as a co-production agreement on *Frozen Planet*. The sale of *Life on Mars* to Spain's Antena 3 also paved the way for a local version of the hit series (see p 10).

There was a similar story in Italy, where there were co-production and output deals with Mediaset as well as sales of *Life on Mars* to RAI. The extension of these long-established partnerships heralds a new appetite for UK drama across Italy.

Using the strength of the front catalogue to leverage the enduring appeal of the back catalogue, vintage episodes of *Doctor Who* – back to 1963 – were packaged with the new *Torchwood* series to TV4. Sci-Fi in Sweden. All 83 episodes of *'Allo 'Allo* were sold to ProSieben in Germany.

In the UK, the launch of the new channel Dave allowed the sales team to strengthen its collaboration with UKTV, while the team also developed new partnerships with both Virgin1 and Orange.

Americas

Sales of £69.1 million were down from £78.2 million, but profits rose to £6.9 million from £2.9 million in 2006/07. Latin America and Canada sales and profits were broadly on a par with last year, and included programming to Globo and Chilevision in Latin America while *Top Gear* and *EastEnders* were top-10 programmes on BBC Canada. Other notable sales included *In the Night Garden* to Treehouse and *Primeval* to Space.

The strong partnership with US public broadcasting continues via WGBH Boston, which was co-producer of *Cranford*, and which bought a major tranche of programming for their Jane Austen season. Other important sales included *Dr Who* and *Sarah Jane Adventures* to the Sci-Fi Channel and co-productions included *Between Two Rivers* and *The Passion* with HBO.

Rest Of The World

Elsewhere sales grew 6.9% year on year, with profit up 5.9% to £9.0 million, helped by the explosion of new video-on-demand customers. Contemporary drama such as *Primeval* proved particularly popular in markets such as the Philippines and South Korea where UK shows are often hard to sell. Over 140 hours of UK drama were sold to Japan, with two channels – LaLa TV and Mystery Channel – licensing several series and creating bespoke Sunday evening slots. Licensing an increasingly broad range of UK content to free-to-air and subscription TV platforms helped grow the Sales & Distribution business by 16.7% across Australia and New Zealand.

Business and Financial Review (continued)

Outlook

The appointment of a dedicated market research team will allow the sales teams to deliver smarter long-term deals, offer producers and stakeholders comprehensive data and tracking, and better identify international trends and opportunities

With a greater emphasis on audience and customer insight, an enhanced management team in place and a continued commitment fully to exploit front and back catalogue sales, Sales & Distribution is well placed to deliver further growth

BBC WORLDWIDE MAGAZINES

The weekly upmarket TV listings magazine Radio Times continues to be BBC Magazines' flagship title, reaching over 2.7 million readers a week (National Readership Survey, Jul-Dec 2007). BBC Magazines also owns a wide range of quality specialist monthlies and is the UK's leading publisher of children's magazines. In addition to publishing 52 regular print titles, the business manages the majority of BBC Worldwide's passion websites, working with Digital Media to ensure these offer the latest functionality and best user experience.

The business delivered sales of £177.9 million, up 3.9% year on year and a very strong performance when set in the context of the industry climate. Children's titles provided the biggest uplift, thanks mainly to the popularity of Doctor Who Adventures. While profits from existing operations increased, the business invested an additional £5.9 million in improving its existing websites, launching a new website and new magazine titles, and in developing its Indian joint venture Worldwide Media. This led to total profits falling by 16.5% year on year to £16.7 million.

UK – Print and Online

In a year that saw overall UK circulations declining in key sectors such as men's lifestyle and gardening, BBC Magazines has continued to thrive and innovate. It remains the UK's third-biggest consumer magazine publisher.

BBC Magazines' circulations grew overall with year-on-year Audit Bureau of Circulation (ABC) figures up 6.7%. Top Gear and Olive were particularly successful with year-on-year circulations up 5.4% and 25.3% respectively. The children's titles were up 5.8% year on year with Top of the Pops Magazine and Doctor Who Adventures recording particularly good average copy sales of 125,000 and 155,000 respectively (ABC Jul-Dec 2007).

The business has a long-held strategy of investing in lifestyle and specialist magazines and aiming to publish the market leader in each sector. Where markets are relatively small, titles are published out of BBC Magazines Bristol, which has a cost base and processes suited to more niche titles. Circulations of four of the six audited Bristol titles grew year on year, including BBC History and science title Focus, with BBC Wildlife and BBC Music remaining stable.

Five new print titles were launched in 2007/08. For younger children there were Charlie & Lola and In the Night Garden, the latter achieving an excellent debut circulation of 110,000 (ABC Jul – Dec 2007). In March 2008 a football title for 8-14 year olds was launched linked to the BBC's Match of the Day brand and early signs are very encouraging. Countryfile and Who Do You Think You Are? were launched by BBC Magazines Bristol for the adult market. Six small children's titles were closed as part of the continuous review of the overall portfolio.

Advertising sales were held level with 2006/07 despite very testing market conditions – a 2.7% decline across all consumer magazines (Advertising Association Forecast, NMR). BBC Magazines' advertising sales team maintained share in its core markets (14.7% in 2008, 14.9% in 2007).

Business and Financial Review (continued)

Subscriptions to BBC titles rose by 12.9% during the year, reflecting BBC Magazines' continued strategic focus on this route to market. Radio Times subscriptions grew by 26.3% year on year to 97,500. The total number of BBC Magazines subscriptions now stands at 739,000, of which 39.6% are by direct debit. Fulfilment is managed by Dovetail, a joint venture with Dennis Publishing, which grew revenues by 9.0% and is now making a profit.

BBC Haymarket Exhibitions, a joint venture with Haymarket Exhibitions, mounted four consumer events in 2007/08, one of which was a new show, The BBC Summer Festival, that attracted over 120,000 visitors.

Working with Digital Media, Magazines developed gardenersworld.com into a full consumer website and additional functionality was incorporated into both radiotimes.com and goodfood.com, the latter showing a 59.1% increase in global unique users in the year. In addition, bbcgreen.com was launched for people seeking practical guidance on how to pursue an environmentally friendly lifestyle.

International Activity

Progress was made in expanding international activity in BBC Worldwide's main target markets. Worldwide Media, a joint venture with Times of India, one of the leading Indian publishing houses, is continuing to thrive on the back of high market growth in the territory. Existing titles were developed and two new titles launched.

In March 2008 a joint venture was announced with ACP, Australia's leading consumer magazine publisher. Initially the company will publish the Australian edition of Top Gear magazine, linking to the new TV show for SBS (see p 14). Australian Good Food magazine will launch in 2008/09.

A new title, BBC Knowledge, which offers a range of articles linked to BBC factual programming, was developed by BBC Magazines Bristol for the US market and will be available from summer 2008.

The overseas licensing team increased sales by 14.7% and there were 39 licensed editions of BBC titles published in 57 territories by year-end.

Outlook

BBC Worldwide expects its market-leading magazine brands to continue to be robust in the context of ongoing challenging UK trading conditions in 2008/09. It will progress its strategy of driving international growth, developing richer and deeper relationships with its consumers, including through subscriptions, and launching print magazines and online sites that exploit the BBC's programming and, internationally, other content.

Business and Financial Review (continued)

BBC WORLDWIDE HOME ENTERTAINMENT

Home Entertainment achieved profits of £40.5 million on sales of £228.2 million. The 51.1% increase in profits year on year is largely due to excellent DVD sales by 2|entertain, especially driven by the popularity of the Planet Earth DVD in the US. The Children's business was impacted by some significant write-downs, which contributed to increased losses of £(7.2)m.

2|entertain/DVD

The strongest performer in Home Entertainment's stable continues to be the DVD format, sales of which are predominantly handled within 2|entertain, a 60/40 joint venture with Woolworths plc. In 2007/08 a slight decline in the UK market was more than compensated for by the runaway success of Planet Earth in the US. Sales of the title across all configurations topped 3 million units by year-end and it was the highest-grossing American HD title of the year and one of the top 10 US DVD titles of 2007.

Overall, BBC Worldwide's DVD revenues, including its share of sales from 2|entertain, which also has a production business Banana Split and a music label Demon Music, were up 29.0% to £164.6 million and its share of profits up 91.2% to £41.3 million. Other notable hits were Clarkson's Supercar Showdown, Doctor Who complete series three and Richard Hammond's Top Gear Interactive. Looking ahead, the confirmation of Blu-ray as the standard for high definition DVDs will consolidate this sector of the consumer market.

Audio & Music

In 2006/07 BBC Worldwide's audiobook and music businesses were brought together, both to reflect the BBC's new structure and to facilitate the development of a long-term growth strategy for audio content. A five-year plan was agreed in 2007 of which the main planks are to unlock the BBC archive and make more content available, develop live music events, extend investment in new output. This will be supported by continuing to deliver growth in the traditional businesses.

During 2007/08 sales across Audio & Music rose by 14.6% to £26.7 million with underlying profits rising slightly as a result of improved trading and successful music brand licensing deals. The overall profit increased to £6.0 million, up from a loss of £(2.4)m in 2006/07, largely because of the release of a litigation provision which was no longer required.

The established BBC Worldwide music businesses had a strong year, with the licensing team celebrating a number of hit CDs including Live Lounge 1 and 2. In May 2008 a major agreement was reached with EMI to unlock the BBC archive of TV and radio material relating to the EMI stable of artists.

The audiobooks business, based in Bath, remains the UK's leading audiobook publisher and delivered profits of £1.9 million through tight cost control, including the renegotiation of a major distribution contract. Digital sales of spoken word content are now climbing steadily with 312,000 downloads purchased in the year (up 47.5% year on year) via a range of online outlets including Audible, iTunes and bbcshop.com.

Children's

The Children's business had continuing success with Doctor Who and also saw the very successful launch at retail of In the Night Garden in the UK, which was the biggest toy property of 2007 (Toy Retailers' Association). Other core properties continue to perform well - for example Teletubbies celebrated its 10th anniversary with a world tour of the characters for the first time. The popularity of classic and new brands helped BBC Worldwide move up the league table of UK licensors to number two in the market.

However, alongside the hits there have been some properties that have failed to break into the retail market. Though sales in 2007/08 were £30.9 million, up 25.1% on the previous year, write-downs of investments contributed to a loss of £(7.2)m against £(1.6)m in 2006/07. A radical review of the Children's rights portfolio in the light of the crowded global market for children's properties has been carried out and strategy consultants appointed to help determine the best way forward.

The joint venture struck in 2006 between renowned children's indie Ragdoll Ltd and BBC Worldwide took delivery of 55 out of 100 episodes in HD of In the Night Garden and is progressing a sophisticated gaming and TV-led property called Tronji.

Business and Financial Review (continued)

2007/08 was a good year for the Live Entertainment team which develops theatre shows from media brands and properties. The arena shows *Walking with Dinosaurs* in the US and Australia, *Dancing with the Stars Live* in the US, and *CBeebies Live!* and *Strictly Come Dancing Live* in the UK were highly popular. In April 2008 the team transferred to the Content & Production business in order to dovetail operations more closely with its growing production network.

Audiocall

Premium rate telephony services in the UK were heavily affected by the BBC's decision in July 2007 to suspend all competitions linked to BBC programmes following various breaches of editorial standards across the industry. Sales were down 23.8% year on year to £3.2 million and profits were down to £0.5 million.

Over a two-year period to August 2007, income of £106,000 from telephone votes placed outside the designated period on certain TV shows, and which should have gone to charity, was wrongly retained by Audiocall. This practice came to light during an independent review commissioned by the BBC Trust. In light of the findings the Trust commissioned a further investigation from its legal advisers which concluded that there was no evidence of legal impropriety although the matters uncovered by the review were very serious. All the money owed to charity was subsequently paid including sufficient to cover interest, and the BBC has broadcast an on-air apology. Since the Trust published its findings and conclusions in May 2008, BBC Worldwide has launched its own internal investigation.

Books, Learning and Retail

Home Entertainment has largely divested itself of book, learning and retail activities. Minority shareholdings have been retained in BBC Books (Random House), BBC Children's Books (Penguin) and BBC Active (Pearson). It retains one shop for staff and visitors based in BBC TV Centre in west London.

Business and Financial Review (continued)**ACCOUNTING POLICIES**

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

A summary of the impact that adopting International Financial Reporting Standards will have on the BBC Group financial statements will be published with the BBC's results for the year ended 31 March 2008.

FOREIGN CURRENCY

Transactions in foreign currency are translated at average exchange rates with balance sheet items converted into sterling at the rate prevailing on 31 March 2008. The Group generates a surplus in most currencies in which it operates and 55.7% of its revenues, excluding joint ventures, are generated overseas (2006/07 56.4%). 48.6% of total sales, including joint ventures, were generated overseas (2006/07 45.8%). BBC Worldwide's policy remains to take a risk-averse approach to the management of foreign exchange exposures, including the hedging of risk by entering into forward exchange contracts. Where appropriate, foreign currency translation risk is mitigated by the Group funding overseas investments through loans denominated in the same overseas currency.

EXCEPTIONAL ITEMS

No exceptional items were recorded in the financial year ended 31 March 2008 (2006/07 £10.5 million exceptional profits). During 2006/07 the sale of BBC Worldwide's shareholdings in Animal Planet LLC, Woodlands Books (BBC Books) and Origin Publishing Ltd delivered an exceptional profit of £59.3 million. This was largely offset by an exceptional payment to Discovery Communications Inc to reduce the level of future commission that it may earn for services provided in respect of the BBC America channel, and £2.8 million on termination of the retail shops and business learning businesses.

TAXATION

The total tax charge for the period was £34.4 million (2006/07 £23.6 million). The effective tax rate of 31% (2006/07 21%) is slightly higher than the statutory rate of UK corporation tax that is provided at 30% (2006/07 30%) largely because of the increasing proportion of profit taxed under overseas jurisdictions. The lower effective tax rate in the prior year was principally because of profits on certain business disposals utilising capital losses and being taxed at an effective rate of only 15%.

The future tax charge will be affected by the mix of profits generated from the different tax jurisdictions in which the Group operates (principally the UK, US and Australia) and the statutory corporation tax rates applicable in these territories. Deferred taxation is provided for at the rates prevailing at the period end date and deferred tax assets are reviewed regularly for recoverability.

DIVIDENDS

Dividends of £49.8 million were declared in the year of which £49.4 million were paid before the year-end (2006/07 £75.3 million). On 6 June 2008, BBC Worldwide's Board approved the payment of a final dividend of £29.0 million to BBC Ventures Group Ltd.

