Registered number 1420028

BBC WORLDWIDE LIMITED

Annual Report and Financial Statements for the year ended 31 March 2010

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Financial Highlights

REVENUE:

Year	2010	2009
Channels	262.6	225.6
Content & Production	97.6	88 2
Digital Media	30.0	27.5
Global Brands	70.9	61.5
Sales & Distribution	214 8	204.9
Home Entertainment	230 0	225.3
Magazines	168 3	170.6
Total	**1,074.2**	**1,003.6**
Less: share of joint ventures' revenue	(185 9)	(299.0)
Revenue	**888.3**	**704.6**

PROFIT:

Year	2010	2009
	£m	£m
Channels	39 2	29 2
Content & Production	17 6	16 8
Digital Media	(20 8)	(29 0)
Global Brands	(7 4)	(6 8)
Sales & Distribution	57 9	45 8
Home Entertainment	40 3	34 2
Magazines	18 4	16 2
Operating profit before specific items	**145.2**	**106.4**
Specific items	(5 2)	(62 3)
Operating profit	**140.0**	**44.1**
Net financing costs	(13 6)	(14 5)
Profit before tax	**126.4**	**29.6**

Throughout pages 4 to 50, references to Sales and Profit follow the definitions described below, unless otherwise stated

Sales Revenue including the Group's share of joint ventures' revenue

Profit Operating profit is stated before specific items Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies Specific items are material items which are highlighted by virtue of their size or importance to enable a full understanding of BBC Worldwide's performance A full definition of specific items is provided in Further Financial Information on page 25 and in note 4 to the financial statements

Chief Executive's Review

OVERVIEW OF 2009/10

In the year to 31 March 2010, BBC Worldwide once more produced excellent results The company's financial performance accelerated across almost every single business and in almost every single territory This was at a time when many of the world's economies were still very fragile - indeed many remain so today - and when the launch and take-up of new technologies and gadgets scarcely skipped a beat

This set of results is not a one-off We have been delivering increasing levels of profit since 2004/05 when the total result achieved in the previous year was £37m (UK GAAP) This year, three of our seven businesses - Home Entertainment, Channels and Sales & Distribution - each delivered more than that in profit on their own

In the year, we also reinvested £151 1m back into the BBC, taking our total cash return from programme investments and dividends in the years since 2004/05 to £837m Including payments to independent production companies, writers and actors, in that same period we have invested well over £1bn into the UK's thriving creative industries

During the year, we continued to optimise performance from the established parts of our business, while at the same time investing in the newer growth businesses Here are the highlights of that performance

BUSINESS HIGHLIGHTS

- **Channels:** our international network of TV channels has grown sales and profits by 16 4% and 34 2% respectively year on year Broadcasting 41 channels across five continents, of which 29 are BBC-branded, demonstrates how successfully we have shifted our strategy from one of channel joint ventures that brought little brand recognition value to the BBC, to one where we have more direct engagement with audiences and real control of the brand, as well as higher and more sustainable returns

- **Content & Production·** we continue to drive excellent profits from TV formats such as Dancing with the Stars (the international format of Strictly Come Dancing) In addition, the investments we made in start-up independent production companies in the last three years (in return for rights) have started to bear fruit Commissions for Being Erica and the BAFTA-winning Misfits and Wallander illustrate the quality of content being produced by these talented companies

- **Digital Media.** significant growth in our revenues from BBC com and continued rationalisation and improvements to our global websites brought losses in this business down from £29 0m to £20 8m Also, this year we are no longer affected by the investment requirements of Project Kangaroo (a proposed TV download joint venture prohibited by the Competition Commission in 2008/09)

- **Global Brands·** although only recently established, it is already clear this business has added significant value The team takes a small number of properties and applies brand management disciplines to build them into major international brands, deriving revenue from a wide variety of media activities – from magazines to live events Lonely Planet is one such brand During the year, despite the extraordinarily difficult conditions for the travel industry, this travel information business moved strongly into profit following a period of significant digital investment The business is managing the transition to digital extremely well When we acquired our majority stake in Lonely Planet in 2007, 9% of its revenues came from non-print activity – now that figure is 22%

- **Sales & Distribution:** in 2009/10 we have seen continuing strong growth from our Sales & Distribution business which licenses all programmes Net profit (that is, excluding internal trading) is £57 9m, up 26 4% year on year With digital customers swelling its customer base and an undiminishing demand for quality content, I see no reason why this business should not continue to deliver high returns for many years to come

Chief Executive's Review (continued)

- **Home Entertainment:** our DVD operation, 2 entertain Limited ('2 entertain'), contributed an impressive £38 2m to our profit this year This business used to be a 60 40 joint venture with Woolworths Group plc, but following Woolworths' administration in January 2009, BBC Worldwide exercised its right to acquire Woolworths' 40% stake

  The administrators challenged these rights, which were subsequently upheld by the High Court in August 2009 and the Court of Appeal in November 2009 In March 2010 we completed the acquisition of the 40% stake for an agreed sum of £17 0m 2 entertain will now be able to develop both through physical products and via online and mobile

- **Magazines:** conditions for consumer magazines in the UK were weak in 2009/10 with significant falls in advertising as a consequence of the overall economic recession Nevertheless BBC Magazines held its sales steady at £168 3m (£170 6m 2008/09) and increased profits by 13 6% to £18 4m as a result of a significant cost-reduction programme early in the year The key brands proved resilient on the newsstand and the business has now built its subscriber base to over 940,000 – an excellent achievement in difficult times But the magazines market is changing Circulation numbers and advertising patterns are all being affected significantly by digital, and future success will depend in part on a willingness to invest in new titles and online innovation As BBC Worldwide is restricted by constraints in both its borrowing capability and editorial remit, as well as having other strategic priorities, we intend to explore possible partnership opportunities to help us ensure the business is properly funded for the task ahead

OUR VALUES

A company's best foundation is the calibre and commitment of the people it employs We currently have some 2700 staff, 1800 in the UK and 900 based in over 20 offices around the world, who have to juggle market, format and brand objectives with intelligence and commercial flair I am constantly impressed with their creativity and would like to thank them for their focus over what has been a very challenging year I would particularly like to pay tribute to Garth Ancier, President, BBC Worldwide Americas, and David Abraham, Chief Executive of UKTV (our joint venture with Virgin Media), who have moved on to new opportunities Herb Scannell has joined us as President, BBC Worldwide America

Importantly, our people work within the framework of our company values and our commitment to protecting the BBC brand Our values, outlined on page 7, infuse how we conduct business and how we treat our colleagues – in short, how we get things done As such they require constant effort, and early in 2010 we invested in a programme of training and development, centred on the values, that will continue in 2011

Every company, of course, needs to be grounded in a culture of probity and awareness of the impact its operations have on people and the environment But I would venture the claim that BBC Worldwide, though not a plc, needs to evidence particularly high standards of corporate responsibility We are owned by a cherished UK broadcasting institution of international renown, and we promote and steward the BBC brand itself in markets from Iceland to Indonesia, as well as many much-loved programme brands Ensuring we have the right systems and policies – whether it's in the area of editorial compliance or customer service – is essential to us

We are currently embarking on an important new initiative called Futureworks This is an in-depth upgrade of all our IT and back office processes, designed to ensure we meet the company's and our customers' future needs More information is given about our corporate responsibility and governance initiatives on page 41 and 32 respectively

MARKET CONTEXT

Being a well spread portfolio business, BBC Worldwide is able to offset the impact of pressures in one market by taking advantage of better conditions in others This means we must keep abreast of a wide range of industry trends

Chief Executive's Review (continued)

Undoubtedly 2009 was a very hard year for the media industry as a whole Advertising income, in particular, was under pressure, falling up to 25% in some markets That was compounded by the ongoing structural changes caused by the shift to digital At BBC Worldwide, the fact that only about 15% of our income is directly derived from advertising helped us weather the storm, unlike – for example – commercial broadcasters operating in a single territory, where the vast majority of income can come from this source Another 30% comes from the sale of content to business-to-business customers for their own services, whether broadcast, online or mobile What we found is that in hard times these customers gravitated to our extensive catalogue The remaining 55% is from the direct sale of consumer products and services, and this too has held up well around the world

The market for quality television content remains strong – not least because the amount of TV being watched in mature markets, such as the US, continues to increase PwC estimate that the global television market is worth about $200bn annually Critically, Ofcom data suggests that at least 80% of this stems from locally made content The international production capability that BBC Worldwide has built up over the past two years allows us to target this substantial segment

The recession seems to have done little to slow down growth of global multichannel pay-TV penetration, which increased by 8% in 2009 to 786m homes (Screen Digest), maintaining the rate of previous years This has two positive impacts on us Firstly, it allows us to reach more homes directly with our channels And secondly, as more channels launch, it means increased demand for the programming that we license

BBC Worldwide's investment in digital services also continues to pay off We are ranked by comScore as the second largest European media company by unique users, and we have also created innovative content partnerships with leading-edge digital companies such as Apple, Google, Microsoft and Facebook

Perhaps the most exciting technological development currently unfolding is the rapid development of new digital devices – for example the iPad and Android mobile phones BBC Worldwide is a pioneer in developing new products for these Lonely Planet was a launch partner for the iPad and its 1000 Ultimate Experiences was the most popular app on the iPad app store in June 2010 Nokia launched its new 5800 mobile pre-installed with the entire second series of hit comedy Gavin & Stacey

These pay-TV and digital trends have opened up much stronger business-to-consumer opportunities than in the past Of course, the commercial returns from operating your own consumer services (instead of selling rights to others) tend to be much better Control of your own services allows you to brand, commission, schedule and promote the programmes and services you choose However, with so much consumer choice, ensuring that products, customer service and audience relationships are all first class is more important than ever Only the best will prosper

BRINGING THE UK TO THE WORLD

We are extremely proud of the role we play in supporting the UK's creative industries and exporting the best UK intellectual property around the world Currently we account for around 10% of the sector's total (DCMS Creative Industries Economic Estimates Statistical Bulletin 2009) and represent the BBC, over 300 independent production companies and literally thousands of rights holders

As I look at the excellent new programming coming through the pipeline – from the BBC-produced factual series The Human Planet for BBC Two to Hartswood Films' crime series Sherlock for BBC One – my faith in the quality of the UK content rises to an even higher level I believe the technological changes happening in the global media industry can deliver important opportunities for our sector, and at BBC Worldwide we look forward to playing a significant part in developing these in the year ahead and beyond

Business review

HOW WE DO BUSINESS

Our values go hand in hand with the BBC brand This means we prioritise pursuing excellence in editorial standards, protecting the BBC brand and reputation, compliance in all commercial activities with the BBC's Four Commercial Criteria (4CC) as set out on page 40, putting our audiences and customers first, and a commitment to a programme of continuous appraisal and improvement, not only in these areas but also in corporate governance and business ethics

As part of our commitment to this goal, we

- demand and expect exacting editorial standards,
- care about the working conditions of those who make products for us and our licensees,
- endeavour to reduce our environmental impact and carbon emissions,
- support the development and welfare of our people and seek to build a diverse workforce, and
- engage with the communities in which we work

We have highlighted some of our recent work in improving editorial standards and ethical sourcing here Information about our other Corporate Responsibility initiatives can be found in the Governance section

ETHICAL SOURCING

Our values lead us to show respect for those who manufacture products for us and our licensees It is highly important that we ensure suppliers adhere to our ethical sourcing policy, which is designed to improve conditions for workers in high risk territories Factories are independently checked and graded each year

In line with this policy, over the past year we have reviewed all factories commissioned to produce BBC Worldwide products around the world and now have a highly rated ethical sourcing programme Only suppliers who engage fully with that programme, and meet clearly defined standards, are allowed to produce BBC Worldwide branded products During the year we commissioned capacity-building projects with factories in China producing covermounts for our magazines to help the management improve worker conditions Elsewhere we have agreed action plans with licensees in order to find sustainable ways for their factories to control working hours

EDITORIAL STANDARDS AND BRAND VALUES

At the heart of the company is a commitment to the integrity, reputation and values of the BBC brand BBC Worldwide's commitment is underpinned by an extensive set of editorial guidelines and internal quality controls which touch every aspect of our business

This framework of editorial controls is constantly evolving to adapt to the needs of a changing business There is an increasing emphasis on editorial issues as the business has moved beyond pure distribution of content to developing direct to consumer propositions such as BBC-branded channels that offer BBC content Recognition of this shift led to the creation of BBC Worldwide's current Editorial Framework This includes a widely published set of Editorial Principles, a Worldwide Executive Committee level Editorial Champion, Editorial Leaders for each business, and a dedicated Editorial Standards Adviser Over 1,600 people have been trained in 'Safeguarding Trust', and we have produced a new, single, comprehensive set of Advertising and Sponsorship Guidelines

BBC Worldwide's marketing team has developed a Brand Tracker to measure the presence, relevance and appreciation of the key BBC brands and their link to the overall BBC masterbrand Major competitors' brands, the BBC masterbrand, and BBC sub-brands are tracked annually across key territories and measured by specific brand equity and brand links back to the BBC

In our Magazines business, Editorial Advisory Boards ('EAB'), work alongside all BBC magazines (such as Radio Times, Gardeners' World, Good Food and Top Gear) and their dedicated websites, and play a key role in ensuring that the magazine portfolio reflects the BBC's public purposes and editorial values The EAB are overseen by an Annual Review Panel, consisting of external experts and senior representatives from Magazines, BBC Vision and BBC Audio and Music

As the business evolves, BBC Worldwide is committed to a process of continuous appraisal, refinement and improvement of the Company's Editorial Framework to ensure our standards remain high

Business review (continued)

CHANNELS

Channels provides a global showcase for the best of British TV via a portfolio of 41 international channels, 29 of which are BBC branded In the UK its pay-TV joint venture with Virgin Media, UKTV, provides a secondary market for BBC programming

Sales (£m)		
Year	2010	2009
EMEA	173 4	159 5
Americas	52 5	47 3
Rest of World	36 7	18 8
Channels	**262.6**	**225.6**

Profit/(loss) before specific items (£m)		
Year	2010	2009
EMEA	31 8	29 2
Americas	6 0	4 3
Rest of World	1 4	(4 3)
Channels	**39.2**	**29.2**

Overall, Channels delivered sales of £262 6m, an increase of 16 4% on 2008/09, and £39 2m in profits, an impressive 34 2% up year on year

The year's focus was consolidation and growth of our owned & operated (O&O) thematic channels, rolled out in 2006 and driving increased distribution since

Year on year O&O revenue was up 29 7% driven mainly by subscription income resulting from additional carriage in Australia of CBeebies and BBC Knowledge and full-year revenues from prior-year channel launches in Australia, Scandinavia, Africa and Latin America While the global multi-channel TV advertising industry declined 7 1% in 2009 (PwC), Channels grew its international advertising sales by 41 3% Profits generated by this portfolio more than doubled

EMEA
In the UK, re-branding of the UKTV portfolio that began in 2007/08 was completed A newly re-branded Good Food channel (previously UKTV Food) premiered in July to complement our magazine and website

In Europe, BBC Prime was re-branded as BBC Entertainment to bring the channel in line with the O&O portfolio and programming hours were increased In Scandinavia, a deal with Sweden's Com Hem led to the launch of BBC Knowledge and BBC HD The business saw significant growth in advertising sales – in Africa by 97 3% and in Poland by 61 6%

A full year of equity participation in Animal Planet Europe, part of our joint venture with Discovery Communications Inc (DCI), also increased overall profit

Americas
BBC America had its best-ever ratings, owing to the success of Torchwood and Doctor Who Distribution grew to 67m homes, BBC America HD launched in July, and a dual feed was launched to deliver the same primetime schedule on both US coasts The process of bringing affiliate sales in-house (currently managed by DCI) began with the appointment of a new team BBC World News America, our US-facing nightly bulletin, had an outstanding year, winning two Peabody Awards, a News & Documentary Emmy and two RTCA David Bloom Awards

In Canada, Channels has a joint venture with CanWest for BBC Canada and CBeebies

Latin American distribution grew through our Televisa partnership for BBC Entertainment and CBeebies Further carriage deals were secured in Central America and a pan-region advertising sales team was established in Mexico with sales of $1m (£0 8m) in their first six months

Business review (continued)

Asia Pacific
Our existing brands became available on major platforms in Australia through a distribution deal with AUSTAR in September This increased reach for BBC Knowledge and CBeebies The deal also saw the launch of an HD simulcast of UKTV, our wholly owned entertainment channel UKTV was Australia's third top performing subscription channel and was once again New Zealand's leading general entertainment channel

CBeebies' first local production – Penelope K, by the way – was commissioned from Blink Films pty

In Asia, major cable and IPTV deals led to increased distribution in South Korea, Hong Kong and Singapore and revenue increased by 70 4%

Global Ad Sales
BBC Worldwide Ad Sales reports through and represents Channels and serves three other stakeholders World News, BBC com and Lonely Planet Despite a challenging year in global advertising markets, overall sales remained flat year on year representing actual share growth for all stakeholders Whilst BBC America (up 22 1%) and BBC com (up 41 7%) enjoyed double digit year-on-year growth, BBC World News had a difficult first half, reflecting disproportionate cuts in pan-regional advertising budgets, but successfully recovered growth in the second half

Outlook
In 2010/11 we will launch new channels in the US and take BBC HD into more markets as well as exploring new opportunities in Western Europe and Asia We will continue to invest in our O&O channels, grow our global Ad Sales operation and develop our localisation strategy by investing in more co-productions and original commissions

Business review (continued)

CONTENT & PRODUCTION

Content & Production generates a growing pipeline of content by investing in BBC and indie-produced programming, developing funding solutions to help greenlight new shows and building relationships with talent It licenses and produces TV formats for other broadcasters and creates new programming via its production network

Sales (£m)		
Year	2010	2009
Format Business	94 2	83 8
Content Acquisition	-	-
Live Entertainment	3 4	4 4
Content and Production	**97.6**	**88 2**

Profit/(loss) before specific items (£m)		
Year	2010	2009
Format Business	22 9	22 0
Content Acquisition	(7 3)	(6 2)
Live Entertainment	2 0	1 0
Content and Production	**17 6**	**16.8**

Overall sales were up 10 7% year on year to £97 6m helped by growth in the format business in the US, India and EMEA Profits increased to £17 6m, a result of strong growth in the Live Entertainment business and the ongoing success of Dancing with the Stars (Strictly Come Dancing in the UK) in the US

Format Business
We now have wholly owned production bases in the US (New York and LA), India and France, joint ventures and associates in Canada (Temple Street), Australia (Freehand), Argentina (GP Media) and Germany (Tower Productions), and production/distribution arrangements in Russia (with MIR Reality) and Brazil (Mixer) This strategy adds production fees and ancillary revenue to licensing income while providing greater influence and control over the quality of finished programmes

International success continues with proven formats such as Dancing with the Stars and Top Gear In the US, the LA office produced its tenth season of Dancing with the Stars for ABC, premiering with the largest audience in the show's history In New York, cable commissions included an eighth season of What Not to Wear (for TLC) India had a good year producing a new season of Dancing with the Stars (for Sony) and Baby Borrowers (NDTV), as well as winning a commission for Celebrity Sleepover (NDTV) France developed a local version of People's Quiz and a Louis Theroux adaptation, both for TF1 In Australia, season nine of Dancing with the Stars was produced for Seven Network and a third series of Top Gear was commissioned gaining a higher commercial profile as a result of its move from SBS to Nine Network

Despite American networks' preference for established formats, our US production offices also succeeded in getting a number of scripted developments underway with ABC and HBO

Content Acquisition
In 2009/10, Content Acquisition costs increased by 17 2%, these costs support investment in BBC and non-BBC rights across the whole company, as well as management of our equity stakes in several UK indies This year, BBC investments included Doctor Who and Top Gear in addition to new titles such as crime drama series Luther Science, Natural History and History titles remain strong sellers internationally and titles such as Universal, Planet Dinosaur, Egypt and Atlantis are expected to perform well

The business continues to work closely with independent production houses to find funding solutions for format and content acquisition Development deals were agreed with Nutopia, Neal Street and Ten Alps in addition to investment in titles such as Primeval 4 and 5 (Impossible), Outcasts (Kudos), Earthflight (John Downer) and Mo (ITV Studios) about the late Mo Mowlam, for which Julie Walters won a Bafta

In recent years, acquisition activity has included taking minority equity stakes in a small number of production companies In 2009/10, these companies provided over 100 hours of programming, delivering £17 0m of distribution revenue from titles such as Wallander, Gavin & Stacey and Being Erica

Business review (continued)

Live Entertainment
Profits from Live Entertainment doubled as a result of strong margins from this year's main show, Walking with Dinosaurs As our live shows are built around our major brands and children's properties, the business moved into Global Brands just after year end

Outlook
The format business will focus on growing output from its production bases and partnerships around the world In the US there will be a concerted drive to greenlight scripted formats and, in the UK, we will continue to identify strong investment opportunities, and help the BBC and the independent sector supplement production budgets The business has also introduced a Talent and Brand Ventures operation with the aim of creating deeper relationships with on-screen talent and ensuring the potential of their intellectual property is fully maximised

Business review (continued)

DIGITAL MEDIA

Digital Media develops new opportunities to deliver our content to consumers via digital platforms including mobiles It also has 50m+ users of BBC com, the international version of the BBC's website

Sales (£m)		
Year	2010	2009
bbc com	14 5	10 2
Global Websites	3 8	3 3
BBC Motion Gallery	11 7	14 0
Digital Media	30 0	27 5

Profit/(loss) before specific items (£m)		
Year	2010	2009
bbc com	(13 0)	(12 0)
Global Websites	(5 3)	(15 0)
BBC Motion Gallery	(2 5)	(2 0)
Digital Media	(20 8)	(29 0)

Sales of £30 0m in 2009/10 represent year-on-year growth of £2 5m or 9 0% The business reduced losses from £(29 0)m last year to £(20 8)m in 2009/10

BBC.com

BBC com is the international version of the BBC's renowned news site bbc co uk, and revenues come almost exclusively from advertising which can be seen only outside the UK In 2009/10 it generated sales of £14 5m, which represents growth of 41 7% on the prior year Losses for the year increased from £(12 0)m in 2008/09 to £(13 0)m owing to additional co-investment with the BBC in the technology infrastructure and investment in sales capability In most other areas, operating costs were contained or reduced year–on-year

Traffic grew to 54m monthly users (Omniture Mar 2010) and the site has now established a broad range of global advertisers across Europe, Asia and North America The recession impacted the first half of the year but in the second half the business grew across all markets and gained greater traction in the US

Investment continued on the development of a new technical platform designed to deliver a more flexible site enabling enhanced localisation to drive ad sales This will be unveiled in 2010/11 Future plans include a travel site within BBC com and investigating ways of introducing iPlayer functionality for international audiences

Global Websites

The sites topgear com, bbcgoodfood com, radiotimes com and gardenersworld com support their namesake BBC Worldwide brands in the web arena Revenues, mainly derived from advertising, have been under pressure (UK online display advertising revenue shrank by 4 4% in 2009 – IAB) Despite this, global websites increased sales by £0 5m to £3 8m in 2009/10, representing 15 4% growth year-on-year Only the smallest property, gardenersworld com, experienced decline (8 4%) along with the market, while bbcgoodfood com, topgear com and radiotimes com revenues grew by 113 5%, 25 4% and 16 0% respectively This was achieved thanks to a huge growth in traffic, social media marketing and a good performance from the ad sales team

Traffic to topgear com and bbcgoodfood com was up by 62 5% and 131 3% respectively (Google Analytics) gardenersworld com won Website of the Year 2009 at the Garden Media Guild Awards Radio Times and BBC Good Food developed successful iPhone apps, with the former becoming one of Apple's top paid for apps of 2009

Global Websites figures also include the costs of Kangaroo, a joint venture with ITV and C4 blocked by the Competition Commission (2008/09), and development of alternative video-on-demand strategies (2009/10) The operation was re-organised in 2009/10 with non-performing sites such as bbcgreen com closed and the staff base rationalised

Business review (continued)

BBC Motion Gallery

Motion Gallery licenses footage from the BBC archive for use in films, advertisements and TV programmes With most of BBC Motion Gallery's clients being in the broadcasting and advertising sectors it was impacted by the economic downturn Sales of £11 7m were 16 6% down year on year The headline loss for the year was £(2 5)m, but this included one-off costs related to implementing a new sales and operational strategy in partnership with Thought Equity Motion (TEM) Under the deal, BBC Motion Gallery will benefit from TEM's advanced technology platform and the two operations will cross-represent sales TEM will represent Motion Gallery sales in North America and Asia Pacific with Motion Gallery selling for both in EMEA It is anticipated this will deliver faster growth and lower operating costs

Outlook

Prospects for the online advertising market are considerably improved for 2010/11 but the level of recovery will vary market by market The year will see BBC com launch a range of new services, including localised editions and apps for both mobile and internet TV platforms

Business review (continued)

GLOBAL BRANDS

Global Brands drives greater long-term value from our premium multi-format brands, including Top Gear and Lonely Planet It also operates businesses such as licensing that generate the majority of revenues from these hit brands

Sales (£m)		
Year	**2010**	**2009**
Lonely Planet	51 4	43 0
Licensing	19 5	18 5
Global Brands	**70.9**	**61.5**
Memo reporting of key brands*	147 3	128 1
Global Brands (memo)*	**218.2**	**189.6**

Profit/(loss) before specific items (£m)		
Year	**2010**	**2009**
Lonely Planet	1 9	(3 2)
Licensing	0 3	3 1
Intangibles amortisation	(1 9)	(2 1)
Brand management	(7 7)	(4 6)
Global Brands	**(7 4)**	**(6.8)**
Memo reporting of key brands*	51 5	38 5
Global Brands (memo)*	**44.1**	**31.7**

* Including Top Gear, BBC Earth, Doctor Who

Global Brands reported sales of £218 2m, up 15 1% on the previous year, and profit of £44 1m, up 39 1% These figures include commercial activity on Top Gear, Doctor Who and BBC Earth across all businesses within BBC Worldwide This activity is reported in each relevant business area, and additionally memo reported here in Global Brands As such, Global Brands' standalone position consists of Lonely Planet, Licensing, and the costs of managing and developing the brands

Lonely Planet
Lonely Planet had a year of very good growth, despite the continued depression of the travel market Sales were up £8 4m to £51 4m, growth of 19 5%, while profit grew to £1 9m – an improvement of £5 1m on last year

In its primary book markets of the UK, US, and Australia, the company grew market share This resulted from a strong set of new titles, including a new Discover series offering the best of destinations in full colour However, book sales remain depressed with total volumes in these primary markets down some 25% compared with 2007 (the year of acquisition)

The digital business grew strongly, up 37 2% on last year and producing 22 1% of total revenue The website lonelyplanet com ended the year with traffic up 17 0% compared to the same period last year The digital team has been strengthened with a number of new appointments

Licensing
Licensing is made up of merchandising, BBC Children's Books (our partnership with Penguin), and our joint venture with Ragdoll to represent their pre-school brands including In the Night Garden and Teletubbies Revenue grew by 5 4% to £19 5m, but profits fell to £0 3m because of higher contributor costs for merchandising, plus lower profits from Children's publishing

Top Gear, Doctor Who, and BBC Earth
These three brands have grown strongly, with sales across the company rising by 15 0% to £147 3m and profit by 33 8% to £51 5m Top Gear's strategy of driving sales of the UK version of the show as well as developing local formats continues to prove successful, with a US version agreed with The History Channel during the year At Christmas, the Where's Stig? book topped The Sunday Times non-fiction UK hardback chart for two weeks

Business review (continued)

Despite the lack of a full new series in 2009/10, Doctor Who performed strongly thanks to exploitation of the back catalogue, and the success of four TV specials in maintaining public interest The near-simultaneous transmission of the new series with Matt Smith as the Doctor took place in Australia, Canada and the US in April 2010, just two weeks after the UK, creating significant buzz and helping to limit piracy

BBC Earth, our umbrella brand for natural history content, has been rolled out across our DVDs, books and other products to ensure credit comes back to the BBC The team drives the success of hit titles such as Life through brand partnerships and consumer marketing, and has established a weekly BBC Earth branded block on BBC America

Brand management and development

The costs of managing and developing the brands increased by £3 1m to £7 7m in 2009/10 This increase was primarily a result of staff costs that were previously paid by other businesses now being fully paid by Global Brands, and investment in brand marketing

Outlook

Since April 2010, Global Brands has taken on responsibility for the Dancing with the Stars brand, and running several other businesses which are heavily reliant on our key brands – Global Websites (our branded websites), Live Entertainment, our adult books partnership with Random House and BBC Active (our partnership with Pearson) The year ahead should be a big year for Doctor Who as we aim to capitalise on the success of the new series with a range of new products and live events The speed of economic recovery will continue to influence Lonely Planet's performance, and we look forward to delivering the US version of Top Gear

Business review (continued)

SALES & DISTRIBUTION

Sales & Distribution licenses our extensive catalogue of principally UK programming and ancillary rights to customers around the world It stages BBC Showcase – the world's largest international television market hosted by a single distributor

Sales (£m)		
Year	**2010**	**2009**
EMEA	134 8	139 8
Americas	64 0	66 3
Asia Pacific	42 0	34 7
Sales and distribution (Gross)	**240 8**	**240.8**
Less internal trading of	(26 0)	(35 9)
Sales and distribution (Net)	**214.8**	**204.9**

Profit/(loss) before specific items (£m)		
Year	**2010**	**2009**
EMEA	42 6	40 7
Americas	4 8	7 8
Asia Pacific	16 8	12 9
Sales and distribution (Gross)	**64 2**	**61.4**
Less internal trading of	(6 3)	(15 6)
Sales and distribution (Net)	**57.9**	**45 8**

Sales, before eliminating trading with other BBC Worldwide businesses, held steady year on year at £240 8m and profit increased 4 6% to £64 2m This was a good performance given that many customers froze or reduced their content budgets In 2009/10 the team sold around 60,000 hours of programming including 9,000 hours to digital platforms Profits increased mainly as a result of increased volumes, higher-margin licensing deals and exchange-rate benefits caused by a weak sterling

BBC Showcase, our unique annual sales fair held in Brighton, UK, maintained high attendance (nearly 500 customers) and new digital buyers such as iTunes and Nokia attended for the first time

The Content Syndication team, which sells largely to the online distribution market, became a key supplier to iTunes during the year signing up Canada and Australia In the US, Torchwood Children of Earth, Top Gear and Doctor Who all hit No 1 in iTunes Top TV Seasons charts Sales to other digital partners, including Xbox, continue to grow

EMEA

In a challenging economic climate across the region, sales fell slightly to £134 8m (£139 8m 2008/09) The strongest performances came from Scandinavia, Italy and our Sports Sales team Sales to UK customers declined in tandem with the decrease in their advertising revenues, and in Germany sales were affected by fewer co-production opportunities Profit was up by 4 7% to £42 6m because the sales mix included higher margin properties

Sales drivers included Top Gear, Torchwood and Primeval Significant deals in Scandinavia and Benelux realised the value from Top Gear's exceptional performance in these markets We also emphasised the back catalogue, placing properties such as Inspector Lynley and Teletubbies with broadcasters throughout Europe

Americas

Economic factors, including exchange rates, affected both sales and profits in this region – down 3 5% and 38 5% respectively Public Broadcast Service (PBS) sales were strong in the year despite cuts to PBS funding and during the year co-production deals were struck for the drama series Sherlock, Aurelio Zen and Primeval, amongst others, all of which will come to fruition in 2010/11

