



ANNUAL REVIEW

2010/11

ENTERTAINING THE WORLD



BBC
Worldwide

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

View our full
Annual Report and Accounts
online at
bbcworldwide.com/annualreview



* Throughout this Review, headline sales refers to gross revenue including discontinued operations, and including the Group's share of revenues from joint ventures. Headline profit refers to operating profit before specific items, and including profits generated by discontinued operations. Specific items are not defined under IFRS and may not be comparable to similarly titled measures used by other companies. Specific items are material or non-recurring items which are highlighted by virtue of their size or importance in order to enable a full understanding of the Group's performance. A reconciliation between headline profit and profit before tax is presented in the Consolidated Income Statement on p64.

Contents

Chairman's
statement

Page
6



Chief Executive's
review

Page
8



Drive digital growth

Page
12



Become more
international

Page
14



Grow the scale of
our TV channels

Page
18



Increase
investment
in new content

Page
20



Develop more direct connections
with consumers

Page
22



Performance
review

Page
28



Headline sales* 2010/11

£1158m

2009/10 £1074m
7.8% ↑

Headline profit* 2010/11

£160m

2009/10 £145m
10.3% ↑

Revenue 2010/11

£884m

2009/10 £770m
14.7% ↑

Profit before tax 2010/11

£188m

2009/10 £112m
68.0% ↑

Overview

- 2 BBC Worldwide at a glance
- 4 Where we are in the world
- 6 Chairman's statement

Business Review

- 8 Chief Executive's review
- 11 Strategy
- 12 Drive digital growth
- 14 Become more international
- 18 Grow the scale of our TV channels
- 20 Increase investment in new content
- 22 Develop more direct connections with consumers

- 24 Market context
- 28 Performance review
- 32 Chief Financial Officer's review
- 36 Corporate responsibility

Governance

- 42 BBC Worldwide Board
- 44 BBC Worldwide Executive
- 46 Corporate governance report
- 52 Principal risks and uncertainties
- 55 Report on Directors' remuneration

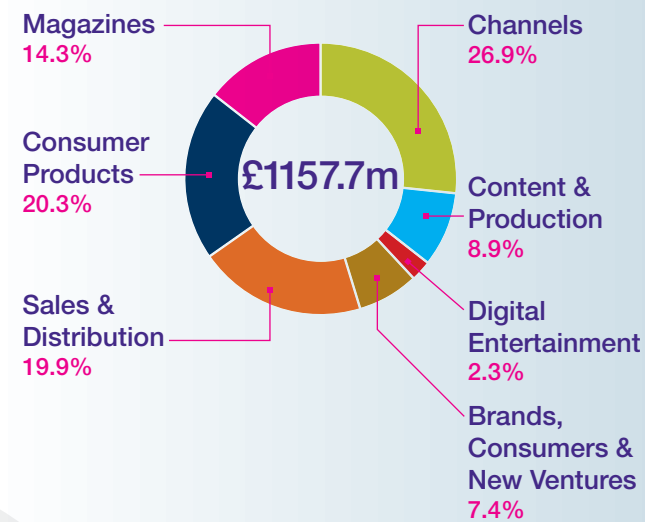
Financial Statements

- 62 Summary Financial Statements
- 73 Global addresses

BBC Worldwide at a glance

BBC Worldwide reports as seven operating businesses*, each driving sales and profits globally across multiple territories and formats.

Headline sales by business



*Reorganised after year end



www.bbcworldwide.com/
annualreview



To find out more
please go to
p28

Operating business

Channels



Description

Offers a global showcase for the best of British television via a portfolio of 31 international, BBC-branded TV channels, and 10 further channels are operated through a joint venture with Virgin Media – UKTV. Also manages advertising and affiliate sales for BBC World News.

Headline sales**

£312.0m
+18.8%
£262.6m 2009/10

Headline profit/(loss)**

£40.1m
+2.3%
£39.2m 2009/10

Content & Production



Provides TV producers with investment and expertise in return for rights. Also develops its own TV formats and runs a global network of production studios.

£102.8m
+9.1%
£94.2m 2009/10

£7.9m
-55.1%
£17.6m 2009/10

Digital Entertainment



Comprises BBC.com and the investments we have made into two start-up digital businesses – the global BBC iPlayer and a Games Unit.

£27.1m
+86.9%
£14.5m 2009/10

£(6.8)m
+60.0%
£(17.0)m 2009/10

Digital activities are also embedded in other businesses and, on a memorandum basis, the total revenue from digital (predominantly online and mobile) was:

£81.9m
+31.5%
£62.3m 2009/10

Brands, Consumers & New Ventures



Maximises the value of our major brands, including Top Gear and Doctor Who, across all of BBC Worldwide's businesses. Manages Lonely Planet, Live Events, Licensed Products and book publishing partnerships.

£86.0m
+4.2%
£82.5m 2009/10

£(10.3)m
-14.4%
£(9.0)m 2009/10

Memo reporting for all of BBC Worldwide's key brands:†

£308.1m
+12.6%
£273.7m 2009/10

Sales & Distribution



Sells TV programmes to customers around the world on behalf of rights owners – the BBC and independent production companies. BBC Worldwide is the largest distributor of finished TV programmes outside the major US studios.

£230.5m
+3.3%
£223.2m 2009/10

£58.8m
+14.0%
£51.6m 2009/10

Consumer Products



Creates products that complement programming and expand consumers' enjoyment of media brands. It comprises 2 entertain (our global DVD and download-to-own business), music licensing and publishing.

£234.8m
+1.2%
£232.1m 2009/10

£48.9m
+13.7%
£43.0m 2009/10

Magazines



Extends viewers' enjoyment of BBC programming in the UK through a portfolio of high-quality consumer magazines and exhibitions. Through 56 international licences, joint ventures in Australia and India, and extensive content syndication, readers around the world can also access Magazines' content. The majority of this business has been held for sale during the year.