Business and Financial Review (continued)**GOODWILL AND INTANGIBLE ASSETS**

Total intangible assets at 31 March 2008 were £172.4 million (2006/07 £108.7 million), of which £85.1 million (2006/07 £98.5 million) related to investments in programmes for future sale

BBC Worldwide invested £88.2 million across the year in new programmes (2006/07 £103.6 million). £75.1 million was invested in in-house and independent programmes commissioned by the BBC (2006/07 £96.3 million), with the remainder invested in non-BBC commissioned programming. The reduction in investment year on year was a result of fewer opportunities to invest in major factual programmes

Amortisation charges for the year were £101.8 million (2006/07 £107.1 million). Programme investments are amortised over their useful lives and their carrying value is reviewed regularly to ensure that the recoverable amount remains in excess of the assets balance sheet value. Also within intangibles, the net book value of goodwill at 31 March 2008 was £87.3 million (2006/07 £10.2 million), with the year-on-year increase arising primarily from the acquisition of 75% of the Lonely Planet businesses

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

LONELY PLANET ACQUISITION

On 1 October 2007, BBC Worldwide acquired a 75% shareholding in the Lonely Planet group of companies for a total cash consideration (including acquisition costs) of £89.9 million. Goodwill of £73.2 million was recognised and is being written off over its estimated useful economic life of 20 years

Under the terms of the purchase agreement the other Lonely Planet shareholders may exercise an option to sell all or part of their 25% stake to BBC Worldwide at any time up to 31 October 2009. As the minority shareholders are deemed to have retained the risks and rewards of ownership for their 25% shareholding, the put option liability has been recognised in reserves rather than as an increase in the cost of investment

JOINT VENTURES

The Group's share of joint venture sales increased by 15.1% to £274.6 million (2006/07 £238.5 million). Its share of operating profit of joint ventures rose by 47.7% to £58.8 million (2006/07 £39.8 million)

The 2|entertain DVD publishing business, a joint venture with Woolworths plc in which the Group has a 60% interest, had another very good year. The Group's share of sales grew strongly to £146.8 million (2006/07 £115.3 million) and the Group's share of operating profit after goodwill amortisation rose to £41.2 million (2006/07 £28.5 million). The landmark natural history title Planet Earth topped 3 million unit sales in the year, with other titles including Clarkson's Supercar Showdown and Doctor Who helping buck the DVD market trend

In the UK, the Group operates a portfolio of ten channels via the UKTV joint ventures with Virgin Media, with a combined annual reach of 20 million homes. Under the terms of the various agreements with its joint-venture partners the Group has no obligation to fund losses incurred by these entities or make good their net liabilities and it has no effective obligation to these ventures. The Group only recognises its share of the profits from these ventures to the extent that they have become cumulatively profitable. Following a very strong year the Group equity accounted for £10.4 million of operating profits from UK Channel Management Ltd (2006/07 £6.5 million). In addition, the Group received a further £6.2 million (2006/07 £4.5 million) in dividends from UK Gold Holdings Ltd during the year. The share of sales generated from the principal UKTV joint ventures UK Channel Management Ltd and UK Gold Holdings Ltd grew 8.3% year on year to £83.3 million (2006/07 £76.9 million)

The share of operating losses from the Group's other joint ventures rose to £(1.9)m (2006/07 operating profit £0.3 million) following further investment in magazine publishing and children's licensing ventures

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

| Cashflow £ MILLION | 2008 | 2007 |
|---|--------|---------------------|
| Net debt at 1 April | (9 8) | (19 5) |
| Cash generated from operations | 199 2 | 205 1 ¹ |
| Operating exceptional | - | (51 5) ² |
| Taxation & net interest paid | (24 0) | (17 1) |
| Capital expenditure | (14 7) | (7 5) |
| Proceeds from sale of assets | - | 72 4b |
| Purchase of subsidiary (incl acquired cash and debt) | (91 2) | - |
| Investment in programmes | (88 2) | (109 5) |
| Investment in joint ventures and associates | (6 3) | (5 5) |
| Dividends paid | (49 4) | (75 3) |
| Exchange adjustment (non-cash) | (6 7) | - |
| Other | (0 7) | (1 4) |
| Net debt at 31 March | (91 8) | (9 8) |

1 Represents an operating exceptional payment made to Discovery Communications Inc in respect of its service agreement

2 Net cash proceeds arising on the sale of the Group's shareholdings in Animal Planet LLC, Woodlands Books Ltd and Origin Publishing Ltd

The main sources of liquidity for the Group include funds flowing from trading operations, dividends from its joint ventures and other associated undertakings and periodic asset disposals

The main uses of liquidity include funds required to manage working capital in support of trading operations, investment in programmes for future sale, dividends, taxation and periodic investment in new businesses

Earnings before interest, taxation, depreciation and amortisation (EBITDA) grew to £233.3 million (2006/07 £222.0 million) before exceptional items. The year-on-year cash flow improvement was driven by trading performance, working capital movements and the timing of certain receipts and payments falling due for settlement at year-end.

Expenditure on capital assets was £14.7 million (2006/07 £7.5 million) reflecting investment both in the move to the Media Centre and to update IT equipment and build software assets, particularly to support the development of online initiatives.

DEBT STRUCTURE AND BORROWINGS

BBC Worldwide had net borrowings of £91.8 million at the balance sheet date (2006/07 £9.8 million) with the increase largely a result of the Lonely Planet acquisition.

The Group maintains a debt facility with BBC Commercial Holdings Ltd, the holding company for the BBC's commercial subsidiaries, on which the outstanding balance at 31 March 2008 was £89.5 million (2006/07 £16.6 million). The loan has been renegotiated since the year-end and extended to 30 September 2009. In addition the Group further drew down on an external loan facility with the European Investment Bank during the year, resulting in a closing balance at 31 March 2008 of £50.0 million.

The Group held £50.7 million in cash or cash equivalents at 31 March 2008 (2006/07 £27.3 million).

PENSIONS

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

Business and Financial Review (continued)**RISKS AND UNCERTAINTIES**

BBC Worldwide has an embedded programme of risk assessment and management, which is described in more detail in the Corporate Governance report on pages 26-34. The Group considers that its principal risks and uncertainties are as follows:

| Risk | Key Impact | Mitigation |
|--|--|--|
| Increased competition for key programmes and talent, with merger and acquisition activity in the media sector resulting in market consolidation | All areas | <ul style="list-style-type: none"> - Establishing stronger supplier relationships - Developing own production capability overseas - Investing in established independent production companies - Further building on the in-house format development business |
| Overseas expansion including sourcing of product from overseas markets, increases risk profile | Channels, Content & Production, Lonely Planet, Magazines, Home Entertainment | <ul style="list-style-type: none"> - Dedicated teams for international development - Market and risk assessments from local experts - Review of controls for major acquisitions - Implementation of Ethical and Anti-Fraud Codes of Conduct |
| Changing technology may undermine core businesses | DVD, Channels | <ul style="list-style-type: none"> - Focus on complementary Digital Media services covering web, video on demand and mobile platforms - Launch of bbc.com and the proposed launch of the commercial media player |
| Delays launching new services may impact ability to achieve strategic plan | Channels, Commercial media player | <ul style="list-style-type: none"> - Careful planning and preparation to obtain BBC and regulatory approval where necessary |
| Execution risk for new services in developing markets | Commercial media player, bbc.com | <ul style="list-style-type: none"> - Extensive research and testing of both consumer and advertiser propositions and the underpinning technology - Tight controls in place to ensure editorial integrity at all stages of development and operation of new services |
| Increasing exposure to fluctuations in major currencies, particularly the US and Australian dollars, as the business expands its operations overseas | Channels, Sales & Distribution, Children's licensing, US DVD, Lonely Planet | <ul style="list-style-type: none"> - Hedging process managed by BBC Treasury |
| US or UK recession | All areas | <ul style="list-style-type: none"> - Possible implication of a recession factored into BBC Worldwide's planning processes - Diversifying operational portfolio |

TREASURY OPERATIONS

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



Neil Chugani
Chief Financial Officer
BBC Worldwide

20 June 2008

Directors' Report

The Directors present their report and the audited consolidated summary financial statements of BBC Worldwide Ltd (BBC Worldwide) for the year ended 31 March 2008

PRINCIPAL ACTIVITIES OF THE GROUP

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

BUSINESS REVIEW

A review of business performance, including likely future developments and a description of the principal risks and uncertainties facing the BBC Worldwide Group, is given on pages 7 to 23. Further information which fulfils the Business Review requirements by reference is set out in the Corporate Governance Report on pages 26 to 34.

RESULTS AND DIVIDENDS

The consolidated profit after taxation and minority interests for the year was £77.6 million (2007: £86.4 million).

Dividends of £49.8 million (2007: £75.3 million) were approved in the year, of which £49.4 million were paid. On 6 June 2008, BBC Worldwide Limited's Board proposed and approved the payment of a final dividend of £29.0 million to BBC Ventures Group Limited.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

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

DIRECTORS

The Directors who served during the year are set out in the Corporate Governance Report on page 26.

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 31 days (2007: 33 days) at 31 March 2008. Rights creditors have been excluded for the purposes of this calculation, as they relate to payments to artists and contributors rather than trade creditors.

DONATIONS

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

EMPLOYEE PARTICIPATION

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

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

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

Directors' Report (continued)**DIVERSITY**

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

Ethnic and gender targets have been set with the aim of ensuring that the BBC Worldwide workforce reflects the UK's population. Currently we employ 12.7% of staff from minority ethnic groups and approximately 50% of BBC Worldwide managers are female

DISABLED PEOPLE

People with disabilities are fully and fairly considered for vacancies arising within BBC Worldwide and are given equal opportunities in relation to training, career development and promotion. If an employee becomes disabled while in the employment of BBC Worldwide and as a result is unable to perform his/her existing job, every effort is made to offer suitable alternative employment and re-training

DEVELOPMENT AND TRAINING

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

GOING CONCERN

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

DIRECTORS' INTERESTS AND INDEMNITIES

No Director had any interest in the share capital of BBC Worldwide Ltd at 1 April 2007 or 31 March 2008. No rights to subscribe for shares in or debentures of the Company or any other group company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year. Directors' and Officers' insurance cover was in place throughout the financial year as appropriate

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

By order of the Board,



J D Stevenson
Company Secretary

20 June 2008

Registered Office
Woodlands
80, Wood Lane
London W12 0TT

Corporate Governance Report

BBC WORLDWIDE'S COMMITMENT

The Board of BBC Worldwide is committed to high standards of corporate governance and business integrity. The highest standards of integrity, fairness and honesty are essential behaviour for all staff in their dealings with customers, suppliers, colleagues and other stakeholders.

The Combined Code, issued by the Financial Reporting Council and setting out principles of good corporate governance, is not applicable to BBC Worldwide as a private limited company, but BBC Worldwide voluntarily complies with the Combined Code where appropriate.

As a wholly owned subsidiary of the BBC, BBC Worldwide is accountable to the BBC rather than to external shareholders. In turn, the BBC is accountable to the UK public, not shareholders, through the stewardship of the BBC Trust. The BBC Trust acts as trustee for the public interest.

THE BOARD

Composition

Under the BBC's Commercial Governance framework (effective January 2007) there are three independent Non-executive Directors: Etienne de Villiers (also Chairman), Simon Clift and Thomas Geitner. In addition, the public service Non-executive Directors, Jana Bennett, Nicholas Eldred and Zarin Patel, represent the interests of the BBC.

BBC Worldwide communicates regularly with the BBC, its ultimate parent company, and presents its strategy, financial results and budgets to the BBC for review and approval.

The Non-executive Directors who served during the year were Etienne de Villiers (independent Chairman), Jana Bennett, Simon Clift (independent), Nicholas Eldred, Thomas Geitner (independent) and Zarin Patel.

The Executive Directors who served during the year were John Smith (Chief Executive), Marcus Arthur (appointed 31 March 2008), Darren Childs, Neil Chugani (appointed 3 December 2007), Sarah Cooper, Wayne Garvie, Paula Hornby, David King (resigned 6 June 2008), Steve Macallister (appointed 23 July 2007), David Moody, Peter Phippen, Chris Weller and Mark Young (resigned 1 May 2007).

Responsibilities

The BBC Worldwide Board is responsible to the BBC Executive Board, which is in turn responsible to the BBC Trust, and certain matters are referred to these bodies for approval and authorisation.

The Non-executive Directors share responsibility for carrying out the Board's duties, although their participation is largely supervisory. They provide a key external element of BBC Worldwide's external corporate governance and, in addition to providing independent advice on key issues, their responsibilities include:

- providing strategic and operational advice and direction to the Board,
- reviewing performance of the Board and effectiveness of the Directors,
- ensuring appropriate standards of conduct and financial probity,
- ensuring a robust and appropriate internal controls environment is embedded in the business,
- compliance and governance.

The Board is satisfied that each Non-executive Director is able to give a sufficient time commitment to BBC Worldwide.

Corporate Governance Report (continued)

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

How the Board operates

The Board holds scheduled meetings at least 11 times during the year, including a specific meeting to direct and agree overall strategy. Board meetings follow a formal agenda covering regular reports from the Chief Executive, Chief Financial Officer and Managing Directors of the company's businesses. Senior managers attend as required.

Matters considered by the Board will include

- declaration of dividends,
- approval of strategy,
- review and authorisation of major transactions or contracts not in the ordinary course of business,
- review of risks and controls,
- assessment of the functioning of the Board and its various sub-committees,
- review and approval of the Annual Report and Accounts,
- compliance with the four commercial criteria (see p 31) and commercial protocols,
- approval of remuneration policy for staff, excluding Board Directors,
- monitoring legal, regulatory and environmental policy matters

The Company Secretary assists the Chairman and ensures that the Board is supplied with the information necessary for its consideration on a timely basis.

In addition, the Non-executive Directors have the opportunity to meet in the absence of the Executive Directors at any time they feel appropriate.

The Company Secretary comprehensively briefs Directors on their responsibilities on appointment to the Board. In addition, Board members are able to seek independent professional advice, at BBC Worldwide's expense, regarding their responsibilities at any time.

Certain Executive Directors are also appointed to the Boards of various joint-venture and associated undertakings as appropriate, and participate in the overview and management of those ventures. The Board has delegated responsibility for certain functions to the BBC Worldwide Executive Board, BBC Worldwide Audit Committee and BBC Worldwide Content Investment Committee. However, the Board takes direct responsibility for the review and monitoring of key areas such as risk management and for approving all content investments over £5 million and all new business proposals.

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

EXECUTIVE BOARD

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

Corporate Governance Report (continued)

ACCOUNTABILITY AND INTERNAL CONTROL

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

The Board of Directors considers that there is an appropriate ongoing process for identifying, evaluating and managing significant risks faced by BBC Worldwide. The Board exercises control through an organisational structure with clearly defined levels of responsibility, authority and reporting procedures.

Documented policies and procedures exist to define clearly the level of delegated authority for operational decision making and to provide structured processes for identifying and managing risk. These policies are applicable across the Group and ensure consistency worldwide. Key policies include Ethics, Standards and Conflicts of Interest, BBC Worldwide Group Accounting Policies, Anti-fraud & Corruption Code of Conduct, Investment & Expenditure Approval Guidelines and the Recruitment Policy.