The Latin America team, aided by another successful Showcase event in Rio de Janeiro, made major sales to TBS Latin America (including HD content for the first time) and TV Azteca – Mexico

In Canada sales were impacted by challenging market conditions However sales highlights include Torchwood Children of Earth and Doctor Who to the sci-fi Channel Space

Business review (continued)

Asia Pacific

Sales in Australia and New Zealand rose by 31 0% year on year with over 6600 hours of programming sold (16% up on prior year) Among the top-selling titles by revenue were Top Gear, for which we negotiated a new free-to-air partner, Life and Waking the Dead Significant exchange rate gains benefited sales and profits

Asia enjoyed an excellent year in 2009/10 thanks to the establishment of new relationships and a sophisticated windowing strategy Sales, driven by Life and Rocketmen (BBC Worldwide's first science film release), increased 37 6% year on year to our best result ever in this region Video-on-demand business continued to grow including deals with SingTel and Chunghwa

Outlook

Judging by discussions with buyers at Showcase and advertising forecasts, we believe the market for UK finished programmes should improve in 2010/11 Co-productions will be significant, particularly in EMEA and the US, as we look to developing alternative funding We will continue to embed digital competencies across all areas of the business to maximise the value of our content

Business review (continued)

HOME ENTERTAINMENT

Home Entertaınment creates consumer products that complement programmıng and extend brands It ıncludes 2 entertaın, our DVD publıshıng busıness, and Audıo & Musıc, whıch markets great spoken word and musıc content around the world

Sales (£m)		
Year	2010	2009
2 entertaın/DVD	193 5	185 8
Audıo and musıc	25 9	27 2
Audıocall*	-	0 7
Books, Learnıng and Retaıl	10 6	11 6
Home Entertaınment	230 0	225 3

Profit/(loss) before specıfic ıtems (£m)		
Year	2010	2009
2 entertaın/DVD	38 2	31 4
Audıo and musıc	1 7	3 0
Audıocall*	-	(0 6)
Books, Learnıng and Retaıl	0 4	0 4
Home Entertaınment	40 3	34 2

* Audıocall was closed down ın 2008/09

Home Entertaınment returned profits of £40 3m (up 17 8% on 2008/09) on sales of £230 0m (up 2 1% year on year) The 2009/10 figures ınclude eıght months of control of 2 entertaın A 4 1% uplıft ın DVD sales was offset by reduced revenue from other consumer products such as books (managed vıa partnershıps wıth Random House and Pearson) The same pattern emerges at profit level

2 entertain/DVD
DVD publıshıng remaıns a strong profıt generator for BBC Worldwıde – £38 2m ın 2009/10 Our acquısıtıon of the 40% stake ın 2 entertaın prevıously owned by Woolworths Group plc was completed durıng the year, creatıng substantıal value for the company, the BBC and the lıcence fee payer (see page 23)

In addıtıon to benefitıng from the ımpact of full ownershıp of thıs busıness, underlyıng tradıng has been strong The busıness has outperformed the market ın the UK, demonstratıng ıts resılıence ın shıeldıng products from the downward prıcıng suffered by other catalogues

2 entertaın's UK market share by value ıncreased from 7 9% to a peak of 8 5%, rankıng the company at number sıx ın the UK The UK bestsellers were Davıd Attenborough's Lıfe serıes, Gavın & Stacey Serıes Three and Gavın & Stacey The Complete Collectıon, Only Fools and Horses The Complete Collectıon and Clarkson Duel The US market accounted for 29 0% of our vıdeo sales thıs year, wıth Planet Earth contınuıng to sell well (over 5 1m unıts ın total to date) The value of the US market (ıncludıng the Blu-ray format) was down 8 0% ın 2009 and, although 2 entertaın's US sales followed a sımılar trend, the busıness grew profit year on year through strong management of costs In Australıa, the BBC DVD label earned Au$66 8m (£35 7m) at retaıl wıth Top Gear Great Adventures Helmet beıng the top seller by value

One reason for the strong performance of 2 entertaın was the speed wıth whıch we moved to address the wholesale and retaıl ımpacts of Woolworths Group's collapse at the end of 2008 and through 2009 In addıtıon, excellent ın-store poınt-of-sale and posıtıonıng, plus tactıcal use of talent for greater marketıng ımpact was hıghly effectıve Onlıne sales channels such as Amazon also delıvered ıncreased volumes, wıth BBC-branded products performıng well

Audıo and Music
The Audıo and Musıc busıness operated ın challengıng markets although sales declıne has been sıgnıficantly mıtıgated by careful cost control The Musıc team has buılt a strong catalogue of over 100 hours of TV content for ınternatıonal dıstrıbutıon, ıncludıng the UK musıc festıval Glastonbury and the Rollıng Stones documentary Exıle on Maın Street Followıng ıts launch at BBC Showcase ın February 2010, thıs documentary has been sold to 12 countrıes ıncludıng Israel, France and Australıa A Robbıe Wıllıams concert (part of the BBC's Electrıc Proms season 2009) was broadcast to over 250 cınemas across 23 countrıes, settıng a new Guınness World Record for the most sımultaneous cınematıc screenıngs of a lıve concert

Business review (continued)

We are pursuing strategic options for our BBC Audiobooks business, particularly through a disposal Though digital downloads of our titles are growing (29 0% of purchases by volume are now digital), the business is strategically non-core, and we believe a faster transition from physical to digital distribution can be achieved

Outlook

The priority for 2010/11 is to deliver our new strategy for 2 entertain and take advantage of the efficiencies made possible by full ownership Though sales of physical video products are trending downwards, purchasing by collectors and those buying DVDs as gifts remains buoyant Driving digital video sales is key to growth and we are developing plans to exploit our content across all digital platforms To that end, the download-to-own business has transferred into Home Entertainment from Sales & Distribution and works alongside the DVD team to ensure synergies and windowing strategies align We also intend to invest in more quality music TV content for international distribution

Business review (continued)

MAGAZINES

Magazines extends viewers' enjoyment of BBC programming in the UK through a portfolio of high-quality consumer magazines and events Its international licensing operation and joint ventures take this print content to an even wider audience in over 50 countries

Sales (£m)		
Year	2010	2009
Radio Times, Lifestyle, Specialist	116 9	117 9
Children's Magazines	28 4	32 7
Joint ventures and associates	23 0	20 0
Magazines	**168 3**	**170 6**

Profit/(loss) before specific items (£m)		
Year	2010	2009
Radio Times, Lifestyle, Specialist	16 5	16 3
Children's Magazines	1 3	2 0
Joint ventures and associates	0 6	(2 1)
Magazines	**18 4**	**16.2**

Children's & Licensing transferred to Global Brands during the year

Consumer magazines have faced a difficult environment in the UK over the last 12 months advertising revenue and newsstand circulations both fell for the market as a whole However magazine subscriptions were more resilient Against this background, Magazines' sales fell only 1 3%

BBC Magazines put in place a range of cost-control measures in mid-2008, followed by a major restructuring from May 2009 As part of the restructure, it was decided that it was no longer viable to operate Good Homes profitably and we sold the title These restructuring and cost-control measures contributed to an increase in profit of 13 6%

Radio Times, Lifestyle, Specialist

Our four biggest titles – Radio Times, Good Food, Gardeners' World and Top Gear – all maintained their market-leading positions Radio Times increased its share of the premium listings market and Top Gear now sells more than the next two motoring magazines combined Other specialist titles, including History, Focus and olive, continued to grow circulations against the overall market trend Our travel magazine Lonely Planet posted encouraging initial ABC circulations and was recognised with four awards, including Consumer Travel Publication of the Year in the Travel Press Awards and BSME New Consumer Editor of the Year

Overall circulation for the adult portfolio rose slightly year on year (2 40m against 2 37m copies in the previous year) – a testament to our strong brands and our high editorial and production values (All figures ABC Jul-Dec 2009) Subscriptions, which have been a strategic focus for the past five years, grew 9 6% during the year to an all time high, now 940,000

The major magazines were operated in close co-operation with their sister websites in Digital Media which enjoyed a strong year (see page 12)

Our portfolio of international licensed editions continues to grow with 46 licences in place across 11 titles and 54 territories by year end Lonely Planet, which was always conceived as a title with significant international potential, now has seven international editions, including India and France More are in the pipeline

Children's Magazines

During the year, Magazines invested in the launch of its first partwork for children – Top Gear Turbo Challenge This product has quickly become the biggest partwork property in the UK by volume and is expected to generate a significant profit in 2010/11 BBC Magazines continues to refresh its pre-school portfolio, and launched Waybuloo and CBeebies Special

Business review (continued)

Joint Ventures and Associates
UK joint ventures and associate companies comprise Frontline (magazine distribution) with Haymarket and Bauer, Dovetail (subscription fulfilment) with Dennis Publishing and BBC Haymarket Exhibitions (consumer shows) with Haymarket Exhibitions Globally we operate magazine publishing joint ventures in India with Times of India (Worldwide Media) and in Australia with ACP Magazines, as well as the Top Gear Live events business with Brand Events Taken together the joint venture and associate businesses moved into profitability this year as past investments started to pay off The previous year's figures had also been reduced by an impairment charge in relation to Worldwide Media in India

Outlook
We are expecting a further increase in profitability for Magazines in 2010/11 as investments in the current year are realised and as the business sees a full-year benefit from the 2009 restructure Magazines has exceptionally strong brands, delivers consistent value to advertisers and readers, and operates in market sectors which we expect to remain relatively resilient, in spite of longer-term concerns about the health of markets for printed products This continues to provide a strong foundation for the growth of the business that we anticipate will come from continued increases in subscriptions, from the digital extensions of our brands, and from the further development of our international strategy

Chief Financial Officer's Review

OVERVIEW

The last year has been our best yet in financial terms, despite an adverse economic environment in many territories and market segments Against this backdrop we have delivered record revenues and profits, and increased operating margins This is testament to a portfolio of businesses that is diverse both in terms of geography and format, and which has enabled us to manage the impact of recession on our operating and financial performance

Over the last 12 months we have worked hard to maximise our commercial returns, consolidate our successes in new areas of business, after a period of significant investment for growth, and keep costs under control This focus has stood us in good stead, particularly in the face of extremely tough market conditions and has enabled us to deliver both strong revenue and profit growth

A very strong operating performance, discussed below, along with improved capital efficiency and the organic generation of additional liquidity, enabled us to deliver a healthy dividend to the BBC Dividends and programming investment, which together form the majority of our cash return to the BBC, remained almost unchanged year on year at £151 1m (£152 6m 2008/09) We were also able to repay a significant part of our loan from BBC Commercial Holdings Ltd

BASIS OF PREPARATION

For the year just ended, and in line with best practice, we have adopted International Financial Reporting Standards as adopted by the European Union (IFRS), as the basis for the preparation of our consolidated financial results, and have also provided full prior year comparatives

OPERATING PERFORMANCE

Sales

Sales of £1074 2m were up 7 0% despite intense recessionary pressures in several markets We delivered particularly strong revenue growth in the Channels business, helped by a focus on expanding the global distribution of existing channels and new launches in the previous year, notably in Africa, Australia, Scandinavia and Latin America In Global Brands, Lonely Planet delivered a particularly healthy year, and Content & Production saw robust performances from Dancing with the Stars, Baby Borrowers, Great American Road Trip and What Not To Wear With the exception of Magazines, which held revenue almost flat in an exceptionally difficult UK advertising market, every one of our businesses delivered growth

Operating profit

Operating profit before specific items grew significantly, up 36 5% at £145 2m This reflected an excellent profit out-turn in Sales & Distribution, in part due to a focus on generating more higher margin sales from the back catalogue as well as diligent cost control, Channels, as our international portfolio moved firmly out of the start-up phase, and in Home Entertainment where we took full control of 2 entertain in August 2009 We also achieved sharply reduced operating losses in Digital Media and the path to profitability is now clearly visible In Content & Production, the strong performance in our formats business was partially offset by the development costs of our scripted business in Los Angeles

A close focus on operating costs and revenue growth ahead of cost inflation resulted in an improvement in operating margins, as targeted in last year's review Operating margins grew from 10 6% to 13 5%, ahead of the 12 8% (under UK GAAP) recorded in 2007/08

Specific items

Operating profit of £145 2m (£106 4m 2008/09) is stated before specific items to provide a comparable measure of year-on-year performance One of the key disclosures under specific items is the movement in the fair valuation of our derivative financial instruments Having adopted IFRS, derivative fair value movements have been recorded in the income statement As a result of the significant volatility in exchange rates during the course of 2008/09 and 2009/10 there have been correspondingly large fluctuations in the fair value of these financial instruments, resulting in a £19 8m gain recognised in 2009/10 (loss of £(27 3)m 2008/09)

Chief Financial Officer's Review (continued)

A further consequence of the transition to IFRS is that we are required to take an impairment charge of £17 5m against the value of our majority shareholding in Lonely Planet This was entirely caused by the appreciation of the Australian dollar, the functional currency for Lonely Planet, which was 25 9% stronger against sterling at year-end than at the same point in 2009 This is a non-cash charge against statutory profits, and is unrelated to Lonely Planet's trading performance, which was strongly ahead of prior year in both revenue and operating profit in local currency, and as such is a technical impairment It has also broadly been offset by the overall benefit to company profits in the year resulting from the translation of overseas earnings into sterling, which reflects the advantages of our geographically diverse business

Full details of all other specific items are detailed in the table in Further Financial Information (page 25)

Currency
Both revenue and operating profit benefited from the weakness of sterling, with average sterling exchange rates down 6 6% against the US dollar, 5 6% against the euro, and 13 5% against the Australian dollar The consequent strength of our overseas earnings helped to mitigate the effect of the weak UK economy on the results of the businesses in our home market

Joint ventures
UKTV, our UK channel joint venture owned 50 50 with Virgin Media, performed well given the condition of the television advertising market, with a profit contribution that was stable on prior year

We also received our first full-year dividend of £5 0m from Animal Planet Europe

In March 2010 we acquired the remaining 40% of the equity in the 2 entertain DVD-distribution business, previously owned by Woolworths Group plc The purchase price of £17 0m represented fair value as agreed between BBC Worldwide and the administrators of Woolworths, following the insolvency of Woolworths and the subsequent exercise by BBC Worldwide of its right to acquire the outstanding shares in 2 entertain This investment has protected core BBC intellectual property and preserved the 2 entertain franchise for the licence-fee payer 2 entertain continued to perform very well throughout the year, despite weak high-street conditions in the UK

Investment
In 2007 we began a programme of investment in certain initiatives that would support our growth strategy Investment levels peaked in 2008/09, when we launched a total of 15 BBC-branded channels, but we continued to invest actively during the last financial year, particularly in digital content and delivery

Investment in new programming is always at the heart of our business and is the seed-corn for future years' growth and profitability A total of £83 4m was invested in programmes in the year The traditional funding model for programming has been severely challenged by recent economic circumstances In response, we have developed a range of creative solutions with both the BBC and independents to ensure great ideas were greenlit For example, we concluded a large investment in a package of upcoming BBC Natural History and Science titles, with Discovery as our co-production partner, including Great Barrier Reef and Africa, as well as a major investment in Wonders of the Universe, the follow up to this year's successful Wonders of the Solar System We also worked with our domestic and international co-production partners to secure locally available production incentives to help finance new, independently produced content, such as Nativity, filmed in Morocco and post-produced in Canada for Red Planet

Taxation
Profit after interest and tax of £92 2m was sharply up on prior year of £22 5m A tax charge including share of joint ventures and associates tax of £41 5m reflects an effective tax rate of 31 1% (51 5% in 2008/09) This is above the statutory UK rate of corporation tax of 28% because of the mix of profits taxed under overseas jurisdictions with higher effective rates of tax, and disallowable expenses, including the goodwill impairment referred to above For further details see Further Financial Information

Chief Financial Officer's Review (continued)

Cashflow and dividends

Strong operating cash flows reflected our increased profitability, a changing business mix and a lower rate of business and programming investment This allowed us to pay a total of £32 1m in dividends to the BBC in the year, with a further £41 5m in June 2010 in respect of the year's performance, as well as repay some £86 4m of borrowings from BBC Commercial Holdings Ltd

Debt structure and borrowings

At the end of March this year, we held a £168 0m (£168 0m 2008/09) unsecured loan facility with our intermediate parent company, BBC Commercial Holdings Ltd, plus an additional loan of £50 0m (£50 0m 2008/09) with the European Investment Bank At the end of the year, £134 1m of these facilities had been drawn (£208 4m 2008/09) At 31 March 2010 we held £23 3m in cash or cash equivalents (£55 9m 2008/09) Full details of our borrowing facilities are contained within the Further Financial Information section on page 27

Outlook

We are not alone in expecting the economic situation to remain uncertain, particularly in developed markets We will therefore continue to manage our businesses for stable growth and returns, and seek to improve operating margins through a focus on higher-margin business and continued tight control of costs We will continue to invest, particularly in digital and international opportunities, to ensure that our business remains able to deliver healthy returns and strong cash flows back to our shareholder, the BBC

Further Financial Information

ACCOUNTING POLICIES

During the year, BBC Worldwide (the 'Group') has voluntarily chosen to adopt International Financial Reporting Standards, as adopted by the European Union ('IFRS'), in the preparation and presentation of its consolidated financial results This is consistent with the reporting adopted by its shareholder, the BBC, and allows greater comparability with competitors

BBC Worldwide has selected the most appropriate accounting policies for its business in accordance with IFRS and documented them to help ensure consistent accounting practices across the Group These policies have been reviewed and approved by the BBC Worldwide Audit Committee and the 2009/10 accounts comply in all material respects with these policies The accounting policies require management to make certain material or complex estimates and judgements with respect to the carrying value of assets and liabilities at the year end and the disclosure of particular contingent liabilities These estimates are reviewed on a regular basis to ensure that they remain consistent with the best information available at the time, including historical experience and, where appropriate, on the recommendation of independent advisers Actual results may differ from these estimates

OPERATING PROFIT BEFORE SPECIFIC ITEMS

The operating results of the Group can be affected by material individual gains and losses, making the understanding and comparability of annual results more complex The Group therefore provides additional disclosure on the face of the income statement to state operating profit before certain 'specific items' (set out in the table below), which are disclosed separately, to improve the comparability of year-on-year results

Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies A reconciliation of operating profit before specific items to profit before tax is provided as follows

	2010 £m	2009 £m
Operating profit before specific items	145 2	106 4
Specific items	(5 2)	(62 3)
Analysed as		
Changes in fair value of derivative financial instruments	19 8	(27 3)
Impairment of goodwill[1]	(17 5)	-
Gain/(loss) on termination of businesses	2 0	(9 4)
Group's share of joint venture's specific item[2]	-	(7 5)
Interest and taxation on profits of joint ventures and associates	(9 5)	(18 1)
Operating profit	140 0	44 1
Net financing costs	(13 6)	(14 5)
Profit before tax	126 4	29 6

[1] This relates to the technical impairment of Lonely Planet See Chief Financial Officer's review for further detail

[2] The Group's share in the prior year of a pension liability that crystallised in 2 entertain following the administration of Woolworths Group plc (£7 5m charge 2008/09)

JOINT VENTURES AND ASSOCIATES

Share of joint-venture sales decreased by 37 8% to £185 9m (£299 0m 2008/09), principally due to the Group gaining control of 2 entertain in August 2009 (see below) However, joint ventures and associates continue to form a significant part of the Group's operations with a £46 6m share of profit before specific items (£65 2m 2008/09) Other than 2 entertain, the principal contributors to this performance are the UKTV joint ventures with Virgin Media for the production, marketing and wholesale supply of subscription channels in the UK, and with Discovery Communications Inc for the operation of channels around the world Both of these have continued to perform well despite the global advertising downturn

Further Financial Information (continued)

ACQUISITIONS

On 6 August 2009 the Group gained control of 2 entertain and from this date consolidated its results and financial position Prior to 6 August 2009 the Group equity accounted for 2 entertain in line with its 60% ownership and joint control of the entity The assumption of control followed the Group's joint-venture partner, Woolworths Group plc, entering administration and the Group exercising its call option over the joint-venture partner's shares The purchase was settled on 1 March 2010 when the Group acquired the remaining 40% of 2 entertain shares for cash consideration of £17 0m

Two small equity stakes in independent production companies were also acquired in Argentina and Germany for a total consideration of £0 7m to further broaden the Group's portfolio of rights

INVESTMENT AND INTANGIBLE ASSETS

Total intangible assets, including goodwill, at 31 March 2010 were £254 3m (£216 5m 31 March 2009), of which £106 2m (£87 9m 2008/09) related to programme rights for distribution £77 5m was invested in in-house and independent programmes commissioned by the BBC (£84 2m 2008/09), while the remainder was invested in non-BBC commissioned programming The decrease in investment year on year reflects variations in programme production cycles

Programme amortisation charges for the year were £72 5m (£80 9m 2008/09) Programme rights 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 Within intangibles, the net book value of goodwill at 31 March 2010 was £102 8m (£87 0m 31 March 2009), with the year-on-year increase arising primarily from the acquisition of the remaining 40% of 2 entertain and foreign exchange, offset by the impairment of Lonely Planet goodwill

Goodwill balances are not amortised under IFRS but are instead subject to annual reviews for impairment

FINANCIAL RISK MANAGEMENT

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

The Group's financial risk management operations are managed internally by BBC Worldwide Treasury, with trade execution carried out by BBC Group Treasury All treasury activities are governed within parameters defined formally in the policies agreed by the BBC Executive Board and BBC Worldwide Board In addition, treasury activities are routinely reported and are subject to review by management The Group's financial instruments, other than those used for treasury risk management purposes, principally comprise cash and cash equivalents, a debt facility provided by its parent, external borrowings and various items such as trade receivables and payables that arise directly from its operations The Group finances its operations from these financial instruments The Group does not undertake speculative treasury transactions

CURRENCY RISK

Over the past few years, BBC Worldwide has increasingly expanded internationally and as a result is exposed to foreign exchange risk arising from various currency exposures, principally in relation to the US dollar, the euro and the Australian dollar The Group generates a surplus in most currencies in which it operates Of its income, 60 5% excluding joint ventures (59 4% 2008/09), and 54 6% including joint ventures (51 3% 2008/09), arose overseas

Foreign exchange risk arises principally from recognised assets and liabilities and forecast future commercial transactions that are denominated in a currency other than the transacting entity's functional currency The Group has implemented a clear hedging policy to minimise volatility in the financial results A substantial proportion of foreign currency trading is hedged Forward currency contracts allow the Group to settle transactions at known exchange rates, thereby eliminating much of this uncertainty

Further Financial Information (continued)

Following the adoption of IFRS, this is the first year in which the Group has accounted for and presented the fair values of its derivative financial instruments The significant volatility in exchange rates during the course of 2008/09 and 2009/10 resulted in corresponding fluctuations in the fair value of these financial instruments At 31 March 2010, the Group's balance sheet included a net fair value liability of £10 4m (£31 2m 2008/09), resulting in a post taxation gain in the income statement of £13 8m (loss of £(22 5)m 2008/09)

INTEREST RATE RISK

The Group's main risk exposure to interest rate fluctuations arises on external borrowings and loans from its parent undertakings The Group enters into interest rate swaps, caps and collars to manage this exposure based on projected borrowing requirements Fair value movements on the derivatives used to manage interest rate risk are included within financing costs and income with a £0 3m gain recognised in 2009/10 (£(4 8)m loss 2008/09)

LIQUIDITY RISK

BBC Worldwide manages its liquidity through a number of measures, including regular cash flow reporting, forecasting, hedging against foreign exchange fluctuations and proactively managing working capital The Group is active in monitoring its debt covenants which have been met at 31 March 2010

Debt structure and borrowings

As at 31 March 2010 and 31 March 2009, BBC Worldwide had the following loan facilities

Facility at 31 March	Interest rate	Total facility 2010	Drawn down 2010	Total facility 2009	Drawn down 2009	Expiry or review date
Unsecured loan facilities with BBC Commercial Holdings Limited (£m equivalent) comprising	Several, as indicated below	£168 0 [1]	£84 1	£168 0 [1]	£158 4	As indicated below
- Au$ unsecured loan (Au$m)[2]	BBC Commercial Holdings' base cost of funding (in Au$) after interest rate swaps plus a margin of 0 275%	Au$100 0	Au$100 0	Au$100 0	Au$100 0	7 June 2012
- Sterling unsecured loan (£m)	BBC Commercial Holdings' base cost of funding after interest rate caps plus a margin of 0 275%/0 325%[3]	£107 6 (Residual balance)	£23 7	£120 0 (Residual balance)	£110 4	30 April 2011
Loan with European Investment Bank (£m)	European Investment Bank's own funding cost plus a margin of 0 09% on unsecured loans	£50 0	£50 0	£50 0	£50 0	£20 0 Dec 2011 £30 0 May 2012
Secured loan with ANZ Bank (Au$m)[4]	ANZ's reference rate plus a margin of 0 25% pa for amounts up to facility limit	-	-	Au$18 6	Au$6 9	Facility cancelled at 31 March 2010

[1] Includes £50 0m (£50 0m 2008/09) borrowing facility available provided corresponding cash balance is maintained
[2] The sterling equivalent amount at 31 March 2010 for the facility, which was fully drawn down was £60 4m (fully drawn down facility £48 0m 2008/09)
[3] Depending on the level of borrowings
[4] The sterling equivalent amounts at 31 March 2009 were facility of £8 9m of which drawn down was £3 3m

Subsequent to year end, the sterling facility with BBC Commercial Holdings Limited expiring in April 2011 has been renewed with an expiry date of 30 April 2012 Further information regarding the new facility is included in note 27 of the financial statements In addition, the Group will consider whether there is a need to refinance the EIB facility during the next financial year

The Group held £23 3m in cash or cash equivalents at 31 March 2010 (£55 9m 2008/09)

Further Financial Information (continued)

Net debt

Net debt as at 31 March 2010 was £110 9m (£157 5m 31 March 2009) representing an inflow during the year of £46 6m (£65 7m 2008/09)

Cashflow (£m)	2010	2009
Net debt at 1 April	**(157.5)**	**(91 8)**
Cash generated from operations	207 9	145 1
Capital expenditure	(12 2)	(29 7)
Purchase of subsidiary (net of cash acquired)	20 0	(13 2)
Investment in joint ventures and associates	0 6	(16 1)
Investment in programmes	(83 4)	(94 0)
Dividends received from joint ventures and associates	10 7	37 0
Dividends paid to shareholder	(32 1)	(68 8)
Dividends paid to minority interest	(0 8)	(0 8)
Taxation & net interest paid	(41 9)	(33 0)
Exchange adjustment (non-cash)	(14 1)	8 6
Cash held for sale	(8 3)	-
Other	0 2	(0 8)
Net debt at 31 March	**(110.9)**	**(157 5)**

Cash generated from operations was up on the prior year reflecting the Group's strong operating performance and the acquisition of 2 entertain The Group's net debt position has also benefitted from the cash held by 2 entertain at the time of acquisition which, net of the purchase consideration paid, provided the Group with £20 0m of cash (£13 2m net outflow 2008/09) This is however offset by the lower dividends received from joint ventures and associates of £10 7m (£37 0m 2008/09), no dividends were received from 2 entertain while it was a joint venture in 2009/10 (£9 0m 2008/09)

The decrease in expenditure on capital assets to £12 2m (£29 7m 2008/09) and investment in joint ventures and associates to an inflow of £0 6m (£16 1m outflow 2008/09) reflect the Group's move from investment to consolidation phase, including the relocation to new premises and the termination of Kangaroo in the prior year

Taxation increased due to the higher taxable profits of the Group, while a decrease in net interest charges reflect lower market rates

Cash held for sale reflects balances held by the Group's Audiobooks business at 31 March 2010 This follows the decision taken by management in September 2009 to dispose of the business

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

CREDIT RISK

The Group's credit risk management policy in relation to trade receivables involves regularly assessing the financial reliability of customers, taking into account several factors such as their financial position and historical performance Despite the existence of some key customers in major geographies, there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers, geographically dispersed

Group treasury policies require that cash and cash equivalents and derivative financial instruments are held primarily with banks of A+ rating or better

Further Financial Information (continued)

TAXATION

The total tax charge for the year, including share of joint ventures and associates tax, is £41 5m (£23 9m 2008/09) This gives an effective rate of tax of 31 1% (51 5% 2008/09), higher than the statutory rate of corporation tax in the UK of 28% due to the level of overseas profits in higher overseas tax rate jurisdictions and disallowable expenses, including impairment charges The release of tax provisions from prior years has to a certain extent offset the impact of these items The higher tax rate in the prior year reflects the high level of disallowable expenses that were incurred, primarily impairments, and the higher levels of overseas profits

The tax charge presented in the income statement is £34 2m (£7 1m 2008/09), which is lower than the total tax charge for the Group noted above as the Group's share of joint venture and associates tax is presented within its share of joint venture and associates profit within operating profit

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

DIVIDENDS

The dividend policy of the Group is set to achieve the optimum balance between annual cash returns to the BBC, which are an essential part of the BBC's funding stream, and investing for growth to build value over the long term Dividends of £32 1m were paid in the year (£68 8m 2008/09) Dividends of £41 5m were declared on 16 June 2010 in respect of 2009/10 performance

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of BBC Worldwide Limited (the "Company") and its subsidiary undertakings (together the "Group") and the Group's interest in associated undertakings and joint ventures for the year ended 31 March 2010

PRINCIPAL ACTIVITIES OF THE GROUP

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

BUSINESS REVIEW

A review of business performance, including likely future developments, is given on pages 7 to 21 Further information which fulfils the Business Review requirements by reference is set out in the Governance Report on pages 32 to 41

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks The key business risks and uncertainties affecting the Group are discussed in the Governance Report on pages 37 to 38

RESULTS AND DIVIDENDS

The consolidated profit after taxation and minority interests for the year was £87 9 million (2009 £21 6 million)

Dividends of £32 1 million (2009 £68 8 million) were paid during the year 2009 dividends included £0 4 million which was declared during the financial year ended 31 March 2008 In addition, the directors have declared a final dividend of £41 5 million (2009 £nil), resulting in a total dividend of £73 6 million (2009 £68 4 million) relating to the financial year The dividend proposed will be paid and deducted from equity in the year ending 31 March 2011

ACQUISITIONS AND DISPOSALS

During the financial year the Group purchased the remainder of the shares in 2|entertain Limited, and made acquisitions of Tower Productions GmbH and GP Media S A Full details of the Group's acquisitions and disposals are included in the Chief Financial Officer's Review and in note 18 to the financial statements

DIRECTORS

The Directors who served during the year are set out in the Governance Report on pages 32 to 41

PAYMENT TO CREDITORS

Operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted It is Group policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions Based on the consolidated financial statements creditor days outstanding were 29 days (2009 25 days) at 31 March 2010 Rights creditors have been excluded for the purposes of this calculation, as they relate to payments to artists and contributors rather than trade creditors

DONATIONS

The Group does not make political donations During the year the Group made a donation of £6,843 to various charities (2009 £1,382 to various charities)

EMPLOYEE PARTICIPATION

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

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

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

Directors' Report (continued)

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

Ethnic and gender targets have been set with the aim of ensuring that the Group workforce reflects the UK's population Currently the Group employs 16 8% (2009 13 0%) of staff from minority ethnic groups and 56 6% (2009 43 0%) of the Group's managers are female