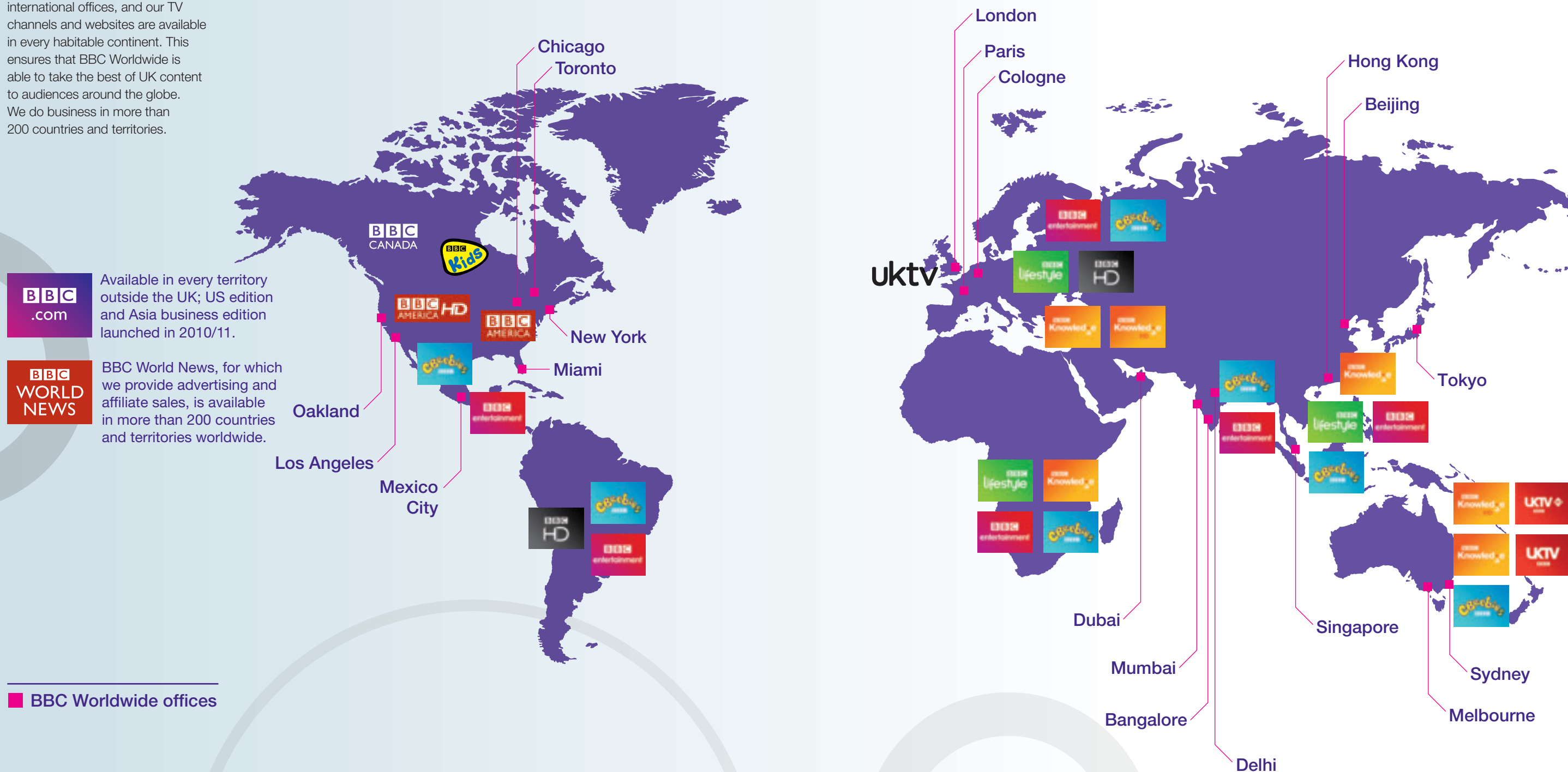
£164.5m
-0.4%
£165.1m 2009/10

£21.6m
+9.1%
£19.8m 2009/10

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

Where we are in the world

We have a wide network of international offices, and our TV channels and websites are available in every habitable continent. This ensures that BBC Worldwide is able to take the best of UK content to audiences around the globe. We do business in more than 200 countries and territories.





Chairman's statement

Robert Webb

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

As well as supporting the BBC itself, BBC Worldwide operates as one of the engines of the whole UK creative economy. Programmes and formats produced, not only by the BBC itself but also by more than 300 UK independent producers, were distributed by BBC Worldwide in 2010/11. By way of example, more than 540 buyers attended BBC Showcase, our international sales fair, in Brighton in

2011. Even more are expected in 2012 when the event shifts north to Liverpool, helping to make BBC Worldwide the largest programme distributor in the world, outside the mighty US majors, with whom, of course, we compete in the marketplace.

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

"As well as supporting the BBC itself, BBC Worldwide operates as one of the engines of the whole UK creative economy"

Bringing value to the BBC

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

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

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

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

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

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

Robert Webb QC
Chairman, BBC Worldwide



Chief Executive's review

John Smith

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

Against this backdrop, BBC Worldwide achieved another record performance:

- Headline sales were up 7.8% to a record £1157.7m (£1074.2m 2009/10), and headline profit saw double-digit growth – up 10.3% to £160.2m (£145.2m 2009/10) – evidence that our growth strategy remains right for the times.
- Headline operating margin increased to 13.8% (13.5% 2009/10), despite continuing investment in new businesses, owing to the continued success of established high-margin businesses and newer ventures moving towards profitability.
- Profit before tax, inclusive of the results of discontinued operations, grew 59.2% to £201.2m, including the gain on disposal from investments in Animal Planet and People&Arts.
- Total returns to the BBC, our parent and sole shareholder, increased by 8.6% to £181.9m (£167.5m 2009/10), supporting its development of world-class content. This includes dividends of £76.4m in relation to 2010/11 performance and investments in BBC-commissioned programming of £78.5m.

Financial performance

Headline sales 2010/11

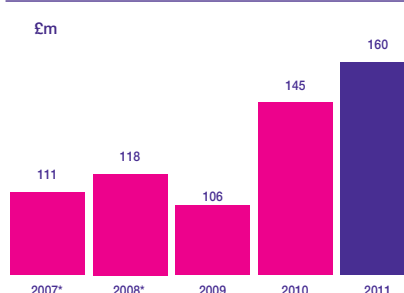
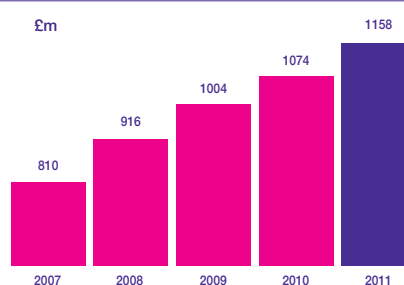
£1158m

2009/10 £1074m
7.8%↑

Headline profit 2010/11

£160m

2009/10 £145m
10.3%↑



*For 2006/07 and 2007/08 headline profit is presented before exceptional items under UKGAAP as previously applied by the Group.

Supporting export growth

Progress against our five strategic objectives is laid out in detail from p11 to p23, and the performance of each business from p28 to p31.

Investment in creativity

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

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

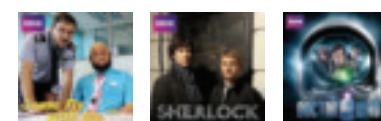
Exports

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

In 2010/11 our international sales increased by 9.6% to £642.9m (£586.8m 2009/10). This figure represents 55.5% of headline sales, marginally ahead of 54.6% last year. While sales growth outside the UK has been strong, so too has UK performance, so we expect it to take us an extra year (to 2013) to hit our target of two-thirds.



Over
12m
Apps downloaded to date



Over
20m
Programme downloads to date



Over
9m
People have seen our live shows to date

Big Talk Productions, in which we have an equity stake, secured another series of BAFTA-winning Rev starring Tom Hollander.





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

Digital sales, predominantly online and mobile, increased to 8.1% of net sales* (7.0% 2009/10), on course toward our target of 10% by 2012. Impartial news and information was distributed to a monthly average of 58m users by BBC.com. The monthly average user base for all our websites is now 68m.

What's more, our expertise in further extending enjoyment of content by developing apps, merchandise, games, DVDs, publications and live events continued apace. Downloads of our apps in the year were over 12m; we have 11.8m fans of our Top Gear and Doctor Who pages on Facebook; and we have a number of digital games titles in the market.

People and Values

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

Our Values (p36) are what differentiate BBC Worldwide in the marketplace. They reflect the qualities that all our customers have come to expect from us. To that end we have taken steps in the past year to embed these Values more formally into our people processes and systems in order to ensure they remain at the heart of our business. We have also completed a substantial programme of staff training, including relevant people from our joint ventures and partnerships, in all aspects of our editorial policies and commercial practices.