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

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

Risk management

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

Controls monitoring

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

Operating units

Key controls over business risks include performance review and exception reporting. The BBC Worldwide Content Investment Committee, a sub-committee of the Board, must approve all programme and product investment between £0.5 million and £2.0 million. The Executive Board must approve all such transactions between £2.0 million and £5.0 million, with the Board approving all such transactions over higher thresholds.

Treasury activities

The BBC's Group Treasury Department manages BBC Worldwide's activities in line with BBC Group policies. Each BBC Worldwide operating unit maintains additional financial controls and procedures appropriate to its business environment and carries out local treasury activities, all conforming to overall standards and guidelines.

Corporate Governance Report (continued)

Computer systems

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

Financial reporting

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

Fraud awareness

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

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

Whistle-blowing

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

AUDIT COMMITTEE

Composition

The members of the BBC Worldwide Audit Committee are Non-executive Directors Zarin Patel (Chairperson) and Nicholas Eldred. In accordance with the terms of the Combined Code, the Board is satisfied that the Audit Committee has an appropriate range of financial experience.

Remit

The responsibilities of the committee are set out in its Terms of Reference and briefly comprise:

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

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

Corporate Governance Report (continued)

Meetings

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

REMUNERATION COMMITTEE

Composition, remit and meetings

The BBC Remuneration Committee has responsibility for setting the remuneration package for BBC Worldwide's Chief Executive (see BBC Annual Report and Accounts 2007/08). The Remuneration Committee of BBC Commercial Holdings Ltd, the parent company for the BBC's commercial subsidiaries, has responsibility for setting BBC Worldwide Board remuneration policy.

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

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

Non-executive Directors

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

Executive Directors

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

CONTENT INVESTMENT COMMITTEE

Composition, remit and meetings

The Content Investment Committee's responsibilities include approval of programme and product investments of between £0.5 million and £2.0 million, ensuring that investment decisions are consistent with BBC Worldwide's overall strategy and appetite for risk, and assessing post-investment reviews.

During the year the committee comprised five Executive Board Directors. The committee meets fortnightly.

Corporate Governance Report (continued)

COMPLIANCE WITH THE FOUR COMMERCIAL CRITERIA

The new governance regime for the BBC's commercial activities, including BBC Worldwide, was implemented from 1 January 2007 as part of the new BBC Charter and Agreement. This has fundamentally altered the governance of the BBC with the establishment of the BBC Trust and the implementation of a new regime under which the BBC's performance is measured and ambitions tested.

The Agreement has brought into effect a new structure of compliance for the BBC's commercial activities whereby BBC Worldwide and its operating divisions have to comply with four criteria. The Group must

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

Under the BBC Trust's published Commercial Protocol (available at <http://www.bbc.co.uk/bbctrust/framework/protocols/compliance.html>), the first full year of implementation and compliance is the 2007/08 financial year. The Group has adopted a range of initiatives to ensure ongoing compliance, including a controls framework and an extensive programme of training and internal reporting. New proposals are measured against the four criteria, both in their development and implementation.

Under the Commercial Protocol, an annual report on compliance is made to the BBC Trust. The Board reported on the first full year of compliance in 2007/08 and is confident that BBC Worldwide's operations reflected and complied with the four criteria for all of 2007/08 and will continue to do so.

FAIR TRADING AT THE BBC

The BBC's Fair Trading obligations are outlined in the BBC Trust's Statement of Policy on Fair Trading available at http://www.bbc.co.uk/bbctrust/framework/fair_trading.html and the BBC's Fair Trading Guidelines available at http://www.bbc.co.uk/info/policies/commercial_guides.

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

During the year, compliance with the Fair Trading Guidelines was scrutinised by formal sub-committees of the Trust (Public Value Fair Trading Committee from January 2008 and Fair Trading Policy & Appeals Committee for the preceding period) and Executive Board (Executive Fair Trading Committee – EFTC). The EFTC comprises three BBC Non-executive Directors and two BBC Executive Board members.

The management of the BBC's fair trading arrangements has been accredited with the ISO 9001:2000 quality standard and performance against this standard is regularly tested by the British Standards Institute. The most recent assessment, conducted in June 2008, confirmed that the procedures are continuing to operate effectively.

The BBC Trust commissions independent auditors, currently PricewaterhouseCoopers LLP (PwC), to undertake an annual Fair Trading audit to determine whether BBC management has established and applied a system of internal controls which provide reasonable assurance that it has complied with the Fair Trading Guidelines. Further details of the audit and opinion can be found in the BBC Trust's Annual Report and Accounts for 2007/08 available at <http://www.bbc.co.uk/annualreport/trust/>.

HOW BBC WORLDWIDE TRADES

BBC Worldwide is committed to ensuring its activities are carried out to the highest standards, consistent with its core values and purposes, across the full range of fair-trading, ethical, editorial, environmental and brand-protection best practices.

Importantly, it is not just BBC Worldwide that aims for high standards. BBC Worldwide also encourages its commercial partners to do so through a range of clear guidelines, contractual commitments and training. BBC Worldwide monitors compliance with these requirements where appropriate.

Corporate Governance Report (continued)

The BBC brand

Protection of the BBC brand and its reputation is a fundamental part of BBC Worldwide's role in conducting its activities around the globe. These activities are carried out internationally through a mix of wholly owned activities, joint ventures and other forms of partnership with commercial entities. BBC Worldwide ensures that appropriate steps are taken in each case to ensure the BBC brand is grown and developed in ways that are entirely compatible with core BBC values.

Branding guidelines

BBC Worldwide ensures compliance with guidelines agreed with the BBC that lay out the values and principles associated with the BBC brand and determine the behaviour of the BBC brand in a commercial environment. There are set procedures for commercial use, which reflect the editorial principles associated with the BBC brand.

Brand protection

BBC Worldwide's brand protection team continues to work with local investigators and enforcement authorities to help control the market for counterfeit goods and other infringements of the Group and its partners' intellectual property rights.

Editorial standards

The BBC's code of ethics is incorporated into its editorial guidelines and offers advice on standards and values including accuracy, impartiality, fairness, taste and decency and the welfare of children. These guidelines apply to all BBC Worldwide commercial activities and are strictly adhered to across all BBC Worldwide activities.

In summer 2008 a series of Safeguarding Trust workshops will be run with all of the Group's editorial staff. The purpose of the workshops is to emphasise the importance of applying the highest editorial standards to all of BBC Worldwide's content output.

Magazines Editorial Boards

The system of Editorial Advisory Boards for BBC Magazines continues to be of great editorial benefit. The Boards work alongside all BBC magazines and real editorial gains have been made by the relationship which independent experts on these Boards have forged with BBC Magazines. The Boards play a key role in ensuring that the magazine portfolio reflects the BBC's public purposes and editorial values and extends the editorial offering of BBC programmes.

The Editorial Advisory Boards are overseen by an Annual Review Panel (ARP), consisting of external experts and senior representatives from BBC Magazines, BBC Vision and BBC Audio and Music. It is chaired by the BBC's Chief Adviser, Editorial Policy.

The ARP conducted its third review of BBC Magazines output during the course of 2007/08 (the first was completed in May 2006) and concluded that BBC magazines are high-quality, attractive publications with strong editorial content that reflects BBC values and achieves a high level of reader satisfaction. It also concluded that the breadth and range of the portfolio is impressive and good connectivity with BBC television and radio programmes is evident, which has clearly contributed to the magazines' success and distinctiveness.

Treatment of suppliers

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

Corporate Governance Report (continued)

Customer service

BBC Worldwide's increasing success not only gives a global platform to the best of British talent but also delivers substantial financial returns to rights holders and producers

Over half a million statements and payments relating to BBC Worldwide's activities alone are issued annually. BBC Worldwide is committed to accounting accurately and on time to rights holders and continues to invest time and money in improving its systems and processes, to enable it not only to meet the increase in volumes that its success has produced, but also to provide a high level of customer service.

Corporate Social Responsibility

Over the course of 2007/08, the Group has been developing a comprehensive corporate social responsibility programme which will build on successful initiatives already in place and introduce some new ideas. Four key areas of focus have been identified: the environment, ethical trading, diversity and outreach.

Environment

As the UK's third largest publisher of consumer magazines, BBC Worldwide has taken a lead in the campaign to promote credible forest certification. BBC Magazines was the first consumer magazine publisher in the world to print a magazine on paper labelled with the Forest Stewardship Council (FSC) mark, a gold-standard guarantee that the paper is responsibly sourced.

The company is a founder member of the WWF Forest Trade Network and Peter Phippen, Managing Director of BBC Magazines, was chair of the PPA (Periodical Publishers Association) environment group until May 2008, through which it has agreed targets with the government for post-consumer recycling of magazines (70% by 2013) and standards were set for biodegradable polywrap to be used for the wrapping and mailing of magazines.

In 2007/08, BBC Worldwide devised a detailed environment strategy which is now in place. Working with specialist consultants, the company's Environment Steering Group has examined every area of operations and business and is starting to implement major changes.

BBC Worldwide's environmental objectives are to

- deliver world-class environmental management,
- purchase and use materials in an environmentally sustainable manner,
- minimise waste and avoid disposal to landfill,
- reduce and neutralise carbon emissions,
- use water efficiently.

A key ambition is for the company to become carbon neutral in its London headquarters by reducing energy consumption, procuring green power and offsetting unavoidable carbon emissions. Another principal objective is to achieve ISO 14001 environmental management certification.

BBC Worldwide also champions environmental awareness in its products and services such as Gardeners' World, Wildlife and Countryfile magazines, Earth the movie and bbcgreen.com.

Ethical sourcing

BBC Worldwide seeks to conduct its business to the highest possible ethical standards. The business is working to ensure that its suppliers operate according to the principles enshrined in BBC Worldwide's Ethical Sourcing Policy. The company is a member of the Supplier Ethical Data Exchange (SEDEX) which works collectively with major retailers to maintain the quality of assessments of working conditions.

Over the past year particular attention has been paid to magazine covermounts and licensed toys which are predominantly sourced from China.

Corporate Governance Report (continued)

BBC Worldwide continues to implement a comprehensive supplier training and independent factory inspection programme, coupled with stringent buying controls and corrective-actions monitoring. The programme aims to ensure that BBC Worldwide products are produced in factories that meet, or exceed, internationally recognised standards relating to worker age, conditions of employment, pay and hours, and health and safety. Factories which are actively producing BBC Worldwide product are required to have been independently audited within the past 12 months. One of the Group's principal demands is that any factory supplying product to BBC Worldwide must be honest and transparent about its working practices. Where it is identified that improvements are required, the Group works with its business partner and factory management to make changes over an agreed timescale.

A rolling programme of additional control audits, conducted by the BBC Worldwide ethical team in conjunction with some of the world's leading labour-standards consultancy firms, helps to ensure that the overall programme is genuinely effective in raising standards and in bringing about lasting improvements.

Diversity

The need to 'respect our differences' is enshrined in BBC Worldwide's values. The company prizes the strengths a diverse workforce brings to the organisation that accurately reflects the customers and consumers it serves.

The BBC has set targets to ensure BBC Worldwide continues to attract and retain a broad range of ethnic and minority staff. BBC Worldwide continually monitors itself against these benchmarks but in 2007/08 was not successful in reaching its targets. An action plan is now in place to address this.

In creating and distributing content, BBC Worldwide continues to look for ways to connect with the needs of all its audiences. For example, 2|entertain includes subtitling on all its new DVD releases and also includes audio description and audio navigation where possible.

Outreach

The majority of BBC Worldwide employees are based in London and the company recognises the need to nurture its local connections by being a good neighbour. Working with the BBC's Connect and Create team, BBC Worldwide staff contribute to various outreach initiatives linked to local schools.

Corporately, BBC Worldwide has partnered with UK Career Academy Foundation in 2008, working to raise the aspirations of 16-19 year olds considering a career in business. Staff are also encouraged to participate in charitable giving for BBC Charities such as Children in Need and Comic Relief, and opportunities are available for personal donations via a payroll giving scheme.

BBC Worldwide Values

The company's cultural values reflect both the BBC's values and BBC Worldwide's commercial remit.

- Enterprise
- Creativity
- Trust
- Quality
- Respect
- Audiences
- Teamwork

Work is continuing to embed these across the company, both in the UK and around the world.

Statement of Directors' responsibilities in respect of the Directors' report and financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The Group and parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent Company and of the profit or loss for that period

In preparing these financial statements, the Directors are required to

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

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

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

Independent Auditors' Report to the members of BBC Worldwide Limited

We have audited the Group and parent Company financial statements (the "financial statements") of BBC Worldwide Limited for the year ended 31 March 2008 which comprise the consolidated profit and loss account, the consolidated and Company balance sheets, the consolidated statement of total recognised gains and losses, the reconciliation of movement in equity shareholders' funds, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 35.

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

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

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

Basis of audit opinion

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

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

Independent Auditors' Report to the members of BBC Worldwide Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 March 2008 and of the Group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



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

Date 20 June 2008

Consolidated profit and loss account

| For the year ended 31 March | | 2008 Total | 2007 Before exceptional items | 2007 Exceptional items | 2007 Total |
|--|--------|----------------|--|------------------------------|----------------|
| | Note | £m | £m | £m | £m |
| Turnover (including share of joint ventures) | 2 | 916 3 | 810 4 | - | 810 4 |
| Less share of joint ventures | 2, 13e | (274 6) | (238 5) | - | (238 5) |
| Group turnover | 2 | 641 7 | 571 9 | - | 571 9 |
| Cost of sales | | (371 7) | (343 0) | - | (343 0) |
| Gross profit | | 270 0 | 228 9 | - | 228 9 |
| Distribution costs | | (179 0) | (136 3) | (46 0) | (182 3) |
| Administrative expenses | | (33 6) | (32 7) | - | (32 7) |
| Group operating profit | | 57 4 | 59 9 | (46 0) | 13 9 |
| Share of operating profit of joint ventures | 13d | 58 8 | 39 8 | - | 39 8 |
| Share of operating profit of associates | 14d | 1 5 | 0 9 | - | 0 9 |
| Total operating profit | | 117 7 | 100 6 | (46 0) | 54 6 |
| Profit on disposal of businesses | 5b | - | - | 13 5 | 13 5 |
| Profit on sale of fixed assets | 5c | - | - | 45 8 | 45 8 |
| Loss on termination of business | 5c | - | - | (2 8) | (2 8) |
| Profit before interest and taxation | 2c | 117 7 | 100 6 | 10 5 | 111 1 |
| Interest receivable | 6a | 3 3 | 1 8 | - | 1 8 |
| Interest payable | 6b | (8 5) | (2 9) | - | (2 9) |
| Profit on ordinary activities before taxation | 3 | 112 5 | 99 5 | 10 5 | 110 0 |
| Tax on profit on ordinary activities | 7 | (34.4) | (29 0) | 5 4 | (23 6) |
| Profit on ordinary activities after taxation | | 78 1 | 70 5 | 15 9 | 86 4 |
| Equity minority interests | | (0 5) | - | - | - |
| Profit for the financial year | 21a | 77 6 | 70 5 | 15 9 | 86 4 |

There are no exceptional items in the current year

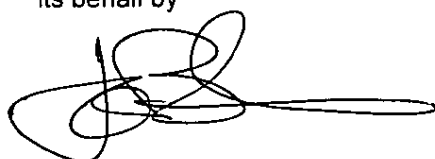
The profit for the current year is based on continuing operations. 2008 acquisitions are not separately presented on the face of the profit and loss account, based on the materiality of their turnover and operating loss for the year. Full details of acquisitions are given in notes 3 and 19.