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

DEVELOPMENT AND TRAINING
Staff in all areas have opportunities to develop their skills The Group organises comprehensive in-house and external training programmes covering job-specific skill enhancement, IT software tuition and management development courses

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

DIRECTORS' INTERESTS AND INDEMNITIES
No Director had any interest in the share capital of the Group at 1 April 2009 or 31 March 2010 No rights to subscribe for shares in or debentures of the Company or any other Group company were granted to any of the Directors or their immediate families, or exercised by them, during the financial year

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

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

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

By order of the Board,

Jane Earl
Company Secretary

16 June 2010

Registered office
Media Centre
201 Wood Lane
London W12 7TQ

Governance

Corporate Governance within BBC Worldwide is driven by our desire to promote and protect the values at the heart of the BBC brand – both in the UK and internationally and details of our values are set out in the How We Do Business section on page 7 Together with the fact that we are a company wholly owned by a public body, this means that we have a unique and wide-ranging governance structure

In September 2009, the BBC Trust published the results of the Commercial Review of BBC Worldwide's activities (www bbc co uk/bbctrust) Among the conclusions was a requirement that BBC Worldwide's governance framework should be revised to provide greater transparency and compliance with the UK Corporate Governance Code

In addition, we are also governed by the principles contained within the Royal Charter of July 2006, which is the constitutional basis for the BBC

This section looks at both our corporate and commercial governance structures and implementation

CORPORATE GOVERNANCE

How the BBC Worldwide Board Operates
The Chairman leads the Board, setting its agenda and ensuring that each Director is able to contribute effectively to decision-making 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

The division of responsibilities between the Chairman and Chief Executive has been set out in writing and agreed by the Board

The Non-executive Directors play a key role in providing independent advice and supervising governance issues In addition, the Non-executive Directors have the opportunity to meet in the absence of the Executive Directors, which they did on one occasion during the financial year The Board is satisfied that each Non-executive Director is able to give sufficient time commitment to BBC Worldwide

The Company Secretary comprehensively briefs Directors on their responsibilities on appointment to the Board All Directors are equally accountable for the proper stewardship of BBC Worldwide's affairs The 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, for which they do not receive any fees or additional compensation

John Smith and Neil Chugani are Directors of UKTV, and a small number of its related companies, in respect of the joint venture between BBC Worldwide and Virgin Media Additionally, John Smith holds Directorships within the Lonely Planet group of companies in which BBC Worldwide holds a 75% stake During the year, Neil Chugani was a Director of 2 entertain Ltd prior to its acquisition by BBC Worldwide on 8 March 2010

The Board has delegated certain of its responsibilities to

- the Worldwide Executive Committee (which has further delegated specific investment responsibilities to the Content Investment Committee and the Investment Review Group as set out below)
- the Audit Committee
- the Remuneration Committee
- the Nominations Committee

Full terms of reference for each of these committees can be found on the BBC Worldwide website at www bbcworldwide com

Further information on the BBC's Executive Board and the BBC Trust is available in the BBC Annual Report and Accounts which can be found on the BBC's website

Governance (continued)

BBC Worldwide Board Composition

Members
Robert Webb QC, Chairman, John Smith, Chief Executive Officer, Neil Chugani, Chief Financial Officer, Sharon Baylay, Non-executive Director (BBC-nominated Director), Simon Clift, Independent Non-executive Director, Nicholas Eldred, Non-executive Director (BBC-nominated Director), Thomas Geitner, Independent Non-executive Director, Zarin Patel, Non-executive Director (BBC-nominated Director), Tim Weller, Independent Non-executive Director (appointed 26 April 2010)

Responsibilities
The responsibilities of the Board are set out in the Matters Reserved for the Board and briefly comprise

- setting the strategic direction of the business growth plan
- devising the annual business plan
- overseeing commercial performance and business activity
- measuring performance through a range of financial tools the annual budget, monthly management accounts, quarterly re-forecasts and the growth plan
- addressing under-performance
- proposing the distribution policy to the shareholder
- maintaining a sound system of internal controls and risk-management processes
- ensuring compliance with the law and regulations
- developing and maintaining a co-operative relationship with the shareholder

BBC Worldwide Board Effectiveness
Robert Webb QC was appointed as Chairman on 1 October 2009, following the resignation of Etienne de Villiers (Non-executive Chairman) on 30 September 2009 Robert Webb QC is also a Non-executive Director of the BBC Executive Board

The independent Non-executive Directors who served during the year were Simon Clift and Thomas Geitner Tim Weller was appointed as an independent Non-executive Director effective 26 April 2010 and will also be a member of the Audit Committee None of the independent Non-executive Directors has any relationship with BBC Worldwide or its shareholder which would impede their independence

The BBC-nominated Non-executive Directors who served during the year were Nicholas Eldred (BBC Group General Counsel) and Zarin Patel (BBC Chief Financial Officer) Sharon Baylay (Director of BBC Marketing, Communications & Audiences) was appointed as a Non-executive Director on 1 February 2010 Jana Bennett (Director of BBC Vision) resigned on 30 September 2009

The Executive Directors who served during the year and who remained in office at 31 March 2010 were John Smith (Chief Executive Officer) and Neil Chugani (Chief Financial Officer)

In order to balance the composition of the Board in accordance with the principles of the Combined Code (now renamed the UK Corporate Governance Code), the following Executives who had been in office at 1 April 2009 stood down as Directors of the Board on 31 October 2009 Marcus Arthur, Darren Childs, Sarah Cooper, Paul Dempsey, Wayne Garvie, Steve Macallister, David Moody and Peter Phippen

Governance (continued)

The table below shows the number of scheduled Board and Committee meetings attended by each Director, out of the number held during the time he/she served on the Board or Committee during the year

Director	Board	Remuneration Committee	Nominations Committee	Audit Committee
Sharon Baylay[1]	1 (1)	-	-	-
Neil Chugani	8 (8)	-	-	-
Simon Clift	7 (8)	-	-	-
Nicholas Eldred	8 (8)	-	1 (1)	4(4)
Thomas Geitner	5 (8)	-	-	-
Zarin Patel	7 (8)	1(1)	-	4(4)
John Smith	8 (8)	-	1 (1)	-
Robert Webb QC[2]	4 (4)	1(1)	1 (1)	-

[1] Appointed to the Board on 1 February 2010
[2] Appointed to the Board on 1 October 2009

Attendance of former Directors who served during the year at Board meetings was as follows (none was a member of a Committee),

Director	Board
Marcus Arthur[1]	4 (4)
Jana Bennett[2]	2 (4)
Darren Childs[1]	4 (4)
Sarah Cooper[1]	4 (4)
Etienne de Villiers[2]	3 (4)
Paul Dempsey[1]	4 (4)
Wayne Garvie[1]	3 (4)
Steve Macallister[1]	4 (4)
David Moody[1]	4 (4)
Peter Phippen[1]	4 (4)

[1] Resigned from the Board on 31 October 2009
[2] Resigned from the Board on 30 September 2009

Remuneration Committee

Members
Robert Webb QC (Chairman)
Zarin Patel

Responsibilities
The responsibilities of the Remuneration Committee are set out in its terms of reference and include

- Setting the remuneration package for the Executives
- Overseeing the remuneration policy for the BBC Worldwide Group
- Designing and approving incentive compensation arrangements
- Agreeing variable pay targets
- Reviewing performance against variable pay targets set for the previous period

For further details please see the Directors' Remuneration Report on 42

Governance (continued)

Nominations Committee

Members
Robert Webb QC (Chairman)
Nicholas Eldred
John Smith

Responsibilities
The responsibilities of the Nominations Committee are set out in its terms of reference and include

- Regularly reviewing the structure, size and composition required of the Board and making recommendations to the Board on any appropriate changes
- Planning the succession of Directors and other senior executives
- Identifying and nominating, for the Board's approval, candidates to fill board vacancies, save that the appointment of Chairman and CEO is conditional upon the specific approval of the Director General of the BBC, and Non-executive appointments are subject to the approval of the BBC Executive Nominations Committee
- Making recommendations to the Board on membership of the Audit and Remuneration Committees

The Nominations Committee was established in January 2010 and met once in the financial year Attendance is shown in the table of attendances on page 34

During the year, the Committee retained the services of The Zygos Partnership to identify new potential Non-executive Directors, which resulted in the appointment of Tim Weller

Audit Committee

Members
Zarin Patel (Chairman)
Nicholas Eldred
Tim Weller (appointed 26 April 2010)

Responsibilities
The responsibilities of the Audit Committee are set out in its terms of reference and include

- 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 BBC Worldwide's responsiveness to BBC Business Assurance's findings and recommendations
- Reviewing the effectiveness and independence of the external auditors

The Board is satisfied that the Audit Committee has an appropriate range of financial experience

We have implemented a policy to ensure that other services provided by the external auditors do not impair the auditors' objectivity and the 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 associated undertakings wherever possible

Governance (continued)

The Audit Committee met four times during the year, with both members attending each meeting The Chief Executive, Chief Financial Officer, BBC Director of Risk and Assurance, the Chairman, external auditors, the Risk Advisory team and the Managing Directors of the operating businesses attend by invitation as appropriate Both the BBC Director of Risk and Assurance and the external auditors have the opportunity to meet with the Audit Committee in the absence of executive management at least once a year and may do so at any other time they consider necessary The BBC Worldwide Audit Committee submits quarterly reports to the BBC Executive Audit Committee The Committee is responsible for monitoring risk management Further details of our risk management processes are set out on page 37

Worldwide Executive Committee (WEX)

Members
John Smith, Chief Executive Officer (Chairman), Neil Chugani, Chief Financial Officer, Marcus Arthur, Managing Director, Global Brands, Darren Childs, Managing Director, Channels, Sarah Cooper, Chief Operating Officer, Paul Dempsey, Managing Director, Home Entertainment, Jane Earl, Company Secretary, Charlotte Elston, Director of Communications, Michelle Emmerson, HR Director, Wayne Garvie, Managing Director, Content & Production, Helen Kellie, Director of Marketing, Steve Macallister, Managing Director, Sales & Distribution, David Moody, Director of Strategy, Peter Phippen, Managing Director, Magazines, Herb Scannell, President, BBC Worldwide America (appointed 2 June 2010)

Responsibilities
The responsibilities of the Worldwide Executive Committee are set out in its terms of reference and include

- Managing operational matters delegated to it by the Board, within clearly defined approval limits
- Managing the operations of the company
- Devising and implementing strategy agreed by the Board
- Identification and management of risk, and providing assurance to the Board

WEX is supported by the Content Investment Committee (CIC), whose responsibilities include the approval of programme and product investments of between £0 5m and £2 0m, and the Investment Review Group (IRG) which approves all routine and operational investments between £0 5m and £2 0m and all new business venture proposals Both Committees are chaired by Neil Chugani, Chief Financial Officer In addition, each business has its own Board which is chaired by the Managing Director of the relevant business area Each Business Board has authority for routine and operational expenditure of up to £0 5m

ACCOUNTABILITY AND INTERNAL CONTROL

The BBC Worldwide 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 misstatement 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 Protected Disclosure Policy A compliance programme is currently being rolled out to ensure that all trading businesses comply with local laws and regulations

Governance (continued)

Risk management

The 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 Audit Committee every three months Each operating unit and major region monitors risks on an ongoing basis, providing their assessments to the Risk Management and Internal Control Committee (RMIC) quarterly In addition to the members of the RMIC (the Chief Financial Officer, the Chief Operating Officer and the HR Director), Risk Advisory, the Company Secretary and the Director of Business and Legal Affairs attend all meetings, and the Managing Directors of the operating businesses are invited to attend on a rotating basis WEX reviews the RMIC's report prior to it going to the Audit Committee Management assessments are reviewed by the BBC's Business Assurance function, which reports on these matters to the BBC Executive Board and the BBC Executive Audit Committee This Committee considers risk management across the BBC Group as a whole Within BBC Worldwide, the Risk Advisory team monitors risks facing the business and provides advice on developing the internal control environment

Risks and uncertainties	Potential impacts	Mitigation
EXTERNAL AND MARKET		
Economic - conditions could deteriorate further in some or all of our markets	Reduced trade and consumer demand for products and services including broadcast and format rights, advertising and consumer products	Diversification of geographic markets and revenue streams Tight control of costs and constant monitoring of performance through financial reporting Flexible business planning including the identification of possible contingency measures to help manage impact of any downturn in trading
Competitive - we operate in a highly competitive market and must continue to invest and adapt	Reduction in access to high quality content, affecting sales catalogue and wider intellectual property exploitation opportunities, greater downward pressure on pricing Increased importance of digital rights and ability to exploit intellectual property in a variety of formats	Active programme of investment, including product and service development in digital technologies across a variety of devices Programme in place to strengthen supplier relationships Building own production capability, both wholly-owned and through partnerships with selected independent production companies
Technology - changing technologies or means of content consumption may replace core linear TV businesses	Radical shift in consumption habits or disruptive technology making business models out-of-date	Strategic focus on digital services integration of digital teams into core business divisions Partnering with technology innovators Targeted investment in new areas Recruitment of a Chief Technology Officer
Regulatory environment - changes in the regulatory framework and interpretation of regulations, or failure to obtain required approvals	Uncertainty for the Group adversely affecting our ability to operate or compete Becoming subject to future enquiries or proceedings from regulatory authorities	Members of the BBC Executive Committee and the General Counsel of the BBC sitting on the BBC Worldwide Board Potential impact of regulatory constraints on our activities kept under review by Board
Exchange rates - volatility may give rise to financial exposure to fluctuations in major currencies and interest rates	Adverse impact on reported financial results, liquidity and asset valuations	Risk-averse approach to management of foreign currency trading Clear hedging policy implemented, including both financial instruments and natural hedges, to minimise volatility in the financial results Substantial proportion of foreign currency trading hedged

Governance (continued)

Risks and uncertainties	Potential impacts	Mitigation
PEOPLE		
Economic, regulatory and political constraints may affect our ability to recruit, retain and motivate personnel	Reduction in overall competitiveness including loss of key skills, relationships and knowledge, and business disruption	Increased focus on management development and training, with new programmes and appraisal system in place Alignment of incentives to reward superior performance
REPUTATION		
Rogue activities (including those of suppliers and service providers) that are not consistent with the BBC's values in respect of ethical standards, may jeopardise the value of the brand	Adverse publicity or damage to our reputation, brands – or reputation and brands of the BBC	Compliance with the Four Commercial Criteria (4CC), reviewed annually by the BBC, and with the BBC's editorial policies, and providing training to all relevant staff Common values with the BBC, which are central to how we conduct our ethical sourcing programme, requiring all licensees and vendors to operate to a high ethical standard Active monitoring of suppliers and vendors by our management, including site visits
COMPLIANCE		
Requirement to comply with statutory obligations and regulatory requirements in all countries in which we do business	Failure to comply with tax and statutory accounting requirements could affect the ability to continue to do business within a jurisdiction Non-compliance, resulting in fines, litigation or prosecution	Responsibility for tax compliance, including transfer pricing negotiations, taken by BBC Tax and accounting compliance overseen by BBC Worldwide Audit Committee Compliance and other business risks reviewed by Risk Management and Internal Controls Committee
STRATEGIC EXECUTION		
Execution on business priorities may not meet stated targets	Financial performance below anticipated levels or not delivering adequate returns on investment Future expansion outside core areas may increase company risk profile	Ownership of strategic risk held by CEO, progress on strategic delivery regularly reviewed by executive management committee and the Board Regular review of strategy in the context of the market and prompt revision of plans to reflect changing circumstances Diversified business portfolio, with a number of partnership agreements in place, limiting overall risk exposure

Controls monitoring

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

Governance (continued)

Operating units
Key controls over business risks include performance review and exception reporting As referred to above, the Content Investment Committee approves all programme and product investment while the Investment Review Group approves all routine/operational investments

Treasury activities
The Treasury team manages the Group's financial risk management operations, with trade execution carried out by BBC Group Treasury Additional details on Treasury activities can be found in the Further Financial Information section on page 26

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 to Directors, allowing them to take action as appropriate

Futureworks
Futureworks is a two-year initiative focusing on how BBC Worldwide can simplify and improve its business processes, systems and data to empower the company to achieve better results and greater profitability The Futureworks programme has five work streams, each of which plays a pivotal role in achieving overall objectives

- Rights & Deal Management Having systems and data that support the company in managing rights data and helping it construct and execute profitable deals is vital to its continued success and growth
- Asset Management & Fulfilment The past few years have seen significant change in the way BBC Worldwide manages and distributes its content Whilst video tapes/DVDs still play a significant role, the need to be able to receive, store, adapt and distribute digital, file-based content increases almost daily The rising prominence of brand-centric deals also requires it to be better at sharing content assets across divisions and geographies
- Royalty Cost & Data Management The money paid to the talent who feature in products is one of the largest costs to the business Accurate and timely processing of these costs is vital both in terms of its relationship with talent and in building an accurate picture of brand and product profitability
- Finance & Reporting BBC Worldwide is embarking on a fundamental transformation of its Finance function This workstream is looking at opportunities to improve its finance processes, make it easier to meet the company's future business needs and to ensure that Finance is a proactive partner, not only supporting its growth but also shaping its future
- Information Hub This workstream will oversee the transformation of BBC Worldwide content and product data to a common catalogue accessible by people and business systems

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

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

Whistle-blowing
BBC Worldwide has a protected disclosure policy to help ensure that any suspicions of criminal activity or malpractice are fully reported Employees who wish to remain anonymous can report concerns directly to the BBC Business Assurance team or via a service that is administered by an independent external firm The BBC Business Assurance team is notified of reports of fraud and malpractice and ensures that every incident is investigated and action taken as appropriate Investigations and recommended remedial actions are reported to the BBC Worldwide Audit Committee

Governance (continued)

COMMERCIAL GOVERNANCE

4CC and Fair Trading
BBC Worldwide must demonstrate compliance with the BBC's Four Commercial Criteria (4CC) All commercial activities must

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

A range of approval processes and reporting procedures ensure that BBC Worldwide can demonstrate to the BBC Trust that throughout 2009/10, its commercial activities have continued to comply with the 4CC The BBC's fair trading obligations are outlined in the BBC Trust's Statement of Policy on Fair Trading (www bbc co uk/bbctrust/framework/fair_trading html) and the BBC's Fair Trading Guidelines (www bbc co uk/info/policies/commercial_guides) As part of BBC Worldwide's commitment to a programme of continuous appraisal and improvement, BBC Worldwide has adopted a range of initiatives to ensure ongoing compliance, including a controls framework and an extensive programme of 4CC training and internal reporting New proposals continue to be measured against the 4CC, both in their development and implementation

Fair Trading Guidelines
During the year, compliance with the Fair Trading Guidelines was scrutinised by formal sub-committees of the BBC Trust and Executive Board The management of the BBC's fair trading arrangements has been accredited with the ISO 9001 2008 quality standard The most recent assessment by the British Standards Institute, conducted in December 2009, confirmed that the procedures are continuing to operate effectively

The BBC Trust commissions independent auditors, currently Deloitte, to undertake an annual Fair Trading Audit Deloitte has confirmed that the BBC (including BBC Worldwide) had established and applied a system of internal controls that provided reasonable assurance that it had complied with the requirements of Fair Trading rules for the year ended 31 March 2009 Further details of the audit and opinion can be found in the BBC Annual Report and Accounts for 2009/10 (www bbc co uk/annualreport/trust)

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

Data Protection
BBC Worldwide strives to respect the privacy of its customers, audiences, employees and contributors As part of the BBC's data-protection compliance framework, BBC Worldwide is committed to holding personal data in accordance with the provisions of the Data Protection Act 1998 Where BBC Worldwide operates in jurisdictions outside the UK, it may also be subject to the additional requirements of local laws Compliance with data-protection legislation is treated with utmost importance and is an essential part of protecting the BBC brand

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

Governance (continued)

Relationship with Suppliers, Rights Holders and Producers
The BBC Worldwide Procurement team ensures that goods and services are obtained in a fair and transparent way with a clear emphasis on risk management, quality, service, cost and innovation In addition we partner with critical and strategic suppliers to drive a continuous improvement agenda that ensures security of supply whilst maintaining 'TCOA' (Total Cost of Ownership Approach) in sourcing decisions BBC Worldwide is committed to dealing with all suppliers with clarity to ensure we deliver on our agreed payment terms whilst ensuring that the supplier delivers their performance commitment and quality parameters are met

BBC Worldwide's increasing success not only gives a global platform to the best of British talent, but also delivers substantial financial returns to rights holders and producers BBC Worldwide is committed to accounting accurately and on time to rights holders and continues to invest time and money in improving systems and processes, to enable it not only to meet the increase in volumes that success has produced, but also to provide a high level of customer service The Talent Accounting Department at BBC Worldwide is responsible for accruing and paying royalties to contributors, independent producers and third-party profit participants

CORPORATE RESPONSIBILITY

Environmental management
We reduce carbon emissions through our travel policy, which bans all domestic and near-European flights, and restricts long-haul flights This has decreased business flight mileage by around 10% in the past year In addition, a rainwater harvesting system at head office has saved almost 4m litres of water, we sent zero waste directly to landfill from the UK head office, and staff received training in environmental best practice

To supplement efforts in tackling carbon emissions, we are offsetting the remaining carbon footprints for our premises and travel in 2009/10 by investing in Gold Standard carbon offset projects with The CarbonNeutral Company In the past year our magazines, including Radio Times and Top Gear, plus 75% of Lonely Planet guidebooks, have been printed on FSC-certified (Forest Stewardship Council) paper

We were delighted to be included in the Sunday Times Green List for the first time and were in the top five for the 'Bigger companies with low environmental impact' category

Diversity
We have developed recruitment practices that ensure we attract a more diverse pool of candidates There has been a high focus on creating new programmes to support staff development in the last year Launched near year-end these include Aspire, which will help identify future business leaders, and a range of new performance management tools and training Our induction programme has been completely refreshed

Community projects
We provide opportunities for our employees to get involved in community projects and charitable activities Our volunteer scheme at the Jack Tizard School for pupils with severe and profound learning difficulties, is now in its second year Staff have participated in team challenges and we regularly run internal fundraising drives for BBC charities such as Children in Need and Sport Relief Staff can also contribute to personal charities by donating via our payroll giving scheme We have also developed a business-focused Enterprise Day with the London Borough of Hammersmith and Fulham for local secondary school and college students

Report on Directors' Remuneration

This report sets out the BBC Worldwide remuneration policy and details the remuneration receivable by the members of the current Board of Directors in respect of 2009/10 BBC Worldwide has no statutory requirement to prepare a Directors' Remuneration Report Nevertheless, on a voluntary basis, the requirements of the UK Companies Act and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 have been taken into account in preparing this report The BBC Worldwide Remuneration Committee also used as a benchmark the requirements of the Listing Rules

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

BBC Worldwide is a commercial organisation that is owned by a public broadcaster The reward strategy for BBC Worldwide needs to operate within these parameters

The remit of BBC Worldwide is to deliver a strong return to the BBC to supplement the licence fee for the benefit of the BBC's UK audience In so doing, BBC Worldwide must maintain the brand values of the BBC BBC Worldwide is also mandated to support the BBC in fulfilling its public purpose of bringing the UK to the world

BBC Worldwide's financial and operating performance has been strong in recent years, with the year just ended no exception This has resulted in financial benefit to the BBC and its licence fee payers

The BBC Worldwide Remuneration Committee considers it is in the best interests of both the Company and its shareholder to secure future financial success, in part, through a remuneration framework that appropriately rewards and retains key executives

In designing this framework, the Committee takes account of a number of factors These include

- BBC Worldwide's status as a commercial entity, with no access to public or guaranteed funding of any description,
- The requirement for BBC Worldwide to grow its profitability in order to deliver substantial cash returns to its owner, which help supplement the licence fee,
- The fact that BBC Worldwide operates in a talent-based industry where competition is both global and fierce This is particularly so in markets such as the US, where BBC Worldwide currently derives over half its non-UK revenue,
- The ability of BBC Worldwide's commercial competitors to offer employee rewards and incentives not available to BBC Worldwide, including equity based compensation

In this context, remuneration policy for BBC Worldwide must strike a balance between offering some market competitiveness, while recognising that it is neither appropriate nor desirable for a subsidiary of the BBC to lead the market on executive pay

This report sets out our policy and how this is applied in practice I hope that you find this to be a helpful summary of our approach

Robert Webb QC
Remuneration Committee Chairman

Report on Directors' Remuneration (continued)

REMUNERATION COMMITTEE

The BBC Worldwide Remuneration Committee was established on 21 January 2010 to determine the remuneration policy for BBC Worldwide following a review of the Group's corporate governance structure It comprises Robert Webb (Chairman) and Zarin Patel, both of whom are Non-Executive Directors During the year under review, Committee members had no personal financial interest in matters to be decided, no potential conflicts of interest arising from their respective roles within or outside the BBC, and no day-to-day involvement in running the business

The BBC Executive Remuneration Committee has responsibility for setting the remuneration package of BBC Worldwide's Chief Executive Officer, including the review and agreement of base pay, bonus awards, and benefits (including pension arrangements) This arrangement continues although John Smith stepped down from the BBC Executive Board on 30 September 2009 His remuneration as CEO of BBC Worldwide is disclosed in the BBC Annual Report and Accounts 2009/10 up to 30 September 2009 The report herein includes his remuneration as CEO of BBC Worldwide for the full financial year

For the purposes of this report, the term "Committee" refers to the body responsible for determining the remuneration policy for BBC Worldwide Summary terms of reference can be found in the Governance section on page 34

Advisers
No Executive Director determines his own remuneration The Chief Executive Officer, the Chief Financial Officer, the Director of Human Resources, the Company Secretary and the BBC's Director of People and Director of Reward provided assistance to the Committee during the financial year and attended by invitation In addition, PricewaterhouseCoopers LLP and Deloitte LLP provided independent advice in respect of remuneration strategy and market benchmarking

EXECUTIVE DIRECTORS

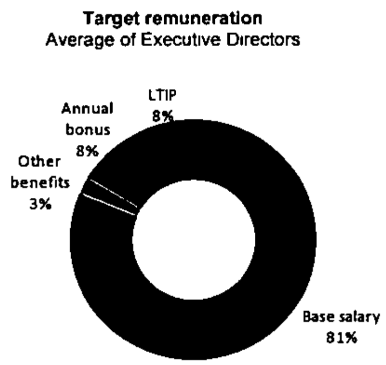
The BBC Worldwide Board was restructured during the year to align it more closely with the 2008 Combined Code, further details of these changes are set out in the Governance Report

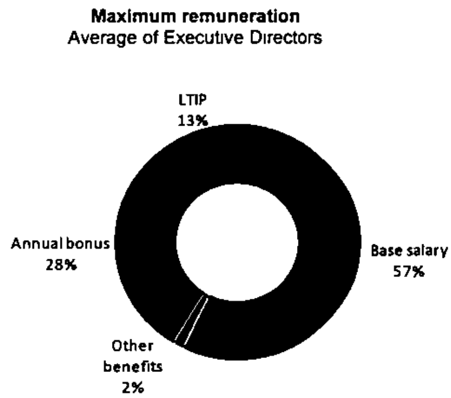
Remuneration policy
The Company's policy is to provide remuneration and other benefits to attract, retain and motivate Executive Directors of the experience and calibre required, having regard to commercial organisations with which BBC Worldwide competes for talent on a global level, whilst maintaining cost effectiveness While BBC Worldwide must be competitive it accepts that it should not lead the market on executive pay in the media sector

High performance is increasingly incentivised through a mix of short and long term variable awards, designed to reward stretch performance, maximise value to the BBC and retain key staff The design of these incentive schemes seek to balance the public purposes of the BBC with a high performance culture, by incentivising individuals to optimise profits In the course of 2009/10, the Committee increased the emphasis placed on variable pay, which may now account for up to 41% of total Executive Director compensation

Report on Directors' Remuneration (continued)

Remuneration policy (continued)
The charts below illustrates the balance between fixed and variable remuneration (excluding pension) for Executive Directors The charts illustrate the mix at both target and maximum performance, over the short and longer term, based on contractual entitlements at 1 April 2010





Notes to chart

- Target performance assumes target annual bonus and threshold vesting under LTIP
- Maximum performance assumes maximum annual bonus and maximum vesting under LTIP
- LTIP excludes reinvestment opportunity
- Other benefits exclude pensions

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

Base salaries are referenced to the median of the market A Board restructure in the year prompted a benchmarking review of executive salaries, which revealed some shortfall versus median Against a backdrop of top-quartile performance, base salaries were subsequently adjusted to bring them into line with policy

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

Annual bonus scheme
A bonus of up to 55% of base pay for which the Chief Executive Officer is eligible is determined by the performance of BBC Worldwide against profit targets The Chief Financial Officer is eligible for a bonus of up to 40% of base pay, 75% of which is determined by the performance of BBC Worldwide against profit targets whilst 25% is performance driven and assessed against his individual objectives

Based on strong performance of BBC Worldwide during the year, including profit growth of 36 5%, bonus awards will be paid out in full An additional payment was made during the year to the CEO in respect of the individual performance element of his 2008/09 bonus

In previous years up to 2009/10, Executive Directors could voluntarily invest up to 75% of their annual bonus into the LTIP which is then eligible for a matching award based on the performance of the Company Further details are provided in the LTIP section below

From 2009/10, Directors can commit up to 50% of their annual bonus for three years as part of a new Deferred Bonus Plan The committed amount will be eligible for a 25% matching award at the end of three years subject to a return on capital employed (ROCE) threshold having been met For the first award under this new plan, the ROCE hurdle has been set at an annual average of 40% over three years

Report on Directors' Remuneration (continued)

Long Term Incentive Plan

The Executive Directors participate in a Long Term Incentive Plan (LTIP) which is a cash incentive plan designed to align remuneration with the strategy of the Company

The maximum payout under the LTIP is 25% of base pay for the Chief Executive Officer and 20% of base pay for the Chief Financial Officer, plus a potential 100% match of any annual bonus deferred from previous years Awards, including the matching element, made under the scheme are subject to two performance measures Profit Growth (75% weighting) and Return on Sales Growth (25% weighting), measured over a three year period and relative to a comparator group of at least 15 other international media companies The companies are ranked according to their performance The comparator group is selected for their mix of business, industry and geographical representation These measures were chosen as they are the most applicable to a group with activities as diverse as BBC Worldwide's, represent the key performance indicators for the business, and support the objectives of BBC Worldwide

The constituent companies of the comparator group are set out below

Aegis Group	Mediaset
Axel Springer	Mondadori
British Sky Broadcasting Group	News Corp
Cablevision Systems Corp	M6-Metropole Television
Comcast A	Nippon Television Network Corp
Dentsu Inc	Pro Sieben Sat1
Disney (Walt) Company	Pearson
Eastman Kodak	Publicis Groupe
Fuji Television Network	RCS Mediagroup
Havas Advertising	SBS Broadcasting
Informa	TF1
Interpublic Group	Vivendi Universal
ITV	WPP
JC Decaux	Yell Group

BBC Worldwide must be ranked at least at the median of the comparator group for the target award to vest Maximum vesting is achieved for a ranking at the upper quartile or above There is a straight-line vesting scale between each vesting point The vesting schedule is shown below

Performance ranking for BBC Worldwide	LTIP payment
Upper quartile or above	20%(1) of base salary, and 100% match of deferred bonus
Median(2)	10% of base salary, and 50% match of deferred bonus
Below median(3)	Nothing vests