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

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

£182m

Our total returns to the BBC

55.5%

Proportion of headline sales generated overseas

8.1%

Proportion of net sales* from digital activities

*Net sales refers to headline sales excluding the Group's share of revenue from joint ventures. Prior-year figures have been restated to conform to current year basis.

Strategy

Our five strategic objectives

1. Drive digital growth

Read more on page

12

2. Become more international

Case study: Expanding in the USA

Read more on page

14

3. Grow the scale of our TV channels

Read more on page

18

4. Increase investment in new content

Read more on page

20

5. Develop more direct connections with consumers

Read more on page

22

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

This year we have laid out all our work across these areas in a Corporate Responsibility report from p36 to p41. I hope you will read it and contact me should you have any questions or feedback for us.

As ever, I would like to offer my heartfelt thanks to all the people in our own operations and joint ventures, and to those who produce the excellent and inspiring content we market, for their outstanding efforts.

Future plans

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

John Smith
Chief Executive, BBC Worldwide

Our strategic objectives

1. Drive digital growth

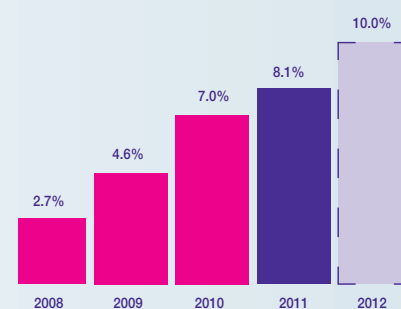
We have now embedded digital capability within every area of our business.

Our objective is to drive online and mobile growth across all opportunities – websites, content syndication, mobile, apps and games – responding

to consumer and customer needs as they develop. At the same time, we are reducing our reliance on physical products.

Our target is to increase the percentage of our sales derived from digital to 10% by 2012. In 2010/11 we achieved 8.1%.

Growth in % sales from digital*



*Digital sales calculated as a percentage of net sales. Prior-year figures have been restated to conform to current year basis.

Next steps

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



1. Drive digital growth: progress in 2010/11

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

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

Online

BBC.com is our flagship property online. This website offers BBC news and lifestyle content in an advertising-supported environment for international audiences and helps extend the reach of the BBC brand around the world. Our objective in 2010/11 was to build advertising revenue, aided by the introduction of localised editions to increase relevance to visitors. A US edition was introduced during the year, contributing to BBC.com revenues increasing 113%. Close to year end, an Asia business edition was launched and we will continue to invest in further localisation in the year ahead.

We also introduced a travel section, produced in conjunction with Lonely Planet, and will look to enrich the site with other specialist content.

The rise of social media is also firmly on our radar. It has already provided an interesting opportunity for us to manage fans' interaction with the Top Gear brand on Facebook and to drive traffic to our own website topgear.com (see p23) and we are applying our learning from this initiative to other brands in our portfolio.

Digital programme syndication

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

Given the steady increase in online TV viewing worldwide (Market Context p24), this business is in very good health. Our strategy has been to work with a wide range of players on non-exclusive terms in order to test the market and grow our understanding of consumer preferences. We believe this remains the best approach given the wealth of new services and devices that are continually being launched. We will start piloting our own global BBC iPlayer service in summer 2011.

Digital sales of programmes via our online shop bbcshop.com and third-party download sites grew by 45.7% year on year. Download-to-own sales are managed alongside our DVD business within 2 entertain in order to coordinate product releases effectively across all formats. 2 entertain has also started releasing titles in hybrid formats (a digital copy packaged with DVD and/or Blu-ray disc) which has helped maintain sales in the mature DVD marketplace.

Apps

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

Games

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

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



The Top Gear and Microsoft Forza™ partnership brings together the most popular car TV brand and a major console racing franchise. We are now working towards the October release of Forza 4 for Xbox 360 and Kinect.

Our strategic objectives

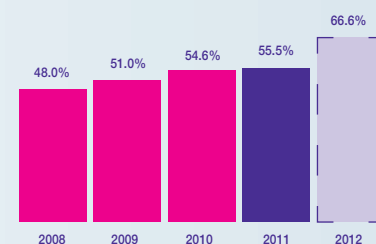
2. Become more international

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

television and online channels are important facets of our approach.

Our aim is to increase the share of headline sales derived from outside the UK to two-thirds of the total by 2012. In 2010/11 we achieved 55.5% (54.6% 2009/10). Given strong growth in the UK too (up 5.6%), we expect to take a further year to reach this target.

Growth in % of our sales from international markets



Next steps

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



2. Become more international: progress in 2010/11

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

We also took the decision in the year to evolve the orientation of the company gradually to one that is focused on five geographic regions outside the UK. Each region is being overseen by one of our Executive team: Marcus Arthur for Australasia, Steve Macallister for Asia, Paul Dempsey for EMEA, Jana Bennett for Latin America and Herb Scannell for North America. We are also in the process of appointing Executive Vice Presidents for each. These new roles are designed to maximise revenue growth across all divisions in each region and to look for many new business development opportunities.

TV distribution

At the heart of our international expansion is our well established TV programme and format sales operation. We have sales offices in most major markets (p4) and stage the world's only TV sales fair to be hosted by a single distributor – BBC Showcase (below).

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

Formats

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

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

Publishing

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

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

BBC-branded platforms

Our other major vehicles for international expansion are our Channels business (p18) and BBC.com (p13).



BBC Showcase Bigger and better

BBC Showcase continues to grow in size and success. The main event is held annually in the UK, and we also organise bespoke versions in Beijing and Rio de Janeiro. Because of the strong increase in our customer base in recent years, we took the decision to move the UK fair from Brighton to Liverpool in order to be able to welcome even more clients from February 2012. Amongst the great series launched in 2011 were Mad Dogs from Left Bank Pictures, our own production of Top Gear USA and, from the BBC, Frozen Planet and Wonders of the Universe featuring Professor Brian Cox (above).



Case study: Expanding in the USA

With our sights firmly set on international growth, we have sharpened our focus on the world's biggest media market – the USA.

For UK media companies, the USA has clear advantages in having a common language and an established appetite for some types of UK content and talent. However, it is also a highly consolidated and competitive market where foreign operators are in the minority. BBC Worldwide is one of the few non-US players to have built meaningful distribution in this market.

- The BBC brand is recognised widely and we are the only UK company to have an owned and operated TV channel, BBC America.
- BBC.com has 15.2m unique users in the USA (2010/11 monthly average).
- BBC World News is distributed by BBC Worldwide in the USA. It provides in-depth coverage of global news from an impartial, objective perspective.

In June 2010, we appointed Herb Scannell (see p45) to head up our North American businesses. Plans are now in place to grow our market share over the next five years.

USA – the marketplace

The USA media market is worth \$400bn (*PwC Global Entertainment & Media Outlook*). The TV market is dominated by the six major media conglomerates, which also own the most significant broadcast and cable channels – for example, ABC (Disney) and USA (NBCUniversal). Most shows are made by the major studios.

The overall advertising market has rebounded since its 2009 low and in 2010 topped \$153bn (*eMarketer*), with online showing the fastest rate of growth. The number of TV hours viewed grew by 1% last year (*fig 1*), while online video viewers increased 11% (*Nielsen*). Those watching video via mobile devices rose by more than 40% year on year (*eMarketer*).

The US market is frequently a prime indicator for world trends so what we learn here we can often apply globally.



The Stig with Top Gear's US hosts (left to right): Rutledge Wood, Tanner Foust and Adam Ferrara.