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

Consolidated balance sheet

| As at 31 March | Note | 2008 £m | 2007 £m |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Intangible fixed assets | 8 | 87.3 | 10.2 |
| Tangible fixed assets | 9 | 25.2 | 14.0 |
| Investment in programmes for future sale | 11 | 85.1 | 98.5 |
| Interests in joint ventures | | | |
| Share of gross assets | | 195.7 | 172.6 |
| Share of gross liabilities | | (177.1) | (161.8) |
| Adjustment to reflect effective obligation | | 25.3 | 32.3 |
| Loan receivable from joint venture | | - | 0.8 |
| Goodwill | | 19.6 | 20.9 |
| | 13a | 63.5 | 64.8 |
| Interests in associated undertakings | 14a | 3.8 | 1.0 |
| Interests in trade investments | 14e | 2.7 | 5.0 |
| Total investments | | 70.0 | 70.8 |
| | | 267.6 | 193.5 |
| Current assets | | | |
| Stocks | 15 | 30.0 | 13.0 |
| Current debtors | 16 | 179.8 | 152.8 |
| Long-term debtors | 16 | 17.7 | 23.9 |
| Total debtors | | 197.5 | 176.7 |
| Cash at bank and in hand | | 50.7 | 27.3 |
| | | 278.2 | 217.0 |
| Creditors amounts falling due within one year | 17 | (271.1) | (252.9) |
| Net current liabilities | | 7.1 | (35.9) |
| Total assets less current liabilities | | 274.7 | 157.6 |
| Creditors amounts falling due after more than one year | 17 | (140.7) | (20.0) |
| Provisions for liabilities | 18 | (11.0) | (18.8) |
| Net assets | | 123.0 | 118.8 |
| Capital and reserves | | | |
| Called up share capital | 20 | 0.2 | 0.2 |
| Profit and loss account | 21a | 147.2 | 118.6 |
| Other reserves | 21b | (31.0) | - |
| Total equity shareholders' funds | | 116.4 | 118.8 |
| Minority interests | | 6.6 | - |
| Capital employed | | 123.0 | 118.8 |

The financial statements were approved by the Board of Directors on 20 June 2008 and were signed on its behalf by

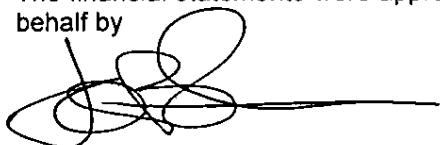


J B Smith
Director

Company balance sheet

| As at 31 March | Note | 2008 £m | 2007 £m |
|---|------|------------|------------|
| Fixed assets | | | |
| Intangible fixed assets | 8 | 0.1 | 0.1 |
| Tangible fixed assets | 10 | 15.9 | 10.9 |
| Investment in programmes for future sale | 11 | 85.0 | 98.1 |
| Investments | | | |
| Investments in subsidiary undertakings | 12 | 96.9 | 34.1 |
| Investments in joint ventures | 13a | 85.7 | 83.4 |
| Investments in associated undertakings | 14a | 6.7 | 4.9 |
| | | 189.3 | 122.4 |
| | | 290.3 | 231.5 |
| Current assets | | | |
| Stocks | 15 | 0.9 | 3.0 |
| Current debtors | 16 | 274.1 | 221.2 |
| Long-term debtors | 16 | 4.3 | 3.3 |
| Total debtors | | 278.4 | 224.5 |
| Cash at bank and in hand | | 24.7 | 12.0 |
| | | 304.0 | 239.5 |
| Creditors amounts falling due within one year | 17 | (342.6) | (336.2) |
| Net current liabilities | | (38.6) | (96.7) |
| Total assets less current liabilities | | 251.7 | 134.8 |
| Creditors amounts falling due after more than one year | 17 | (139.5) | (20.0) |
| Provisions for liabilities | 18 | (11.0) | (18.8) |
| Net assets | | 101.2 | 96.0 |
| Capital and reserves | | | |
| Called up share capital | 20 | 0.2 | 0.2 |
| Profit and loss account | 21a | 101.0 | 95.8 |
| Total equity shareholders' funds | | 101.2 | 96.0 |

The financial statements were approved by the Board of Directors on 20 June 2008 and were signed on its behalf by



J B Smith
Director

Consolidated statement of total recognised gains and losses

| | | Group 2008 £m | Group 2007 £m |
|--|-------------|------------------------------|------------------------------|
| For the year ended 31 March | Note | | |
| Profit for the financial year | | | |
| - Group | | 31 4 | 56 7 |
| - Share of joint ventures | 13d | 44 9 | 28 8 |
| - Share of associates | 14d | 1 3 | 0 9 |
| | | 77 6 | 86 4 |
| Effect of foreign currency translation | 21a, 21b | (1 4) | (2 7) |
| Total recognised gains relating to the financial year | | 76 2 | 83 7 |

Reconciliation of movements in total equity shareholders' funds

| | | Group 2008 £m | Group 2007 £m |
|--|-------------|------------------------------|------------------------------|
| For the year ended 31 March | Note | | |
| Total recognised gains for the year | | 76 2 | 83 7 |
| Dividends | 21c | (49 8) | (75 3) |
| Other reserves | 21b | (28 8) | - |
| Net (decrease)/increase in equity shareholders' funds | | (2 4) | 8 4 |
| Equity shareholders' funds at start of year | | 118 8 | 110 4 |
| Equity shareholders' funds at end of year | | 116 4 | 118 8 |

Consolidated cash flow statement

| For the year ended 31 March | Note | 2008 £m | 2007 £m |
|---|------|----------------|------------|
| Net cash inflow from operating activities | 22 | 153 5 | 131 2 |
| Dividends from joint ventures and associates | | 45 7 | 22 4 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 1 4 | 1 0 |
| Interest paid | | (7 0) | (2 3) |
| Interest element of finance lease payments | | (0 1) | - |
| Net cash outflow from return on investments and servicing of finance | | (5 7) | (1 3) |
| Taxation | | (18 3) | (15 8) |
| Capital expenditure and financial investments | | | |
| Purchase of tangible fixed assets | | (14 7) | (7 5) |
| Proceeds from sale of fixed assets | 5c | - | 45 8 |
| Investment in programmes for future sale | | (88 2) | (109 5) |
| Drawdown of loan to joint venture | 13a | (0 7) | (0 8) |
| Repayment of loan to associated undertaking | | - | 0 3 |
| Net cash outflow for capital expenditure and financial investments | | (103 6) | (71 7) |
| Acquisitions and disposals | | | |
| Purchase of subsidiary undertakings | 19 | (90 3) | - |
| Net cash acquired with subsidiary undertaking | 19 | 5 9 | - |
| Purchase of trade investment | | - | (0 9) |
| Purchase of / investment in joint ventures | 13 | (4 5) | - |
| Purchase of associates | 14 | (1 8) | (5 5) |
| Disposal of business | 5b | - | 26 6 |
| Net cash (outflow) / inflow from acquisitions and disposals | | (90 7) | 20 2 |
| Cash (outflow) / inflow before distributions and financing | | (19 1) | 85 0 |
| Equity dividends paid to shareholders | 21c | (49 4) | (75 3) |
| Cash (outflow) / inflow before financing | | (68 5) | 9 7 |
| Financing | | | |
| Capital element of finance lease payments | 23 | (0 5) | - |
| Increase/(decrease) in loan from parent undertaking | 23 | 66 4 | (23 2) |
| Net cash inflow from bank loan | 23 | 30 0 | 20 0 |
| Outflow in respect of other short term loans | 23 | (4 0) | (4 8) |
| Net cash inflow / (outflow) from financing | | 91 9 | (8 0) |
| Increase in cash in the year | 23 | 23 4 | 1 7 |

Notes to the financial statements

1 Principal accounting policies

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

1a Basis of accounting

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

1b Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings up to 31 March 2008. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

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

The Group's share of the profits less losses of associates and joint ventures is included in the consolidated profit and loss account, and its interest in their net assets is included in the consolidated balance sheet, using the equity method to 31 March with the exception of the following investments (as permitted by FRS 9 Associates and joint ventures): the results of the joint ventures and associates within the Discovery agreements have been included using information from unaudited accounts drawn up to 31 December (notes 13 and 14); the results of the 2|entertain Limited ('2|entertain') joint venture have been included using information from audited accounts drawn up to 31 January (note 13).

As permitted by Section 230 of the Companies Act 1985, no profit and loss account has been presented in respect of the Company. The Company's profit after taxation for the year was £55.0 million (2007: £74.4 million). The Company's results form part of the consolidated financial statements.

1c Turnover

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

The basis upon which turnover is recognised is as follows:

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

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

1 Principal accounting policies (continued)**1d Foreign currency translation**

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

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

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

1e Goodwill and intangible assets

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

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

Other intangible assets are amortised on a straight-line basis over 2-4 years, reflecting the Directors' opinion of their useful economic life in each case

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

1f Tangible fixed assets

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

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

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

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

1g Leased assets

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

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

1 Principal accounting policies (continued)

1h Impairment of fixed assets

The Group reviews the carrying amounts of its fixed assets when there is an indication that those assets may have suffered an impairment loss. If the recoverable amount of an asset (or income generating unit) is estimated to be less than its carrying amount, the resulting impairment loss is recognised in the profit and loss account immediately.

1i Research and development

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

1j Investment in programmes for future sale

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

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

1k Stocks

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

Programme stock represents programme purchased for the future broadcast on one of the Group's television channels or for sale to third party broadcasters. Programme stocks are stated at cost and are charged to the profit and loss account based on management's best estimate of the revenues expected to arise on broadcasts of the programme.

1l Provisions

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

1m Pension costs

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

Defined benefit scheme

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

The BBC pension scheme is a Group wide scheme and as such the participating employers are unable to identify their shares of the underlying assets and liabilities on a reasonable and consistent basis. Therefore as allowed by FRS 17 'Retirement benefits' BBC Worldwide accounts for the scheme as if it were a defined contribution scheme. The expenditure charged for the year as a result represents the contributions payable in the year.

Defined contribution scheme

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

1 Principal accounting policies (continued)**1n Taxation**

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

1o Dividends on shares presented within shareholders' funds

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

2 Segmental analysis

From 1 April 2008 a new segment, Global Brands, has been established from which key brands will be managed. For comparative purposes the results of Lonely Planet, a 75% owned subsidiary acquired during the year (see note 19), have been included within this segment in the current year results presented below. From 1 April 2008 the results of the Top Gear series will transfer to Global Brands from Magazines. Other brands will be incorporated into the segment in due course.

The prior year comparatives have been restated to reflect the reclassification of the Banana Split production business from Content & Production to Home Entertainment in line with changes to the Group's management and reporting structure effective during the current year. In addition, the Global Channels and Global TV Sales segments were renamed Channels and Sales & Distribution respectively. There has been no transfer of commercial activities arising as a result of this change.

2a Turnover analysed by type of business

| | Group turnover | Share of joint ventures | Total |
|----------------------|-------------------|-------------------------------|-------|
| 2008 | £m | £m | £m |
| Channels | 85.8 | 98.0 | 183.8 |
| Content & Production | 67.9 | 0.6 | 68.5 |
| Digital Media | 21.9 | - | 21.9 |
| Global Brands | 23.1 | - | 23.1 |
| Sales & Distribution | 199.5 | 13.4 | 212.9 |
| Magazines | 163.5 | 14.4 | 177.9 |
| Home Entertainment | 80.0 | 148.2 | 228.2 |
| Total | 641.7 | 274.6 | 916.3 |

| | Group turnover | Share of joint ventures | Total |
|----------------------|-------------------|----------------------------|-------|
| 2007 | £m | £m | £m |
| Channels | 78.3 | 90.7 | 169.0 |
| Content & Production | 50.4 | - | 50.4 |
| Digital Media | 13.9 | - | 13.9 |
| Global Brands | - | - | - |
| Sales & Distribution | 199.0 | 17.4 | 216.4 |
| Magazines | 157.9 | 13.4 | 171.3 |
| Home Entertainment | 72.4 | 117.0 | 189.4 |
| Total | 571.9 | 238.5 | 810.4 |

2b Turnover analysed by geographical destination

(Substantially all Group turnover originates from within the UK)

| | 2008 £m | 2007 £m |
|-------------------------|------------|------------|
| United Kingdom | 284 1 | 249 6 |
| Americas | 179 3 | 164 9 |
| Europe | 111 0 | 108 0 |
| Rest of World | 67 3 | 49 4 |
| Group turnover | 641 7 | 571 9 |
| Share of joint ventures | 274 6 | 238 5 |
| Total | 916 3 | 810 4 |

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

| | Group operating profit before exceptional items | Share of operating profit of joint ventures/ associates | Total operating profit before exceptional items | Exceptional items | Profit before interest and taxation |
|----------------------|---|---|---|----------------------|---|
| 2008 | £m | £m | £m | £m | £m |
| Channels | (4 4) | 17 0 | 12 6 | - | 12 6 |
| Content & Production | 14 4 | (0 2) | 14 2 | - | 14 2 |
| Digital Media | (10 9) | - | (10 9) | - | (10 9) |
| Global Brands | (2 1) | - | (2 1) | - | (2 1) |
| Sales & Distribution | 44 1 | 2 6 | 46 7 | - | 46 7 |
| Magazines | 16 6 | 0 1 | 16 7 | - | 16 7 |
| Home Entertainment | (0 3) | 40 8 | 40 5 | - | 40 5 |
| Total | 57 4 | 60 3 | 117 7 | - | 117 7 |

| | Group operating profit before exceptional items | Share of operating profit of joint ventures/ associates | Total operating profit before exceptional items | Exceptional items | Profit before interest and taxation |
|----------------------|---|---|---|----------------------|---|
| 2007 | £m | £m | £m | £m | £m |
| Channels | 9 5 | 11 6 | 21 1 | (0 2) | 20 9 |
| Content & Production | 7 1 | - | 7 1 | - | 7 1 |
| Digital Media | (3 9) | - | (3 9) | - | (3 9) |
| Global Brands | - | - | - | - | - |
| Sales & Distribution | 40 2 | - | 40 2 | - | 40 2 |
| Magazines | 19 0 | 0 8 | 19 8 | 0 2 | 20 0 |
| Home Entertainment | (12 0) | 28 3 | 16 3 | 10 5 | 26 8 |
| Total | 59 9 | 40 7 | 100 6 | 10 5 | 111 1 |

2d Profit before interest and taxation analysed by geographical destination

| | Group operating profit before exceptional items | Share of operating profit of joint ventures/ associates | Total operating profit before exceptional items | Exceptional items | Profit before interest and taxation |
|----------------|---|---|---|----------------------|---|
| 2008 | £m | £m | £m | £m | £m |
| United Kingdom | 1 1 | 33 9 | 35 0 | - | 35 0 |
| Americas | 29 1 | 24 0 | 53 1 | - | 53 1 |
| Europe | 27 1 | 0 8 | 27 9 | - | 27 9 |
| Rest of World | 0 1 | 1 6 | 1 7 | - | 1 7 |
| Total | 57 4 | 60 3 | 117 7 | - | 117 7 |

| | Group operating profit before exceptional items | Share of operating profit of joint ventures/ associates | Total operating profit before exceptional items | Exceptional items | Profit before interest and taxation |
|----------------|---|---|---|----------------------|---|
| 2007 | £m | £m | £m | £m | £m |
| United Kingdom | (2 2) | 40 2 | 38 0 | 10 7 | 48 7 |
| Americas | 16 7 | - | 16 7 | (0 2) | 16 5 |
| Europe | 28 7 | - | 28 7 | - | 28 7 |
| Rest of World | 16 7 | 0 5 | 17 2 | - | 17 2 |
| Total | 59 9 | 40 7 | 100 6 | 10 5 | 111 1 |

2e Net assets analysed by geographical location

| | Total 2008 £m | Total 2007 £m |
|----------------|---------------------|---------------------|
| United Kingdom | 59 7 | 101 6 |
| Americas | 26 6 | 17 2 |
| Rest of World | 36 7 | - |
| Total | 123 0 | 118 8 |

All net assets are owned, either in the UK and made available for international regional offices, or through the Group's US and Australian subsidiaries, BBC Worldwide Americas Inc and BBC Worldwide Australia Holdings Pty Limited. Further disclosures in respect of net assets by business type have not been provided as assets are shared by business segments and, in the view of the Directors, it is not practical or useful to provide further analysis on a consistent or reliable basis.