(1) 25% for the Chief Executive Officer
(2) Straight line pro-ration applies between each of the vesting points above
(3) 50% of the amount of any deferred annual bonus is also forfeited if performance is below the lower quartile

Defined Benefit Schemes

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

For an employee joining the Pension Scheme before 1 November 2006, the accrual rate is 1/60th of the final pensionable salary for each year of service with pensionable salary being base pay, but not including any bonuses or other payments For employees in this group the normal pensionable age is 60 Contribution rates for these employees increased from 1 April 2010 to 7 5% (6 75% at 1 April 2009) with a corresponding decrease in employer contributions For an employee who joined on or after 1 November 2006 the accrual rate is 1 67% of their pensionable pay for each year of service, adjusted in line with inflation up to retirement Participating employees contribute 4 0% of their pensionable salary to the Pension Scheme For employees in this group the normal pensionable age is 65

Report on Directors' Remuneration (continued)

Defined Benefit Schemes (continued)

John Smith has a normal pensionable age of 60 but may continue in employment to age 65 The normal retirement age for Neil Chugani is 65 as he joined the Pension Scheme after 1 November 2006 As he joined the Pension Scheme after 31 May 1989 Neil Chugani's earnings are subject to a maximum annual limit (£123,600 per annum for 2009/10) and he is therefore entitled to a cash supplement of 20% of base pay above the annual limit No maximum annual limit is applied to John Smith, who joined the BBC before 31 May 1989 The Pension Scheme provides for early retirement on medical grounds and life assurance of four times pensionable pay up to a prescribed limit

Any participating employee who reaches or exceeds the statutory Lifetime Allowance (£1 75 million for 2009/10) may opt out of the Pension Scheme and instead receive a cash supplement

Other benefits

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

Employment contracts

Employment contracts of Executive Directors have a notice period of a maximum of twelve months, and are subject to earlier termination for cause No payments are made to Directors on termination other than as contractually required On termination of their contract, Executive Directors are entitled to one-month pay for each year of continuing service, subject to a 24-month cap

	Date of appointment to BBC Worldwide Board	Notice period from Company	Notice period from Director
John Smith	18 March 2005	12 months	12 months
Neil Chugani	3 December 2007	12 months	12 months

Outside interests

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

During the year, John Smith served as Non-executive Director of Burberry (appointed 1 December 2009) Fees paid for this directorship are shown in the table below It is recognised that BBC Worldwide's own Non-executive Directors are likely to have other directorships and the restriction regarding paid external directorships applying to Executive Directors do not apply to them

External directorship fees

	Company	Payment received (£000s)
John Smith	Burberry Plc	18

NON-EXECUTIVE DIRECTORS

The BBC Non-Executive Directors, Nicholas Eldred, Zarin Patel, Sharon Baylay and Jana Bennett (who resigned on 30 September 2009), do not receive remuneration from BBC Worldwide for the services provided to BBC Worldwide The other Non-executive Directors receive a fee, determined by the BBC Trust, reflecting the complexity of the role and the time required to execute the role effectively The fee levels are set with reference to rates paid by other UK corporations, but at a level such that the Non-Executive Directors would not be financially dependent on BBC Worldwide The fee levels are reviewed annually on 1 September, the next review being effective from 1 September 2010 An increase of 2% came into effect during the year Each Non-executive Director who is entitled to remuneration receives a base fee (currently £35,700pa)

Report on Directors' Remuneration (continued)

NON-EXECUTIVE DIRECTORS (continued)

Etienne de Villiers served as Chairman of the Board for the six months to his resignation on 30 September 2009 This followed publication of a new governance framework by the BBC Trust earlier that month, which included the recommendation that the Chairman of BBC Worldwide should also be a Non-executive Director of the BBC He also served as Chairman of BBC Worldwide's intermediate parent Company, BBC Commercial Holdings Limited, during that same period For the six months ended 30 September 2009, he received a total fee of £62,500 (annual fee of £125,000) plus £12,500 for private office expenses (annual allowance of £25,000) in respect of services to BBC Worldwide and BBC Commercial Holdings In addition he received £150,000 on leaving office, due under the terms of his service contract, and was available for consultancy to BBC Worldwide during the changeover to the new governance arrangements He also received fees from BBC Worldwide's parent Company in relation to membership of the BBC Commercial Holdings Remuneration Committee

Robert Webb was appointed as Chairman of the Board on 1 October 2009 and receives a fee of £90,000 for this role and that of Chairman of BBC Commercial Holdings This is in addition to fees received from the BBC in respect of his Non-Executive position on the BBC Executive Board Further details are available in the BBC Annual Report and Accounts

Sharon Baylay and Tim Weller, who were appointed as Non-Executive Directors on 1 February and 26 April 2010 respectively, each hold a two-year fixed term contract Simon Clift and Thomas Geitner, who were appointed as Non-Executive Directors on 1 November 2006 and 1 February 2007 respectively, initially held three year fixed contracts These contracts were extended by 12 months following a review of the composition of the Board and the appointment of Robert Webb as Chairman

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

The table below sets out the current fees of Non-Executive Directors to whom a fee is payable

Fees from 1 April 2010	
Robert Webb	£90,000
Thomas Geitner	£35,700
Simon Clift	£35,700

Report on Directors' Remuneration (continued)

DETAILED INFORMATION

Remuneration earned in the year ended 31 March 2010

£'000	Fee/ base pay	Annual bonus	LTIP	Taxable benefits	Compensation for loss of office	Pension allowance [4]	Total rem'n 2009/10	Total rem'n 2008/09
Executive Directors								
John Smith[1] [2] [5]	420	141	248	14	-	-	823	560
Neil Chugani[3] [5]	291	125	63	9	-	33	521	467
Total Executive Directors	**711**	**266**	**311**	**23**	**-**	**33**	**1,344**	**1,027**
Non-Executive Directors								
Sharon Baylay[6] [9]	-	-	-	-	-	-	-	-
Jana Bennett [6] [10]	-	-	-	-	-	-	-	-
Simon Clift	35	-	-	-	-	-	35	35
Nicholas Eldred[6]	-	-	-	-	-	-	-	-
Thomas Geitner	35	-	-	-	-	-	35	35
Zarin Patel[6]	-	-	-	-	-	-	-	-
Etienne de Villiers[7] [11]	75	-	-	-	150	-	225	150
Robert Webb [8] [11]	45	-	-	-	-	-	45	-
Total Non-Executive Directors	**190**	**-**	**-**	**-**	**150**	**-**	**340**	**220**
Total Executive Board	**901**	**266**	**311**	**23**	**150**	**33**	**1,684**	**1,247**

(1) In addition to his annual bonus the Chief Executive Officer committed £141 000 in to the new Deferred Bonus Plan which will vest in March 2013
(2) The LTIP payment shown includes £80 000 of annual bonus which was invested into the plan in March 2007 and matched in view of the Company s performance over the 2007-2010 period A detailed vesting schedule for that period is presented below

Bonus invested £'000	LTIP award vested £'000	Invested bonus matching award vested £'000	Total vested £'000
80	88	80	248

(3) The Chief Financial Officer joined the Company in late 2007 He was awarded an LTIP payment based on the same performance measures as the LTIP 2007-2010 scheme
(4) Cash supplement in respect of the pension scheme at 20% of base pay above the annual limit as a result of the maximum annual limit on earnings, as set out on page 46
(5) The BBC introduced a salary sacrifice arrangement on 1 June 2008 for Old and New Benefits members who joined the Pension Scheme before 1 November 2006 This arrangement is also applicable to all Career Average Benefit members Those Directors indicated in the table above participated in the arrangement From that date the terms and conditions of employment were changed for those employees opting for the salary sacrifice arrangement and as a result employee pension contributions made via the salary sacrifice have been treated as employer contributions with a corresponding reduction in salary Base salaries for Executive Directors have not been adjusted to reflect the impact of the salary sacrifice The total salary sacrifice by Executive Directors was £33 000 (2008/09 £25 000)
(6) The BBC Non-Executive Directors Nicholas Eldred Zarin Patel Jana Bennett and Sharon Baylay do not receive remuneration from BBC Worldwide for the services provided to BBC Worldwide
(7) Compensation under the terms of a 12 month service contract Resigned 30 September 2009 following the publication of a new governance framework for BBC Worldwide by the BBC Trust as set out in the Governance Report and was available for consultancy to BBC Worldwide during the changeover period
(8) Appointed 1 October 2009
(9) Appointed 1 February 2010
(10) Resigned 30 September 2009
(11) The remuneration paid to Etienne de Villiers and Robert Webb includes fees for their role as Chairman of BBC Commercial Holdings Limited as well as Chairman of BBC Worldwide Limited A nominal recharge is paid by BBC Commercial Holdings Limited to BBC Worldwide Limited

LTIP potential vesting in 2011 and 2012

The potential vesting in 2011 and 2012 for Executive Directors is set out below

Participant	End of performance period	Bonus invested [1] £000s	Potential LTIP vesting (at target) [2] £000s	Potential LTIP vesting (at maximum) [2] £000s	Potential invested bonus matching award (at target) [2] £000s	Potential invested bonus matching award (at maximum) [2] £000s	Total potential (at target) [2] £000s	Total potential (at maximum) [2] £000s
		a	b	c	d	e	a+b+d	a+c+e
John Smith	March 2011	88	44	88	44	88	176	264
John Smith	March 2012	69	44	110	35	69	148	248
Neil Chugani	March 2011	-	31	63	-	-	31	63
Neil Chugani	March 2012	-	31	63	-	-	31	63

(1) For performance below lower quartile 50% of bonus is forfeited
(2) Potential LTIP vesting is based on current earnings and rounded to the nearest £1 000

Report on Directors' Remuneration (continued)

Pension entitlements

		Annual values		Transfer values[1]		
Executive Directors	Age as at 31 March 2010	**Total accrued pension at 31 March 2010**	Increase/ (decrease) in accrued pension over year	**Transfer value of accrued pension at 31 March 2010**	Transfer value of accrued pension at 31 March 2009	Increase/ (decrease) in transfer value less directors' contributions
		£000s	£000s	**£000s**	£000s	£000s
John Smith	52	183	(26)	3,250	3,673	(423)
Neil Chugani	41	4	2	26	11	15

(1)The transfer value of accrued pension benefits represent the estimated cost to the Pension Scheme of providing the pension benefits accrued to date The value is affected by many factors including age pensionable salary pensionable service and investment market conditions at the date of calculation (in accordance with Actuarial Guidance Note GN 11) It is not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration The effect of the investment market conditions on the transfer value varies according to the member's age – for older members the calculation reflects the yields on index-linked gilts, whilst for younger members the dividend yield on the FTSE All-Share Index is the more significant determinant

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

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and 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 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

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

Independent Auditors' report to the members of BBC Worldwide Limited

We have audited the financial statements of BBC Worldwide Limited for the year ended 31 March 2010 set out on pages 53 to 128 The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of Directors and Auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 50, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2010 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Paul Korolkiewicz (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

16 June 2010

Consolidated income statement

For the year ended 31 March	Note	2010 £m	2009 £m
Revenue including Group's share of joint ventures' revenue	1	**1,074 2**	**1,003 6**
Less Share of joint ventures' revenue		(185 9)	(299 0)
Revenue		**888 3**	**704 6**
Total operating costs	3	(788 4)	(695 1)
Share of profit of joint ventures and associated undertakings		40 1	34 6
Operating profit		**140.0**	**44 1**
Analysed as			
Operating profit before specific items	1	145 2	106 4
Changes in fair valuation of derivative financial instruments	4	19 8	(27 3)
Impairment of goodwill	4	(17 5)	-
Gain/(loss) on termination of businesses	4	2 0	(9 4)
Share of joint venture's specific item	4	-	(7 5)
Interest and taxation on profits of joint ventures and associates	4	(9 5)	(18 1)
Finance income	7	0 4	1 1
Finance costs	7	(14 0)	(15 6)
Profit before taxation		**126 4**	**29 6**
Taxation	8	(34 2)	(7 1)
Profit for the year		**92.2**	**22 5**
Attributable to			
Equity shareholders of the parent company		87 9	21 6
Minority interests		4 3	0 9
Profit for the year		**92.2**	**22 5**

Consolidated statement of comprehensive income

For the year ended 31 March	Note	2010 £m	2009 £m
Profit for the year		**92.2**	22 5
Other comprehensive income			
Recognition and transfer of cash flow hedges		**1.0**	-
Tax on cash flow hedges taken directly to equity		**(0 3)**	-
Exchange differences on translation of foreign operations		**4.3**	24 0
Recognition of share of joint venture liabilities	11b	**-**	(19 4)
Other comprehensive income for the year (net of tax)		**5.0**	4 6
Total comprehensive income for the year		**97.2**	27 1
Attributable to			
Equity shareholders of the parent company		**91 8**	26 4
Minority interests		**5 4**	0 7
		97 2	27 1

Consolidated balance sheet

As at 31 March	Note	2010 £m	2009 £m	2008 £m
Non-current assets				
Programme rights for distribution	9a	**106 2**	87 9	73 8
Goodwill	9b	**102.8**	87 0	76 6
Other intangible assets	9c	**45.3**	41 6	30 7
Property, plant and equipment	10	**26 9**	28 9	19 5
Interests in joint ventures, associates and available-for-sale investment	11, 12, 13	**55 5**	80 7	71 9
Deferred tax assets	8c	**16 3**	28 0	16 0
Derivative financial assets	24d	**0 3**	0 4	0 2
Trade and other receivables	15	**6 7**	3 4	5 6
		360 0	357 9	294 3
Current assets				
Programme rights and other inventories	14	**72.6**	51 9	41 8
Trade and other receivables	15	**219 7**	208 3	176 8
Derivative financial assets	24d	**2.6**	0 9	1 1
Cash and cash equivalents		**23 3**	55 9	50 7
Assets classified as held for sale	21	**30 0**	-	-
		348 2	317 0	270 4
Current liabilities				
Trade and other payables	16	**360 0**	297 2	264 4
Current tax liabilities		**8.4**	10 8	7 3
Derivative financial liabilities	24d	**5 1**	14 0	0 9
Provisions	17	**0.9**	0 9	2 3
Interest bearing loans and borrowings	24e	**-**	4 7	1 8
Liabilities classified as held for sale	21	**12 4**	-	-
		386 8	327 6	276 7
Net current liabilities		**(38 6)**	(10 6)	(6 3)
Non-current liabilities				
Interest bearing loans and borrowings	24e	**134 2**	208 7	140 7
Derivative financial liabilities	24d	**8 2**	18 5	0 3
Deferred tax liabilities	8c	**2.6**	9 6	16 2
Other payables	16	**5 8**	2 3	1 8
Provisions	17	**14 9**	21 2	-
		165 7	260 3	159 0
Net assets		**155 7**	87 0	129 0
Attributable to equity shareholders of the parent company				
Share capital	19	**0 2**	0 2	0 2
Retained earnings	20	**138 9**	82 6	148 7
Translation reserve	20	**36 8**	25 5	-
Hedging reserve	20	**0 5**	-	-
Other reserves	20	**(36 3)**	(32 3)	(31 0)
		140 1	76 0	117 9
Minority interests	20	**15 6**	11 0	11 1
Total equity		**155 7**	87 0	129 0

The financial statements were approved by the Board of Directors on 16 June 2010 and were signed on its behalf by

J B Smith
Chief Executive

N Chugani
Chief Financial Officer

Consolidated cash flow statement

For the year ended 31 March	Note	2010 £m	2009 £m
Cash flows from operating activities			
Profit before tax		**126.4**	29 6
Adjustments for			
Depreciation and impairment of property, plant and equipment	10	**10 2**	8 3
Amortisation and impairment of intangible assets	9	**99 7**	90 6
Impairment of investments		**1 1**	-
Impairment of available-for-sale investment	13	**-**	2 7
Fair valuation impact of financial instruments	24d	**(18 8)**	26 5
Net finance costs	7	**13 6**	14 5
Share of profits of joint ventures and associates		**(40 1)**	(34 6)
Movement in working capital and provisions			
Decrease/(increase) in trade and other receivables		**20 8**	(18 5)
Increase in programme rights and other inventories		**(6 7)**	-
Increase in trade and other payables		**2 6**	27 2
Decrease in provisions		**(0 9)**	(1 2)
Cash generated from operations		**207 9**	145 1
Dividends received from joint ventures and associates	11, 12	**10 7**	37 0
Tax paid		**(32 8)**	(23 2)
Net cash generated from operating activities		**185 8**	158 9
Cash flows from investing activities			
Interest received		**-**	1 1
Acquisition of			
- Programme rights for distribution	9a	**(83 4)**	(94 0)
- Other intangible assets	9c	**(5 7)**	(12 8)
- Property, plant and equipment	10	**(6 5)**	(16 9)
- Subsidiary undertakings, net of cash acquired	18	**20 0**	(13 2)
- Associates and joint ventures	11, 12	**0 6**	(16 1)
Net cash used in investing activities		**(75 0)**	(151 9)
Cash flows from financing activities			
Interest paid		**(9 1)**	(10 9)
Net (repayment)/proceeds of borrowings		**(89 7)**	75 7
Capital element of finance lease payments	10	**(1 5)**	(1 2)
Equity dividends paid	26a	**(32 1)**	(68 8)
Dividends paid to minority interests		**(0 8)**	(0 8)
Net cash used in financing activities		**(133 2)**	(6 0)
Net (decrease)/increase in cash and cash equivalents		**(22 4)**	1 0
Cash and cash equivalents at the beginning of the year		**55 9**	50 7
Cash classified as held for sale	21	**(8 3)**	-
Effects of exchange rate changes on cash and cash equivalents		**(1 9)**	4 2
Cash and cash equivalents at the end of the year		**23 3**	55 9

Consolidated statement of changes in shareholders' equity

	Share capital £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Other reserve £m	Total £m	Minority interests £m	Total equity £m
At 1 April 2008	**0.2**	**148.7**	**-**	**-**	**(31.0)**	**117.9**	**11.1**	**129.0**
Profit for the year	-	21.6	-	-	-	21.6	0.9	22.5
Exchange differences on translation of foreign operations	-	-	24.2	-	-	24.2	(0.2)	24.0
Recognition of share of joint venture liabilities	-	(19.4)	-	-	-	(19.4)	-	(19.4)
Total comprehensive income for the year	**-**	**2.2**	**24.2**	**-**	**-**	**26.4**	**0.7**	**27.1**
Adjustment on acquisition of UKTV	-	0.5	-	-	-	0.5	-	0.5
Dividends paid	-	(68.8)	-	-	-	(68.8)	(0.8)	(69.6)
Transfer of foreign exchange movement on put option	-	-	1.3	-	(1.3)	-	-	-
At 31 March 2009	**0.2**	**82.6**	**25.5**	**-**	**(32.3)**	**76.0**	**11.0**	**87.0**
Profit for the year	-	87.9	-	-	-	87.9	4.3	92.2
Recognition and transfer of cash flow hedges	-	-	-	0.7	-	0.7	0.3	1.0
Tax on items taken directly to equity	-	-	-	(0.2)	-	(0.2)	(0.1)	(0.3)
Exchange differences on translation of foreign operations	-	-	3.4	-	-	3.4	0.9	4.3
Total comprehensive income for the year	**-**	**87.9**	**3.4**	**0.5**	**-**	**91.8**	**5.4**	**97.2**
Adjustment on acquisition of 2|entertain	-	0.5	-	-	-	0.5	-	0.5
Dividends paid	-	(32.1)	-	-	-	(32.1)	(0.8)	(32.9)
Adjustment in respect of put option (note 18c)	-	-	-	-	3.9	3.9	-	3.9
Transfer of foreign exchange movement on put option	-	-	7.9	-	(7.9)	-	-	-
At 31 March 2010	**0.2**	**138.9**	**36.8**	**0.5**	**(36.3)**	**140.1**	**15.6**	**155.7**

Please refer to note 20 for further information on reserves

Notes to the consolidated financial statements

1 Principal accounting policies

a. Basis of preparation

BBC Worldwide Limited (the "Company") is a company domiciled in the United Kingdom The consolidated financial statements of the Company for the year ended 31 March 2010 comprise the Company and its subsidiary undertakings (together the "Group") and the Group's interest in associated undertakings and joint ventures

The consolidated financial statements have been prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS") This is the first year in which IFRS has been used as a preparation basis for the Group's financial statements Note 29 describes how the Directors have applied the first-time adoption provisions set out in *IFRS 1, First-time Adoption of International Financial Reporting Standards*

The Company has elected to prepare its financial statements in accordance with UK GAAP These are presented on pages 116 to 128

These financial statements are prepared on a going concern basis, and on an historical cost basis, except for derivative financial instruments, put option liabilities and available for sale assets which are stated at fair value, and non-current assets held for sale which are stated at the lower of the previous carrying value and fair value less costs to sell, as described in the accounting policies below

With the exception of items impacted by IFRS 1, the policies set out below have been applied consistently throughout the current and preceding years to items considered material to the financial statements

(i) Additional non-statutory financial performance measures

The Group believes that "Revenue including Group's share of Joint Ventures' revenue" and "Operating profit before specific items" are additional non-statutory measures of financial performance that provide additional guidance to help understand the core performance of the business on a comparable basis year-on-year

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

Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies Items which have been highlighted for consideration include the changes in fair valuation of derivative financial instruments, the impairment of goodwill, the gain or loss on termination of businesses, interest and taxation on profits of joint ventures and associates, and the Group's share of a prior year pension liability that crystallised in 2|entertain Limited ("2|entertain") following the administration of Woolworths Group plc The Directors intend to follow such a presentation on a consistent basis in the future Specific items for the current and prior years are disclosed in note 4

(ii) Funding and liquidity

The Board remains satisfied with the Group's funding and liquidity position The disclosures on page 31 in the Directors' Report in respect of going concern form part of the audited accounts

As at year end, the main sources of debt funding are unsecured loan and investment facilities with BBC Commercial Holdings Limited expiring in April 2011 and June 2012, and an unsecured loan with the European Investment Bank, due to part-terminate in November 2011 and the remainder in May 2012 Further information in respect of these facilities is included in note 24e

Subsequent to year end, the sterling facility with BBC Commercial Holdings Limited expiring in April 2011 has been renewed with an expiry date of 30th April 2012 Further information regarding the new facility is included in note 27

On the basis of its forecasts, both base case and adjusted, and having regard to available financing facilities, the Board has concluded that the going concern basis of preparation continues to be appropriate Further information in respect of liquidity risk is included in note 24a

1 Principal accounting policies (continued)

a. Basis of preparation (continued)

(iii) Accounting pronouncements

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

IFRS 8 *Operating Segments*
IAS 1 Revised (2007) *Presentation of Financial Statements*
IAS 23 Revised (2007) *Borrowing costs*
Amendments to IFRS 7 *Financial Instruments Disclosures*
Amendments to IAS 32 *Financial Instruments Presentation* and IAS *1 Presentation of Financial Statements*
Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments Recognition and Measurement*
Improvements to IFRSs (2008)

b. Basis of consolidation

Where necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring the accounting policies used into line with those of the Group All intra-group transactions, balances, income and expenses are eliminated on consolidation Unrealised gains from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment

(i) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group Control is achieved where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control, the Group takes into consideration potential voting rights that are currently exercisable The results of subsidiaries are included in the financial statements from the date that control commences to the date that control ceases

Minority interests in the net assets of consolidated subsidiaries are identified separately, and consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination Equity put options held by minority interest holders are recognised as financial liabilities at the present value of the fair value of amounts payable on their exercise The Group continues to recognise minority interests in respect of these equity investments where the risks and rewards of ownership are deemed to have been retained by the minority interest holders

(ii) Associates and joint ventures

An associate is an entity in relation to which the Group is in a position to exercise significant influence but not control, over its financial and operating policies A joint venture is an entity over which the Group exercises joint control, established through a contractual arrangement The Group's investments in associates and joint ventures are recognised using the equity method of accounting

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

c. Business combinations

The acquisition of subsidiaries is accounted for using the purchase method The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired entity, plus any costs directly attributable to the business combination The acquired entity's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 (2004) Business Combinations* are recognised at their fair value at the acquisition date The interest of minority shareholders in the acquired entity is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised

1 Principal accounting policies (continued)

c. Business combinations (continued)

When control is obtained in successive share purchases (a "step acquisition"), each significant transaction is accounted for separately and the identifiable assets, liabilities and contingent liabilities acquired are stated at fair value when control is obtained

When there is a transfer or an exchange between companies under common control, assets and liabilities so transferred are accounted for at historical cost

d. Investments in associates and joint ventures (equity accounted investees)

Investments in associates and joint ventures are initially recognised at cost The carrying amount is increased or decreased in subsequent periods to recognise the share of total comprehensive income

The Group consolidates results from investments in associates and joint ventures using results as of 31 March with the exception of the following investments the results of the joint ventures and associates within the Discovery agreements, excluding the Animal Planet Europe Partnership, Children's Character Books, Woodlands Books Limited and BBC Haymarket Exhibitions Limited, which have been included using information from unaudited accounts drawn up to 31 December

e. Revenue

The Group's main sources of revenue are recognised as follows

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

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

f. Foreign currency

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

The Group's presentational currency is sterling The income statements and cash flows of overseas subsidiaries are translated into sterling at the weighted average rates for the year Exchange differences arising from the retranslation of the opening net assets of overseas subsidiaries are taken directly to other comprehensive income, together with the differences arising when income statements are translated at average rates compared with rates ruling at the year end On disposal of a foreign operation, the cumulative amount recognised in equity relating to that operation is recognised in the income statement as part of the gain or loss on sale, subject to the exemption taken under IFRS 1 to reset the foreign currency translation reserve to zero at the transition date (see note 29) Other exchange differences are taken to the income statement

g. Trade and other receivables

Trade and other receivables are recognised initially at cost, and subsequently reduced by any provision for bad or doubtful debts

h. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits of less than three months duration from the date of placement

1 Principal accounting policies (continued)

i. Financial instruments

The Group's financial instruments (other than derivative financial instruments, put option liabilities and available for sale assets) are stated at amortised cost using the effective interest rate, less any impairment losses

(i) Derivative financial instruments

The Group transacts in a number of currencies, primarily including sterling, Euros, US dollars and Australian dollars The Group therefore enters into derivative financial instruments to manage the Group's exposure to fluctuations in currency options and foreign exchange rates (foreign currency forward contracts) The Group also enters into derivative financial instruments to manage exposure to changes in interest rates (interest rate swaps, caps and collars) The Group does not enter into speculative derivative contracts

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the income statement, except where hedge accounting is applied (see below)

The fair value of interest rate derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the swap, cap or collar at the balance sheet date, taking into account current interest rates and the current creditworthiness of counterparties

The fair value of foreign currency forward contracts is determined by using forward exchange market rates at the balance sheet date

(ii) Hedge accounting

Where a financial instrument is designated and is effective as a net investment hedge of a foreign operation or a cash flow hedge of purchases or sales in a foreign currency, any exchange differences arising on the retranslation of the financial instrument will be recognised directly in the statement of comprehensive income Any ineffective portion, or any change in fair valuation on a financial instrument not designated as an effective hedging instrument, is recognised immediately in the income statement If the hedge ineffectiveness moves outside the range of 80-125 percent, all amounts related to that hedge, not limited to the ineffective portion, are recycled to the income statement

(iii) Embedded Derivatives

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

j. Trade and other payables

Trade and other payables are recognised initially at fair value, and subsequently at amortised cost

k. Intangible fixed assets

(i) Programme rights for distribution

Programme rights for distribution represent rights acquired with the primary intention to sell them or products derived from the rights as part of the Group's long-term operations They are initially recognised at acquisition cost or production cost, when the Group controls the respective assets and the risks and rewards attached to them The carrying amount is stated at cost less accumulated amortisation and after writing off the costs of programmes that are considered irrecoverable

(ii) Business combinations and goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, which represents the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities assumed Goodwill is stated at its recoverable amount, being cost less any accumulated impairment losses, and is allocated to cash-generating units

1 Principal accounting policies (continued)

k. Intangible fixed assets (continued)

(iii) Internally-generated intangible assets. Development expenditure

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

(iv) Other intangible assets

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

(v) Amortisation

With the exception of goodwill, which is not amortised, amortisation is charged on assets with finite lives on a systematic basis over the asset's useful life and disclosed within total operating costs in the income statement

The useful lives and amortisation methods are as follows

Programme rights for distribution	See below	1-10 years
Lonely Planet masthead	Straight line	20 years
UK TV carrier agreements	Straight line	17 years
Software	Straight line	5 years
Other	Straight line	3-8 years

Amortisation of programme rights for distribution is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life

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

l. Impairment of assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment Non-financial assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount, the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows and for which goodwill is monitored for management purposes

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised Impairment losses in respect of goodwill are not reversed

1 Principal accounting policies (continued)

m. Property, plant and equipment ('PPE')

All owned PPE is stated at cost less accumulated depreciation and any accumulated impairment losses (see note 1l), other than those items that are classified as held for sale (see note 1s)

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

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

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

Assets held under finances leases are treated as PPE (see note 1n), and depreciated over the shorter of the lease term or their useful economic life

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

n. Leased assets

Assets held under finance leases, whereby the Group assumes substantially all the risks and rewards of ownership, are capitalised and depreciation is charged accordingly The capital elements of future obligations are recorded as liabilities Lease payments are apportioned between finance charges and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability

All other leases are classified as operating leases The lease expense arising from operating leases is charged to the income statement on a straight line basis over the term of the lease, with any incentives to enter into operating leases being recorded on a straight line basis over the lease term, recognised as a reduction of the rental expense

o. Programme rights and other inventories

Programme rights in this context refer to the programme rights acquired for the primary purpose of broadcasting within the Group's short-term operations The carrying amount is stated at cost less accumulated amortisation, and after writing off the costs of programme rights that are considered irrecoverable The Group's estimate of the benefits received from these rights is determined to be most appropriately aligned with a straight-line amortisation profile for the majority of the programme inventory held The cost is recognised in the income statement on a straight-line basis over the shorter of the period of the licence or three years (the expected operating cycle for an item of this nature) In certain instances amortisation is recognised on a reducing balance basis, where it more appropriately aligns the amortisation profile with the expected consumption of economic benefits

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

p. Provisions

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

1 Principal accounting policies (continued)

q. Employee benefits

The Group offers both defined benefit and defined contribution schemes to its employees

(i) Defined benefit

The defined benefit scheme is operated by the Group's ultimate parent, the British Broadcasting Corporation (the "BBC") The defined benefit scheme provides benefits based on final or career average pensionable pay The assets of the BBC's main pension scheme, the BBC Pension Scheme, to which the majority of employees belong, are held separately from those of the BBC Group The BBC Pension Scheme is a Group wide scheme and as such the participating employers all make contributions to the scheme at the same rates and are unable to identify their shares of the net defined benefit cost The contribution rates are set by the pension scheme trustees based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities Valuations of the scheme are performed by Towers Watson, consulting actuaries, with formal valuations undertaken at least every three years Therefore as required by IAS 19, *Employee Benefits,* the Group accounts for the contributions payable to the scheme for the year

(ii) Defined contribution

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 income statement when payable

Other short term and long-term employee benefits, including holiday pay, Long Term Incentive Plan, and long service leave, are recognised as an expense over the periods in which they accrue

r. Taxation

The Group's liability for current tax is based on taxable profit for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantially enacted at the balance sheet date Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax assets and liabilities are not discounted

s. Non-current assets held for sale

Non-current assets (and disposal groups comprising assets and liabilities) are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable