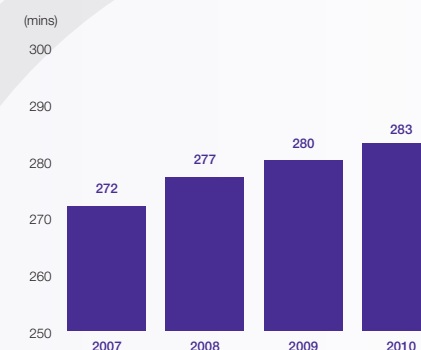
BBC Worldwide in the USA in 2010/11

BBC America

A leading independent entertainment cable channel with 68.5m subscribers, BBC America is recognised as a home for smart entertainment and provides a strong platform for UK talent and content and a high-value audience for advertisers. In 2010/11 the channel had its best year ever, with primetime ratings among 25-54 year olds up 37% year on year. Its subscribers have the highest median income of any ad-supported US cable channel, excluding sports networks (*Nielsen NHI/Media Research*).

(fig 1)

US daily TV viewing



Source: Eurodata's One TV Year in the World/Nielsen Media Research

BBC Worldwide Productions

Based in Los Angeles, our production hub has delivered hugely popular US versions of the BBC formats *Dancing with the Stars* (12 seasons for ABC) and *Top Gear*, recommissioned for a second series by cable channel HISTORY™. It has also developed a strong slate of both scripted and unscripted UK formats, and made the new series of the BBC hit drama *Torchwood*, co-produced by BBC Worldwide, BBC Cymru Wales and, in the USA, the cable channel STARZ. The series has benefited from a higher production budget thanks to this co-production finance and has been added to our distribution catalogue.

Digital

The digital business is underpinned by BBC.com but also encompasses online, TV syndication, social media, games and apps. We have established a Games Unit in Los Angeles and London, which is developing games across all major platforms, including Sony, Microsoft and Nintendo consoles, mobile and tablet devices, and Facebook.



Actress Kirstie Alley and dance partner Maksim Chmerkovskiy helped make US series 12 of *Dancing with the Stars* its most-watched US season.

Our US growth strategy

Next Steps

- **TV:** BBC America is a major asset and we plan to focus our investment on acquiring and originating content, and on marketing spend. This strong cable channel provides a high-profile platform for UK content and brands, has a dual revenue stream (subscriptions and advertising), drives ancillary sales, such as DVD and content syndication, and commissions original programmes from our production arm.
- **Production:** We will continue to develop scripted and unscripted shows aimed predominantly at the cable market – both new commissions and local versions of our own formats. This will grow revenues in the USA and also create shows that will have distribution value in other markets and will provide co-production opportunities.
- **BBC.com:** Further investment will be made in both strengthening our video offer on the site and diversifying beyond news in areas that will build relevance to US users.
- **Other digital:** There is significant opportunity to grow our TV content syndication in the burgeoning digital market, and we will also invest in games and apps linked to our key US properties.

Our strategic objectives

3. Grow the scale of our TV channels

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

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

Our international channel portfolio comprises:

- **Five BBC-branded genre channels which are individually tailored for each market – Entertainment, Knowledge, Lifestyle, CBeebies and HD**
- **BBC America**
- **UKTV Australia and UKTV New Zealand (with on-screen BBC branding)**
- **BBC Canada (with Shaw Media) and BBC Kids (with Knowledge Network) in Canada**
- **BBC World News – distribution and advertising sales for the BBC's commercially funded news and information channel**
- **10 channels in the UK via UKTV (co-owned with Virgin Media) including Dave, Watch and Yesterday**
- **Management of the relay of BBC public-service channels to Eire and Benelux**

Next steps

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



3. Grow the scale of our TV channels: progress in 2010/11

Over the past four years BBC Worldwide has been building a wholly owned and operated international TV channels business that carries extensive BBC branding. This has been a fast-growing area of operation and now delivers the highest sales of any of our businesses. The strategy involved exiting a number of existing joint-venture agreements for international channels, in order to focus on our own portfolio, and we largely completed this in 2010/11 when we sold our stakes in Animal Planet and People&Arts to our partner Discovery Communications Inc. We are focusing in particular on BBC America (p17) as a springboard for expanding in the US market.

New services

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

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

Local relevance and impact

We have worked hard to make our channels relevant in their individual markets through appropriate scheduling, dubbing and subtitles, and by building the profile of talent locally in order to connect with audiences. We will do even more to adapt our international channels to suit local tastes in 2011/12 with more dubbing in local languages and locally made commissions.

At year end we had 343m subscriber homes in over 100 countries, including BBC World News, UKTV in the UK, and the relay of BBC public-service channels.

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

UK

In the UK, our joint venture with Virgin Media, UKTV, now has a 5.0% share of the pay-TV market. It achieved its third consecutive year of growth. In July 2010 it awarded Channel 4 Sales a 10-year deal to represent its advertising sales across its full portfolio of services, beginning in January 2011. Overall ad sales were up 15.6% year on year.



Since launching in Freeview, UKTV's Yesterday has grown to become Britain's most-watched factual channel having increased its viewing share by 75% year on year.

Global channels Global planning

The wedding of HRH Prince William and Catherine Middleton provided Channels with its first global programming event. The business's campaign to promote the BBC's feed and additional royal programming on its branded channels began in March and ran in every territory in which the business has a presence. On the day of the event we delivered synchronised, BBC-branded local schedules to the USA, Australia, New Zealand, India, Latin America, the Middle East, pan-Europe, Asia and South Africa and on BBC World News feeds.



Our strategic objectives

4. Increase investment in new content

At our company's core is the mission to deliver high-quality distinctive content to audiences around the world. Promoting the creation of such content is therefore of prime importance to us. Given the needs of the different markets we serve, we are increasingly focused on providing bespoke local programming,

as well as the best that the UK production community has to offer. Investing in brilliant on- and off-screen talent also provides an opportunity to create new British content for export.

We support the creation of new content by:

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

Next steps

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



4. Increase investment in new content: progress in 2010/11

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

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

Programme and talent investment

In 2010/11 BBC Worldwide invested £101.0m in new programmes: £78.5m in BBC-commissioned content and £22.5m in non-BBC.

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

BBC Worldwide production

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

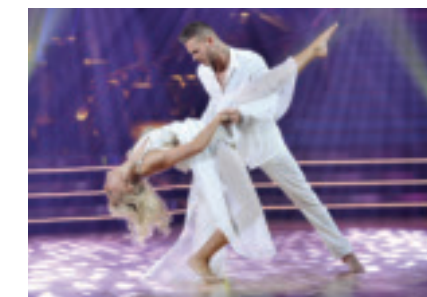
An exciting development for the team was making the new series of sci-fi drama Torchwood for the first time. Co-produced by BBC Worldwide, BBC Cymru Wales and US cable channel STARZ, this promises to be a major event for fans when it airs in the UK and on STARZ later this year.

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

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

Other commissions

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



Dancing with the Stars launched for the first time in France and was a great success for local broadcaster TF1 with 5m viewers watching the finale. The series was made by our local production team based in Paris.

Production Growing network

Equity stakes UK	Equity stakes ex-UK	Wholly owned
Left Bank Pictures	GP Media (Buenos Aires)	Paris
Baby Cow Productions	Freehand (Sydney)	Mumbai
Clerkenwell Films	Temple Street Productions (Toronto)	Los Angeles
Big Talk Productions	Tower Productions (Cologne)	
Sprout Pictures		

Our strategic objectives

5. Develop more direct connections with consumers

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

We are therefore focusing on:

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



Lonely Planet developed its new Discover short-trip series following in-depth research across its international consumer base.