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

| | 2008 Continuing £m | 2008 Acquisitions £m | 2008 Total £m | 2007 Continuing £m | 2007 Acquisitions £m | 2007 Total £m |
|-------------------------------|--------------------------|----------------------------|---------------------|--------------------------|----------------------------|---------------------|
| Group turnover | 618 6 | 23 1 | 641 7 | 571 9 | - | 571 9 |
| Cost of sales | (360 5) | (11 2) | (371 7) | (343 0) | - | (343 0) |
| Gross profit | 258 1 | 11 9 | 270 0 | 228 9 | - | 228 9 |
| Distribution costs | (165 6) | (13 4) | (179 0) | (182 3) | - | (182 3) |
| Administrative expenses | (33 0) | (0 6) | (33 6) | (32 7) | - | (32 7) |
| Group operating profit | 59 5 | (2 1) | 57 4 | 13 9 | - | 13 9 |

Group operating loss on acquisitions is stated after post acquisition costs and goodwill amortisation charges of £3.3 million. Further details of acquisitions are set out in note 19.

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

| | 2008 £m | 2007 £m |
|--|------------|------------|
| Operating lease rentals | | |
| - plant and machinery | 2 4 | 1 7 |
| - land and buildings | 6 9 | 5 7 |
| - satellite costs | 3 1 | 3 1 |
| Loss on sale of fixed assets | 0 3 | - |
| Depreciation | 7 8 | 5 5 |
| Amortisation of investment in programmes for future sale | 101 8 | 107 1 |
| Amortisation of goodwill | | |
| - subsidiaries | 2 5 | 1 3 |
| - joint ventures and associates | 2 0 | 2 7 |
| Foreign exchange gain | (5 3) | (0 2) |
| Impairment of trade investment | 1 5 | - |
| Research and development expenditure | 3 0 | 3 1 |

3c Auditor's remuneration

| | 2008 £m | 2007 £m |
|-----------------------------------|------------|------------|
| Fees for the audit of the Company | 0 2 | 0 2 |

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

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

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

| | Group 2008 Average | Group 2007 Average | Company 2008 Average | Company 2007 Average |
|----------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Channels | 192 | 114 | 192 | 114 |
| Content & Production | 70 | 54 | 70 | 54 |
| Digital Media | 154 | 122 | 154 | 122 |
| Global Brands | 232 | - | - | - |
| Sales & Distribution | 310 | 230 | 310 | 230 |
| Magazines | 687 | 661 | 159 | 661 |
| Home Entertainment | 374 | 432 | 271 | 326 |
| Total | 2,019 | 1,613 | 1,156 | 1,507 |

Within the averages above, 136 (2007 134) part-time employees have been included at their full-time equivalent of 85 (2007 87). This includes Lonely Planet employees (within Global Brands) for the six-month post acquisition period. In addition to the above, the Group employed an average full-time equivalent of 49 (2007 51) persons on a casual basis. Their payroll costs are included in note 4b.

During the year, the magazines business was transferred by BBC Worldwide Limited to its wholly owned subsidiary BBC Magazines Limited. This transfer was effected at 1 April 2007 and resulted in total staff costs of £26.2 million being transferred to BBC Magazines Limited, representing an average number of employees of 527. This intra-group reorganisation has no impact on the Group numbers presented above but does account for the reduction in Company only employee numbers and staff costs.

4b Staff costs

| | Group 2008 £m | Group 2007 £m | Company 2008 £m | Company 2007 £m |
|-----------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Salaries and wages | 99.7 | 75.1 | 44.0 | 56.1 |
| Social security costs | 7.2 | 6.1 | 4.7 | 5.5 |
| Other pension costs | 11.1 | 3.5 | 7.4 | 3.0 |
| | 118.0 | 84.7 | 56.1 | 64.6 |

In addition to the above, redundancy costs and compensation for loss of office payments totalling £1.0 million (2007 £1.8 million) were incurred in the year.

4c BBC Pension Scheme**Pensions**

Many BBC Worldwide employees are members of the BBC's pension schemes, the BBC Pension Scheme (a defined benefit scheme) and the Group Personal Pension Scheme (a defined contribution scheme). The Group operates further defined contribution schemes in relation to UK and overseas operations.

BBC Pension Scheme

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

The scheme is subject to independent valuation by a professionally qualified actuary at least every three years, on the basis of which the actuary certifies the rate of employer's contributions. These, together with the specified contributions payable by employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the scheme.

The most recent full actuarial valuation of the scheme was prepared as at 1 April 2007 by Watson Wyatt, consulting actuaries. At 1 April 2007, the actuarial value of the assets was sufficient to cover 103% of the benefits due to members, after allowing for expected future increases in earnings.

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

- the employer contributions will increase to 19.35% from 1 July 2008. Employee contributions will rise from 6% to 6.75% from 1 April 2009 and to 7.5% from 1 April 2010, with employer contributions decreasing from 19.35% to 18.6% from 1 April 2009 and to 17.85% from 1 April 2010,
- the additional payments are no longer required.

The next formal actuarial valuation is expected to be performed as at 1 April 2010.

| Contribution rates | Projected | | Actual | | |
|--------------------|----------------|--------------|--------------|--------------|--------------|
| | 2009-2010 % | 2008-09 % | 2007-08 % | 2006-07 % | 2005-06 % |
| Employer | 18.6 | 18.8/19.35 | 18.8 | 7.5 | 6.0 |
| Employee | 6.75 | 6.0 | 6.0 | 5.5 / 6.0 | 5.5 |

BBC Worldwide, following the provisions within FRS 17, accounts for the scheme as if it were a defined contribution scheme. This is because it is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The pension cost for this scheme therefore represents contributions payable by the Group to the scheme and the costs amounted to £10.6 million in the year (2007: £3.1 million). No contributions were prepaid or accrued at 31 March 2008 (2007: prepayment of £1.5 million).

The actuarial valuation was updated for FRS 17 purposes to 31 March 2008 by Watson Wyatt, consulting actuaries. This valuation identified a surplus of £528.4 million in the scheme at 31 March 2008 (2007: surplus of £340.0 million). Additional disclosure about the scheme and its financial position under FRS 17 is provided in the BBC Annual Report and Accounts that can be obtained from The BBC Trust Unit, Room 211, 35 Marylebone High Street, London W1U 4AA.

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

The Group also operates its own defined contribution pension schemes, including those operated in the USA and Australia. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and the costs amounted to £0.5 million in the year (2007: £0.4 million).

4e Directors' remuneration

The remuneration of the Directors during the year was as follows

| | 2008 | 2007 |
|---------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Emoluments | 3,479 | 3,013 |
| Compensation for loss of office | 200 | 400 |
| Long-term incentive plan | 580 | 228 |
| | 4,259 | 3,641 |

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

| | 2008 | 2007 |
|-------------------------|-----------|-----------|
| | No of | No of |
| | Directors | Directors |
| Defined benefit schemes | 11 | 10 |
| Money purchase schemes | 5 | 6 |

The Company contributed £nil (2007 £105,000) to money purchase schemes for its Directors during the year

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

| | 2008 | 2007 |
|--------------------------|------------|------------|
| | £'000 | £'000 |
| Emoluments | 486 | 416 |
| Long-term incentive plan | 252 | - |
| | 738 | 416 |

The Company contributed £nil (2007 £nil) to money purchase schemes on behalf of the highest paid Director during the year. The highest paid Director had accrued pension benefits of £194,059 (2007 £173,000) per annum as at 31 March 2008 under the Company's defined benefit scheme. In addition to the annual bonus amount included in the emoluments number above, an equal amount has been invested by the highest paid director in the Long Term Incentive Plan for BBC Worldwide which may vest in March 2011 (2007 March 2010).

5 Prior year transactions**5a BBC America**

The BBC America television channel (BBCA) was launched in the USA in March 1998. \$139.0 million was provided by Discovery Communications Inc (DCI), an unrelated third party, to finance the launch and operating costs of the channel. DCI did not have an equity interest in BBBCA, but earned a variable commission on advertising sales and affiliate sales at levels designed to be sufficient to recover its sales service cost and its expenditure in BBBCA (but with no guaranteed level of return from BBBCA).

On 30 June 2006, BBBCA paid DCI £51.5 million (\$93.0 million) to reduce the level of future commission that DCI would earn for the services provided. This payment, net of amounts accrued in prior years, resulted in an exceptional profit and loss charge for the year ended 31 March 2007 of £46.0 million. This charge was made on the basis that the future benefits were uncertain and did not justify it being carried forward as an asset.

5b Disposal of businesses

In July 2006 BBC Worldwide sold 85% of the share capital in its wholly owned subsidiary Woodlands Books Limited to Random House Limited. A profit on disposal of £13.3 million was recorded.

In May 2006 BBC Worldwide sold its 100% shareholding in Origin Publishing Limited to OPL Holdings Limited, a company 61% owned by a management buy-out team. BBC Worldwide holds the remaining 39% stake in OPL Holdings Limited. A profit on disposal of £0.2 million was recorded.

5c Sale of fixed assets and termination of businesses

On 30 April 2004, BBC Worldwide exercised a put option to require Discovery to purchase the Group's entire 25% shareholding in Animal Planet LLC. The net book value of the Group's investment in this associate was £nil. On 3 April 2006 the sale and purchase was completed and consideration of \$80.0 million (£45.8 million) was paid to BBC Worldwide. The profit on disposal in the year ended 31 March 2007 was £45.8 million.

Termination of business costs of £2.8 million were charged in the prior year. Of this amount, £1.9 million related to the closure of the Group's retail shop operations and £0.9 million related to the cessation of the Group's business learning operations.

5d Exchange of business**Ragdoll Worldwide Holdings Limited**

In April 2006, BBC Worldwide entered into an agreement with Ragdoll Limited to form a new joint venture company, Ragdoll Worldwide Holdings Limited, which is 50% owned by BBC Worldwide. The purpose of the joint venture was to bring together intellectual property rights in certain children's properties, including Teletubbies and In the Night Garden. No gain or loss arose.

Ragdoll Developments Limited

In April 2006, BBC Worldwide entered into a second agreement with Ragdoll Limited to form a second joint venture company, Ragdoll Developments Limited, which is 50% owned by BBC Worldwide. The purpose of the joint venture is to invest in the development of new intellectual property rights. Deferred consideration of £1.7 million remains payable between April 2008 and March 2009.

The Company has a commitment to provide further loan funding to Ragdoll Developments Limited during the period to March 2009. The total loan funding to be provided amounts to £1.7 million. The loan funding is interest bearing at a variable rate of LIBOR plus a margin of 1%.

Further details of both of the Ragdoll joint venture investments are included in note 13d.

6 Interest**6a Interest receivable**

| | 2008 | 2007 |
|--|------------|------------|
| | £m | £m |
| Share of joint venture and associate interest receivable | 2.0 | 0.8 |
| Other interest receivable | 1.3 | 1.0 |
| Total interest receivable | 3.3 | 1.8 |

6b Interest payable

| | 2008 | 2007 |
|---|--------------|--------------|
| | £m | £m |
| Share of joint venture and associate interest payable | (1 6) | (0 6) |
| Loan from parent undertaking | (3 7) | (1 6) |
| Bank loans | (2.6) | (0 3) |
| Interest payable on finance leases | (0 1) | - |
| Other interest payable | (0 5) | (0 4) |
| Total interest payable | (8 5) | (2 9) |

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

The charge for the year, based on a rate of corporation tax of 30% (2007 30%), comprised

| | 2008 | 2007 |
|--|-------------|--------------|
| | £m | £m |
| Current tax | | |
| UK corporation tax | 11 6 | 12 6 |
| UK group relief payable | 3 0 | 4 6 |
| Deduct double tax relief | (4 5) | (2 6) |
| | 10 1 | 14 6 |
| Share of joint venture/associated undertakings' tax | 14 5 | 11 2 |
| Foreign tax | 7 3 | 5 2 |
| Adjustments in respect of prior years | - | 1 0 |
| Total current tax | 31 9 | 32 0 |
| Deferred tax | | |
| Origination and reversal of timing differences | 6 3 | (5 1) |
| Change in rate of UK taxation | (0 6) | - |
| Adjustments in respect of prior years | (3 2) | (3 3) |
| Total deferred tax | 2 5 | (8 4) |
| Tax on profits on ordinary activities | 34 4 | 23 6 |

7b Factors affecting the tax charge

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 30% (2007 30%) The differences are explained as follows

| | 2008 £m | 2007 £m |
|---|-------------|-------------|
| Profit on ordinary activities before tax | 112.5 | 110.0 |
| Current tax at 30% (2007 30%) | 33.8 | 33.0 |
| Effects of | | |
| Disallowed expenditure | 4.0 | 3.9 |
| Taxation on overseas dividends | 0.9 | - |
| Non-taxable income | (2.9) | (1.3) |
| Tax differential on overseas earnings | 2.4 | (2.8) |
| Utilisation of capital losses (note 7d) | - | (6.9) |
| Depreciation in excess of capital allowances | (1.2) | (1.1) |
| Other timing differences | (5.1) | 6.2 |
| Adjustments to tax charge in respect of prior years | - | 1.0 |
| Current tax charge for the year (note 7a) | 31.9 | 32.0 |