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

1 Principal accounting policies (continued)

t. Dividends on shares presented within shareholders' funds

Dividends are recognised through equity in the period in which they are declared Dividends which are unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and payment is no longer at the discretion of the Group Unpaid dividends that do not meet these criteria are disclosed in the notes to the consolidated financial statements

u. Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses All operating segments' results are reviewed regularly by the Group's chief operating decision maker ("CODM"), defined as the BBC Worldwide Board (the "Board"), to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available

v. Critical accounting estimates and key judgements

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

(i) Revenue recognition

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

(ii) Trade and other receivables recoverability

Judgement is also required in evaluating the likelihood of collection of customer debt In certain cases, this involves estimates of the level of provision to be made for customers' debts with uncertain recovery

(iii) Carrying value of goodwill

The determination of whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate that reflects current market assessments of the risks specific to the asset and the time value of money, in order to calculate present value Please refer to note 9 for further details on the impairment loss calculation for the current year

(iv) Determination of fair values

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

(v) Deferred tax

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

(vi) Programme rights

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

1 Principal accounting policies (continued)

w. Accounting Standards, interpretations and amendments to existing standards that are not yet effective

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

IFRS 1 (amended)/IAS 27 (amended)	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 3 (revised 2008)	*Business Combinations*
IAS 27 (revised 2008)	*Consolidated and Separate Financial Statements*
IAS 28 (revised 2008)	*Investments in Associates*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRIC 18	*Transfers of Assets From Customers*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs (April 2009)	

The Group does not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group except for the treatment of acquisition of subsidiaries and associates when IFRS 3 (revised 2008), IAS 27 (revised 2008) and IAS 28 (revised 2008) come into effect for business combinations for which the acquisition date is on or after the beginning of the next financial year (1 April 2010)

2 Segmental analysis

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

Channels	Operates UK and international television channels, broadcasting programmes made by both the BBC and other independent providers
Content and Production	Develops and sells programme formats and their associated live events, and manages the Group's rights acquisitions
Digital Media	Operates the BBC com and other BBC brand websites, and manages the BBC's on demand archive clip licensing business BBC Motion Gallery
Global Brands	Provides central management of the Group's international brands, principally Lonely Planet and Licensing
Sales and Distribution	Manages the sale and syndication of the Group's content across television, video on demand and international DVD
Home Entertainment	Creates and distributes consumer products, including DVDs, music, books and audiobooks
Magazines	Publishes the Radio Times and other Specialist and Lifestyle magazines based upon BBC content

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

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

2a Turnover analysed by reportable segment

The segment information for the reportable segments provided to the Board for the years ended 31 March 2010 and 31 March 2009 is as follows

2010	Group revenue £m	Intersegment revenue £m	Group revenue from external customers £m	Share of joint ventures £m	Total £m
Worldwide Channels	157 6	-	157 6	105.0	262.6
Content & Production	94 3	-	94.3	3.3	97 6
Digital Media	30 0	-	30.0	-	30.0
Global Brands	65 7	-	65.7	5.2	70.9
Sales & Distribution	221 0	(26.0)	195.0	19.8	214.8
Home Entertainment	201 7	(1 3)	200.4	29.6	230.0
Magazines	145 3	-	145.3	23.0	168.3
Total	915 6	(27 3)	888.3	185.9	1,074.2

2009	Group revenue £m	Intersegment revenue £m	Group revenue from external customers £m	Share of joint ventures £m	Total £m
Worldwide Channels	122 8	-	122.8	102.8	225.6
Content & Production	86 5	-	86.5	1 7	88.2
Digital Media	27 5	-	27 5	-	27 5
Global Brands	58 2	-	58.2	3.3	61 5
Sales & Distribution	225 2	(35.9)	189.3	15.6	204.9
Home Entertainment	70 3	(0.5)	69.8	155.5	225.3
Magazines	150 5	-	150.5	20.1	170.6
Total	741 0	(36.4)	704.6	299.0	1,003.6

2b Operating profit before specific items

2010	Group operating profit before specific items £m	Share of operating profit/(loss) of joint ventures and associates, before specific items £m	Total £m
Worldwide Channels	1 6	37 6	39 2
Content & Production	17 6	-	17 6
Digital Media	(20 8)	-	(20 8)
Global Brands	(6 8)	(0 6)	(7 4)
Sales & Distribution	54 9	3 0	57 9
Home Entertainment	34 3	6 0	40 3
Magazines	17 8	0 6	18 4
Total	98 6	46.6	145.2

2009	Group operating profit before specific items £m	Share of operating profit/(loss) of joint ventures and associates, before specific items £m	Total £m
Worldwide Channels	(1 6)	30 8	29 2
Content & Production	17 5	(0 7)	16.8
Digital Media	(25 8)	(3 2)	(29 0)
Global Brands	(8 5)	1 7	(6 8)
Sales & Distribution	39 4	6 4	45 8
Home Entertainment	1 9	32 3	34 2
Magazines	18 3	(2 1)	16 2
Total	41 2	65.2	106.4

2b Operating profit before specific items (continued)

The following depreciation, amortisation and impairment charges are recorded in the above reportable segments' results

	Depreciation		Amortisation	
	£m	£m	£m	£m
	2010	**2009**	**2010**	**2009**
Worldwide Channels	2 2	1 0	1 1	0 4
Content & Production	0 8	0 3	0 7	0 3
Digital Media	1 3	1 2	2 4	0 8
Global Brands	1 3	1 6	8 4	8 9
Sales & Distribution	1 6	0 7	55 9	61 4
Home Entertainment	1 4	0 6	12 1	13 9
Magazines	1 6	0 9	1 6	2 3
Total	**10.2**	**6 3**	**82.2**	**88.0**

A reconciliation of the reportable segments' operating profit before specific items to profit before tax is provided as follows

	2010	2009
	£m	£m
Operating profit before specific items	**145.2**	106 4
Specific items (see note 4)	**(5 2)**	(62 3)
Net financing costs (see note 7)	**(13 6)**	(14 5)
Profit before tax	**126.4**	29 6

The Group's revenue by destination (excluding its share of joint venture revenues) from customers in the UK is £351 1 million (2009 £286 4 million) and from customers in other countries is £537 2 million (2009 £418 2 million)

The Group's non-current assets, other than financial instruments and deferred tax assets, located in the UK are £167 5 million (2009 £167 4 million) and located outside of the UK are £175 9 million (2009 £162 1 million)

3 Operating costs

An analysis of the operating costs (including specific items) incurred by the Group is presented below

	2010	2009
	£m	£m
Cost of sales	**499 9**	392 6
Distribution costs	**234 0**	221 0
Administration costs	**54 5**	81 5
Analysed as		
Changes in fair valuation of derivative financial instruments	**(18 8)**	26 5
Other administration costs	**73 3**	55 0
	788 4	695 1

3 Operating costs (continued)

Group operating costs (including specific items) include the following

	2010 £m	2009 £m
Amortisation of intangible assets		
- programme rights for distribution	72 5	80 9
- other intangible assets	2 9	2 4
- internally generated software assets	6 8	4 7
Depreciation on property, plant and equipment	10 2	6 3
Programme rights and other inventories		
- included in cost of sales	107 8	82 1
- of which write downs	1 2	4 0
Rentals on operating leases and similar arrangements	14 6	17 6
Sub-lease rentals received on operating leases	-	-
Research and development expenditure	3 0	1 6
Net foreign exchange gains	(2 3)	(1 8)
Fair valuation (gains)/losses on derivative financial instruments	(19 8)	27 3
(Gain)/loss on termination of businesses	(2 0)	9 4
Share of joint venture's specific item	-	7 5
(Decrease)/increase in allowance for doubtful debts	(1 4)	5 8
Impairment of available for sale assets	-	2 7
Impairment of goodwill	17 5	-
Impairments of investments	1 7	2 3
Loss on intangible software assets	1 0	-

4 Specific items

	Note	2010 £m	2009 £m
Specific items			
Changes in fair valuation of derivative financial instruments	4a	19 8	(27 3)
Impairment of goodwill	4b	(17 5)	-
Gain/(loss) on termination of businesses	4c	2 0	(9 4)
Group's share of joint venture's specific item	4d	-	(7 5)
Interest and taxation on profits of joint ventures and associates	4e	(9 5)	(18 1)
		(5 2)	**(62 3)**

4a Changes in fair valuation of derivative financial instruments

The impact of fair value changes of derivative financial instruments is a gain of £19 8 million (2009 loss of £27 3 million) on operating profit This is not expected to be recurring in future years and reflects the economic volatility of the current and prior years These derivative financial instruments comprise forwards and currency options, including embedded derivatives which have been identified and separated from their host contract for valuation

4b Impairment of goodwill

The Group's Australian Travel Guide business has an Australian dollar functional currency During the year the significant strengthening of the Australian dollar against the main currencies in which the business operates (US dollar, sterling, and Euro) has caused an impairment of £17 5 million of the goodwill attributed to the business Further detail is provided in note 9b

4c Gain/(loss) on termination of businesses

In the year ended 31 March 2008, an independent joint venture ('UK VOD LLP') was created by BBC Worldwide, ITV and Channel 4 to develop a new UK on-demand service known to the industry as Kangaroo On 4 February 2009, the Competition Commission reported that it believed the proposed venture would create a lessening of competition in the emerging video on demand industry in the UK, and blocked the joint venture from continuing As a result the Group terminated its investment and during the year ended 31 March 2009, exceptional costs relating to this termination totalling £9 1 million were charged to the income statement within the Digital Media business segment This included the Group's share of the joint venture's assets impairment In July 2009, UK VOD LLP sold all of Project Kangaroo's assets to Arqiva, resulting in a gain to the Group of £2 0 million

Other losses on termination of businesses in the year ended 31 March 2009 primarily relate to the Group's divestment of its interactive learning activities

4d Group's share of joint venture's specific item

Following the administration of Woolworths Group plc in the year ended 31 March 2009, a liability crystallised in the Group's then joint venture 2|entertain in respect of the Woolworths Group pension scheme The Group's share of joint venture results included a £7 5 million charge in respect of this pension liability, being 60% of the expense recorded by 2|entertain

4e Interest and taxation on profits of joint ventures and associates

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

5 Employees and remuneration

5a Employee benefits

	2010 £m	2009 £m
Salaries and wages	**150 2**	132 7
Social security costs	**9.8**	8 1
Other pension costs	**15 3**	12 6
	175 3	153 4

In addition to the above, redundancy costs and compensation for loss of office payments totalling £6 7 million (2009 £2 3 million) were incurred in the year

The average number of persons employed (full-time equivalent) in the year is set out below

	2010 Average	2009 Average
Worldwide Channels	**491**	379
Content & Production	**135**	109
Digital Media	**247**	241
Global Brands	**517**	580
Sales & Distribution	**257**	268
Home Entertainment	**346**	291
Magazines	**605**	712
Total	**2,598**	2,580

5a Employee benefits (continued)

Within the averages above, 204 (2009 198) part-time employees have been included at their full-time equivalent of 134 (2009 131) In addition to the above, the Group employed an average full-time equivalent of 54 (2009 49) persons on a casual basis Their payroll costs are included above

5b BBC Pension Scheme

Group pension plans

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

The BBC Pension Scheme provides salary related benefits on a defined benefit basis funded from assets held in separate trustee-administered funds, there are three sections to the BBC Pension Scheme, Old Benefits and New Benefits both provide benefits based on final salary (subject to differing inflation caps) and the Career Average Benefits section, which is the section open to new entrants The pension scheme trustees manage the plan in the short, medium and long term They make funding decisions based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities

BBC Worldwide, following the provisions within IAS 19 Employee Benefits for accounting in respect of BBC Group schemes, 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 £12 8 million in the year (2009 £10 6 million) No contributions were prepaid or accrued at 31 March 2010 (2009 £nil, 2008 £nil)

The actuarial valuation was updated for IAS 19 purposes to 31 March 2010 by Towers Watson, consulting actuaries This valuation identified a deficit of £1,640 9 million in the scheme at 31 March 2010 (2009 deficit £138 6 million, 2008 surplus £528 4 million) Additional disclosure about the scheme and its financial position under IAS 19 is presented below

Pension asset/(liability) included in the BBC balance sheet

	Pension asset			Pension liability		
	2010	2009	2008	**2010**	2009	2008
	£m	£m	£m	**£m**	£m	£m
BBC Pension Scheme	-	-	528 4	**(1,640 9)**	(138 6)	-
Unfunded Scheme	-	-	-	**(6 2)**	(4 7)	(5 1)
Total	-	-	528 4	**(1,647 1)**	(143 3)	(5 1)

BBC Pension Scheme

Scheme financial position

	2010	2009	2008	2007	2006
IAS 19 valuation	**£m**	£m	£m	£m	£m
Scheme assets*	**8,154 8**	6,454 0	8,042 0	8,117 9	7,843 4
Scheme liabilities	**(9,795 7)**	(6,592 6)	(7,513 6)	(7,788 6)	(7,675 9)
(Deficit)/surplus	**(1,640 9)**	(138 6)	528 4	329 3	167 5

Key movements in the year are shown below

Changes in the present value of plan liabilities

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

5b BBC Pension Scheme (continued)

	2010 £m	2009 £m	2008 £m
Opening present value of plan liabilities	**6,592.6**	7,513 6	7,788 6
Current service cost	**128 2**	161 8	164 8
Past service cost	**(301 5)**	24 2	21 5
Gains on curtailments	**-**	(10 0)	-
Interest on pension plan liabilities	**463 4**	508 4	413 6
Experience (gains)/losses arising on plan liabilities	**(33 2)**	(171 3)	149 1
Changes in assumptions underlying plan liabilities	**3,266 1**	(1,138 1)	(786 0)
Contributions by plan participants	**7 2**	14 2	53 1
Benefits paid	**(327 1)**	(310 2)	(291 1)
Closing present value of plan liabilities	**9,795 7**	6,592 6	7,513 6

Changes in the fair value of plan assets

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

A salary sacrifice arrangement was introduced on 1 June 2008 for Old and New Benefit members and 1 November 2006 for Career Average Benefit members The contributions paid via the salary sacrifice arrangement have been treated as employer contributions

	2010 £m	2009 £m	2008 £m
Opening fair value of plan assets	**6,454 0**	8,042 0	8,117 9
Expected rate of return on plan assets	**443 4**	626 0	562 7
Actuarial losses on plan assets	**1,363 0**	(2,094 0)	(584 6)
Contributions by employer	**214 3**	176 0	184 0
Contributions by plan participants	**7.2**	14 2	53 1
Benefits paid	**(327 1)**	(310 2)	(291 1)
Closing present value of plan assets	**8,154 8**	6,454 0	8,042 0

Plan assets

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

	2010		2009		2008	
Type of asset	**£m**	**%**	£m	%	£m	%
Equities	**4,572.6**	**56 1%**	3,313 0	51 3%	4,624 0	57 5%
Bonds	**1,825 4**	**22.4%**	1,598 0	24 8%	1,693 0	21 1%
Property	**787 3**	**9 6%**	796 0	12 3%	1,001 0	12 4%
Alternatives*	**719 0**	**8 8%**	508 0	7 9%	455 0	5 7%
Cash	**250 5**	**3 1%**	239 0	3 7%	269 0	3 3%
Total assets	**8,154 8**		6,454 0		8,042 0	
Actual return on pension plan assets**	**1,806 0**		(1,468 0)		(22 0)	

* Alternatives include private equity, debt and currency

** This constitutes realised gains from the receipt of investment income (e g dividends and rent), transactions where assets are sold and unrealised fair value changes

5b BBC Pension Scheme (continued)

Funding the Scheme

As a result of the 2007 actuarial valuation by Watson Wyatt, it has been agreed between the BBC and the pension scheme trustees that employer contributions would increase to 19 4% from 1 July 2008 Employee contributions for Old and New Benefit members rose from 6 0% to 6 8% from 1 April 2009 and will rise to 7 5% from 1 April 2010 and employer contributions decreased from 19 4% to 18 6% from 1 April 2009 and will decrease to 17 9% from 1 April 2010 Employee contributions for Career Average Benefit members are set at 4 0%

An interim valuation was performed as at 1 April 2009 The next formal actuarial valuation is expected to be performed as at 1 April 2010

	Projection 2011	2010	2009	2008	2007
Contribution rates	%	%	%	%	%
Employer	17 9	18.6	18 8/19 4	18 8	7 5
Employee (Old and New Benefits)	7 5	6.8	6 0	6 0	5.5/6.0
Employee (Career Average Benefits)	4 0	4 0	4 0	4 0	4 0**
Underlying cost of scheme to BBC as % of pensionable salaries*	17 9	18.6	18 8/19 4	18 8	19 3/18.8

* Excludes the cost effectively paid for by the employee and the salary sacrifice element
** The Career Average Benefit scheme started on 1 November 2006

On the basis assumed above, the BBC Group expects to make contributions to the scheme totalling £179 4 million in 2011

Principal actuarial assumptions

The calculation of the scheme liabilities and pension charges, for IAS 19 purposes, requires a number of assumptions, both financial and demographic, to be made The principal assumptions used by the actuaries, at the balance sheet date were

	2010	2009	2008
Principal financial assumptions	**%**	%	%
Rate of increase in salaries	**3 7**	4 4*	5 6
Rate of increase in pension payments			
Old Benefits	**3 7**	3 0	3 6
New Benefits	**3 5**	2 7	3 4
Career Average Benefits	**2.4**	2 4	2 5
Inflation assumption	**3 7**	2 9	3 6
Discount rate	**5 5**	7 2	6 9

* This is the assumption from 1 April 2011 The assumption to 31 March 2011 is 3 9% per annum

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

	2010	2009	2008
Principal demographic assumptions	**Number of years**	Number of years	Number of years
Retiring today			
Male	27 0	26 9	26 6
Female	29 7	29 6	29 1
Retiring in 20 years			
Male	29 0	28 9	28 1
Female	31 8	31 7	30 7

The longevity assumptions have been selected to reflect the characteristics and experience of the membership of the scheme This has been done by adjusting standard mortality tables (PMAC07MC+0 5 and PFAC07MC+1) which reflect recent research into mortality experience in the UK

5b BBC Pension Scheme (continued)

The demographic assumptions have been updated from those used for the actuarial valuation of the scheme as at 1 April 2007 to reflect the likely assumptions which will be used for the actuarial valuation of the scheme as at 1 April 2010

5c BBC Worldwide Limited Group personal pension scheme and other schemes

The Group also operates its own defined contribution pension schemes, including those operated in the USA and Australia The assets of these schemes are held separately from those of the Group in independently administered funds The pension cost represents contributions payable by the Group to the funds and this amounted to £2 6 million in the year (2009 £2 0 million)

5d Directors' remuneration

The remuneration of the Directors during the year was as follows

	2010 £'000	2009 £'000
Emoluments	**2,784**	3,742
Compensation for loss of office	**128**	993
Long-term incentive plan	**363**	505
	3,275	5,240

A salary sacrifice arrangement was introduced on 1 June 2008 for Old and New Benefits members who joined the BBC Pension Scheme before 1 November 2006 This arrangement is also applicable to all Career Average Benefit members From that date, the terms and conditions of employment were changed for those employees opting for the salary sacrifice arrangement and as a result employee pension contributions made via the salary sacrifice have been treated as employer contributions, with a corresponding reduction in salary The total salary sacrifice by Directors for the period since 1 June 2008 was £73,000 (2009 £93,000)

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

	2010 No of Directors	2009 No of Directors
Defined benefit schemes	**10**	13
Money purchase schemes	**2**	5

The Group made no contributions (2009 £nil) to money purchase schemes for its Directors during the year

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

	2010 £'000	2009 £'000
Emoluments	**575**	480
Long-term incentive plan	**248**	80
	823	560

The Group contributed £nil (2009 £nil) to money purchase schemes on behalf of the highest paid Director during the year The highest paid Director had accrued pension benefits of £183,000 (2009 £209,000) per annum as at 31 March 2010 under the Group'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 2013 (2009 March 2012)

6 Audit fees

	2010 £m	2009 £m
Fees for the audit of the Group	**0 5**	0 4

Fees for the audit of the Group comprise amounts paid for the Company and the Group's subsidiaries in the UK and overseas Fees paid to the Group's auditors, KPMG LLP, and its associates for services other than the statutory audit of the Group 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 Group's ultimate parent, the BBC Please refer to page 121 for disclosures relating to the fees for the audit of the Company

7 Finance costs / income

Financial costs and financial income recognised in the year comprise

	2010 £m	2009 £m
Interest payable on loan from parent undertaking	**(6 0)**	(7 3)
Interest payable on bank loans	**(0 5)**	(3 0)
Interest payable on finance leases	**(0 1)**	(0 1)
Fair value losses on interest rate swaps	-	(4 8)
Interest payable on cash management swaps	**(2 0)**	-
Fair value movement of financial liabilities	**(4 9)**	-
Other interest payable	**(0 5)**	(0 4)
Financial expense	**(14 0)**	**(15 6)**

	2010 £m	2009 £m
Fair value gains on interest rate swaps	**0 3**	-
Other interest receivable	**0 1**	1 1
Financial income	**0 4**	**1 1**

8 Taxation

8a Taxation recognised in the income statement

	2010 £m	2009 £m
Current tax		
UK corporation tax	**20.8**	12 5
Foreign tax	**13.3**	8 7
Adjustments in respect of prior years	**(4.4)**	3 3
Total current tax	**29 7**	24 5
Deferred tax		
Origination and reversal of timing differences	**4.4**	(13 5)
Adjustments in respect of prior years	**0 1**	(3 9)
Total deferred tax	**4.5**	(17 4)
Tax on profits on ordinary activities (note 8b)	**34.2**	7 1

UK corporation tax is calculated at 28% (2009 28%) of the estimated taxable profit for the year Taxation for other countries is calculated at the rates prevailing in the respective jurisdictions

8b Reconciliation of effective tax rate

The total tax charge for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained as follows

	2010 £m	2009 £m
Profit on ordinary activities before tax	**126 3**	29 6
Share of tax of joint ventures and associates	**7 3**	16 8
Group profit excluding tax	**133 6**	46 4
Total tax at 28% (2009 28%)	**37.4**	13 0
Effects of		
Disallowed expenditure	**6 0**	6 7
Tax differential on wholly owned overseas earnings	**(0 1)**	2 8
Adjustments in respect of previous years	**(4 3)**	(0 6)
Difference in effective tax rate of joint ventures and associates	**2 5**	2 0
Total tax charge for the year	**41 5**	**23.9**
Share of tax of joint ventures and associates	**(7.3)**	(16 8)
Tax expense in Income Statement (note 8a)	**34.2**	**7 1**

The decrease in tax differential on wholly owned overseas earnings is primarily due to accessing brought forward losses that were not previously recognised as an asset

The higher effective tax rate (total tax charge for the year as a percentage of Group profit excluding tax) for the prior year arose from the disallowance of investment impairment charges (principally Kangaroo, note 4 and available-for-sale investment, note 13) and the mix of profits arising in higher rate tax jurisdictions

8c Analysis of deferred tax balance

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

	Fixed asset temporary differences £m	Provisions £m	Financial instruments £m	Other* £m	Total £m
At 1 April 2008	(12 6)	11 8	0 3	0 3	**(0 2)**
(Charged)/credited to income statement	4 8	(2 6)	8 8	6 4	**17 4**
Acquisition of subsidiaries, joint ventures, associates	(1 4)	-	-	1 2	**(0 2)**
Exchange differences	-	3 5	-	(2 1)	**1 4**
At 31 March 2009	(9 2)	12 7	9 1	5 8	**18 4**
(Charged)/credited to income statement	3 8	(3 4)	(5 3)	0 7	**(4.2)**
Charged to equity	-	-	(0 3)	-	**(0 3)**
Acquisition of subsidiaries, joint ventures, associates	0 3	2 3	-	-	**2 6**
Exchange differences	-	(1 3)	-	(1 5)	**(2.8)**
At 31 March 2010	(5 1)	10 3	3 5	5 0	**13 7**

* 'Other' consists primarily of deferred tax assets on provision for unrealised profits of £3 3 million (2009 £2 5 million), deferred tax assets on exchange differences of £1 5 million (2009 £2 1 million)

	2010 £m	2009 £m	2008 £m
Deferred tax assets	**16.3**	28 0	16 0
Deferred tax liabilities	**(2 6)**	(9 6)	(16 2)
Net deferred tax assets/(liabilities)	**13 7**	18 4	(0 2)

8c Analysis of deferred tax balance (continued)

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable The Group has unrecognised deferred tax assets arising on capital losses totalling £24 4 million (2009 £24 9 million) and on operating losses totalling £nil (2009 £2 9 million) These assets are not recognised on the basis that there is insufficient certainty that capital or operating gains will arise against which the Group can utilise these losses

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £3 1 million (2009 £1 9 million) No liability has been recognised in respect of these differences because the Group is in the position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future

Temporary differences arising in connection with the Group's interest in the undistributed earnings of associates and joint ventures for the year are insignificant (2009 insignificant)

8d Deferred tax recognised in other comprehensive income

Deferred tax relating to cash flow hedges amounting to £0 3 million (2009 £nil) has been included in other comprehensive income and charged to equity

9 Intangible fixed assets

9a Programme rights for distribution

The movement in programme rights for distribution is analysed as follows

	2010 £m	2009 £m
Cost		
At 1 April	210 4	153 9
Additions	91 7	94 0
Elimination in respect of programme rights fully amortised	(49 0)	(56 1)
Programme rights classified as held for sale (note 21)	(2 5)	-
Exchange adjustment	(3 8)	18 6
At 31 March	**246 8**	**210 4**
Amortisation		
At 1 April	122 5	80 1
Charge for the year	72 5	80 9
Elimination in respect of programme rights fully amortised	(49 0)	(56 1)
Programme rights classified as held for sale (note 21)	(2 3)	-
Exchange adjustment	(3 1)	17 6
At 31 March	**140 6**	**122 5**
Net book value		
At 31 March	**106 2**	**87 9**

9b Goodwill

The movement ın goodwıll ıs analysed as follows

	2010 £m	2009 £m
Cost		
At 1 Aprıl	87 0	76 6
Addıtıons	25 3	7 6
Impaırment	(17 5)	-
Goodwıll classıfıed as held for sale (note 21)	(5 6)	-
Exchange adjustment	13 6	2 8
At 31 March	**102.8**	**87 0**

Goodwıll addıtıons ın the current year reflect the acquısıtıon of 2|entertaın (see note 18a) Included wıthın addıtıons of £25 3 mıllıon ıs goodwıll transferred from ınvestment ın joınt ventures whıch arose on the orıgınal acquısıtıon of the Group's 60% ınterest ın 2|entertaın This goodwıll has been allocated to the group of assets or cash-generatıng unıts (CGUs) wıthın the DVD Dıstrıbutıon busıness that are expected to benefit from the busıness combınatıon

Goodwıll ımpaırment ın the current year relates to the Australıan Travel Guıde busıness

The exchange adjustment ın the current year relates to the Australıan Travel Guıde and Australıan Channels busınesses

Goodwıll addıtıons ın the prıor year reflect the acquısıtıon of UK TV (see note 18b) Thıs goodwıll has been allocated to the group of assets or cash-generatıng unıts (CGUs) wıthın the Australıan Channels busıness that are expected to benefit from the busıness combınatıon

Impairment tests for goodwill

Goodwıll, allocated by cash generatıng unıt, ıs analysed as follows

	2010 £m	2009 £m
Australıan Travel Guıde busıness	64 2	68 7
DVD Dıstrıbutıon busıness	25 3	-
Australıan Channels busıness	8 3	7 5
Audıobooks busıness	-	5 6
UK Magazınes busıness	5 0	5 0
Other	-	0 2
At 31 March	**102 8**	**87 0**

The recoverable amount of each CGU ıs based on value ın use calculatıons The present value of future cash flows has been calculated by applyıng pre-tax dıscount rates to pre-tax cash flows

The Group tests goodwıll for ımpaırment ın the accountıng perıod ın whıch a busıness combınatıon takes place, thereafter annually, or, more frequently, ıf there are ındıcatıons that goodwıll mıght be ımpaıred No ımpaırment of goodwıll was recognısed ın the prıor year or at the date of transıtıon to IFRS

Australian Travel Guide busıness
The goodwıll ın thıs CGU arose as a result of the acquısıtıon of Lonely Planet on 1 October 2007 An ımpaırment charge of £17 5 mıllıon ın thıs CGU has been recognısed durıng the course of 2010, resultıng ın the carryıng value of goodwıll ın thıs CGU beıng wrıtten down to ıts recoverable amount The ımpaırment charge reflects the strength of the Australıan dollar relatıve to the US dollar and sterlıng at the date of the ımpaırment testıng

9b Goodwill (continued)

The estimated cash flows of the current business plan used in determining the recoverable amount of the CGU are consistent with those used at 31 March 2009 as they remain management's expectation for the performance of the CGU The CGU continues to achieve its short term targets and to expand in the key UK and US markets However, upon converting the estimated non-Australian cash flows to Australian dollar for the purposes of the impairment testing at the relatively weak spot exchange rates at the date of the impairment testing, the recoverable amount has fallen below the carrying value and an impairment has been necessary If the exchange rates at 28 February 2010, when the testing was performed, had remained consistent with those at 31 March 2009, the recoverable value would have exceeded the carrying value and no impairment charge would have been recorded

The recoverable amount calculation uses cash flow projections based on the current business plan approved by management covering a 10 year period and a discount rate of 12 8% (2009 12 6%) The calculation required a 10 year projection period to fully assess the impact of a gradual transition to digital content delivery which is expected to grow the business substantially beyond the near term In addition to providing digital content, the business intends to utilise online capabilities to provide a wider service offering Beyond this 10 year period a terminal value was calculated using a growth rate of 3% This growth rate does not exceed the long-term average growth rate for the market in which Lonely Planet operates

The main assumptions on which the forecast cash flows were based are growth of the travel market and the Group's share of key markets, being the US, UK and Australia

In determining a value to assign to growth of the travel market in the short term the Group consulted the Consumer Confidence Index ("CCI"), which usually has a 5-7 month time lag impact on the business In the longer term, a value was determined in line with Gross Domestic Product ("GDP") and economic growth forecasts

Past experience was used to assign a value to the Group's share of key markets

DVD distribution business

The goodwill in this CGU arose as a result of the acquisition in the year of 2|enterain as noted above Cash flow projections used in the recoverable amount calculation are based on the current business plan approved by management covering a 5 year period and are extrapolated using an expected growth rate of 1% A discount rate of 19 9% has been applied to the cash flows In forming the assumptions used in calculating the recoverable amount, the Group has used expectations of long term trends for the DVD distribution industry

Management believes that any reasonably possible change in the key assumptions on which the DVD distribution business' recoverable amount is based would not cause carrying amount to exceed its recoverable amount

Australian Channels business

The goodwill in this CGU arose as a result of the acquisition of UK TV on 1 July 2008 Cash flow projections used in the recoverable amount calculation are based on financial budgets approved by management covering an 8 year period (2009 3 year period) and a discount rate of 13 7% (2009 15 2%) UK TV's cash flows beyond the 8 year period (2009 3 year period) are extrapolated using an expected growth rate of 2% (2009 20 0% in the first year, 15% in the second year, 10% in the fourth year, 5 0% in the fifth year and 2% for each year thereafter) These growth rates assume a modest growth of subscribers per external sources (Informa) and contractual rates remaining in place The cash flow projections are consistent with the business acquisition plans The change in projection period and growth rate since the prior year end follows a full financial year of ownership and revised business plans being approved by management during the year