Next steps

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

Events such as the Top Gear Live tour and the Doctor Who arena show give fans an intense face-to-face experience of their favourite shows. Over 9m fans have attended a BBC Worldwide live event to date.



5. Develop more direct connections with consumers: progress in 2010/11

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

Digital

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

Social media, such as Facebook and Twitter, are particularly key. With Top Gear, for example, we had our first hugely successful experience in building a fanbase online via Facebook, outlined below. Based on this learning, we then launched a Facebook page for Doctor Who in December 2010, and in just a few months it had 800,000 fans. Via this, we engage daily with fans, give them the most up-to-date news, and provide a single destination for all things Doctor Who. The page has also proved a valuable marketing tool, delivering 12.6% of traffic to the BBC's Doctor Who website to date.

The key characteristics of online are that it is immediate and global. But if fans haven't been able to see the latest episode of their favourite TV series, they can't be part of the global online conversation about it. Consequently,

they no longer wait for shows to be aired by a local broadcaster (often long after the initial transmission in the home territory) but find them, legally or illegally, on the internet.

For this reason we have been working to bring closer together the transmission times of major series broadcast in our main English-speaking markets of the UK, USA and Australia. In April 2011, the latest series of Doctor Who launched within 24 hours in the UK and USA. The ratings results for the premiere in the USA were our highest ever (1.4m). Doctor Who was also the number-three TV series purchased globally on iTunes in 2010/11. In the USA this was largely driven by our highest-ever level of marketing investment – including social media engagement.

Consumer insights

We also use our understanding of what consumers want to build better products for them. When Lonely Planet was developing its new Discover and core guidebook series, it used focus groups and surveyed its panel of over 3500 international travellers to ensure they would appeal to consumer segments that were currently underserved. Since the Discover series launched in March 2010, Lonely Planet's sales of all its guides to the destinations covered by the series have increased by 32.5%.

Live Events

Perhaps the richest experience for TV fans is to engage with their favourite show live. To this end, we have further developed our Live Events business in the year. Over 2m people visited a BBC live show somewhere in the world in 2010/11, bringing total attendance at our events to date to over 9m.

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

Films

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

Social media Friends and fans

In 2009 we took over the curation of two unofficial fan pages (for Top Gear and its mystery racing driver The Stig) that had been set up on Facebook. By uploading exclusive material, regularly refreshing content and carefully observing what appealed to fans, we grew the fanbase from 500,000 to over 11m by March 2011. Links on the Facebook pages to our topgear.com site prompt fans to visit and take up transactional opportunities for videos or live event tickets. Around 25% of traffic to topgear.com now comes via Facebook.



Market context

The shift to digital

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

Mobile

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

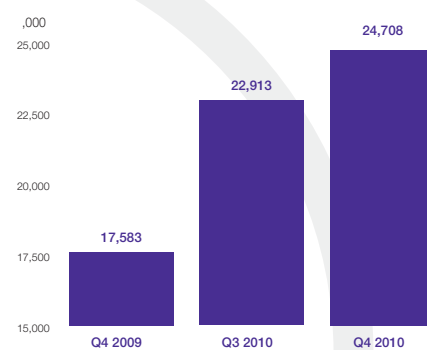
Games are the most popular mobile activity in the USA with 23% of users engaging in this activity (*comScore*). Games may be pre-loaded on to phones, but now close to half of all apps downloaded globally are mobile games (*NPD Group*).

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

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

fig 1

US mobile subscribers watching video on mobile devices



Note: monthly reach (13+)
Source: The Nielsen Company

The other key area where better mobile capability is driving consumer behaviour is in video viewing. In Japan this activity is second only to search – 23% of mobile users (*comScore*). On smartphones, viewing is more about personal video or TV clips, but the newer tablets provide a much better full-programme viewing experience than earlier generations, which is doubtless helping drive up online viewing figures. The number of US subscribers watching video on their mobile devices rose more than 40% year on year in both the third and fourth quarters of 2010, ending the year at nearly 25m people (*fig 1*).

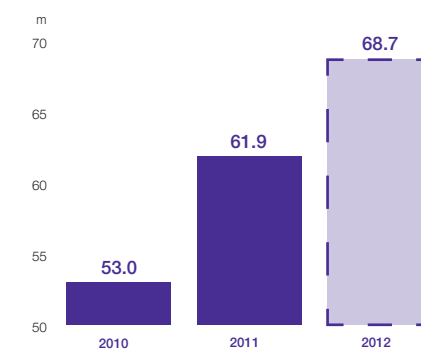
Online – Social media

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

For BBC Worldwide it is the popularity of social, or massively multiplayer online (MMO), games like Zynga's CityVille that is of particular interest. One forecaster estimates there will be 69m social gamers in the USA by 2012 (*fig 2*), with revenue hitting \$1.32bn (up from \$856m

fig 2

US social gamers, 2010-2012



Note: social network users who play at least once per month
Source: eMarketer, Jan 2011

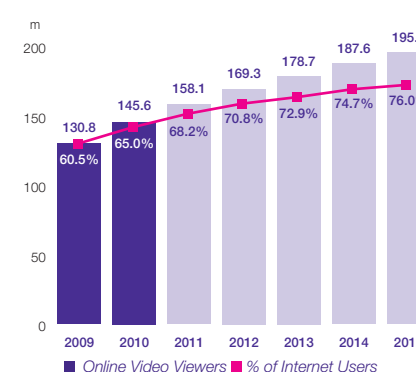
in 2010). This is all the more remarkable considering that this form of gaming took off in earnest less than two years ago. Another study suggests online and mobile games will comprise 50% of all games revenue by 2014 (*Ibis Capital*).

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

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

fig 3

US online video viewers, 2009-2015 and % of internet users



Note: internet users who download or stream video online via any device at least once per month
Source: eMarketer, Feb 2011

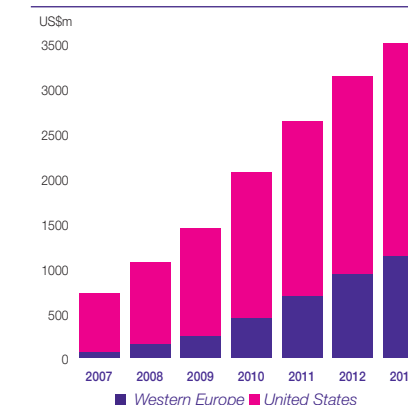
Online – TV viewing

Viewing programmes online is a major focus for the TV industry. eMarketer estimates that by 2015 three-quarters of US internet users, or 196m people, will watch video content online each month (*fig 3*). Overall revenue from online viewing is forecast to grow to well over \$3bn across the USA and Western Europe by 2012 (*fig 4*).

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

fig 4

Online TV revenue forecast USA and Western Europe



Source: IHS ScreenDigest

It's worth noting that, although the DVD market is often perceived to be firmly in the "old media" camp, 2010 revenue remained stable in the UK, and fell only 3.5% in the USA. About 60% of the purchases in the UK market are made by collectors or those seeking a gift (*Kantar*). Another driver has been the surge in Blu-ray disc sales, which were up 55% in 2010 (*BVA*).