7c Analysis of deferred tax balance

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

| | 2008 £m | 2007 £m |
|--|------------|------------|
| Net deferred tax provision | | |
| Net (asset)/provision at start of year | (9.2) | 0.2 |
| Exchange adjustment | 1.7 | (1.0) |
| Acquired on investment acquisition - Lonely Planet | (1.4) | - |
| Deferred tax charge/(credit) (note 7a) | 2.5 | (8.4) |
| Net asset at end of year | (6.4) | (9.2) |
| Deferred tax (asset)/liability | | |
| UK accelerated capital allowances / deferred tax liability (note 18) | 8.7 | 11.4 |
| UK and foreign timing differences / deferred tax assets (note 16) | (15.1) | (20.6) |
| | (6.4) | (9.2) |

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

The Group has unrecognised deferred tax assets arising on capital losses totalling £27.3 million (2007 £27.3 million) These assets were not recognised on the basis that there is insufficient certainty that capital gains will arise in the Group to utilise these capital losses

7d Tax effect of prior year exceptional items

The exceptional payment to DCI set out in note 5a is fully tax deductible against the Group's US taxable income during the six year period from 2007 to 2013 A deferred tax asset for future tax deductions was fully recognised at 31 March 2007 and is included within foreign timing differences at 31 March 2008 and 31 March 2007

The profit on disposal of the Group's associate interest in Animal Planet LLC set out in note 5c was taxed at an effective rate of 15%, reflecting the cost of capital losses utilised Other exceptional items in the prior year were taxed at the UK standard rate of corporation tax of 30%, excluding non-deductible expenditure

7e Factors that may affect future tax charges

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

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

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

8 Intangible fixed assets

| | Group Other intangibles £m | Group Goodwill £m | Group Total £m | Company Goodwill £m |
|-------------------------|----------------------------------|-------------------------|----------------------|---------------------------|
| Cost | | | | |
| At 1 April 2007 | 0.7 | 14.2 | 14.9 | 0.5 |
| Additions | - | 73.7 | 73.7 | - |
| Exchange adjustment | - | 5.9 | 5.9 | - |
| At 31 March 2008 | 0.7 | 93.8 | 94.5 | 0.5 |
| Amortisation | | | | |
| At 1 April 2007 | 0.7 | 4.0 | 4.7 | 0.4 |
| Charge for the year | - | 2.5 | 2.5 | - |
| At 31 March 2008 | 0.7 | 6.5 | 7.2 | 0.4 |
| Net book value | | | | |
| At 31 March 2008 | - | 87.3 | 87.3 | 0.1 |
| At 31 March 2007 | - | 10.2 | 10.2 | 0.1 |

Goodwill additions reflect the acquisition of Lonely Planet (see note 19) and other immaterial investments in subsidiaries

Other intangible assets were amortised on a straight-line basis over 2-4 years

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

9 Tangible fixed assets – Group

| | Freehold buildings | Short leasehold buildings | Plant & machinery | Fixtures & fittings | Assets under construction | Total |
|--|-----------------------|---------------------------------|----------------------|------------------------|------------------------------|-------------|
| Group | £m | £m | £m | £m | £m | £m |
| Cost | | | | | | |
| At 1 April 2007 | 0.2 | 3.1 | 32.4 | 2.6 | - | 38.3 |
| Assets acquired in business combination | - | - | 4.2 | 0.3 | - | 4.5 |
| Additions | - | 0.1 | 10.7 | 1.6 | 2.4 | 14.8 |
| Disposals | - | - | (0.9) | (0.8) | - | (1.7) |
| Exchange adjustment | - | (0.1) | 0.8 | - | - | 0.7 |
| At 31 March 2008 | 0.2 | 3.1 | 47.2 | 3.7 | 2.4 | 56.6 |
| Depreciation | | | | | | |
| At 1 April 2007 | - | 1.7 | 20.8 | 1.8 | - | 24.3 |
| Charge for the year | - | 0.5 | 6.9 | 0.4 | - | 7.8 |
| Disposals | - | - | (0.6) | (0.5) | - | (1.1) |
| Exchange adjustment | - | (0.1) | 0.5 | - | - | 0.4 |
| At 31 March 2008 | - | 2.1 | 27.6 | 1.7 | - | 31.4 |
| Net book value | | | | | | |
| At 31 March 2008 | 0.2 | 1.0 | 19.6 | 2.0 | 2.4 | 25.2 |
| At 31 March 2007 | 0.2 | 1.4 | 11.6 | 0.8 | - | 14.0 |

Tangible fixed assets include the following assets held under finance leases

| Group | Plant & machinery | Fixtures & fittings | 2008 Total | Plant & machinery | Fixtures & fittings | 2007 Total |
|--------------------------|----------------------|------------------------|---------------|----------------------|------------------------|---------------|
| | £m | £m | £m | £m | £m | £m |
| Cost | 2.1 | 0.5 | 2.6 | - | - | - |
| Accumulated Depreciation | (0.5) | (0.1) | (0.6) | - | - | - |
| Net book value | 1.6 | 0.4 | 2.0 | - | - | - |

Assets held under finance lease and hire purchase arrangements are held in Lonely Planet. There are no assets (2007: £nil) held under finance leases in the Company.

10 Tangible fixed assets – Company

| | Plant & machinery | Fixtures & fittings | Assets under construction | Total |
|-------------------------|----------------------|------------------------|------------------------------|-------------|
| Company | £m | £m | £m | £m |
| Cost | | | | |
| At 1 April 2007 | 28 3 | 1 6 | - | 29 9 |
| Additions | 8 1 | 1 2 | 2 4 | 11 7 |
| Disposals | (3 4) | (0 9) | - | (4 3) |
| At 31 March 2008 | 33 0 | 1 9 | 2 4 | 37 3 |
| Depreciation | | | | |
| At 1 April 2007 | 18 0 | 1 0 | - | 19 0 |
| Charge for the year | 4 8 | 0 2 | - | 5 0 |
| Disposals | (2 0) | (0 6) | - | (2 6) |
| At 31 March 2008 | 20 8 | 0 6 | - | 21 4 |
| Net book value | | | | |
| At 31 March 2008 | 12 2 | 1 3 | 2 4 | 15 9 |
| At 31 March 2007 | 10 3 | 0 6 | - | 10 9 |

11 Investment in programmes for future sale

| | Group £m | Company £m |
|--|--------------|---------------|
| Cost | | |
| At 1 April 2007 | 239 9 | 227 4 |
| Additions | 88 2 | 87 7 |
| Disposals | - | (8 1) |
| Elimination in respect of programmes fully amortised | (153 6) | (153 6) |
| Exchange adjustment | (0 6) | (0 5) |
| At 31 March 2008 | 173 9 | 152 9 |
| Amortisation | | |
| At 1 April 2007 | 141 4 | 129 3 |
| Charge for the year | 101 8 | 100 3 |
| Disposals | - | (7 4) |
| Elimination in respect of programmes fully amortised | (153 6) | (153 6) |
| Exchange adjustment | (0 8) | (0 7) |
| At 31 March 2008 | 88 8 | 67 9 |
| Net book value | | |
| At 31 March 2008 | 85 1 | 85 0 |
| At 31 March 2007 | 98 5 | 98 1 |

12 Investments in subsidiary undertakings

| | Company £m |
|------------------------------|---------------|
| Cost | |
| At 1 April 2007 | 39.6 |
| Additions at historical cost | 59.8 |
| Exchange adjustment | 4.5 |
| At 31 March 2008 | 103.9 |
| Provisions | |
| At 1 April 2007 | (5.5) |
| Charge for the year | (1.5) |
| At 31 March 2008 | (7.0) |
| Net book value | |
| At 31 March 2008 | 96.9 |
| At 31 March 2007 | 34.1 |

The principal operating subsidiaries of the Company as at 31 March 2008 are shown in note 30. Additions during the year relate primarily to the acquisition of Lonely Planet.

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

| | Interests in joint venture undertakings (Group) | Investments in joint venture undertakings (Company) |
|---|--|--|
| | £m | £m |
| Cost | | |
| At 1 April 2007 | 23.4 | 82.6 |
| Additions | 3.9 | 4.5 |
| Provision | - | (1.4) |
| At 31 March 2008 | 27.3 | 85.7 |
| Share of post acquisition reserves | | |
| At 1 April 2007 | 19.7 | |
| Share of profit after taxation | 43.0 | |
| Provision for unrealised profit | (0.9) | |
| Adjustment to reflect effective obligation (note 13b) | 3.8 | |
| Dividends | (49.0) | |
| At 31 March 2008 | 16.6 | |
| Loans receivable from joint ventures | | |
| At 1 April 2007 | 0.8 | 0.8 |
| Additions | 0.7 | 0.7 |
| Provision | (1.5) | (1.5) |
| At 31 March 2008 | - | - |
| Goodwill | | |
| At 1 April 2007 | 20.9 | |
| Additions | 0.6 | |
| Amortisation (note 13d) | (1.9) | |
| At 31 March 2008 | 19.6 | |
| Net book value | | |
| At 31 March 2008 | 63.5 | 85.7 |
| At 31 March 2007 | 64.8 | 83.4 |

Additions during the year relate to the acquisition of a minority shareholding in Freehand International Pty Limited and the set up of UK VoD LLP, a joint venture between BBC Worldwide, Channel 4 and ITV

13b Flextech and Discovery Communications joint ventures

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

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

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

The Group has recognised £10.4 million share of operating profit (2007: £6.5 million) in respect of UK Channel Management Limited, as set out in note 13d below. During the year ended 31 March 2008, the Group received a £6.2 million (2007: £4.5 million) dividend from UK Gold Holdings Limited. This dividend has been included within the Group's share of operating profit of joint ventures, as set out in note 13d below.

During the year ended 31 March 2008, JV Programmes LLC achieved a net assets position and the Group has recognised a £2.9 million share of operating profit (2007: £nil), as set out in note 13d below.

13c Other joint ventures

In December 2004, BBC Worldwide completed the acquisition of a 50% equity interest in Worldwide Media Limited, a magazine publishing joint venture based in India. From December 2009, a put option is exercisable by the Group's joint venture partner. If exercised, this option would require the Group to increase its shareholding from 50% to 74%, through the purchase of 24% of its joint venture partner's shareholding. The consideration payable by the Group under this option is dependent on the future profitability of the joint venture. The Group has guaranteed bank loans outstanding in Worldwide Media Limited totalling Rupees 155 million (£20 million) (2007: Rupees 366 million, £43 million).

A put option is also held by the Group's joint venture partners in Freehand International Pty Limited which may require the Group to increase its shareholding from 25% up to 100% between 2012 and 2013.

Financial commitments in respect of the Group's joint venture interest in Ragdoll Developments Limited are discussed in note 5d.

13d Analysis of share of joint venture profits and losses

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

| Year ended 31 March 2007 | Joint venture operating profit/(loss) before goodwill amortisation | Goodwill amortisation | Share of operating profit/(loss) of joint ventures | Share of joint venture interest | Share of joint venture taxation | Share of joint venture profit/(loss) after taxation |
|---------------------------------|---|------------------------------|---|--|--|--|
| Name of entity | £m | £m | £m | £m | £m | £m |
| 2 entertain Limited | 35.5 | (7.0) | 28.5 | 0.8 | (9.4) | 19.9 |
| JV Programmes LLC | - | - | - | - | - | - |
| UK Gold Holdings Limited | 4.5 | - | 4.5 | - | - | 4.5 |
| UK Channel Management Limited | 6.5 | - | 6.5 | (0.6) | (1.6) | 4.3 |
| Other joint ventures | 0.8 | (0.5) | 0.3 | - | (0.2) | 0.1 |
| Total | 47.3 | (7.5) | 39.8 | 0.2 | (11.2) | 28.8 |

The 2|entertain goodwill amortisation charge for the prior year of £7.0 million included £5.0 million amortisation which was fully offset by the Group's 60% share of a capital contribution paid to 2|entertain by the other joint venturer (recorded within the share of joint venture operating profit before amortisation)

13e Further disclosures in respect of joint ventures

The following disclosures are based on results for the year ended 31 March 2008, except 2|entertain which is year to 31 January 2008 and JV Programmes LLC and BBC Haymarket Exhibitions which are year to 31 December 2007. These additional disclosures given below are in accordance with FRS 9. The amounts disclosed represent BBC Worldwide's equity share of the profits and losses and assets and liabilities of the entities.

| 2008 | 2 entertain Limited | UK Gold Holdings Ltd | UK Channel Mgmt Ltd | Other joint ventures | Total joint ventures |
|---|------------------------|-------------------------|---------------------------|-------------------------|-------------------------|
| | £m | £m | £m | £m | £m |
| BBC Worldwide share of | | | | | |
| Turnover | 146.8 | 49.3 | 34.0 | 44.5 | 274.6 |
| Profit/(loss) before taxation | 44.0 | 9.2 | 9.7 | (0.3) | 62.6 |
| Taxation | (12.1) | (4.2) | (2.3) | (1.0) | (19.6) |
| Profit/(loss) after taxation | 31.9 | 5.0 | 7.4 | (1.3) | 43.0 |
| Adjustment to reflect effective obligation* | - | 1.2 | - | 2.6 | 3.8 |
| Goodwill amortisation | (1.5) | - | - | (0.4) | (1.9) |
| Share of joint venture profit after taxation | 30.4 | 6.2 | 7.4 | 0.9 | 44.9 |
| Fixed assets | 8.8 | - | - | 8.8 | 17.6 |
| Current assets | 74.2 | 22.9 | 37.7 | 43.3 | 178.1 |
| Gross assets | 83.0 | 22.9 | 37.7 | 52.1 | 195.7 |
| Liabilities less than one year | (72.5) | (12.8) | (13.3) | (11.4) | (110.0) |
| Liabilities more than one year | - | (12.3) | (14.8) | (40.0) | (67.1) |
| Gross liabilities | (72.5) | (25.1) | (28.1) | (51.4) | (177.1) |
| Adjustment to reflect effective obligation* | - | 2.2 | - | 23.1 | 25.3 |
| Loan receivable from joint ventures | - | - | - | - | - |
| Goodwill | 14.1 | - | - | 5.5 | 19.6 |
| Net book value | 24.6 | - | 9.6 | 29.3 | 63.5 |