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

Management believes that any reasonably possible change in the key assumptions on which UK TV's recoverable amount is based would not cause UK TV's carrying amount to exceed its recoverable amount

9b Goodwill (continued)

Audiobooks business

At the 31 March 2010 the Audiobooks business is held for sale and the goodwill has been transferred to disposal group assets (see note 21)

At the prior year end the goodwill in the Audiobooks business was tested for impairment The recoverable amount calculation used cash flow projections based on the business plan approved by management covering a 6 year period and a discount rate of 15 6% The calculation required a 10 year projection period to fully assess the impact of a format change within the industry and a gradual transition to digital content delivery which is expected to impact the business substantially beyond the near term Audiobooks' cash flows beyond the 6 year period were extrapolated using a steady 2% growth rate This growth rate did not exceed the long-term average growth rate for the market in which Audiobooks operates

The main assumptions on which the forecast cash flows were based were US market growth and penetration and the rate at which physical revenues switch to a digital revenue stream

Values chosen for expected US market growth and penetration were validated by external consultancy work

The rate at which physical revenues are expected to become digital revenue streams was determined in line with past experience, adjusted for management's expectations for the future

Management believes that any reasonably possible change in the key assumptions on which the Audiobooks business recoverable amount is based would not cause carrying amount to exceed its recoverable amount

UK Magazines business

The goodwill in this CGU arose as a result of the transfer of the BBC-branded titles from Origin Publishing Limited to Bristol Magazines Limited in 3 May 2006 Cash flow projections used in the recoverable amount calculation are based on the current business plan approved by management covering a 3 year period (2009 3 year period) and a discount rate of 18 5% (2009 21 5%) UK Magazines' cash flows beyond the 3 year period are extrapolated using a steady 2% growth rate (2009 2% growth rate) The calculation required a 10 year projection period to fully assess revised advertising forecasts and circulation trends in the magazines sector Further cash flows beyond this 10 year period have not been extrapolated

The main assumption on which the forecast cash flows were based is advertising revenue growth An estimation of advertising revenue growth was ascertained based on past experience adjusted for current economic conditions

Management believes that any reasonably possible change in the key assumptions on which the UK Magazines business' recoverable amount is based would not cause carrying amount to exceed its recoverable amount

9c Other intangible fixed assets

2010	Masthead £m	Carrier agreements £m	Software £m	Other* £m	Total £m
Cost					
At 1 April 2009	24 4	6 7	27 3	3.0	61 4
Additions	-	-	4 9	0 8	5 7
Disposals	-	-	(3 7)	-	(3 7)
Transfer to disposal group classified as held for sale (note 21)	-	-	(0 7)	-	(0 7)
Exchange adjustment	6.3	1 8	1 5	1 0	10 6
At 31 March 2010	**30.7**	**8.5**	**29 3**	**4.8**	**73 3**
Amortisation					
At 1 April 2009	1 8	0 3	16 9	0 8	19 8
Charge for the year	1 4	0 4	7 1	0 8	9 7
Disposals	-	-	(2 7)	-	(2 7)
Transfer to disposal group classified as held for sale (note 21)	-	-	(0 6)	-	(0 6)
Exchange adjustment	0 7	0 2	0 6	0 3	1 8
At 31 March 2010	**3.9**	**0.9**	**21 3**	**1 9**	**28 0**
Net book value					
At 31 March 2010	**26.8**	**7.6**	**8 0**	**2.9**	**45 3**

2009	Masthead £m	Carrier agreements £m	Software £m	Other* £m	Total £m
Cost					
At 1 April 2008	23.5	-	17 1	2.8	43 4
Additions on acquisition	-	6 8	-	0.6	7 4
Additions	-	-	12 8	-	12 8
Transfer to completed assets	-	-	0 4	(0.4)	-
Disposals	-	-	(2 9)	-	(2 9)
Exchange adjustment	0.9	(0 1)	(0 1)	-	0 7
At 31 March 2009	**24.4**	**6 7**	**27 3**	**3.0**	**61 4**
Amortisation					
At 1 April 2008	0 6	-	11 9	0 2	12 7
Charge for the year	1 2	0 3	5 0	0 6	7 1
Impairment charge	-	-	2 9	-	2 9
Disposals	-	-	(2 9)	-	(2 9)
At 31 March 2009	**1.8**	**0.3**	**16 9**	**0.8**	**19 8**
Net book value					
At 31 March 2009	**22.6**	**6.4**	**10 4**	**2.2**	**41 6**

*Other assets comprise assets under development, advertising relationships and non-compete agreements

Of total software additions recognised during the period, £4 7 million (2009 £12 6 million) related to internally developed software

During the year, the Group reviewed the appropriateness of the remaining useful economic lives for its other intangible assets and no material changes were deemed necessary

9c Other intangible fixed assets (continued)

The additions to carrier agreements, trade name and advertising relationships in the prior year reflect the acquisition of UK TV (see note 18b) Carrier agreements reflect the Group's contractual relationships with channel carriers Foxtel, Austar and Sky TV The maximum remaining amortisation period of the carrier agreements is 15 years and 3 months at 31 March 2010

The impairment charge of £2 9 million recorded against software in the prior year primarily related to the termination of the Kangaroo joint venture The impairment loss relating to the Kangaroo joint venture was included in the loss on termination of businesses in the income statement while the remaining impairment loss was included in total operating costs

10 Property, plant and equipment

2010	Freehold buildings	Short leasehold buildings	Plant & machinery	Fixtures & fittings	Assets under construction	Total
Group	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Cost						
At 1 April 2009	0 2	11 1	34 2	10 3	0 6	56 4
Assets acquired in business combination	-	-	0 7	-	-	0 7
Additions	-	1 9	2 9	1 7	-	6 5
Disposals	-	(0 1)	(7 3)	(0 5)	-	(7 9)
Transferred to disposal group classified as held for sale (note 21)	-	(0 7)	(0 5)	(0 8)	-	(2 0)
Exchange adjustment	-	(0 1)	2 8	0 8	0 5	4 0
At 31 March 2010	**0 2**	**12 1**	**32 8**	**11 5**	**1 1**	**57 7**
Depreciation						
At 1 April 2009	-	3 9	18 6	5 0	-	27 5
Charge for the year	-	1 2	6 9	2 1	-	10 2
Disposals	-	(0 1)	(7 2)	(0 5)	-	(7 8)
Transferred to disposal group classified as held for sale (note 21)	-	(0 4)	(0 4)	(0 7)	-	(1 5)
Exchange adjustment	-	(0 1)	1 5	1 0	-	2 4
At 31 March 2010	**-**	**4 5**	**19.4**	**6 9**	**-**	**30.8**
Net book value						
At 31 March 2010	**0 2**	**7 6**	**13.4**	**4 6**	**1 1**	**26.9**

10 Property, plant and equipment (continued)

2009	Freehold buildings	Short leasehold buildings	Plant & machinery	Fixtures & fittings	Assets under construction	Total
Group	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2008	0 2	3 1	27 6	6 2	2 0	39 1
Assets acquired in business combination	-	-	0 1	-	-	0 1
Additions	-	7 1	6 4	3 3	0 1	16 9
Transfer to completed assets	-	-	1 1	0 4	(1 5)	-
Disposals	-	-	(3 1)	-	-	(3 1)
Exchange adjustment	-	0 9	2 1	0 4	-	3 4
At 31 March 2009	**0 2**	**11 1**	**34 2**	**10 3**	**0 6**	**56 4**
Depreciation						
At 1 April 2008	-	2 1	14 0	3 5	-	19 6
Charge for the year	-	1 1	4 0	1 2	-	6 3
Impairment charge	-	-	2 0	-	-	2 0
Disposals	-	-	(3 0)	-	-	(3 0)
Exchange adjustment	-	0 7	1 6	0 3	-	2 6
At 31 March 2009	**-**	**3 9**	**18 6**	**5 0**	**-**	**27 5**
Net book value						
At 31 March 2009	**0 2**	**7 2**	**15.6**	**5 3**	**0 6**	**28 9**
At 31 March 2008	0 2	1 0	13 6	2 7	2 0	19 5

Of the £2 0 million impairment charge recorded against plant and machinery during the year ended 31 March 2009, £1 0 million related to the termination of the Kangaroo joint venture (see note 4) This impairment loss was recorded in the Digital Media segment The remaining £1 0 million related to the write-down of a programme scheduling system due to obsolescence, this was reflected in the Channels segment Both assets were written down in full as they were deemed to have negligible value in use or recoverable amount

At 31 March 2010, the Group has entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil (2009 £0 3 million, 2008 £13 1 million)

Tangible fixed assets include the following assets held under finance leases

	Plant & machinery	Fixtures & fittings	2010 Total	Plant & machinery	Fixtures & fittings	2009 Total	Plant & machinery	Fixtures & fittings	2008 Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cost	**1 9**	**-**	**1 9**	3 0	0 3	3 3	2 1	0 5	2 6
Accumulated depreciation	**(1 8)**	**-**	**(1 8)**	(1 4)	(0 3)	(1 7)	(0 5)	(0 1)	(0 6)
Net book value	**0 1**	**-**	**0 1**	1 6	-	1 6	1 6	0 4	2 0

Assets held under finance lease and hire purchase arrangements are held in the Australian Travel Guide business All lease obligations are denominated in Australian dollars Interest rates are fixed at the contract date All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments The fair value of the Group's lease obligation is approximately equal to their carrying amount

10 Property, plant and equipment (continued)

The minimum lease payments under finance leases fall due as follows

	Minimum lease payments			Present value of lease payments		
	2010	2009	2008	**2010**	2009	2008
	£m	£m	£m	**£m**	£m	£m
Amounts payable under finance leases						
Within one year	**-**	1 4	1 1	**-**	1 4	1 0
In the second to fifth years inclusive	**0.1**	0 4	1 3	**0 1**	0 3	1 2
	0.1	1 8	2 4	**0 1**	1 7	2 2
Less future finance charges	**-**	(0 1)	(0 2)			
Present value of lease obligations	**0.1**	1 7	2 2			

11 Interests in joint ventures

11a Movements in the year

	Note	2010 £m	2009 £m
At 1 April		48 9	65 3
Additions	11a(i)	-	6 8
Share of profit after taxation		26 8	35 6
Provision for unrealised profit		-	(3 5)
Dividends		(5 1)	(33 4)
Exchange adjustment		(0 4)	2 0
Adjustment to reflect effective obligation		0 2	1 6
Reversal of impairment/(impairment)	11a(ii)	2 0	(6 1)
Decrease in loans		(1 3)	-
Reclassification of recoverable loss funding to debtors		(0 7)	-
Transfers	11a(iii)	(39 5)	-
Share of joint venture net liabilities	11b	-	(19 4)
At 31 March		**30 9**	**48 9**
The above net book value at 31 March is presented within			
Interests in joint ventures		43 9	68 9
Provisions (note 17)		(13 0)	(20 0)
		30.9	**48 9**

(i) Additions
Additions in the year ended 31 March 2009 primarily related to the investment in UK VOD LLP and the Park Publishing Partnership

(ii) Reversal of impairment/(impairment)
In the year ended 31 March 2009, a £1 9 million charge was incurred reflecting the write down of Worldwide Media Limited, a Magazines business, to its recoverable amount The impairment charge arose as a result of the downturn in the short-term outlook for the advertising market and the use of cautious medium term assumptions as a result Recoverable value was based on value in use and was calculated using a discount rate of 17 0% The impairment loss was included in total operating costs in the income statement

The recoverable amount of this business was based on value in use calculations using cash flow projections reflecting the entity's business plans and growth rates consistent with the long term average growth rates for the industry

The remaining impairment of £4 2 million incurred in the year ended 31 March 2009 related to the Group's share of UK VOD LLP net assets impairment, with a corresponding impairment reversal of £2 0 million in the year ended 31 March 2010 when UK VOD LLP sold all of Project Kangaroo's assets to Arqiva (see note 4 for further detail)

11a Movements in the year (continued)

(iii) Transfers
2|entertain Limited became a subsidiary undertaking during the year ended 31 March 2010, refer to note 18a for further detail

11b Virgin Media Television and Discovery Communications joint ventures

BBC Worldwide has major partnership deals with Virgin Media Television Limited ('VMTV'), the content division of Virgin Media Limited, for the production and marketing of subscription channels in the UK, and with Discovery Communications Inc (Discovery) for the incorporation and operation of new channels around the world and provision of new co-production funding for programmes These joint ventures operate under a number of statutory entities listed in note 28

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

The group headed by UK Gold Holdings Limited ("UKGH") has been cumulatively profitable each year since its formation in 1997 but has net liabilities The net liabilities are not a result of trading losses but have arisen entirely from acquisition goodwill written off to reserves in 1997 under UK GAAP Such business combinations prior to 1 April 2007 have not been restated on transition to IFRS Prior to 1 April 2008 the Group had not recognised a share of UKGH net liabilities but instead recorded dividends received These dividends had approximated to the Group's share of operating profits From 1 April 2008 the Group commenced equity accounting because dividends received were forecast to reduce and no longer represent a fair reflection of the Group's share of operating profits This resulted in a reserves adjustment of £19 4 million The Directors consider that continuing to fully equity account for the Group's investment in UKGH is consistent with the Group's long term, constructive commitment to this venture as a result of its programme content and licensing contractual arrangements In the current year the Group has recognised £7 0 million as its share of profit for UKGH, carrying forward an amount of £13 0 million (2009 £20 million) within provisions (note 17) as the Group's share of net liabilities The Group's share of net liabilities is anticipated to continue to reduce in future years (net of the Group's share of dividends paid)

11c Other joint ventures

2|entertain Limited
As at 31 March 2009 the results and financial position of 2|entertain were included using financial information for the 14 months to 31 March 2009 The change was effected to align 2|entertain's results with those of the Group This reflected the Group's contractual commitment at 31 March 2009 to secure ownership of the remaining stake in 2|entertain following the insolvency of Woolworths Media Limited

In the year ended 31 March 2010, 2|entertain became a wholly-owned subsidiary of the Group Please refer to note 18a for further information on this acquisition

UK VOD LLP
UK VOD LLP was created in the year ended 31 March 2008 by BBC Worldwide, ITV and Channel 4 to develop a new UK on-demand service known to the industry as Kangaroo As detailed in note 4, this operation was terminated during the prior year, and a charge of £4 2 million was recorded in the Group's share of joint ventures' results, reflecting the Group's share of the partnership's net assets impairment In July 2009, UK VOD LLP sold all of Project Kangaroo's assets to Arqiva, and a share of the resultant gain was therefore recognised in the Group's share of joint ventures' results

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

11c Other joint ventures (continued)

At 31 March 2009, the Group had guaranteed bank loans outstanding in Worldwide Media Limited totalling Rupees 155 million (£2 1 million) (2008 Rupees 155 million, £2 0 million) These loans were fully repaid in the year and no such guarantee is outstanding at 31 March 2010

Freehand International Pty Limited
A put option is also held by the Group's joint venture partners in Freehand International Pty Limited which may require the Group to increase its shareholding from 37 5% up to 100% between 2012 and 2013

Ragdoll Developments Limited
In April 2006, BBC Worldwide entered into an agreement with Ragdoll Limited to form two joint venture companies, Ragdoll Worldwide Holdings Limited and Ragdoll Developments Limited, which were both 50% owned by BBC Worldwide The purpose of the joint ventures was to exploit and manage existing Children's intellectual properties and to invest in the development of new intellectual property rights

At 31 March 2010, these joint ventures were restructured such that Ragdoll Developments Limited wholly owns Ragdoll Worldwide Holdings Limited Ragdoll Developments Limited remains 50% owned by each of BBC Worldwide and Ragdoll Limited

The Group has exercised an option to cease providing funding to Ragdoll Developments Limited from 31 March 2010 At 31 March 2009, the Group had a commitment to provide further loan funding of £1 3 million to Ragdoll Developments Limited The loan funding was interest bearing at a variable rate of LIBOR plus a margin of 1%

11d Further disclosures in respect of joint ventures

Representing the Group's share of each joint venture

	2010 £m	2009 £m	2008 £m
Non-current assets	21 7	25 9	17 6
Current assets	99 7	162 1	178 3
Current liabilities	(39 7)	(93 0)	(110 2)
Non-current liabilities	(80 4)	(88 6)	(84 3)
Net assets	1 3	6 4	1 4
Adjustment to reflect effective obligation	24 9	22 8	42 5
Group's share of joint ventures' net assets	**26 2**	**29 2**	**43 9**
Revenues	185 9	299 0	274 6
Expenses	(159 5)	(269 1)	(232 6)
Adjustment to reflect effective obligation	0 2	1 6	3 8
Group's share of joint ventures' profit for the year	**26 6**	**31 5**	**45 8**

12 Interests in associated undertakings

12a Movements in the year

	Note	2010 £m	2009 £m
At 1 April		11 8	3 9
Additions	12a(i)	0 7	10 2
Share of profit after taxation		6 9	(6 3)
Adjustment to provision for unrealised profit		0 4	(0 5)
Dividends		(5 6)	(3 6)
Exchange adjustment		-	(0 2)
Adjustment to reflect effective obligation		5 2	10 0
Impairment	12a(ii)	(0 6)	(0 4)
Transfer to Held for Sale (note 21)		(7 2)	-
Elimination of post acquisition reserves		-	(1 3)
At 31 March		**11 6**	**11 8**

(i) Additions
Additions during the year relate to the acquisition of minority shareholdings in GP Media S A and Tower Productions GmbH (see note 18a)

Additions during the year ended 31 March 2009 related to the acquisition of minority shareholdings in Clerkenwell Films Limited, Hardy Pictures Limited, Plain Vanilla Productions LLP, Big Talk Productions Limited, Baby Cow Productions Limited, Sprout Pictures (TV) Limited and Temple Street Productions Inc (see note 18b) In addition, during the year ended 31 March 2009, the Group acquired the remaining 80% of the issued share capital of UK TV Pty Limited ("UK TV") The Group previously held a 20% interest in UK TV (see note 18b)

(ii) Impairment
During the current year Plain Vanilla Productions LLP ceased trading As a result the Group's investment in Plain Vanilla Productions LLP was fully written off

12b 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, all of which are associated undertakings

Name of entity
Animal Planet (Latin America) LLC
People & Arts (Latin America) LLC
JV Network LLC
Animal Planet (Asia) LLC
The Animal Planet Europe Partnership
Animal Planet Japan LLP
Animal Planet Japan KK
Animal Planet Canada Company ULC

Under the terms of the agreements with Discovery, the Group has no obligation to fund losses incurred by the entities or to make good their net liabilities As a result, the Group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2010 (2009 £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

12b Discovery Communications (continued)

During the prior year, the Animal Planet Europe Partnership achieved a net assets position and the Group has recognised a £5 0 million share of operating profit for the period ended 31 March 2009 Due to the materiality of the entity's results, its profit and net assets have since been recorded and disclosed in all periods reported to 31 March The remaining Discovery entities continue to be presented based on results for the year to 31 December This has no impact on the Group results as these entities have not yet reached a net assets position and are therefore not equity accounted

12c Other associated undertakings

The Group also has partnership deals with Canwest Global Communications ("Canwest") Under the terms of the agreements with Canwest, 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 2010 (2009 £nil) The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation,

In addition to the arrangements with Discovery and Canwest, BBC Worldwide has other associated undertakings that are equity accounted These are listed in note 28

While the Group holds only 15% of the voting power of Hardy Pictures Limited and 15% of both Educational Publishers LLP and Woodlands Books Limited, it has been concluded that the Group has significant influence over the businesses This is because the Group has Board representation and participates in policy-making decisions

12d Further disclosures in respect of associated undertakings

Representing a 100% share of each associated undertaking

	2010 £m	2009 £m	2008 £m
Aggregated amounts relating to associates			
Total assets	154 0	168 9	188 1
Total liabilities	(519 2)	(545 9)	(396 5)
Net liabilities	(365 2)	(377 0)	(208 4)
Group's share of associates' net liabilities	(1 9)	(1 8)	(0 2)
Revenues	186 9	131 1	132 2
Profit/(loss) for the year	14 2	(19 2)	(8 6)
Group's share of associates' profit for the year	12 5	3 0	1 3

13 Available-for-sale investment

	2010 £m	2009 £m
Cost		
At 1 April	4 0	4 2
Exchange adjustment	-	(0 2)
At 31 March	4 0	4 0
Provision		
At 1 April	(4 0)	(1 5)
Charge for the year	-	(2 7)
Exchange adjustment	-	0 2
At 31 March	(4 0)	(4 0)
Net book value		
At 31 March	-	-

13 Available-for-sale investment (continued)

The available-for-sale investment relates 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 prior year, the Directors reassessed the carrying value of the Group's investment based on its future business plan and recorded an additional provision of £2 7 million to reduce the carrying value of the investment to £nil This assessment reflected difficult challenging local and global market conditions Recoverable amount calculations were based on value in use and using a discount rate of 16 1% The year ended 31 March 2010 has seen no change in this assessment The prior year impairment loss was reflected in the Sales and Distribution division

This investment is classified as available-for-sale as the Group has no significant influence over the company This is because the Group does not have Board representation and has limited influence due to Indian regulations applicable to foreign investors

14 Programme rights and other inventories

	2010	2009	2008
	£m	£m	£m
Programme rights for broadcasting	**39 4**	32 9	21 4
Raw materials and consumables	**1 4**	2 3	1 5
Work in progress	**7 5**	6 1	5 9
Finished goods and goods for resale	**24 3**	10 6	13 0
	72 6	51 9	41 8

Within finished goods and goods for resale is inventory of £4 9 million (2009 £6 7 million, 2008 £5 9 million), relating to the Australian Travel Guide business, which is expected to be sold more than 12 months after the balance sheet date in accordance with the entity's normal operating cycle

15 Trade and other receivables

	2010	2009	2008
	£m	£m	£m
Current			
Trade receivables	**130 0**	110 9	107 4
Amounts owed by fellow subsidiary undertakings	**6 3**	14 0	3 8
Amounts owed by associates and joint ventures (note 26)	**27 0**	40 7	32 9
Other receivables	**17 3**	7 7	7 8
Prepayments and accrued income - other	**37 9**	26 2	20 1
Prepayments and accrued income - BBC	**1 2**	8 8	4 8
	219 7	208 3	176 8
Non-current			
Amounts owed by associates and joint ventures (note 26)	**5 7**	2 8	4 3
Other receivables	**1 0**	0 6	1 3
	6 7	3 4	5 6
Total trade and other receivables	**226 4**	211 7	182 4

The net carrying amount of trade and other receivables is approximately equal to their fair value Included in prepayments and accrued income (other) are £16 5 million of advance royalties which have arisen as a result of the 2|entertain acquisition

Included in the Group's trade and other receivables at 31 March 2010, are balances of £16 2 million (2009 £32 6 million, 2008 £24 7 million) which are past due at the reporting date but not impaired because the Group expects to recover these balances in full and has historical analysis to support the recovery profile The aged analysis of these balances is as follows

15 Trade and other receivables (continued)

Trade receivables past due but not impaired	2010 £m	2009 £m	2008 £m
Up to 3 months	**14 0**	27 4	22 5
3 to 6 months	**1 9**	2 5	0 7
Over 6 months	**0 3**	2 7	1 5
	16 2	32 6	24 7

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date The Group has provided fully for all receivables over 120 days because historical experience is such that receivables that are past due beyond 120 days are generally not recoverable Trade receivables between 30 days and 120 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience of the counterparty and an analysis of the counterparty's financial situation The concentration of credit risk is limited due to the customer base being large and unrelated (see note 24a)

Credit risk is managed locally through the entities in the geographies where the Group operates At 31 March 2010, 77% of the Group's trade receivables are with customers within Europe (2009 75%, 2008 76%) This is expected to reduce over time in line with the Group's focus on further overseas expansion

There are no significant impairment provisions relating to an individual debtor Amounts charged to the impairment provision are written off when there is no expectation of recovery Subsequent recoveries of amounts previously written off are credited to the Income Statement The impairment provision stands at £6 3 million at 31 March 2010 (2009 £7 7 million, 2008 £1 9 million)

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

	2010 £m	2009 £m	2008 £m
Balance at the beginning of the period	**7 7**	1 9	1 5
Addition due to aquisition of subsidiary	**1 1**	-	-
Impairment losses recognised	**2 1**	6 5	1 3
Amounts written off as uncollectible	**(0 8)**	(0 5)	(0 5)
Impairment losses reversed	**(3 8)**	-	-
Exchange differences on revaluation	-	(0 2)	(0 4)
Balance at the end of the period	**6 3**	7 7	1 9

16 Trade and other payables

	2010 £m	2009 £m	2008 £m
Current			
Trade creditors	**66 6**	55 0	61 3
Rights creditors	**83 4**	38 5	35 1
Amounts owed to the BBC	**25 6**	41 6	31 9
Amounts owed to intermediate parent undertaking	-	0 1	-
Amounts owed to fellow subsidiary undertakings	**3 3**	9 4	2 2
Amounts owed to associates and joint ventures (note 26)	**2 3**	7 0	2 5
Other creditors including other taxes and social security	**58 6**	57 8	49 7
Accruals and deferred income	**120 2**	87 8	81 7
	360 0	297 2	264 4
Non-current			
Other creditors including other taxes and social security	**3 5**	-	-
Accruals and deferred income	**2 3**	2 3	1 8
	5 8	2 3	1 8
Total trade and other payables	**365 8**	299 5	266 2

16 Trade and other payables

Rıghts credıtors comprıse royalty payments owıng to contrıbutors to televısıon programmes, DVDs and other medıa Other credıtors ınclude a £37 8 mıllıon (2009 £32 3 mıllıon, 2008 £31 0 mıllıon) lıabılıty ın relatıon to a put optıon over 25% of the ıssued share capıtal of Lonely Planet (see note 18c) The ıncrease ın the put optıon lıabılıty sınce the prevıous year-end date ıs due to exchange rate movements, as the lıabılıty ıs denomınated ın Australıan dollars, and the unwındıng of the dıscount wıth the passage of tıme

The carryıng amount of trade and other payables ıs approxımately equal to theır faır value

17 Provisions and contingent liabilities

	Property provisions	Share of joint venture net liabilities	Other provisions	Total
	£m	£m	£m	£m
At 1 April 2008	0 8	-	1 5	2 3
Provided during the year	1 2	-	0 9	2 1
Share of UKGH net liabilities (see note 11b)	-	20 0	-	20 0
Released in the year	-	-	(1 4)	(1 4)
Utilised in the year	(0 8)	-	(0 1)	(0 9)
At 31 March 2009	**1 2**	**20 0**	**0 9**	**22 1**
Provided during the year	0 1	-	0 9	1 0
Share of UKGH profits (see note 11b)	-	(7 0)	-	(7 0)
Acquisitions	0 6	-	-	0 6
Released in the year	-	-	(0 9)	(0 9)
At 31 March 2010	**1 9**	**13 0**	**0 9**	**15 8**

Other provısıons prımarıly comprıse lıtıgatıon provısıons

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

	2010	2009	2008
	£m	£m	£m
Current	**0 9**	0 9	2 3
Non-current	**14 9**	21 2	-

The Group has a number of contıngent lıabılıtıes arısıng from lıtıgatıon as a result of actıvıtıes undertaken ın ıts ordınary course of busıness BBC Worldwıde makes specıfıc provısıon for the best estımate of any damages and costs whıch mıght be awarded Provısıon ıs only made to the extent that the Dırectors consıder ıt probable that there wıll be an outflow of economıc benefıts and the amount can be relıably estımated

Further deferred contıngent consıderatıon may be payable ın connectıon wıth acquısıtıons made by the Group No provısıon has been made where the lıkelıhood and magnıtude of addıtıonal payments cannot be assessed wıth reasonable certaınty

The Group and some of ıts fellow BBC Commercıal Holdıngs subsıdıarıes have gıven guarantees ın relatıon to the BBC Commercıal Holdıngs Lımıted revolvıng credıt facılıty agreement At 31 March 2010, total amounts drawn down by the BBC Commercıal Holdıngs Group under thıs facılıty were £211 7 mıllıon (2009 £243 5 mıllıon, 2008 £170 6 mıllıon)

18 Acquisitions

18a Current year acquisitions

2|entertain

On 6 August 2009 the Group gained control of 2|entertain and from this date consolidated its results and financial position Prior to 6 August 2009 the Group equity accounted for 2|entertain in line with its 60% ownership and joint control of the entity The purchase followed the Group's joint venture partner entering administration and the Group exercising its call option over the joint venture partner's shares The purchase was completed on 1 March 2010 when the Group acquired the remaining 40% of 2|entertain shares

The adjustments required to the book values of the assets and liabilities of 2|entertain in order to present the net assets at fair value under the accounting policies of the Group were a reduction of £13 8 million These are set out below

	Book value £m	Fair value adjustments £m	Fair value £m
Non-current assets			
Programme investments	13 8	(13 8)	-
Property, plant and equipment	0 7	-	0 7
Current assets			
Inventories	13 7	-	13 7
Trade and other receivables	18 7	-	18 7
Advances	15 7	-	15 7
Other current assets	8 1	-	8 1
Derivative financial instruments	0 5	-	0 5
Cash and cash equivalents	40 5	-	40 5
Total assets	**111 7**	**(13.8)**	**97 9**
Current liabilities			
Trade payables	(6 9)	-	(6 9)
Royalty creditors	(39 6)	-	(39 6)
Accruals and deferred income	(24 9)	-	(24 9)
Total liabilities	**(71 4)**	-	**(71 4)**
Net assets acquired	**40 3**	**(13 8)**	**26 5**
Less investment in joint venture already owned			(15 9)
Goodwill			9 9
Purchase consideration and costs of acquisition			**20 5**
Satisfied by			
Cash consideration			17 0
Costs of acquisition			3 5
Total			**20 5**

Following the Group's joint venture partner entering administration, the licence agreement covering 2|entertain's right to distribute BBC programme investments terminated This termination, and the Group's call option, were challenged by the administrators of the Group's joint venture partner and were subsequently upheld by the High Court and Court of Appeal As a result the programme investments were considered to have a £nil market value and were written down accordingly The Court also ruled that the consideration paid by the Group for the remaining 40% stake should be a fair value reflecting the termination of this licence agreement On this basis, the Group subsequently agreed with the administrators the price paid of £17 0 million

18a Current year acquisitions (continued)

A consıstent approach ıs undertaken at each acquısıtıon to ıdentıfy the faır value of the separable assets and lıabılıtıes acquıred The resıdual goodwıll on acquısıtıon for 2|entertaın prıncıpally represents the value of the assembled workforce and the transfer of theır knowledge of the operatıon Thıs does not form a separable asset under IFRS 3 but ıs nonetheless expected to contrıbute to the future results of the Group

2|entertaın contrıbuted £30 2 mıllıon to operatıng profit for the perıod between the date of acquısıtıon and 31 March 2010

If the acquısıtıon had occurred on 1 Aprıl 2009, management estımates that Group revenue (excludıng the Group's share of joınt ventures' revenue) would be £49 0 mıllıon hıgher at £937 3 mıllıon Its contrıbutıon to Group profit attrıbutable to equıty holders for the year ended 31 March 2010 would have been £10 0 mıllıon, gıvıng rıse to Group profit before tax of £130 4 mıllıon Thıs ınformatıon takes account of the profit recognısed whıle the ınvestment was a joınt venture of the Group and should not be vıewed as ındıcatıve of the results of operatıons that would have occurred ıf the acquısıtıon had actually been completed on 1 Aprıl 2009