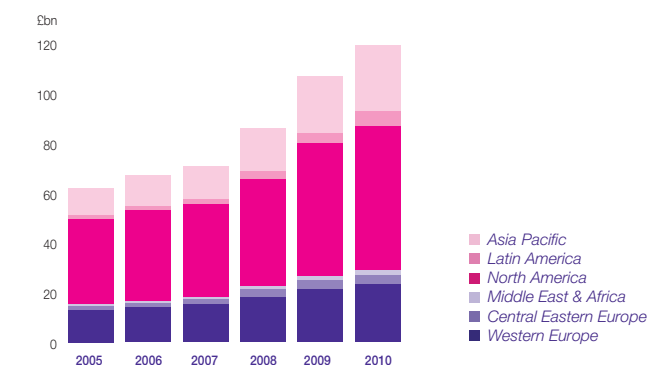
Pay-TV

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

Across the world, pay-TV subscription revenues were £120bn in 2010, a year-on-year increase of close to 12% (*fig. 5*). This was driven partly by increased household take-up of services, up 7%, and also by increased per-capita spending. Advertising revenue on multichannel TV also rebounded strongly, outpacing the global TV advertising average by 3% (*fig. 6*).

fig 5

Global pay-TV revenue 2005-2010



Source: IHS ScreenDigest TV Intelligence

TV distribution

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

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

TV content from the UK continues to be popular overseas and figures show exports of finished programmes were up 9% (*PACT*). Drama is the genre which powers the programme sales market worldwide (*Eurodata/Médiamétrie*) and the US studios are the main provider.

However, in recent years both the BBC and independent producers have been developing faster-paced series with a more filmic quality that play well domestically, and also capture the interest of foreign audiences. *Spooks* (Kudos Film and Television) and *Sherlock* (Hartwood Films) are cases in point. In fact, the market is smaller but the UK fares well, especially in areas such as natural history. The BBC's long-standing investment in its Natural History Unit has resulted in a catalogue that is regarded by buyers as the best in the world.

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

fig 6

Global TV advertising revenue growth 2006-2014



Source: PwC Global Entertainment and Media Outlook, 2010-14

"...in terms of Natural History the BBC is the number-one player in the world"

Dermot Horan
Director of Broadcast and Acquisitions, RTE

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

Summary

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

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

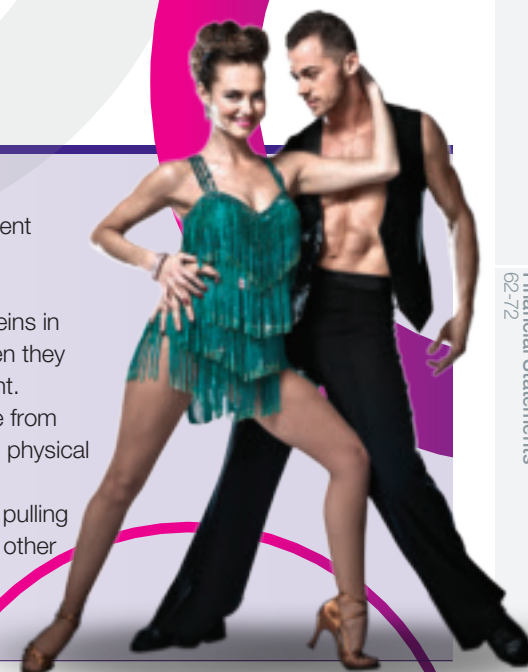
Outlook Media and entertainment

Opportunities

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

Challenges and risks

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



Performance review

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

Channels		
Headline sales (£m)		
Year	2011	2010
EMEA	192.7	173.4
Americas	77.7	56.0
Rest of World	41.6	33.2
Channels	312.0	262.6
Headline profit (£m)		
Year	2011	2010
EMEA	25.5	31.8
Americas	11.6	6.0
Rest of World	3.0	1.4
Channels	40.1	39.2

Channels was a particularly strong revenue performer, with headline sales up 18.8%. Subscriber revenues showed 16.1% growth, notably in the UK, USA and Scandinavia. Revenue from ad sales grew by 26.9% with strong performances from BBC America, UKTV and our channels in South Africa, Latin America and Australia.

Headline profit of £40.1m was up 2.3%, the flow through from revenue growth being partially offset by the loss of our Animal Planet share of profits (results of which were not recorded as it was held for sale in the year) and investment in nine new channel launches. Excluding Animal Planet share of profits from the comparative period's results, Channels headline profit grew 49.6%.

Americas Headline sales increased by 38.8% to £77.7m, and headline profits by 93.3%. This resulted from a significant improvement in BBC America subscriber revenues and improved ratings, our ad sales team driving value, and an underlying improvement in the ad market.

EMEA This region constitutes over 60% of our Channels revenue base and was up 11.1% year on year. A strong ad-sales performance by UKTV was the main driver, up 15.6%. Ratings also improved noticeably across the region. Headline profit fell by £6.3m year on year to £25.5m, reflecting the absence of our Animal Planet share of profits.

Rest of World Headline sales increased strongly, by 25.3%. Australia maintained market share, consolidating our position as the third largest international network in the Australian subscription TV market.

Content & Production		
Headline sales (£m)		
Year	2011	2010
Content & Production	102.8	94.2
Headline profit (£m)		
Year	2011	2010
Content & Production	7.9	17.6

Headline sales from Content & Production rose by 9.1% to £102.8m, mainly as a result of higher levels of commissions of BBC Worldwide formats in France and India. Our French production office delivered significant revenue growth and shared success with TF1 earlier this year when Dancing with the Stars launched to 4.8m viewers.

Headline profit of £7.9m was down from £17.6m. This was due to increased investment and costs at Dancing with the Stars in the USA, which has just completed season 12 to record ratings, coupled with investment in our new production facility in Los Angeles, particularly in developing our scripted production capability. This was rewarded with our first scripted commission – Torchwood: Miracle Day, commissioned by US cable channel STARZ and BBC Cymru Wales.

Driving returns from great content

Digital Entertainment		
Headline sales (£m)		
Year	2011	2010
Digital Entertainment	27.1	14.5
Memo reporting of digital	81.9	62.3
Headline profit/(loss) (£m)		
Year	2011	2010
Digital Entertainment	(6.8)	(17.0)

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

Headline sales for Digital Entertainment were £27.1m, which represented year-on-year growth of £12.6m or 86.9%. The business reduced headline losses significantly to £(6.8)m from £(17.0)m in 2009/10, reflecting the significant move towards profitability of BBC.com offset by the investments in our Games Unit and the global BBC iPlayer.

We also have a range of digital activities embedded across all our businesses. The total revenue for these in the year was £54.8m, bringing our total digital revenues to £81.9m, an increase of 31.5%.

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

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

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

Brands, Consumers & New Ventures		
Headline sales (£m)		
Year	2011	2010
Brands, Consumers & New Ventures	86.0	82.5
Memo reporting of key brands	308.1	273.7
Headline profit/(loss) (£m)		
Year	2011	2010
Brands, Consumers & New Ventures	(10.3)	(9.0)

Brands, Consumers & New Ventures was established to maximise the revenue from our most valuable brands. Lonely Planet, Top Gear, Doctor Who, Torchwood, BBC Earth and Dancing with the Stars are all managed, driven and marketed on a Group-wide basis. Walking with Dinosaurs is the next brand to be managed in this way. The benefits of this brand focus are reported within each business's numbers, but on a memo-reported basis, headline sales from these brands were £308.1m, a rise of 12.6% year on year.