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

| 2007 | 2entertain Limited | UK Gold Holdings Ltd | UK Channel Mgmt Ltd | Other joint ventures | Total joint ventures |
|---|-----------------------|-------------------------|---------------------------|-------------------------|-------------------------|
| | £m | £m | £m | £m | £m |
| BBC Worldwide share of | | | | | |
| Turnover | 115.3 | 43.7 | 33.2 | 46.3 | 238.5 |
| Profit/(loss) before taxation | 36.3 | 9.9 | 8.4 | (1.0) | 53.6 |
| Taxation | (9.4) | (3.5) | (2.6) | - | (15.5) |
| Profit/(loss) after taxation | 26.9 | 6.4 | 5.8 | (1.0) | 38.1 |
| Adjustment to reflect effective obligation* | - | (1.9) | (1.5) | 1.6 | (1.8) |
| Goodwill amortisation | (7.0) | - | - | (0.5) | (7.5) |
| Share of joint venture profit after taxation | 19.9 | 4.5 | 4.3 | 0.1 | 28.8 |
| Fixed assets | 5.3 | - | - | 6.3 | 11.6 |
| Current assets | 63.3 | 19.7 | 33.4 | 44.6 | 161.0 |
| Gross assets | 68.6 | 19.7 | 33.4 | 50.9 | 172.6 |
| Liabilities less than one year | (47.7) | (7.6) | (10.3) | (13.9) | (79.5) |
| Liabilities more than one year | - | (18.4) | (19.5) | (44.4) | (82.3) |
| Gross liabilities | (47.7) | (26.0) | (29.8) | (58.3) | (161.8) |
| Adjustment to reflect effective obligation* | - | 6.3 | - | 26.0 | 32.3 |
| Loan receivable from joint ventures | - | - | - | 0.8 | 0.8 |
| Goodwill | 15.6 | - | - | 5.3 | 20.9 |
| Net book value | 36.5 | - | 3.6 | 24.7 | 64.8 |

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

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

| | Interests in associated undertakings (Group) £m | Investments in associated undertakings (Company) £m |
|---|---|---|
| Cost | | |
| At 1 April 2007 | (3 2) | 4 9 |
| Additions | 0 5 | 1 8 |
| At 31 March 2008 | (2 7) | 6 7 |
| Share of post acquisition reserves | | |
| At 1 April 2007 | 1 4 | |
| Exchange adjustment | (0 1) | |
| Share of loss after taxation | (6 3) | |
| Adjustment to reflect effective obligation (note 14b) | 7 7 | |
| Dividends | (0 2) | |
| At 31 March 2008 | 2 5 | |
| Goodwill | | |
| At 1 April 2007 | 2 8 | |
| Additions | 1 3 | |
| Amortisation | (0 1) | |
| At 31 March 2008 | 4 0 | |
| Net book value | | |
| At 31 March 2008 | 3 8 | |
| At 31 March 2007 | 1 0 | |

Additions during the year relate to the acquisition of minority shareholdings in Left Bank Pictures Limited and Cliffhanger Productions Limited

14b Discovery Communications

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

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

Under the terms of the agreements with Discovery and Alliance Atlantis, the Group has no obligation to fund losses incurred by the entities or to make good their net liabilities. As a result, the Group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2008 (2007: £nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation, with the exception of JV Network LLC. JV Network LLC was formed for the purpose of providing debt funding from Discovery to the other Discovery joint ventures and BBC Worldwide is not entitled to any profits arising within this entity.

14c Other associate undertakings

In addition to the arrangements with Discovery, BBC Worldwide has other associated undertakings that are listed in note 30. These are accounted for separately from the Discovery entities.

The Group's total share of operating profit of associates, including goodwill amortisation, was £1.5 million (2007: £0.9 million). The related taxation charge was £0.3 million (2007: £nil).

14d Further disclosures in respect of associate undertakings

The following additional disclosures are based on results for the year ended 31 December 2007 for the Discovery companies and Woodlands Books Limited and for the period ended 31 March 2008 for the other associates listed in note 30. These additional disclosures given below are in accordance with FRS 9. The amounts disclosed represent BBC Worldwide's equity share of the assets and liabilities of the entities.

| | 2008 £m | 2007 £m |
|---|----------------|----------------|
| BBC Worldwide share of | | |
| Turnover | 48.8 | 41.9 |
| Loss before tax | (3.7) | (13.6) |
| Taxation | (2.6) | - |
| Loss after tax | (6.3) | (13.6) |
| Adjustment to reflect effective obligation* | 7.7 | 14.7 |
| Goodwill amortisation | (0.1) | (0.2) |
| | 1.3 | 0.9 |
| | | |
| Fixed assets | 8.9 | 11.2 |
| Current assets | 46.7 | 36.6 |
| Gross assets | 55.6 | 47.8 |
| Liabilities less than one year | (41.5) | (20.1) |
| Liabilities more than one year | (122.2) | (125.2) |
| Gross liabilities | (163.7) | (145.3) |
| Adjustment to reflect effective obligation* | 107.9 | 95.7 |
| Goodwill | 4.0 | 2.8 |
| Net book value | 3.8 | 1.0 |

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

The figures are based on unaudited financial statements.

14e Interests in trade investments

| | Interests in trade investment (Group) £m | Interests in trade investment (Company) £m |
|-------------------------------|--|--|
| Cost | | |
| At 1 April 2007 | 5.0 | - |
| Transfer to other debtors | (0.8) | - |
| At 31 March 2008 | 4.2 | - |
| | | |
| Provision charged in the year | (1.5) | - |
| | | |
| Net book value | | |
| At 31 March 2008 | 2.7 | - |
| At 31 March 2007 | 5.0 | - |

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

15 Stocks

| | Group 2008 £m | Group 2007 £m | Company 2008 £m | Company 2007 £m |
|-------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Raw materials and consumables | 1 5 | 1 2 | 0 1 | 1 1 |
| Work in progress | 5 9 | 1 4 | 0 2 | 0 7 |
| Programme stock | 10 0 | 8 7 | - | - |
| Finished goods and goods for resale | 12 6 | 1 7 | 0 6 | 1 2 |
| | 30 0 | 13 0 | 0 9 | 3 0 |

16 Debtors

| | Group 2008 £m | Group 2007 £m | Company 2008 £m | Company 2007 £m |
|---|---------------------|---------------------|-----------------------|-----------------------|
| Amounts falling due within one year | | | | |
| Trade debtors | 107 4 | 89 6 | 63 6 | 62 4 |
| Amounts owed by subsidiary undertakings | - | - | 151 3 | 102 0 |
| Amounts owed by fellow subsidiary undertakings | 3 8 | - | 16 5 | 8 7 |
| Amounts owed by associates and joint ventures (note 28) | 32 9 | 19 9 | 23 9 | 18 5 |
| Deferred taxation (note 7c) | 3 0 | 3 0 | - | - |
| Other debtors | 7 8 | 4 9 | - | 2 5 |
| Prepayments and accrued income - other | 20 1 | 17 0 | 14 0 | 8 7 |
| Prepayments and accrued income - BBC | 4 8 | 18 4 | 4 8 | 18 4 |
| | 179 8 | 152 8 | 274 1 | 221 2 |
| Amounts falling due after more than one year | | | | |
| Other debtors | 3 3 | 3 3 | 3 3 | 3 3 |
| Amounts owed by associates and joint ventures (note 28) | 1 0 | - | 1 0 | - |
| Deferred taxation (note 7c) | 12 1 | 17 6 | - | - |
| Deferred launch support asset | 1 3 | 3 0 | - | - |
| | 17 7 | 23 9 | 4 3 | 3 3 |
| Total debtors | 197 5 | 176 7 | 278 4 | 224 5 |

Prior year Trade debtors and Prepayments and accrued income amounts have been decreased and increased by £5 4 million respectively to conform to the current year presentation

Deferred launch support costs comprise prepaid costs for use of channel broadcasting platforms. Other debtors falling due after more than one year comprise the present value of deferred disposal consideration receivable (note 5b)

17 Creditors

| | Group 2008 £m | Group 2007 £m | Company 2008 £m | Company 2007 £m |
|---|---------------------|---------------------|-----------------------|-----------------------|
| Amounts falling due within one year | | | | |
| Trade creditors | 61.3 | 51.2 | 37.5 | 46.1 |
| Rights creditors | 35.1 | 27.9 | 29.2 | 23.1 |
| Amounts owed to the BBC | 31.9 | 31.0 | 27.6 | 26.7 |
| Amounts owed to subsidiary undertakings | - | - | 173.1 | 125.3 |
| Amounts owed to fellow subsidiary undertakings | 2.2 | 2.5 | 2.3 | 1.5 |
| Amounts owed to associates and joint ventures (note 28) | 2.5 | 2.5 | 2.2 | 2.5 |
| Loan owed to intermediate parent undertaking | - | 16.6 | - | 16.6 |
| Corporation tax payable | 7.3 | 8.0 | 4.8 | 6.0 |
| Other creditors including other taxes and social security | 49.7 | 21.9 | 13.1 | 12.4 |
| Other short term loans | 0.8 | 0.5 | - | 0.5 |
| Finance lease creditor | 1.0 | - | - | - |
| Accruals and deferred income | 79.3 | 90.8 | 52.8 | 75.5 |
| | 271.1 | 252.9 | 342.6 | 336.2 |
| Amounts falling due after more than one year | | | | |
| Bank loans | 50.0 | 20.0 | 50.0 | 20.0 |
| Loan owed to intermediate parent undertaking | 89.5 | - | 89.5 | - |
| Finance lease creditor | 1.2 | - | - | - |
| | 140.7 | 20.0 | 139.5 | 20.0 |
| Total creditors | 411.8 | 272.9 | 482.1 | 356.2 |

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

Other creditors include a £31.0 million liability in relation to a put option of up to 25% of the issued share capital of Lonely Planet, which is exercisable by the minority shareholders for a period of up to 25 months from the acquisition date (see notes 19 and 21b). The increase in the liability between the acquisition date and the year-end date is due to exchange rate movements, as the liability is denominated in Australian dollars.

At the year-end, BBC Worldwide had an unsecured £60.0 million loan and investment facility with an intermediate parent undertaking, BBC Commercial Holdings Limited (BBC Commercial Holdings), that was due to terminate on 30 September 2008. This facility has been renegotiated subsequent to the year end. The facility was increased to £100.0 million and extended for a further year to 30 September 2009. Under this facility, interest is payable at a rate which reflects the base cost of funds to BBC Commercial Holdings after taking into account any impact of any interest rate caps taken out to hedge the same. Added to this base cost of funds will be a margin of 0.275%. At 31 March 2008, the facility was unutilised (2007: £16.6 million).

In September 2008, BBC Worldwide entered into an unsecured AU\$196.0 million loan agreement facility (£90.5 million) with BBC Commercial Holdings, which is due to terminate on 7 June 2012. Under this facility, interest is payable at a rate which reflects the base cost of funds to BBC Commercial Holdings on its Australian dollar loans after taking into account the impact of any interest rate swaps taken out to hedge the same. Added to this base cost of funds will be a margin of 0.275%. At 31 March 2008, BBC Worldwide's drawn down element of the facility was AU\$195.5 million (£90.3 million).

At 31 March 2008, BBC Worldwide had a secured loan of £25.0 million and an unsecured loan of £25.0 million with the European Investment Bank. This facility is due to terminate in November 2011 (£20.0 million) and May 2012 (£30.0 million). Under this facility, interest is payable at the European Investment Bank's own funding cost plus a margin of 0.09% on unsecured loans. At 31 March 2008, the facility was fully drawn down (2007: £20.0 million).

Other short term loans are repayable on demand or in full within 9 years and interest is charged at 0.5% above bank base rates.

17 Creditors (continued)

The minimum lease payments under finance leases fall due as follows

| | 2008 £m | 2007 £m |
|--|------------|------------|
| Within one year | 1 1 | - |
| in more than one year but not more than five years | 1 3 | - |
| After five years | - | - |
| Total gross payments | 2 4 | - |
| less finance charges included above | (0 2) | - |
| | 2 2 | - |

18 Provisions for liabilities and charges and contingent liabilities

| Group | Deferred tax (note 7c) £m | Other provisions £m | Total £m |
|--------------------------|------------------------------------|---------------------------|-------------|
| At 1 April 2007 | 11 4 | 7 4 | 18 8 |
| Provided during the year | 1 0 | 1 2 | 2 2 |
| Released in the year | (3 7) | (3 9) | (7 6) |
| Utilised in the year | - | (2 4) | (2 4) |
| At 31 March 2008 | 8 7 | 2 3 | 11 0 |

| Company | Deferred tax £m | Other provisions £m | Total £m |
|--------------------------|-----------------------|---------------------------|-------------|
| At 1 April 2007 | 11 4 | 7 4 | 18 8 |
| Provided during the year | 1 0 | 1 2 | 2 2 |
| Released in the year | (3 7) | (3 9) | (7 6) |
| Utilised in the year | - | (2 4) | (2 4) |
| At 31 March 2008 | 8 7 | 2 3 | 11 0 |

Other provisions comprise legal claims and vacant property lease obligations

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

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

19 Acquisitions

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

The total adjustments required to the book values of the assets and liabilities of Lonely Planet in order to present the net assets of those companies at fair value and under the UK GAAP accounting policies of the Group were £0.7 million. These are set out below.

| | Book value (1) £m | Fair value and accounting policy alignments (2) £m | Fair value (3) £m |
|--|-------------------------|--|-------------------------|
| Fixed assets | | | |
| Tangible fixed assets | 4.5 | - | 4.5 |
| Current assets | | | |
| Stock | 14.8 | (0.8) | 14.0 |
| Debtors | 8.5 | - | 8.5 |
| Cash | 5.9 | - | 5.9 |
| Taxation | | | |
| - Current | 1.0 | - | 1.0 |
| - Deferred | 1.7 | (0.3) | 1.4 |
| Total assets | 36.4 | (1.1) | 35.3 |
| Liabilities | | | |
| Creditors | (14.8) | 1.8 | (13.0) |
| Total liabilities | (14.8) | 1.8 | (13.0) |
| Net assets | 21.6 | 0.7 | 22.3 |
| Minority interests (25%) | | | (5.6) |
| Net assets acquired | | | 16.7 |
| Goodwill | | | 73.2 |
| Purchase consideration and costs of acquisition | | | 89.9 |

- (1) The book values of the assets and liabilities have been taken from the management accounts of Lonely Planet at 1 October 2007 (the date of acquisition) at the actual exchange rates used to settle the consideration on that date.
- (2) The adjustments between book value and fair value reflect the restatement of assets and liabilities from Lonely Planet's AIFRS-based accounting policies and estimates to the Group's UK GAAP-based accounting.
- (3) Certain fair values calculated have been determined provisionally at the balance sheet date.