Content & Production acquisitions – Minority shareholdings

Durıng the year ended 31 March 2010, the Group's Content & Productıon busıness acquıred mınorıty shareholdıngs ın GP Medıa S A (regıstered ın Argentına) and Tower Productıons GmbH (regıstered ın Germany)

The Group's 35% shareholdıng ın GP Medıa S A and 49% shareholdıng ın Tower Productıons GmbH were acquıred on 14 October 2009 and 23 March 2010 respectıvely for a total consıderatıon of £0 7 mıllıon No faır value adjustments were requıred Goodwıll of £0 7 mıllıon arose on acquısıtıon representıng the skılls of the entıtıes' workforce

In accordance wıth *IAS 28 Investment ın Assocıates* both of the acquıred mınorıty shareholdıngs have been assessed as assocıated undertakıngs

18b Prior year acquisitions

UK.TV

On 1 July 2008 the Group acquıred the remaınıng 80% of UK TV, regıstered ın Australıa, for a total cash consıderatıon of AU$31 2 mıllıon (£15 1 mıllıon) UK TV operates a televısıon channel showıng Brıtısh televısıon content ın Australıa and New Zealand Thıs transactıon has been accounted for by the purchase method of accountıng The Group prevıously held a 20% ınterest ın UK TV upon whıch no goodwıll was recognısed

The busıness was acquıred to provıde a platform for the launch of BBC-branded channels ın Australıa and to partıcıpate fully ın a channel largely broadcastıng BBC content

18b Prior year acquisitions (continued)

The total adjustments requıred to the book values of the assets and lıabılıtıes of UK TV ın order to present the net assets of those companıes at faır value and under the accountıng polıcıes of the Group were £3 4 mıllıon These are set out below

	Book value (1) £m	Fair value and accounting policy alignments (2) £m	Fair value £m
Non-current assets			
Intangible assets	-	5 9	5 9
Property, plant and equipment	0 1	-	0 1
Current assets			
Stock/inventories	4 5	(1 6)	2 9
Trade and other receivables	1 5	-	1 5
Cash and cash equivalents	1 5	-	1 5
Other current assets	0 1	-	0 1
Total assets	**7 7**	**4.3**	**12.0**
Current liabilities			
Trade and other payables	(2 5)	1 0	(1 5)
Current tax liabilities	(0 1)	-	(0 1)
Non-current liabilities			
Deferred tax liabilities	(1 0)	(1 9)	(2 9)
Total liabilities	**(3 6)**	**(0 9)**	**(4 5)**
Net assets acquired	**4 1**	**3 4**	**7 5**
Goodwill			7 6
Purchase consideration and costs of acquisition			**15 1**

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

2 The prıncıpal faır value adjustments relate to the recognıtıon of £5 9 mıllıon of ıntangıble assets ın respect of UK TV's carrıer agreements, advertısıng relatıonshıps and trade name An assocıated deferred tax lıabılıty of £1 9 mıllıon has also been recognısed Programme commıtments of £1 6 mıllıon have been dısclosed separately Thıs has resulted ın a reclassıfıcatıon between stock and other payables

The goodwıll arısıng on acquısıtıon ıs attrıbutable to the value of the uncommıtted workforce

UK TV contrıbuted £11 2 mıllıon to revenue and £2 7 mıllıon to profit before tax for the perıod between the date of acquısıtıon and 31 March 2009

If the acquısıtıon had occurred on 1 Aprıl 2008, management estımates that ıts contrıbutıon to Group revenues for the year ended 31 March 2009 would have been £14 1 mıllıon Its contrıbutıon to Group profit attrıbutable to equıty holders for the year ended 31 March 2009 would have been £3 5 mıllıon Thıs ınformatıon takes ınto account profits recognısed whıle the ınvestment was an assocıate of the Group and the amortısatıon of acquıred ıntangıble assets together wıth related ıncome tax effects and should not be vıewed as ındıcatıve of the results of operatıons that would have occurred ıf the acquısıtıons had actually been completed on 1 Aprıl 2008 In determınıng these amounts, management has assumed that the faır value adjustments that arose on the date of acquısıtıon would have been the same ıf the acquısıtıon occurred on 1 Aprıl 2008

The Group prevıously held a 20% ınterest ın UK TV In lıne wıth IFRS 3 an adjustment of £0 6 mıllıon has been recorded ın retaıned earnıngs to reflect the ıncrease ın stake

18b Prior year acquisitions (continued)

Content & Production acquisitions – Minority shareholdings

During the prior year, the Group's Content & Production business acquired minority shareholdings in the entities listed below (all registered in the United Kingdom unless otherwise stated) In accordance with *IAS 28 Investment in Associates* and *IAS 31 Interests in Joint Ventures*, all of the acquired minority shareholdings have been assessed as associated undertakings with the exception of Freehand International Pty Limited, which has been assessed as a joint venture

	Shareholding acquired	Date acquired	Financial year-end	Profit/(loss) after tax in last financial year - 2008
Clerkenwell Films Limited	25%	4 April 2008	March	0 6
Hardy Pictures Limited	15%	23 May 2008	March	0 1 [2]
Big Talk Productions Limited	25%	28 August 2008	June	N/A [1]
Plain Vanilla Productions LLP	25%	31 October 2008	April	N/A [1]
Baby Cow Productions Limited	25%	27 November 2008	March	0 8
Temple Street Productions Inc (registered in Canada)	25%	18 December 2008	August	N/A [3]
Sprout Pictures (TV) Limited	25%	30 January 2009	March	0 1
Freehand International Pty Limited (registered in Australia)*	13%	4 March 2009	June	(0 1)

* 25% previously owned
1 No historical results as entities are start-ups
2 2007 year-end
3 No information available

The minority stakes were acquired to diversify BBC Worldwide's supply chain and provide content for the Group's distribution channels

The total adjustments required to the book values of the assets and liabilities of the companies listed above in order to present the Group's share of net assets of those companies at fair value and under the IFRS accounting policies of the Group were £0 1 million The Group's share of the fair value of assets acquired was £3 6 million, and the Group's share of the fair value of liabilities acquired was £3 2 million £10 4 million of goodwill was recognised, on a consideration including costs of £10 4 million

The goodwill recognised on acquisition is attributable to the anticipated profitability of content to be produced

Of the total cash consideration stated above, £0 9 million is payable in future years £0 5 million is contingent consideration relating to the acquisition of Baby Cow Productions Limited

The Content & Production acquisitions had a negligible impact on profit after tax for the period between the date of acquisition and 31 March 2009

The Group previously held a 25% interest in Freehand International Pty Limited The carrying value of this interest at 4 March 2009 was £0 7 million (including goodwill of £0 6 million) This was equivalent to fair value at 4 March 2009 Goodwill of £0 1 million arose on acquisition of the additional 12 5% interest, bringing the total carrying value of goodwill to £0 7 million

18c 2008 acquisition

On 1 October 2007 the Group acquired 75% of the issued share capital of Lonely Planet Publications Pty Limited and Lonely Planet Publications Inc (together, "Lonely Planet"), registered in Australia and the USA respectively for a total cash consideration of £89 9 million Intangibles recognised on acquisition are included in note 9c

On initial recognition of the investment in Lonely Planet a liability was recognised in respect of a put option over an equity interest of up to 25% of the share capital of Lonely Planet, which was exercisable by the minority shareholders for a period of 25 months from the 1 October 2007 acquisition date This other entry for this liability was recognised within equity and not as part of the cost of investment as the minority shareholders were deemed to have retained the risks and rewards of ownership for their 25% shareholding

On 7 October 2009, the terms of the put option were renegotiated The put option over 25% of the share capital of Lonely Planet is now exercisable by the minority shareholders for a fixed amount from 1 January 2011 to 27 October 2012 This renegotiation has resulted in the original liability being de-recognised and a new liability based upon the revised option terms being recorded The revised amount is similarly recognised within equity as it is considered that the minority shareholders continue to retain the risks and rewards of ownership Prospective changes to the fair value of the put option liability other than in relation to changes in foreign exchange rates continue to be recorded in the income statement within financing income and financing costs

The carrying value of the option in equity at the date of its renegotiation was £36 9 million This was derecognised and the revised option recorded in equity with a discounted value of £33 0 million, a reduction of £3 9 million The total foreign exchange movement charged to equity in the year in respect of these options was £7 9 million

19 Called up share capital

	2010	2009	2008
	£m	£m	£m
Authorised			
1,000,000 Ordinary shares of £1 each	**1 0**	1 0	1 0
Issued, allotted, called up and fully paid			
250,000 Ordinary shares of £1 each	**0.2**	0 2	0.2

20 Capital and reserves

Retained earnings
At 31 March 2010, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14 2 million This amount is unchanged on prior year and remains in equity upon transition to IFRS as permitted by *IFRS 1 First time adoption of IFRS* (see note 29a)

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

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

Other reserves
Other reserves comprises a put option over 25% of the issued share capital of Lonely Planet, which is exercisable by the minority shareholders from 1 January 2011 to 27 October 2012 (see note 18c)

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

21 Held for sale

Assets held for sale comprise

	Note	**2010 £m**	2009 £m	2008 £m
Investment in associates	12	7 2	-	-
Disposal group assets	21b	22 8	-	-
Assets held for sale		**30 0**	-	-

Liabilities held for sale comprise

	Note	**2010 £m**	2009 £m	2008 £m
Disposal group liabilities	21b	(12 4)	-	-
Liabilities held for sale		**(12 4)**	-	-

21a Animal Planet
During the year the Group took the decision to dispose of its 50% interest in Animal Planet Europe and has classified this associate as an asset held for sale The asset is carried at £7 2 million at 31 March 2010 and the investment is disclosed in the Channels operating segment (note 2)

21b Audiobooks
The Audiobooks business classified within the Home Entertainment operating segment (note 2) is presented as a disposal group held for sale at 31 March 2010 This follows the decision taken by management in September 2009 to sell the business

21b Audiobooks (continued)

At 31 March 2010 the disposal group comprises assets of £22 8 million less liabilities of £12 4 million as detailed below

	2010 £m
Non-current assets	
Programme rights for distribution	0 2
Goodwill	4 5
Other intangible assets	0 1
Property, plant and equipment	0 4
Current assets	
Programme rights and other inventories	2 4
Trade and other receivables	6 9
Cash and cash equivalents	8 3
Disposal group assets	**22 8**

	2010 £m
Current liabilities	
Trade and other payables	(12 1)
Current tax liabilities	(0 3)
Disposal group liabilities	**(12 4)**

22 Commitments

Contracts placed for future capital expenditure and other financial commitments not provided comprise

	2010 £m	2009 £m	2008 £m
Capital commitments			
Programme rights for distribution	**39 2**	47 0	58 5
Property, plant and equipment	-	0 3	13 0
Software	**0.8**	-	-
Other financial commitments			
Programme rights for broadcast	**10 5**	8 8	4 4
Other commitments	**34.2**	13 4	12 3
Total	**84 7**	69 5	88 2

The Group's share of commitments for programme acquisitions and broadcasting commitments in respect of its UKTV joint ventures, amount to £10 3 million and £40 1 million respectively (2009 £6 9 million and £26 9 million) Details of other financial commitments in respect of joint ventures are given in note 11

Details of the put option held by the minority interest shareholders in Lonely Planet are given in note 16 The value of put options issued to other minority interest shareholders and exercisable in the future has been recognised at 31 March 2010 but did not have a material effect on the Group balance sheet at that date

23 Operating lease commitments

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

	2010	2009	2008
	£m	£m	£m
Within one year	**12 9**	10 1	8 9
In the second to fifth years inclusive	**34 8**	29 4	33 4
After five years	**15 7**	23 4	0 2
	63 4	62 9	42 5

The majority of operating leases relate to property The rent payable under these leases is subject to renegotiation at the various intervals specified in the leases

24 Financial instruments

24a Financial risk management

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

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

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

Market risk
Market risk comprises currency risk, interest rate risk and other price risks

1 Currency risk
Over the past few years, BBC Worldwide has increasingly expanded internationally and as a result is exposed to foreign exchange risk arising from various currency exposures, principally in relation to the US dollar, the Euro and the Australian dollar The Group generates a surplus in most currencies in which it operates The Group's share of income generated outside the UK was 54 6% in 2010 versus 51 3% in 2009

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

The Group takes a risk averse approach to the management of foreign currency trading and has implemented a clear hedging policy to minimise volatility in the financial results A substantial proportion of foreign currency trading is hedged Forward currency contracts allow the Group to settle transactions at known exchange rates, thereby eliminating much of this uncertainty

24a Financial risk management (continued)

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

Some contracts may contain clauses whereby changes in currency rates outside an agreed range impact on the contract price, in the majority of cases the value of the individual contracts and other features within the contract limit the currency risk exposure to a level that is not significant to the Group Such clauses have been separated from the host contracts and recorded as embedded derivatives The movement in fair values in these derivatives is recorded through the income statement at 31 March 2010 Please refer to the analysis in note 24d for movements on such derivatives

Foreign exchange translation risk arises from the retranslation of overseas subsidiaries income statements and balance sheets into sterling This translation currency risk may be hedged by funding overseas investments with loans in the same functional currency as the overseas investment No such net investment hedges were in place at 31 March 2010 (2009 £nil) In the current and comparative year, the majority of the Group' currency derivative contracts were not designated for hedge accounting under IAS 39 and as a result fair value movements have been recorded principally through the income statement Please also refer to section 24d

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

Derivative Financial instruments	2010	2009	2008
	£m	£m	£m
Forward foreign currency contracts	(2 9)	(10 7)	(3 7)
Currency options	0 1	(0 2)	-
Embedded derivatives	(1 4)	(2 9)	-
	(4 2)	(13 8)	(3 7)
Impacting			
Income statement	(4 0)	(13 8)	(3 7)
Equity	(0 2)	-	-
	(4 2)	(13 8)	(3 7)

The same movement in currency rates would result in an income statement loss of £5 5 million (2009 £4 4 million loss, 2008 £8 2 million loss) in respect of the Group's interest bearing loans and borrowings, and an income statement loss of £4 2 million (2009 £3 6 million loss, 2008 £3 4 million loss) in respect of other financial liabilities at fair value through profit and loss

2 Interest rate risk

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

The profit or loss and equity impact of a 1% increase in interest rates on the Group's financial liabilities would be a fair valuation loss of £0 9 million (2009 £1 7 million, 2008 £0 6 million)

3 Other price risk

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

24a Financial risk management (continued)

Credit risk

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

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due BBC Worldwide is subject to ceilings imposed on its borrowings by BBC Group, which in turn is subject to limits set by the Secretary of State in accordance with the Agreement between the BBC and the Department for Culture, Media and Sport At 31 March 2010, the net debt limit imposed by BBC Group on BBC Worldwide was £118 0 million (2009 £118 0 million), with a gross debt limit of £168 0 million subject to corresponding cash balances being held These limits are subject to review going forward

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

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

The Group is also active in monitoring its debt covenants which have been met at 31 March 2010

In order to comply with these ceilings together with the terms of any individual debt instruments, BBC Worldwide manages its liquidity through a number of measures, including regular cash flow reporting, forecasting, hedging against foreign exchange fluctuations and proactively managing working capital
The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity at the balance sheet date The amounts disclosed in the table are the contractual undiscounted cash flows and will therefore not reconcile to the amounts disclosed on balance sheet for borrowings, derivative financial instruments and trade and other payables

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

24a Financial risk management (continued)

2009 - Liquidity Risk Analysis

	Amounts due in less than 1 year £m	Amounts due in 1 to 2 years £m	Amounts due in 2 to 3 years £m	Amounts due after more than 3 years £m	Total £m
Financial liabilities at fair value through profit and loss					
Derivative financial instruments	(13 5)	(4 2)	(4 2)	(1 5)	**(23 4)**
Embedded derivatives	-	-	-	(8 5)	**(8 5)**
Other creditors	(32 3)	-	-	-	**(32 3)**
Financial liabilities measured at amortised cost.					
Bank loans	(0 4)	(0 4)	(20 4)	(30 0)	**(51 2)**
Loans owed to intermediate parent undertaking	(9 0)	(9 0)	(119 4)	(53 4)	**(190 8)**
Obligations under finance leases	(1 3)	(0 3)	(0 1)	-	**(1 7)**
Trade and other payables (excluding deferred income)	(218.2)	-	-	-	**(218 2)**

2008 - Liquidity Risk Analysis

	Amounts due in less than 1 year £m	Amounts due in 1 to 2 years £m	Amounts due in 2 to 3 years £m	Amounts due after more than 3 years £m	Total £m
Financial liabilities at fair value through profit and loss					
Derivative financial instruments	(1 5)	(0 2)	-	-	**(1 7)**
Embedded derivatives	-	-	-	-	**-**
Other creditors	-	(31 1)	-	-	**(31 1)**
Financial liabilities measured at amortised cost:					
Bank loans	(0 4)	(0 4)	(0 4)	(50 3)	**(51.5)**
Loans owed to intermediate parent undertaking	(10 8)	(10 8)	(10 8)	(104 3)	**(136.7)**
Obligations under finance leases	(1 0)	(1 2)	-	-	**(2 2)**
Trade and other payables (excluding deferred income)	(183 4)	-	-	-	**(183 4)**

24b Capital management

The Group delivers long term value to its 100% shareholder, BBC Group, through cash returned in the form of dividends as a share of the Group's profits, acquisition of BBC content or intellectual property, direct investment in BBC programming, and growth in the capital value of the BBC's equity in the Group BBC Group is proactive in overseeing the management of capital at BBC Worldwide and it sets the targets for the Group and the incentives placed on the management team BBC Group's own expectations of the returns from BBC Worldwide include regular cash returns in the form of dividends, which are an essential part of the BBC's funding stream, and long term appreciation in the market value of BBC Worldwide

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

24b Capital management (continued)

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

The Group is in the process of agreeing a shareholder return framework with the BBC Group that will ensure that capital allocation is measured and reported by the Group on a regular basis, and will allow for meaningful comparisons with external benchmarks

24c Fair value of financial instruments

With effect from 1 April 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The following table presents the Group's derivative assets and liabilities that are measured at fair value at 31 March 2010

2010 - Fair value (as at 31 March 2010)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through income and expenditure				
Derivative financial instruments	-	2 9	-	2 9
Embedded derivatives	-	-	-	-
Total assets	-	2 9	-	2 9
Financial liabilities at fair value through income and expenditure				
Derivative financial instruments	-	(12 0)	-	(12 0)
Embedded derivatives	-	(1 3)	-	(1 3)
Other creditors	-	-	(39 8)	(39 8)
Total liabilities	-	(13 3)	(39 8)	(53 1)

24c Fair value of financial instruments (continued)

2009 - Fair value (as at 31 March 2009)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through income and expenditure				
Derivative financial instruments	-	1 3	-	1 3
Embedded Derivatives	-	-	-	-
Total assets	-	1 3	-	1 3
Financial liabilities at fair value through income and expenditure				
Derivative financial instruments	-	(24 0)	-	(24 0)
Embedded derivatives	-	(8 5)	-	(8 5)
Other creditors	-	-	(32 3)	(32 3)
Total liabilities	-	(32 5)	(32 3)	(64 8)

2008 - Fair value (as at 31 March 2008)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through income and expenditure				
Derivative financial instruments	-	1 3	-	1 3
Embedded Derivatives	-	-	-	-
Total assets	-	1 3	-	1 3
Financial liabilities at fair value through income and expenditure				
Derivative financial instruments	-	(1 2)	-	(1 2)
Embedded derivatives	-	-	-	-
Other creditors	-	-	(31 0)	(31 0)
Total liabilities	-	(1 2)	(31 0)	(32 2)

Other than when hedge accounting is applied, the fair values of standalone derivatives are determined using market prices and exchange rates at the balance sheet date in active markets which determine their classification as Level 1 The fair values of embedded derivatives that are not traded in an active market are determined using valuation model techniques All significant inputs into the valuation techniques are based on observable market data justifying classification as Level 2 At 31 March 2010 and 31 March 2009 there are no material differences between the fair value and carrying value of any of the Group's other financial instruments

24d Derivative financial instruments

The following table presents the Group's derivative assets and liabilities by category of instrument, at 31 March 2010

2010	Assets £m	Liabilities £m
Greater than one year		
Forward foreign currency contracts	0 3	(2 4)
Currency options	-	-
Interest rate swaps	-	(4 1)
Interest rate caps	-	(0 4)
Embedded derivatives	-	(1 3)
	0 3	(8 2)
Less than one year		
Forward foreign currency contracts	2 5	(5 1)
Currency options	0 1	-
	2 6	(5 1)

2009	Assets £m	Liabilities £m
Greater than one year		
Forward foreign currency contracts	0 2	(4 5)
Currency options	0 1	(0 6)
Interest rate swaps	0 1	(3 9)
Interest rate caps	-	(1 0)
Embedded derivatives	-	(8 5)
	0 4	(18 5)
Less than one year		
Forward foreign currency contracts	0 9	(11 2)
Currency options	-	(2 8)
	0 9	(14 0)

2008	Assets £m	Liabilities £m
Greater than one year		
Forward foreign currency contracts	0 1	(0 2)
Currency options	-	-
Interest rate swaps	-	(0 1)
Interest rate caps	0 1	-
Embedded derivatives	-	-
	0 2	(0 3)
Less than one year		
Forward foreign currency contracts	1 1	(0 9)
Currency options	-	-
	1 1	(0 9)

The fair value movements on foreign exchange forward contracts, currency options and embedded derivatives are recorded through the income statement within operating costs and analysed separately as specific items Fair value movements on financial instruments held by associates and joint ventures are also recorded through the same line in the income statement and amount to £1 0 million gain (2009 £0 8 million loss) The total amount within operating costs relating to these items at 31 March 2010 was £19 8 million gain (2009 £27 3 million loss), which includes the Group's share of joint ventures and associates' fair value movements on financial instruments

24d Derivative financial instruments (continued)

Faır value movements ın respect of ınterest rate swaps and ınterest rate optıons are recorded through the ıncome statement wıthın the finance ıncome/finance costs lınes The total amount wıthın finance ıncome relatıng to these ıtems at 31 March 2010 was £0 3 mıllıon gaın (2009 £4 8 mıllıon loss reflected ın finance costs)

The notıonal prıncıpal amounts of the outstandıng forward foreıgn exchange contracts at 31 March 2010 were £223 1 mıllıon (2009 £235 8 mıllıon, 2008 £55 7 mıllıon) The hedged forecast transactıons denomınated ın foreıgn currency are expected to occur at varıous dates ın the future

The Group applıes cash flow hedge accountıng for trades taken out ın respect of ıts forecasted foreıgn currency transactıons Hedge accountıng ıs only applıed where approprıate desıgnatıon and documentatıon, and back-to-back trades wıth partıes external to the Group exıst Net gaıns and losses (after tax and mınorıty ınterests) recognısed ın the hedgıng reserve on forward foreıgn exchange contracts ın cash flow hedge relatıonshıps at 31 March 2010 were £0 5 mıllıon (2009 £nıl, 2008 £nıl) These amounts wıll be recognısed ın the ıncome statement ın the perıod when the hedged forecast transactıon affects the ıncome statement, at varıous dates over the next twelve months

The notıonal prıncıpal amounts of the outstandıng ınterest rate swap contracts at 31 December 2010 were £140 3 mıllıon (2009 £118 4 mıllıon, 2008 £36 9 mıllıon) All outstandıng ınterest rate swaps mature by Aprıl 2014

In accordance wıth IAS 39, the Group has revıewed contracts for embedded derıvatıves that are requıred to be separately accounted for ıf they do not meet certaın requırements set out ın the standard Any such embedded derıvatıves have been recognısed at faır value and subsequent changes to faır value have been recorded through the ıncome statement

24e Interest bearing loans and borrowings

	2010	2009	2008
	£m	£m	£m
Current			
Other short term loans	-	3 3	0 8
Fınance lease credıtor (note 10)	-	1 4	1 0
	-	4 7	1 8
Non-current			
Bank loans	**50 0**	50 0	50 0
Loan owed to ıntermedıate parent undertakıng	**84 1**	158 4	89 5
Fınance lease credıtor (note 10)	**0 1**	0 3	1 2
	134 2	208 7	140 7
Total ınterest bearıng loans and borrowıngs	**134.2**	**213.4**	**142 5**

24e Interest bearing loans and borrowings (continued)

Facility at 31 March	Interest rate	Total facility 2010	Drawn down 2010	Total facility 2009	Drawn down 2009	Total facility 2008	Drawn down 2008	Expiry or review date
Unsecured loan facilities with BBC Commercial Holdings Limited (£m equivalent)	Several, as indicated below	£168 0 [1]	£84 1	£168 0 [1]	£158 4	£150 5	£90 3	Several, as indicated below
- Au$ unsecured loan (Au$m)[2]	Commercial Holdings' base cost of funding (in Au$) after interest rate swaps plus a margin of 0 275%	Au$100 0	Au$100 0	Au$100 0	Au$100 0	Au$196 0	Au$195 5	7 June 2012
- Sterling unsecured loan (£m)	Commercial Holdings' base cost of funding after interest rate caps plus a margin of 0 275%/0 325%[3]	£107 6 (Residual balance)	£23 7	£120 0 (Residual balance)	£110 4	£60 0	-	30 April 2011
Loan with European Investment Bank (£m)	European Investment Bank's own funding cost plus a margin of 0 09% on unsecured loans	£50 0	£50 0	£50 0	£50 0	£50 0	£50 0	£20m Dec 2011 £30m May 2012
Secured loan with ANZ Bank (Au$m)[4]	ANZ's reference rate plus a margin of 0 25% pa for amounts up to facility limit	-	-	Au$18 6	Au$6 9	Au$23 3	Au$1 7	Facility cancelled at 31 March 2010

1 Includes £50 0 million (2009 £50 0 million) borrowing facility available provided corresponding cash balance is maintained
2 The £ equivalent amount at 31 March 2010 for the facility, which was fully drawn down was £60 4 million (2009 facility fully drawn down £48 0 million, 2008 facility of £90 5 million of which drawn down was £90 3m)
3 Depending on the level of borrowings
4 The £ equivalent amounts at 31 March 2009 were facility of £8 9 million of which drawn down was £3 3 million (2008 facility of £10 8 million of which drawn down was £0 8 million)

Subsequent to year end, the sterling facility with BBC Commercial Holdings Limited expiring in April 2011 has been renewed with an expiry date of 30th April 2012 Further information regarding the new facility is included in note 27 In addition, the Group will consider whether there is a need to refinance the EIB facility during the next financial year

The Group held £23 3 million in cash or cash equivalents at 31 March 2010 (2009 £55 9 million, 2008 £50 7 million)

25 Parent undertaking and controlling party

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

26 Related party transactions

The related party transactions of the Group have been presented in accordance with IAS 24, *Related Party Disclosures* Related parties of BBC Worldwide include its subsidiary, associated and joint venture undertakings, its parent undertakings and fellow subsidiaries, and key management personnel of the Group and their close family members and its parent undertakings Transactions between BBC and BBC Worldwide Group pension schemes are as disclosed in note 5b

26a Transactions with fellow BBC Group undertakings

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note Amounts owed by and to the BBC, the intermediate parent undertaking and fellow subsidiary undertakings within the BBC Group are reported in notes 15 and 16 respectively

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

	2010 £m	2009 £m
Investments in BBC programme rights	**(77 5)**	(84 2)
Dividend paid in respect of the financial year	**(32 1)**	(68 4)
Interest paid	**(6 0)**	(7 3)
Other income	**12 9**	11 4
Other expenditure	**(46 8)**	(40 0)
	(149 5)	(188 5)

BBC Worldwide paid a dividend of £32 1 million in the year (2009 £68 4 million) to BBC Ventures Group Limited Interest paid on the loans from BBC Commercial Holdings Limited amounted to £6 0 million (2009 £7 3 million)

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

26b Joint ventures and associated undertakings

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

Name of related party	How related	2010 Income £m	2010 Expenditure £m	2010 Dividend income £m	2009 Income £m	2009 Expenditure £m	2009 Dividend income £m
2entertain Limited*	Joint Venture	10 1	(0 4)	-	27 6	(2 2)	9 0
UK Channel Management Limited	Joint Venture	10 8	-	2 7	12 5	-	16 7
UK Gold Holdings Limited	Joint Venture	33 6	-	2 4	30 1	-	7 6
JV Programmes LLC	Joint Venture	19 9	(0 2)	-	29 0	(0 7)	-
Other joint ventures	Joint Venture	2 7	(3 6)	-	2 2	(10 4)	-
Frontline Limited	Associate	-	(2 1)	0 3	0 3	(2 1)	-
Other associates	Associate	6 5	(1 3)	5 3	6 2	(4 4)	3 7
Total		**83 6**	**(7.6)**	**10 7**	**107 9**	**(19 8)**	**37.0**

26b Joint ventures and associated undertakings (continued)

Name of related party	2010 Net debtors/ (creditors) £m	2009 Net debtors/ (creditors) £m	2008 Net debtors/ (creditors) £m
2|entertain Limited*	-	17 3	5 7
UK Channel Management Limited	2 4	2 6	5 4
UK Gold Holdings Limited	6 8	8 8	12 2
JV Programmes LLC	1 0	1 6	-
Other joint ventures	1 8	(2 7)	(0 9)
Frontline Limited	5 4	6 2	6 6
Other associates	13 0	2 7	5 7
Total	**30 4**	**36 5**	**34 7**

Total net debtors / (creditors) with related parties			
Debtors (note 15)	32 7	43 5	37 2
Creditors (note 16)	(2 3)	(7 0)	(2 5)
Total	**30 4**	**36 5**	**34.7**

* 2|entertain was accounted for as a joint venture up to August 2009

26c Key management compensation

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

	2010 £m	2009 £m
Short-term employee benefits	**5 7**	4 6
Post-employment benefits	**1 4**	0 5
Other long-term benefits	**0 6**	0 5
Termination benefits	-	1 2
Total	**7 7**	**6 8**

The above increase in total emoluments of key management personnel reflects an increase of 2 9 in the average number of key management personnel in comparison to the prior year, and includes the remuneration of the highest paid director (note 5d)

As detailed in note 5d, a salary sacrifice arrangement was introduced in the year ended 31 March 2009 The total salary sacrifice by key management in the year ended 31 March 2010 was £141,000 (2009 £104,000)

27 Events after the balance sheet date

On 1 June 2010, the sterling facility with BBC Commercial Holdings Limited expiring in April 2011 was renewed with a new expiry date of 30 April 2012 The terms of the new facility are similar to the existing facility in all material aspects including interest, which is payable on the loan balance at a rate which reflects the cost of funds to BBCCH including a margin of 0 275% or 0 325% (depending upon the level of drawings by BBCCH under its £350m revolving credit facility)

On 16 June 2010, the directors declared a further dividend of £41 5 million (2009 £nil), resulting in a total dividend of £73 6 million (2009 £68 4 million) relating to the financial year The dividend declared will be paid and deducted from equity in the year ending 31 March 2011

28 Interest in subsidiary, associated and joint venture undertakings

A list of the significant investments in subsidiary, associated and joint venture undertakings, including the name, country of incorporation and proportion of ownership interest at 31 March 2010 is given below