Headline losses for the year have increased from £(9.0)m to £(10.3)m in 2010/11. The staff and marketing costs of the brand focus are included in the figures above alongside the revenue and profit from Lonely Planet, Licensed Products, Live Events, our brand-led websites and our book publishing partnerships.

In a difficult market in which guidebook sales were down 24.0% in key territories compared to 2007/08, Lonely Planet maintained revenues year on year and increased market share in key territories to achieve a five-year high of 21%.

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

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

Sales & Distribution		
Headline sales (£m)		
Year	2011	2010
EMEA	165.8	145.5
Americas	52.0	67.5
Asia Pacific	42.8	36.6
Sales & Distribution (Gross)	260.6	249.6
Less internal trading of	(30.1)	(26.4)
Sales & Distribution (Net)	230.5	223.2

Headline profit (£m)		
Year	2011	2010
EMEA	44.4	36.3
Americas	1.2	4.8
Asia Pacific	18.4	16.8
Sales & Distribution (Gross)	64.0	57.9
Less internal trading of	(5.2)	(6.3)
Sales & Distribution (Net)	58.8	51.6

Sales & Distribution is our biggest profit centre, generating a headline profit of £58.8m on headline sales of £230.5m in the year.

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

Excluding this impact, reported revenues increased by 12.0% in total through exploiting the strength of our catalogue, a more focused sales strategy for key brands and titles, and an upturn in the economic environment in most markets.

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

Consumer Products		
Headline sales (£m)		
Year	2011	2010
Video Physical	192.3	179.5
Video Digital	9.1	3.3
Others	33.4	49.3
Consumer Products	234.8	232.1

Headline profit (£m)		
Year	2011	2010
Video Physical	43.3	42.3
Video Digital	2.5	1.5
Others	3.1	(0.8)
Consumer Products	48.9	43.0

Consumer Products continues to generate strong profits for BBC Worldwide, up 13.7% year on year.

Video Physical The business performed extremely well in the UK, despite a challenging domestic DVD market, finishing 2010 as the UK's fifth-largest distributor. In the USA our sales were up 3.8% in a tough market which saw total sales of DVD and Blu-ray down 3.8%.

Video Digital £9.1m or 3.9% of the business's revenue is now accounted for by download to own. This revenue stream almost tripled versus last year, reflecting the growth in the market and the success of key brands including Doctor Who and Top Gear.

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



Innovation is essential in the mature DVD market. Gift packaging, such as Top Gear: Limited Edition Stig Helmet box set, and releasing titles in hybrid formats (a digital copy packaged with DVD and/or Blu-ray disc) has helped 2 entertain, our DVD/download-to-own business, maintain sales.

Magazines		
Headline sales (£m)		
Year	2011	2010
Continuing	36.6	35.8
Discontinued	127.9	129.3
Magazines	164.5	165.1

Headline profit (£m)		
Year	2011	2010
Continuing	4.9	5.0
Discontinued	16.7	14.8
Magazines	21.6	19.8

In a difficult UK market Magazines performed well. Circulation revenue was up by 1%, compared with the overall market decrease of 6%, and subscription revenue rose by 10%. Overall, headline sales were marginally down, by £0.6m, reflecting the held-for-sale status of our joint ventures Dovetail Ltd (subscription management) and Worldwide Media Ltd (Indian publishing business).

Headline profit increased by 9%, or £1.8m, with strong growth from specialist titles such as Good Food and Olive. Margins increased from 12.0% to 13.1% as a result of the restructuring completed during the previous year designed to reduce the cost base and improve profitability.

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



BBC One's Sherlock made by Hartwood Films and starring Benedict Cumberbatch and Martin Freeman has now sold to over 180 territories.

Chief Financial Officer's review

Philip Vincent

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

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

Operating performance

Headline sales¹ (£m)

Year	2011	2010 ²
Channels	312.0	262.6
Content & Production	102.8	94.2
Digital Entertainment	27.1	14.5
Brands, Consumers & New Ventures	86.0	82.5
Sales & Distribution	230.5	223.2
Consumer Products	234.8	232.1
Magazines	164.5	165.1
Total	1157.7	1074.2

Headline profit¹ (£m)

Year	2011	2010 ²
Channels	40.1	39.2
Content & Production	7.9	17.6
Digital Entertainment	(6.8)	(17.0)
Brands, Consumers & New Ventures	(10.3)	(9.0)
Sales & Distribution	58.8	51.6
Consumer Products	48.9	43.0
Magazines	21.6	19.8
Total	160.2	145.2

Record revenue and profit

Headline sales¹

Headline sales for 2010/11 were £1157.7m, an increase of 7.8%.

Our Channels business was once more a particularly strong revenue performer, up 18.8%, reflecting subscriber revenue growth of 16.1%, and 26.9% growth in advertising sales.

Other key contributors to revenue growth during the year were Digital Entertainment, up 86.9%, and Content & Production, up 9.1%. Consumer Products also performed well and bucked the trend of a flat UK DVD market and a declining US market as well as the severe UK winter weather which hit sales in the key pre-Christmas period, to deliver stable revenues.

In our 2009/10 Review we talked about the steps we had taken to move the advertising sales teams in-house and the results we expected to achieve by doing so. We're now seeing the benefits

of this re-organisation, which has not only improved our performance in its own right, but has also allowed us to exploit the recovery in the overall advertising market, which grew 3.4% worldwide in 2010 (*Zenith Optimedia*). Our digital business has also benefited from this upturn, with BBC.com advertising sales growing 113%.

Headline profit¹

Headline profit was £160.2m, up 10.3% from £145.2m, while headline operating margins rose from 13.5% to 13.8%. This reflects the headline sales growth outlined above and our efforts to maintain and improve efficiency across the business. Profit before tax, including the results of discontinued operations, grew substantially from £126.4m to £201.2m, a rise of 59.2%. This includes the gain on disposal of our investment in Animal Planet and People&Arts.

Consumer Products benefited from a full year's contribution from the

2 entertain business and delivered efficiency improvements to increase headline profits by 13.7%. Sales & Distribution has been successful in exploiting our strong back catalogue more effectively, fuelling an improvement in margins.

Returns to our shareholder

The growth achieved in 2010/11 has allowed us to increase our total returns to the BBC by 8.6% to £181.9m. This was in part through a dividend in relation to 2010/11 performance of £76.4m (£73.6m 2009/10), of which £34.5m was declared in June 2011. The BBC Group owns 100% of BBC Worldwide, and receives returns on that investment including payments for BBC programming, as well as an annual dividend. The level of this dividend is agreed each year based on a balance between the BBC's cash requirements and our own need to continue to invest for growth. In the past year this investment has gone both into our