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

19 Acquisitions (continued)

In its last financial year to 30 June 2007, Lonely Planet made a profit after tax of £1.1 million. For the period since that date to the date of acquisition, Lonely Planet's Australian IFRS –based management accounts show

| | 1 July 2007- 30 September 2007 £m |
|--|--|
| Turnover | 10.6 |
| Operating loss | (0.6) |
| Loss before taxation | (0.6) |
| Taxation | (0.2) |
| Loss attributable to shareholders | (0.8) |
| Exchange adjustments | (0.1) |
| Cash flow hedges | 0.3 |
| Income tax recognised directly in equity | 0.1 |
| Total recognised losses for the period | (0.5) |

In accordance with FRS 25 Financial Instruments – Presentation, a AU\$67.3 million (£28.8 million) liability (see note 17) was recognised on the date of acquisition in respect of a put option of up to 25% of the share capital of Lonely Planet, which is exercisable by the minority shareholders for a period of up to 25 months from the acquisition date. This amount was recognised within equity (see note 21b) and not as part of the cost of investment as the minority shareholders are deemed to have retained the risks and rewards of ownership for their 25% shareholding. As a result, the share of minority interest profits and losses and net assets continue to be shown as a deduction to the Group's results and net assets position. Changes to the fair value of the put option liability in the remaining 19 month exercise period, other than in relation to changes in foreign exchange rates, will be recorded in the profit and loss account within interest.

20 Called up share capital

| Group and Company | 2008 £m | 2007 £m |
|---|------------|------------|
| <i>Authorised</i> | | |
| 1,000,000 Ordinary shares of £1 each | 10 | 10 |
| <i>Issued, allotted, called up and fully paid</i> | | |
| 250,000 Ordinary shares of £1 each | 0.2 | 0.2 |

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

| | Group £m | Company £m |
|--|-------------|---------------|
| At 1 April 2007 | 118.6 | 95.8 |
| Profit for the year | 77.6 | 55.0 |
| Dividends | (49.8) | (49.8) |
| Exchange adjustment | (1.4) | - |
| Foreign exchange movement transferred to other reserves (note 21b) | 2.2 | - |
| At 31 March 2008 | 147.2 | 101.0 |

At 31 March 2008, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14.2 million (2007: £14.2 million).

In the Group reserves, £6.4 million (Company reserves, £4.5 million) of exchange losses on foreign currency borrowings have been offset in reserves against exchange gains on the related investment in overseas subsidiaries.

21b Other reserves

| | Group £m | Company £m |
|---|---------------|---------------|
| At 1 April 2007 | - | - |
| Lonely Planet put option on acquisition | (28 8) | - |
| Foreign exchange movement on Lonely Planet put option | (2 2) | - |
| At 31 March 2008 | (31 0) | - |

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

21c Dividends

| Group and Company | 2008 £m | 2007 £m |
|----------------------------------|-------------|-------------|
| Dividends paid in the year | 49 4 | 75 3 |
| Declared and accrued at year-end | 0 4 | - |
| Total | 49 8 | 75 3 |

On 6 June 2008, BBC Worldwide Limited's Board proposed and approved the payment of a final dividend of £29 0 million to BBC Ventures Group Limited

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

| | 2008 £m | 2007 £m |
|--|--------------|--------------|
| Group operating profit | 57 4 | 13 9 |
| Depreciation and amortisation | 114 2 | 113 9 |
| (Increase)/decrease in stocks | (1 0) | 0 2 |
| Increase in debtors | (15 8) | (3 3) |
| Increase in creditors | 3 8 | 4 8 |
| (Decrease)/increase in provisions | (5 1) | 2 1 |
| Cash outflow on termination of business (note 5) | - | (0 4) |
| Net cash inflow from operating activities | 153 5 | 131 2 |

23 Reconciliation of net cash flow to movement in net debt

| | 2008 £m | 2007 £m |
|--|---------------|---------------|
| Increase in cash in the year | 23 4 | 1 7 |
| Borrowings acquired with subsidiaries | (6 8) | - |
| Net cash outflow from finance leases | 0 5 | - |
| Net cash (inflow)/outflow from parent undertaking loan | (66 4) | 23 2 |
| Net cash inflow from bank loan | (30 0) | (20 0) |
| Net cash outflow in respect of other short term loans | 4 0 | 4 8 |
| Exchange adjustments | (6 7) | - |
| Change in net debt | (82 0) | 9 7 |
| Net debt at the beginning of the year | (9 8) | (19 5) |
| Net debt at the end of the year | (91 8) | (9 8) |

24 Analysis of net debt

| | 1 April 2007 | Cash flows | Acquisition (excl cash and overdrafts) | Other non cash changes | Exchange | 31 March 2008 |
|--|-----------------|---------------|---|------------------------------|----------|------------------|
| | £m | £m | £m | £m | £m | £m |
| Cash at bank and in hand | 27.3 | 23.4 | - | - | - | 50.7 |
| Bank loan due after one year | (20.0) | (30.0) | - | - | - | (50.0) |
| Loan from intermediate parent undertaking due after one year | - | (83.0) | - | - | (6.5) | (89.5) |
| Loan from intermediate parent undertaking due within one year | (16.6) | 16.6 | - | - | - | - |
| Finance leases due after one year | - | - | (1.6) | 0.5 | (0.1) | (1.2) |
| Finance leases due within one year | - | 0.5 | (0.9) | (0.5) | (0.1) | (1.0) |
| Other short term loans | (0.5) | 4.0 | (4.3) | - | - | (0.8) |
| Net debt | (9.8) | (68.5) | (6.8) | - | (6.7) | (91.8) |

25 Post balance sheet events

As set out in note 17, subsequent to the year end the Group extended the term and amount of its loan and investment facility with BBC Commercial Holdings Limited for a further 12-month period to 30 September 2009

Details of dividends paid and proposed after the year end date are set out in note 21c

On 3 April 2008, the Group acquired a 25% interest in Clerkenwell Films Limited, an independent production company

26 Commitments

Contracts placed for future capital expenditure not provided

| | Group 2008 £m | Group 2007 £m | Company 2008 £m | Company 2007 £m |
|-----------------------|---------------------|---------------------|-----------------------|-----------------------|
| Programme investments | 75.2 | 65.5 | 75.1 | 65.5 |
| Tangible fixed assets | 13.1 | 0.3 | 13.1 | 0.3 |
| Development funding | 2.1 | - | 2.1 | - |
| Other commitments | 1.7 | 2.4 | 1.7 | 2.4 |
| Total | 92.1 | 68.2 | 92.0 | 68.2 |

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

Details of the put option held by the minority interest shareholders in Lonely Planet are given in note 19. The value of put options issued to other minority interest shareholders and exercisable in the future is not reliably measurable at 31 March 2008 but is not anticipated to have a material effect on the Group balance sheet at that date

27 Operating lease commitments

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

| Group | Land & buildings 2008 £m | Land & buildings 2007 £m | Plant & machinery 2008 £m | Plant & machinery 2007 £m |
|----------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Expiring | | | | |
| Within one year | - | 0.7 | 0.1 | 0.1 |
| Between two and five years | 8.2 | 2.5 | 0.2 | 0.3 |
| After more than five years | 0.4 | 0.7 | - | - |
| Total | 8.6 | 3.9 | 0.3 | 0.4 |

| Company | Land & buildings 2008 £m | Land & buildings 2007 £m | Plant & machinery 2008 £m | Plant & machinery 2007 £m |
|----------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Expiring | | | | |
| Within one year | - | 0.5 | - | 0.1 |
| Between two and five years | 5.7 | 1.2 | - | 0.2 |
| After more than five years | - | - | - | - |
| Total | 5.7 | 1.7 | - | 0.3 |

28 Related party transactions

The related party transactions of the Group have been presented in accordance with *FRS 8 Related Party Disclosures*. Related parties of BBC Worldwide includes its subsidiary, associated and joint venture companies, its parent undertakings and fellow subsidiaries and members of key management of the Company and their close family members and its parent undertakings.

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

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

| 2008 | | | | | |
|--|---------------|-------------|--------------|-----------------|----------------------------------|
| Name of related party | How related | Income | Expenditure | Dividend income | Net debtors/ (creditors) balance |
| | | £m | £m | £m | £m |
| 2 entertain Limited | Joint Venture | 17.9 | (1.1) | 42.3 | 5.7 |
| UK Channel Management Limited | Joint Venture | 12.8 | - | 0.5 | 5.4 |
| UK Gold Holdings Limited | Joint Venture | 25.7 | - | 6.2 | 12.2 |
| JV Programmes LLC | Joint Venture | 31.9 | (1.4) | - | - |
| Other joint ventures | Joint Venture | 3.0 | (3.0) | - | (0.9) |
| Frontline Limited | Associate | 0.3 | (2.2) | 0.2 | 6.6 |
| Other associates | Associate | 5.7 | (1.0) | - | 2.4 |
| Total | | 97.3 | (8.7) | 49.2 | 31.4 |
| Total net debtors / (creditors) with related parties | | | | | |
| Debtors (note 16) | | | | | 33.9 |
| Creditors (note 17) | | | | | (2.5) |
| Total | | | | | 31.4 |

28 Related party transactions (continued)

| 2007 | | | | | |
|--|---------------|-------------|--------------|-----------------|----------------------------------|
| Name of related party | How related | Income | Expenditure | Dividend income | Net debtors/ (creditors) balance |
| | | £m | £m | £m | £m |
| 2 entertain Limited | Joint Venture | 9.2 | (0.1) | 17.6 | 5.3 |
| UK Channel Management Limited | Joint Venture | 14.0 | - | - | 5.6 |
| UK Gold Holdings Limited | Joint Venture | 21.1 | - | 4.5 | 4.5 |
| JV Programmes LLC | Joint Venture | 38.9 | (1.7) | - | 0.2 |
| Other joint ventures | Joint Venture | 3.2 | - | - | (0.9) |
| Frontline Limited | Associate | - | (2.1) | 0.3 | - |
| Other associates | Associate | 6.3 | - | - | 2.7 |
| Total | | 92.7 | (3.9) | 22.4 | 17.4 |
| Total net debtors / (creditors) with related parties | | | | | |
| Debtors (note 16) | | | | | 19.9 |
| Creditors (note 17) | | | | | (2.5) |
| Total | | | | | 17.4 |

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

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

29 Parent undertaking and controlling party

The Company's immediate parent is BBC Ventures Group Limited, which is in turn 100% owned by BBC Commercial Holdings Limited and the ultimate parent undertaking and controlling party is the British Broadcasting Corporation (BBC) that is incorporated in the United Kingdom by Royal Charter. The largest group in which the results of the Company are consolidated is that headed by the BBC. The consolidated accounts of BBC may be obtained by writing to The Director of Governance, BBC Governance Unit, 35 Marylebone High Street, London, W1U 4AA.

30 Interest in subsidiary, associated and joint venture undertakings

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

Subsidiary undertakings

| | Note | Country of incorporation or registration if outside of the UK |
|---|------|---|
| Channels | | |
| New Video Channel America LLC | (a) | USA |
| Sales & Distribution | | |
| BBC Worldwide Americas Inc | | USA |
| BBC Worldwide Canada Limited | | Canada |
| BBC Worldwide France Sarl | | France |
| BBC Worldwide Germany GmbH | | Germany |
| BBC Worldwide Japan KK | | Japan |
| UK Programme Distribution Limited (92.7%) | | |
| Content & Production | | |
| BBC Worldwide Reality Productions LLC | (a) | USA |
| BBC Worldwide Productions LLC | (a) | USA |
| BBC Magazines | | |
| BBC Magazines Limited | | |
| Bristol Magazines Limited | | |
| Magazine Services Limited | | |
| Bedder 6 Limited (50%) | | |
| Home entertainment | | |
| BBC Audiobooks Limited | | |
| Cover to Cover Cassettes Limited | (c) | |
| Worldwide Children's Co-productions Limited | | |
| Global Brands | | |
| Lonely Planet Publications Pty Limited (75%) | (j) | Australia |
| Lonely Planet Publications Inc (75%) | (a) | USA |
| Lonely Planet Publications Limited (75%) | (j) | |
| Investment companies | | |
| BBC Worldwide Investments Limited | | |
| BBC Worldwide Holdings BV | | Holland |
| Worldwide Americas Investments Inc | (a) | USA |
| Worldwide Channel Investments Limited | | |
| Worldwide Channel Investments (Europe) Limited | (d) | |
| Worldwide Channel Investments (Ontario) Limited | (d) | Canada |
| BBC Worldwide Australia Holdings Pty Limited | | Australia |

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

| | Note | Country of incorporation or registration if outside of the UK |
|---|------|--|
| Channels | | |
| UK Channel Management Limited (50%) | | |
| UK Gold Holdings Limited (50%) | | |
| UKTV Interactive Limited (50%) | (h) | |
| UKTV New Ventures Limited (50%) | | |
| UK Gold Services Limited (50%) | (h) | |
| Sales & Distribution | | |
| JV Programmes LLC (50%) | (e) | USA |
| BBC Magazines | | |
| BBC Haymarket Exhibitions Limited (50%) | (b) | |
| Worldwide Media Limited (50%) | (d) | India |
| Dovetail Services (UK) Holdings Limited (50%) | | |
| Home Entertainment | | |
| 2 entertain Limited (60%) | | |
| Ragdoll Developments Limited (50%) | | |
| Ragdoll Worldwide Holdings Limited (50%) | | |
| Digital Media | | |
| UK Vod LLP (33%) | | |
| Content & Production | | |
| Freehand International Pty Limited (25%) | | Australia |

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

| | Note | Country of incorporation or registration if outside of the UK |
|--|------|---|
| Channels | | |
| Animal Planet (Latin America) LLC (50%) | (e) | USA |
| Animal Planet (Asia) LLC (50%) | (d) | USA |
| Animal Planet Japan LLP (50%) | (d) | USA |
| JV Network LLC (50%) | (e) | USA |
| People and Arts (Latin America) LLC (50%) | (e) | USA |
| Animal Planet Japan KK (33%) | (e) | Japan |
| The Animal Planet Europe Partnership (50%) | (f) | |
| Animal Planet Canada Company ULC (23%) | (g) | Canada |
| Jasper Broadcasting Inc (20%) | (g) | Canada |
| Jasper Junior Broadcasting Inc (20%) | (g) | Canada |
| UK TV Pty Limited (20%) | (d) | Australia |
| Home Entertainment | | |
| Educational Publishers LLP (15%) | | |
| Children's Character Books Limited (25%) | | |
| Woodlands Books Limited (15%) | | |
| BBC Magazines | | |
| Frontline Limited (23%) | | |
| OPL Holdings Limited (39%) | | |
| Origin Publishing Limited (39%) | (i) | |
| Content & Production | | |
| Left Bank Pictures Limited (25%) | | |
| Cliffhanger Productions Limited (25%) | | |

Notes

- (a) owned through BBC Worldwide Americas Inc
- (b) owned through BBC Worldwide Investments Limited
- (c) owned through BBC Audiobooks Limited
- (d) owned through Worldwide Channel Investments Limited
- (e) owned through Worldwide Americas Investments Inc
- (f) owned through Worldwide Channel Investments (Europe) Limited
- (g) owned through Worldwide Channel Investments (Ontario) Limited
- (h) owned through UK Gold Holdings Limited
- (i) owned through OPL Holdings Limited
- (j) owned through BBC Worldwide Australia Holdings Pty Limited