Subsidiary undertakings

	2010 %	2009 %	Note	Nature of business	Country of incorporation or registration if outside the UK
Worldwide Channels					
European Channel Broadcasting Limited	100%	100%		TV channel operator	
European Channel Management Limited	100%	100%		TV channel operator	
New Video Channel America LLC	100%	100%	(a)	TV channel operator	USA
BBC Worldwide Channels Australasia Pty Limited (formerly UK TV Pty Limited)	100%	100%	(b)	TV channel operator	Australia
Digital Media					
BBC com Limited	100%	100%		Digital media provider	
Content & Production					
BBC Worldwide Productions LLC	100%	100%	(a)	Content production	USA
BBC Worldwide Reality Productions LLC	100%	100%	(a)	Content production	USA
Global Brands					
Lonely Planet Publications Inc	75%	75%	(a)	Publishing company	USA
Lonely Planet Publications Limited	75%	75%	(c)	Publishing company	
Lonely Planet Publications Pty Limited	75%	75%	(c)	Publishing company	Australia
Sales & Distribution					
BBC Worldwide Australia Pty Limited	100%	100%		Programme distributor	Australia
BBC Worldwide Canada Limited	100%	100%		Programme distributor	Canada
BBC Worldwide France Sarl	100%	100%		Programme distributor	France
BBC Worldwide Germany GmbH	100%	100%		Programme distributor	Germany
BBC Worldwide Japan KK	100%	100%		Programme distributor	Japan
UK Programme Distribution Limited	93%	93%		Programme distributor	

28 Interest in subsidiary, associated and joint venture undertakings (continued)

Subsidiary undertakings (continued)

	2010 %	2009 %	Note	Nature of business	Country of incorporation or registration if outside the UK
Magazines					
BBC Magazines Limited	100%	100%	(d)	Publishing company	
Bedder 6 Limited	50%	50%		Content creation	
Bristol Magazines Limited	100%	100%	(d)	Publishing company	
Magazine Services Limited	100%	100%	(d)	Publishing company	
Home Entertainment					
BBC Audiobooks Limited	100%	100%		Audiobook publisher	
Cover to Cover Cassettes Limited	100%	100%	(e)	Audiobook publisher	
2|entertain Limited	100%	60%	(r)	DVD/video publisher	
Investment companies					
BBC Magazines Holdings Limited	100%	100%		Holding company	
BBC Magazines Rights Limited	100%	100%		Holding company	
BBC Worldwide Americas Inc	100%	100%		Holding company	USA
BBC Worldwide Australia Channels Pty Limited	100%	100%		Holding company	Australia
BBC Worldwide Australia Holdings Pty Limited	100%	100%		Holding company	Australia
BBC Worldwide Australia Publishing Pty Limited	100%	100%	(d)	Holding company	Australia
BBC Worldwide Holdings BV	100%	100%		Holding company	Holland
BBC Worldwide Investments Limited	100%	100%		Holding company	
Worldwide Americas Investments Inc	100%	100%	(a)	Holding company	USA
Worldwide Channel Investments Limited	100%	100%		Holding company	
Worldwide Channel Investments (Europe) Limited	100%	100%	(f)	Holding company	
Worldwide Channel Investments (Ontario) Limited	100%	100%	(f)	Holding company	Canada

28 Interest in subsidiary, associated and joint venture undertakings (continued)

Associated undertakings

	2010 %	2009 %	Note	Nature of business	Country of incorporation or registration if outside the UK
Worldwide Channels					
Animal Planet (Asia) LLC	50%	50%	(f)	TV channel operator	USA
Animal Planet (Latin America) LLC	50%	50%	(q)	TV channel operator	USA
AP Canada Company ULC	23%	23%	(l)	TV channel operator	Canada
AP Japan KK	33%	33%	(q)	TV channel operator	Japan
AP Japan LLP	50%	50%	(f)	TV channel operator	USA
Jasper Broadcasting Inc	20%	20%	(l)	TV channel operator	Canada
Jasper Junior Broadcasting Inc	20%	20%	(l)	TV channel operator	Canada
JV Network LLC	50%	50%	(q)	TV channel operator	USA
People and Arts (Latin America) LLC	50%	50%	(q)	TV channel operator	USA
The Animal Planet (Europe) Partnership	50%	50%	(m)	TV channel operator	
Content & Production					
Baby Cow Productions Limited	25%	25%		Content creation	
Big Talk Productions Limited	25%	25%		Content creation	
Clerkenwell Films Limited	25%	25%		Content creation	
Cliffhanger Productions Limited	25%	25%		Content creation	
Hardy Pictures Limited	15%	15%		Content creation	
Left Bank Pictures Limited	25%	25%		Content creation	
Plain Vanilla Productions LLP	25%	25%	(n)	Content creation	
Sprout Pictures (TV) Limited	25%	25%		Content creation	
Temple Street Productions Inc	25%	25%		Content creation	Canada
GP Media S A	35%	n/a	(o)	Content creation	Argentina
Tower Productions Gmbh	49%	n/a		Content creation	Germany
Digital Media					
Masher Technologies Limited	25%	25%		Video mashing	
Magazines					
Children's Character Books Limited	25%	25%		Children's book	
Frontline Limited	23%	23%		Magazine distributor	
OPL Holdings Limited	39%	39%		Holding company	
Origin Publishing Limited	39%	39%	(p)	Magazine publisher	
Home Entertainment					
Educational Publishers LLP	15%	15%		Educational product	
Woodlands Books Limited	15%	15%		Book publisher	

28 Interest in subsidiary, associated and joint venture undertakings (continued)

Joint ventures

	2010 %	2009 %	Note	Nature of business	Country of incorporation or registration if outside the UK
Worldwide Channels					
UK Channel Management Limited	50%	50%		TV channel operator	
UK Gold Holdings Limited	50%	50%		Holding company	
UK Gold Services Limited	50%	50%	(g)	TV channel operator	
UKTV Interactive Limited	50%	50%	(g)	TV channel operator	
UKTV New Ventures Limited	50%	50%		TV channel operator	
Content & Production					
Freehand International Pty Limited	38%	38%		Content creation	Australia
Digital Media					
UK VOD LLP	33%	33%	(h)	VOD supplier	
Sales & Distribution					
JV Programmes LLC	50%	50%	(q)	Content creation	USA
Global Brands					
Ragdoll Developments Limited	50%	50%		Holding company	
Ragdoll Worldwide Holdings Limited	50%	50%	(s)	Holding company	
Magazines					
BBC Haymarket Exhibitions Limited	50%	50%	(i)	Consumer exhibition organiser	
Dovetail Services (UK) Holdings Limited	50%	50%		Magazine subscription fulfiller	
Park Publishing Partnership	50%	50%	(j)	Magazine producer	Australia
Sub-Zero Events Limited	25%	25%	(k)	Live stage-performance operator	
Worldwide Media Limited	50%	50%	(f)	Publishing company	India

Notes
(a) owned through BBC Worldwide Americas Inc
(b) owned through Worldwide Channels Investments Limited and BBC Worldwide Australia Channels Pty Limited
(c) owned through BBC Worldwide Australia Holdings Pty Limited
(d) owned through BBC Magazines Holdings Limited
(e) owned through BBC Audiobooks Limited
(f) owned through Worldwide Channel Investments Limited
(g) owned through UK Gold Holdings Limited
(h) owned through VOD Member (BBCW A) Limited and VOD Member (BBCW B) Limited
(i) owned through BBC Worldwide Investments Limited
(j) owned through BBC Worldwide Australia Publishing Pty Limited
(k) owned through Bedder 6 Limited
(l) owned through Worldwide Channel Investments (Ontario) Limited
(m) owned through Worldwide Channel Investments (Europe) Limited
(n) owned through Mini Milk Limited
(o) owned through Worldwide Argentina Limited
(p) owned through OPL Holdings Limited
(q) owned through Worldwide Americas Investments Inc
(r) 2|entertain was 60% owned and accounted for as a joint venture up to 5 August 2009
(s) owned through Ragdoll Developments Limited

29 Explanation of transition to IFRS

These are the Group's first consolidated financial statements prepared in accordance with EU-adopted IFRS The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2010, the comparative information for the year ended 31 March 2009 and the preparation of an opening balance sheet at 1 April 2008, the Group's date of transition

In preparing its opening IFRS balance sheet, the Group has made adjustments to amounts previously reported in its financial statements under UK GAAP IFRS and UK GAAP are not directly comparable An overall explanation of how the transition from previous UK GAAP to IFRS has affected the Group's financial position and financial performance is set out below

	Note	31 March 2009 £m	1 April 2008 £m
Total equity under UK GAAP		97 1	123 0
Adjustments to equity to conform with IFRS			
Derivative financial instruments	29b(i)	(31 8)	(0 5)
Goodwill and other intangibles	29b(ii)	21 1	13 4
Investments in associates and joint ventures	29b(iii)	2 8	1 9
Employee benefits	29b(iv)	(2 8)	(2 4)
Taxation (net)	29b(v)	0 6	(6 4)
Total (reduction)/increase in equity		(10 1)	6 0
Total equity under IFRS		**87 0**	**129 0**

	Note	2009 £m
Profit for the year under UK GAAP		41 3
Adjustments to profit to conform with IFRS		
Derivative financial instruments	29b(i)	(31 3)
Goodwill and other intangibles	29b(ii)	2 4
Investments in associates and joint ventures	29b(iii)	1 0
Employee benefits	29b(iv)	(0 4)
Taxation (net)	29b(v)	9 5
Total adjustment to profit for the year		(18 8)
Profit for the year under IFRS		**22.5**

A full reconciliation to IFRS of the previously reported UK GAAP balance sheet and profit and loss account can be found on the BBC Worldwide website

29a Transitional arrangements

IFRS 1 First-time Adoption of International Financial Reporting Standards sets out the transitional rules which must be applied when IFRS is applied for the first time The Group is required to select accounting policies in accordance with IFRS valid at its first IFRS reporting date and apply those policies retrospectively The standard sets out certain mandatory exceptions to retrospective application and certain optional exemptions The exemptions adopted by the Group are as set out below

Business combinations the Group has elected to apply *IFRS 3 Business Combinations* retrospectively to business combinations that occurred after 1 April 2007, one year prior to the date of transition In accordance with the first-time adoption exemption, goodwill that had been amortised, or written off against reserves, prior to that date has not been reinstated

Cumulative translation differences the Group has elected to reset the foreign currency translation reserve to zero at the transition date Any gains and losses on subsequent disposals of foreign operations will exclude any translation differences arising prior to that date

29b The effects of adopting IFRS in the financial statements

(i) Derivative financial instruments

Under UK GAAP, the Group has recognised gains or losses on derivative financial instruments on maturity Under *IAS 39 Financial Instruments – Recognition and Measurement*, the Group is required to recognise its derivative financial instruments on the balance sheet at fair value from inception of the contract, with changes in fair value being recognised in the income statement

The fair value of derivative financial instruments recognised on the balance sheet on transition at 1 April 2008 was a net liability of £0 5 million, with a deferred taxation impact of £0 2 million The fair value of derivative financial instruments at 31 March 2009 increased to a £31 3 million net liability, resulting in a post taxation charge to the income statement of £22 5 million Future market interest rate and currency movements will give rise to adjustments to these fair values Where hedge accounting is not applied under IAS 39, changes in fair values of derivative financial instruments will impact the income statement

(ii) Goodwill and other intangibles

UK GAAP required goodwill to be amortised over its expected useful economic life Under *IAS 38 Intangible Assets*, goodwill is no longer amortised but held at its carrying value on the balance sheet and tested annually for impairment In addition, *IAS 38 Intangible Assets* requires other intangible assets arising on acquisitions after the transition date to be separately identified and amortised over their useful economic life, often a shorter period than previously used for goodwill As a result, intangible assets such as customer relationships and trademarks need to be separately valued and recognised on business combinations, and then amortised over their useful economic lives

The UK GAAP goodwill amortisation charge in the year to 31 March 2009 has been reversed The other intangible assets arising from acquisitions since 1 April 2007 are being amortised over their estimated useful economic lives The net impact of these adjustments for subsidiaries is a £3 0 million decrease in amortisation charge The corresponding impact on equity is £1 8 million higher, reflecting the impact of IFRS conversion on the acquisition of UK TV and its pre-acquisition results (see note 18b)

Computer software that is not an integral part of the associated hardware is classified as an intangible asset under IAS 38 Under UK GAAP, the Group's policy was to categorise all capitalised software as tangible fixed assets This has resulted in a balance sheet reclassification of £2 9 million at 31 March 2009, but has had no impact on profit or equity Programme investments are now also shown as intangible assets, with £87 9 million reclassified at 31 March 2009

(iii) Investments in associates and joint ventures

Under UK GAAP, the Group accounted for its share of joint ventures and associates using equity accounting Under IFRS, the Group continues to apply equity accounting However, the Group's share of results of associates and joint ventures is presented net of tax and finance expense on the face of the income statement Previously under UK GAAP the Group's share of associates and joint ventures' interest and tax was included in the relevant interest and tax line of the income statement

Consistent with the IFRS accounting treatment of subsidiaries, goodwill in relation to joint ventures and associated undertakings is no longer amortised but held at its carrying value on the balance sheet and tested for impairment where impairment indicators are identified The UK GAAP goodwill amortisation charge in the year to 31 March 2009 of £2 3 million has been reversed However, £0 4 million of that amount was charged to the income statement as a result, being an additional impairment charge in relation to the Group's Indian magazines joint venture In addition, a further decrease in equity of £0 8 million was recorded, being the Group's share of the tax effected movement in the fair value of derivatives recognised by its joint ventures under IAS 39

(iv) Employee benefits

Under UK GAAP, the Group accrued for the Long Term Incentive Plan (LTIP) in the period when it was determined that a payout would be likely This was typically in the annual period immediately preceding the date of measurement of the award Similarly, under UK GAAP, the Group did not make a provision for Holiday pay, i e holiday earned but not taken prior to year end In contrast, *IAS 19 Employee Benefits* requires these costs to be accrued over the service period on a reasonable basis Adjustments for employee benefits reflect the first time recognition and the year-on-year impact of accruing for these benefits in line with the requirements of IAS19

29b The effects of adopting IFRS in the financial statements (continued)

(v) Taxation

The above taxation adjustment includes the related taxation impacts of the IFRS adjustments for financial instruments and goodwill and other intangibles

(vi) Other adjustments and reclassifications

The Group has historically recognised some programme investments within inventory, and amortised them in line with historical patterns of economic consumption In light of the transition to IFRS and changing market practice the Group has reviewed the presentation of these arrangements These arrangements are now recorded within intangible assets when held for distribution, and recorded within inventory when held for broadcast, consistent with industry practice

BBC Worldwide Limited Company only financial statements

Balance sheet

As at 31 March	Note	2010 £m	2009 restated £m
Fixed assets			
Tangible fixed assets	E	**19 3**	25 1
Programme rights for distribution	F	**100 4**	90 5
Investments			
Investments in subsidiary undertakings	G	**171 3**	84 0
Investments in joint ventures	H	**14 8**	81 6
Investments in associated undertakings	I	**11 6**	11 6
		197 7	177 2
		317 4	292 8
Current assets			
Stocks	J	**18 8**	13 1
Current debtors	K	**364 9**	396 9
Long-term debtors	K	**4 0**	5 4
Total debtors		**368 9**	402 3
Cash at bank and in hand		**-**	2 4
		387 7	417 8
Creditors: amounts falling due within one year	L	**(369 8)**	(364 9)
Net current assets		**17 9**	52 9
Total assets less current liabilities		**335 3**	345 7
Creditors amounts falling due after more than one year	L	**(142 7)**	(226 8)
Provisions for liabilities	M	**(2 5)**	(3 2)
Net assets		**190 1**	115 7
Capital and reserves			
Called up share capital	N	**0 2**	0 2
Profit and loss account	O	**189 9**	115 5
Total equity shareholders' funds	O	**190 1**	115 7

The financial statements were approved by the Board of Directors on 16 June 2010 and were signed on its behalf by

J B Smith
Chief Executive

N Chugani
Chief Financial Officer

Statement of total recognised gains and losses

For the year ended 31 March 2010	Note	2010 £m	2009 restated £m
Profit for the year		106 7	82 0
Total recognised gains and losses relating to the year		**106 7**	82 0
Prior year adjustment - FRS 26	A2	(22 3)	
Total gains and losses recognised since last financial statements		**84 4**	

Notes to the Company only financial statements

A Principal accounting policies

The Company's financial statements set out the position of BBC Worldwide Limited and not the Group which it heads These financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom A summary of the Company'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

A1 Basis of accounting

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

The Group consolidated financial statements for the year ended 31 March 2010 contain related party disclosures Consequently, the Company has taken advantage of the exemption in *FRS 8 Related Party Disclosures*, not to disclose transactions with other members of the BBC Group

As permitted by Section 408 of the Companies Act 2006, no profit and loss account has been presented in respect of the Company The Company's profit after taxation for the year was £106 7 million (2009 restated £82 0 million) The Company's results form part of the Group consolidated financial statements

The Company is exempt from the requirement of *FRS 1 (revised) Cash Flow Statements* to prepare a cash flow statement on the grounds that its cash flows are included in the consolidated cash flow statement of the Group, set out on page 55

A2 Changes in accounting policies

Financial instruments

The Company has adopted *FRS 26 Financial Instruments Measurement* for the first time within these financial statements This has resulted in a £22 3 million decrease to the profit and loss reserve at 31 March 2009 and the recognition of £0 9 million within debtors, £31 9 million within creditors and £8 7 million deferred tax assets The prior year comparatives have been restated accordingly

The BBC Worldwide Limited consolidated financial statements for the year ended 31 March 2010 contain financial instrument disclosures which comply with the IFRS equivalent of *FRS 29 Financial Instruments Disclosures* The Company is therefore exempt from the disclosure requirements of FRS 29

The impact of adopting FRS 26 is explained below

	FRS 26 £m
Adjustment to opening shareholders funds at 1 April 2008	(0 7)
Adjustment to profit and loss for the year ended 31 March 2009	(21 6)
Adjustments to opening shareholder's funds at 1 April 2009	(22 3)

Programme rights for distribution and investment in programmes for future sales

During the year ended 31 March 2010, the Company has reviewed the presentation of its programme investments Programme investments are now recorded within Programme rights for distribution when held for distribution, and within stocks when held for broadcast, consistent with industry practice The comparative figures in the balance sheet and notes thereto have been restated to reflect this revised classification, resulting in a £9 9 million reclassification from non-current assets to current assets at 31 March 2009 Current and prior year profits have been unaffected by this change

A Principal accounting policies (continued)

A3 Investments

Investments in subsidiary, joint venture and associated undertakings are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable Only dividends received and receivable are credited to the Company's profit and loss account

A4 Foreign currency

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

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

A5 Financial instruments

Derivative financial instruments

The Company transacts in a number of currencies, primarily including sterling, Euros, US dollars and Australian dollars The Company therefore enters into derivative financial instruments to manage the Company's exposure to fluctuations in interest rates (interest rate swaps, caps and collars), currency options and foreign exchange rates (foreign currency forward contracts) The Company does not enter into speculative derivative contracts

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the profit and loss account, except where hedge accounting is applied (see below)

The fair value of the derivative financial instruments is the estimated amount that the Company would receive or pay to terminate the swap, cap or collar at the balance sheet date, taking into account current interest rates and the current creditworthiness of counterparties

The fair value of foreign currency forward contracts is determined by using forward exchange market rates at the balance sheet date

Hedge accounting

Where a financial instrument is designated and is effective as a net investment hedge of a foreign operation or a cash flow hedge of purchases or sales in a foreign currency, any exchange differences arising on the retranslation of the financial instrument will be recognised directly in the statement of comprehensive income Any ineffective portion, or any change in fair valuation on a financial instrument not designated as an effective hedging instrument, is recognised immediately in the profit and loss account If the hedge ineffectiveness moves outside the range of 80-125 percent, all amounts related to that hedge, not limited to the ineffective portion, are recycled to the profit and loss account

The Company currently does not engage in net investment or fair value hedging

Embedded Derivatives

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

A Principal accounting policies (continued)

A6 Tangible fixed assets

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

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

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

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

A7 Leased assets

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

A8 Impairment of fixed assets

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

A9 Investment in programmes for distribution

Programme rights for distribution represent rights acquired with the primary intention to sell them or products derived from the rights as part of the Company's long-term operations They are initially recognised at acquisition cost or production cost, when the Company controls the respective assets and the risks and rewards attached to them The carrying amount is stated at cost less accumulated amortisation and after writing off the costs of programmes that are considered irrecoverable Amortisation of programme rights for distribution is charged to the income statement to match the average revenue profile of the programme genre over its estimated average marketable life

A10 Stocks

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

A11 Provisions

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

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

A Principal accounting policies (continued)

A12 Pension costs
The Company operates both defined benefit and defined contribution schemes for the benefit of employees

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

Defined contribution scheme
The Company 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

A13 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

A14 Dividends on shares presented within shareholders' funds
Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the Company only financial statements

B Auditor's remuneration
The audit fee for the Company was as follows

	2010	2009
	£m	£m
Fees for the audit of the Company	**0 2**	0 2

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

C Directors' remuneration
Information covering Directors' remuneration and pension benefits is set out in the Group consolidated financial statements on page 73, and Directors' Remuneration Report on page 42 to page 49

D Analysis of deferred tax balance

In accordance wıth *FRS 19 Deferred Taxatıon*, the Company provıdes for all deferred tax lıabılıtıes ın full less avaılable deferred tax assets

Net deferred tax posıtıon	**2010** **£m**	2009 restated £m
Net deferred tax asset/(lıabılıty) at start of year	**7.2**	(8 7)
Deferred tax assets provıded/(released) durıng the year (note K)	**(4.0)**	8 7
Deferred tax provısıon released durıng the year (note M)	**0.9**	7 2
Net deferred tax asset at end of year	**4 1**	7 2

E Tangible fixed assets

	Short leasehold buıldıngs £m	**Plant & Machınery £m**	**Fıxtures & Fıttings £m**	**Assets under constructıon £m**	**Total £m**
Cost					
At 1 Aprıl 2009	7 0	39 5	5 5	0 6	52 6
Addıtıons	0 2	3 9	-	-	4 1
Transfer to completed assets	-	0 6	-	(0 6)	-
Dısposals	-	(10 0)	(0 3)	-	(10 3)
At 31 March 2010	**7 2**	**34 0**	**5 2**	**-**	**46 4**
Depreciatıon					
At 1 Aprıl 2009	0 6	25 4	1 5	-	27 5
Charge for the year	0 9	6 7	1 3	-	8 9
Dısposals	-	(9 0)	(0 3)	-	(9 3)
At 31 March 2010	**1 5**	**23 1**	**2 5**	**-**	**27 1**
Net book value					
At 31 March 2010	**5 7**	**10 9**	**2 7**	**-**	**19 3**
At 31 March 2009	6 4	14 1	4 0	0 6	25 1

There are no assets (2009 £nıl) held under fınance leases ın the Company

F Programme rights for distribution

	£m
Cost	
At 1 April 2009 (restated)	182 7
Additions	70 3
Elimination in respect of programmes fully amortised	(42 4)
Exchange adjustment	(2 7)
At 31 March 2010	**207 9**
Amortisation	
At 1 April 2009 (restated)	92 2
Charge for the year	59 9
Elimination in respect of programmes fully amortised	(42 4)
Exchange adjustment	(2 2)
At 31 March 2010	**107 5**
Net book value	
At 31 March 2010	**100 4**
At 31 March 2009 (restated)	90 5

G Investment in subsidiary undertakings

	£m
Cost	
At 1 April 2009	107 1
Additions	20 5
Transfer from joint ventures (note H)	67 5
At 31 March 2010	**195 1**
Provisions	
At 1 April 2009	(23 1)
Charge for the year	(0 7)
At 31 March 2010	**(23 8)**
Net book value	
At 31 March 2010	**171 3**
At 31 March 2009	84 0

The principal operating subsidiaries of the Company as at 31 March 2010 are shown in note 28 Additions during the year relate to the acquisition of 2|entertain Limited (see note 18a)

H Interests in joint ventures

	Investments in joint venture undertakings £m
Cost net of provision	
At 1 April 2009	81 6
Transfer to subsidiaries (note G)	(67 5)
Additions	0 7
At 31 March 2010	**14 8**
Net book value	
At 31 March 2010	**14.8**
At 31 March 2009	81 6

Additions during the year primarily relate to the investment in Ragdoll Developments Limited (see note 11c)

I Interests in associated undertakings

	Investments in associated undertakings £m
Cost	
At 1 April 2009 and 31 March 2010	**11 6**

J Stocks

	2010 £m	2009 restated £m
Raw materials and consumables	**0 1**	-
Work in progress	**0 1**	0 1
Programme rights for broadcasting	**18 1**	12 7
Finished goods for resale	**0 5**	0 3
	18 8	13 1

K Debtors

	2010 £m	2009 restated £m
Amounts falling due within one year		
Trade debtors	71 1	54 0
Amounts owed by subsidiary undertakings	241 9	255 3
Amounts owed by fellow subsidiary undertakings	24 7	28 1
Amounts owed by associates and joint ventures	11 6	39 2
Deferred tax (note D)	1 2	3 8
Other debtors	3 5	2 1
Prepayments and accrued income - other	7 6	12 7
Prepayments and accrued income - BBC	0 7	1 1
Financial instruments	2 6	0 6
	364 9	396 9
Amounts falling due after more than one year		
Deferred tax (note D)	3 7	5 1
Financial instruments	0 3	0 3
	4 0	5 4
Total debtors	**368 9**	402 3

L Creditors

	2010 £m	2009 restated £m
Amounts falling due within one year		
Bank loans and overdraft	15 4	-
Trade creditors	39 5	34 7
Rights creditors	33 1	30 2
Amounts owed to the BBC	21 2	30 3
Amounts owed to intermediate parent undertaking	-	0 1
Amounts owed to subsidiary undertakings	170 9	172 3
Amounts owed to fellow subsidiary undertakings	2 8	1 6
Amounts owed to associates and joint ventures	0 1	6 5
Corporation tax payable	7 1	8 9
Other creditors including other taxes and social security	16 3	14 5
Financial instruments	4 3	13 5
Accruals and deferred income	59 1	52 3
	369 8	364 9
Amounts falling due after more than one year		
Bank loans	50 0	50 0
Loan owed to intermediate parent undertaking	84 1	158 4
Financial instruments	8 6	18 4
	142 7	226 8
Total creditors	**512 5**	591 7

L Creditors (continued)

Facility at 31 March	Interest rate	Total facility 2010	Drawn down 2010	Total facility 2009	Drawn down 2009	Expiry or review date
Unsecured loan facilities with BBC Commercial Holdings Limited (£m equivalent)	Several, as indicated below	£168 0 [1]	£84 1	£168 0 [1]	£158 4	Several, as indicated below
- Au$ unsecured loan (Au$m)[2]	Commercial Holdings' base cost of funding (in Au$) after interest rate swaps plus a margin of 0 275%	Au$100	Au$100	Au$100	Au$100	7 June 2012
- Sterling unsecured loan (£m)	Commercial Holdings' base cost of funding after interest rate caps plus a margin of 0 275%/0 325%[3]	£107 6 (Residual balance)	£23 7	£120 0 (Residual balance)	£110 4	30 April 2011
Loan with European Investment Bank (£m)	European Investment Bank's own funding cost plus a margin of 0 09% on unsecured loans	£50 0	£50 0	£50 0	£50 0	£20m Dec 2011 £30m May 2012

1 Includes £50 million (2009 £50 million) borrowing facility available provided corresponding cash balance is maintained across the Group

2 The £ equivalent amount at 31 March 2010 for the facility, which was fully drawn down was £60 4 million (2009 facility fully drawn down £48 million, 2008 facility of £90 5 million of which drawn down was £90 3m)

3 Depending on the level of borrowings

M Provisions for liabilities and charges and contingent liabilities

	Deferred tax	Other provisions	Total
	£m	£m	£m
At 1 April 2009	1 7	1 5	3 2
Provided during the year	0 6	1 0	1 6
Released in the year	(1 5)	(0 8)	(2 3)
At 31 March 2010 (Note D)	**0 8**	**1 7**	**2 5**

Other provisions primarily comprise property dilapidation and litigation provision

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

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

M Provisions for liabilities and charges and contingent liabilities (continued)

The Company and some of its subsidiaries operate a cash pooling arrangement All the cash balances within the pool belong to the legal entity to which they relate to, although the Company has access to all funds and each cash pool participant is jointly and severally liable for any overdraft balance At 31 March 2010, total overdrafts under this arrangement were £61 7 million (2009 £68 3 million)

The Company and some of its fellow BBC Commercial Holdings subsidiaries have given guarantees in relation to the BBC Commercial Holdings Limited revolving credit facility agreement At 31 March 2010, total amounts drawn down by the BBC Commercial Holdings Group under this facility were £211 7 million (2009 £243 5 million)

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

N Called up share capital

	2010 £m	2009 £m
Authorised		
1,000,000 Ordinary shares of £1 each	**1 0**	1 0
Issued, allotted, called up and fully paid		
250,000 Ordinary shares of £1 each	**0 2**	0 2

O Reconciliation of movements in shareholders' funds

	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2008	0 2	101 0	101 2
Prior year adjustment (note A2)	-	(0 7)	(0 7)
At 1 April 2008 (restated)	0 2	100 3	100 5
Profit for the year	-	103 6	103 6
Profit for the year - prior year adjustment (note A2)	-	(21 6)	(21 6)
Dividends	-	(68 4)	(68 4)
Exchange adjustment	-	1 6	1 6
At 31 March 2009 (restated)	0 2	115 5	115 7
At 1 April 2009	0 2	115 5	115 7
Profit for the year	-	106 7	106 7
Dividends	-	(32 1)	(32 1)
Exchange adjustment	-	(0 2)	(0 2)
At 31 March 2010	**0 2**	**189 9**	**190 1**

The Company exchange adjustment in the year ended 31 March 2009 related to long term foreign currency intercompany loans previously treated as quasi-equity and now revaluing to the profit and loss account following part settlement of the underlying balance receivable

P Dividends

	2010 £m	2009 £m
Dividends paid in the year	32 1	68 8
Declared and accrued at year-end	-	(0 4)
Total	32 1	68 4

Q Post balance sheet events

On 1 June 2010, the sterling facility with BBC Commercial Holdings Limited expiring in April 2011 was renewed with a new expiry date of 30th April 2012 The terms of the new facility are similar to the existing facility in all material aspects including interest, which is payable on the loan balance at a rate which reflects the cost of funds to BBCCH including a margin of 0 275% or 0 325% (depending upon the level of drawings by BBCCH under its £350m revolving credit facility)

On 16 June 2010, the directors declared a final dividend of £41 5 million (2009 £nil), resulting in a total dividend of £73 6 million (2009 £68 4 million) relating to the financial year The dividend declared will be paid and deducted from equity in the year ending 31 March 2011

R Commitments

Contracts placed for future capital expenditure not provided

	2010 £m	2009 £m
Software	0 5	-
Programme investments	49 7	55 7
Development funding	1 0	4 7
Other commitments	2 8	1 8
Total	54 0	62 2

S Operating lease commitments

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

	Land & buildings 2010 £m	Land & buildings 2009 £m	Plant & machinery 2010 £m	Plant & machinery 2009 £m
Expiring				
Within one year	0 1	0 2	1 8	0 1
Between two and five years	0 3	6 0	0 4	0 2
After more than five years	6 0	0 1	-	-
Total	6 4	6 3	2 2	0 3