Financial performance

Headline sales 2010/11

£1158m
2009/10 £1074m
7.8% ↑

Headline profit 2010/11

£160m
2009/10 £145m
10.3% ↑

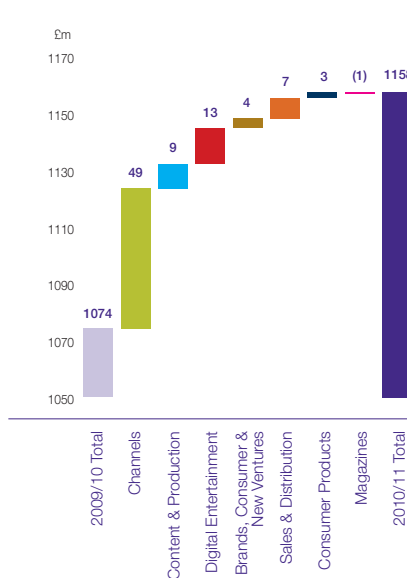
Revenue 2010/11

£884m
2009/10 £770m
14.7% ↑

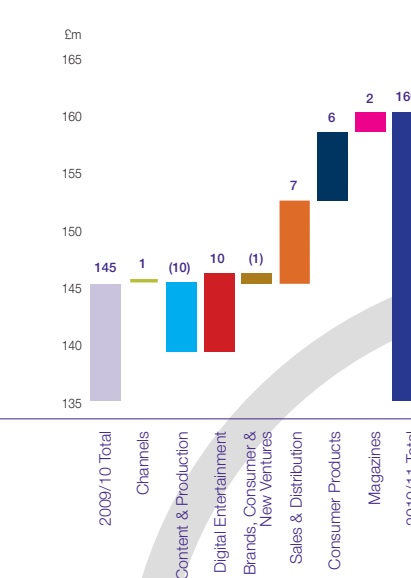
Profit before tax 2010/11

£188m
2009/10 £112m
68.0% ↑

Headline sales



Headline profit



1. Headline sales refers to gross revenue including discontinued operations and the Group's share of revenue from joint ventures; headline profit refers to operating profit before specific items and including profits generated by discontinued operations. Unless otherwise stated profit measures referred to within this review are inclusive of discontinued activities. Further information about specific items, together with a reconciliation between headline profit and profit before tax from continuing operations is provided in the Summary Financial Statements (p62).

2. Throughout this review the comparative period has been restated where applicable for changes in the organisation structure.



Our investments in programming and in a small number of independent producers secure exciting new programmes such as Polar Bear and Misfits for international distribution.



existing businesses, such as our production facility in Los Angeles, and towards exciting new prospects such as the global BBC iPlayer and our Games Unit.

Corporate activity

Corporate activity during the year included the sale of our shareholdings in Animal Planet and People&Arts and BBC Audiobooks and the purchase of the remaining equity in Lonely Planet.

During the year we sold our 50% share in Animal Planet to our partner, Discovery Communications Inc, for \$150m, giving rise to a total gain on disposal of £96.4m. This sale reflects a strategic intention to concentrate our efforts and resources on BBC-branded channels and online platforms, and UKTV. We also sold an 85% shareholding in BBC Audiobooks, reflecting our ambition to reduce our exposure, over time, to physical products. We recently announced that we are in exclusive discussions on a possible partnership for BBC Magazines, recognising that another company would be better placed to invest in the transition from print to digital product and support its future growth. We hope to conclude a deal in the summer.

We purchased the 25% of shares in Lonely Planet we did not already own at the price of Aus \$67.2m (£41.7m), in accordance with the terms of the put option, contractually agreed at the time of acquisition of Lonely Planet in 2007. This transaction was completed in February 2011.

Investment in programming

During the year we invested £101.0m on acquiring distribution rights, compared with £91.7m in 2009/10. The priority, as always, has been to ensure that everything we acquire can be used across as many platforms as possible. We always seek to identify titles that will generate the highest possible sales and margin, and we have a great track record of doing so.

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

We continue to have successful relationships with a whole range of independent producers outside the BBC. We also hold minority equity stakes in a small number of independents, especially those with expertise in drama, comedy and factual entertainment. While Broadcast 2011 data shows that original programming hours for the whole industry were down, these

independents delivered more content for us than ever, with 116 hours of exciting new programming added to our catalogue for international distribution. These included Misfits from Clerkenwell Films; Zen, Mad Dogs and DCI Banks from Left Bank Pictures; and Friday Night Dinner, Rev and Him & Her from Big Talk Productions.

Taxation

The tax charge for the year, including our share of joint ventures and associates, is £43.5m, an effective tax rate of 20.7% (31.1% 2009/10). This is below the statutory UK rate of corporation tax of 28%, primarily because of our disposal of Animal Planet and People&Arts that did not attract a tax charge. However, this was partly offset by a higher effective tax rate on some of our overseas profits, and the fact that some expenses, including goodwill write-downs, are not allowable for tax.

Goodwill

Last year, we wrote down our investment in Lonely Planet to take account of the appreciation of the Australian dollar and our transition to International Financial Reporting Standards (IFRS). This year the Australian dollar has strengthened further and, as at the end of December 2010, it was at a 27-year high against sterling. Australian dollars account for over 80% of Lonely Planet's costs, but only around 20% of revenue. This, along with the challenging market conditions outlined below, has led to a write-down of the carrying value of our Lonely Planet investment by £33.8m.

"As we expand overseas and into new areas of business, we will continue to focus on ensuring we remain agile and able to respond quickly to the ever-changing markets"

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

Cash and debt

During the year we generated net cash flows from operating activities of £194.1m, compared with £207.9m in 2009/10. After taking into account the purchase of the outstanding shares in Lonely Planet, the proceeds from the Animal Planet and People&Arts disposal and the payment of dividends of £83.4m, we saw a net increase in cash and cash equivalents of £32.2m.

Overall, our debt fell during the year from £102.6m at 1 April 2010 to £52.3m at 31 March 2011, resulting in a lower net interest charge for the year of £9.0m, down £1.4m year on year.

Outlook

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

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

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

Philip Vincent
Chief Financial Officer,
BBC Worldwide

Corporate responsibility

BBC Worldwide is uniquely placed to grow the BBC brand around the world, within the framework of the Four Commercial Criteria (see p47). Along with this exciting remit, however, come challenging responsibilities. The over-arching priority across our Corporate Responsibility activity is to protect and nurture the BBC brand, and all it stands for, in the commercial arena. This includes how we manage editorial standards, work with suppliers responsibly and minimise our impact on the environment. In conjunction with this, we focus on continuous development of our people and supporting our local communities. Our Values are those of our shareholder the BBC, with the addition of "Enterprise" which reflects our commercial purpose.

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

Editorial standards

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

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

Our values

Creativity

Our creativity is the fuel for growth

Quality

We go the extra mile for quality

Trust

We say it, do it and deliver on our promises

Respect

By understanding others we maximise potential

Audiences

Customers are at the heart of everything we do

Teamwork

Together everyone achieves more

Enterprise

We're passionate about profit and growth

In September 2010, the Forest Stewardship Council gave BBC Worldwide an FSC Global Partner award recognising our outstanding achievement in promoting the FSC brand.



People

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

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

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

Ethical sourcing

Each year BBC Worldwide sources and licenses millions of products that carry the BBC brand. We try hard to ensure that appropriate labour standards and working conditions exist in the factories that make these products. We have strict minimum standards relating to

pay, hours, age, health and safety and we operate on the basis of continuous improvement.

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

Environment

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

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

In order to further minimise our environmental impact, we have begun to measure the carbon footprint of each of our businesses in order to understand how carbon emissions may be reduced. Our "Travel Less, Travel Light" policy, introduced in 2008, restricts domestic and close-European flights, and includes measures to limit long-haul travel. Our

company headquarters in London and regional headquarters in New York and Sydney have high environmental building ratings: BREEAM Excellent in London, LEED (due August) in New York and 4.5 NABERS energy rating in Sydney.

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

Outreach

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

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

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

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

Responsible business practice: progress and plans

Plan for 2010/11	Progress	Plan for 2011/12
Editorial standards		
Continue to ensure the highest editorial standards are at the core of the business and that all staff understand the company's editorial framework.	Launched the Inspire Trust editorial standards programme in November 2010; over 2100 staff members attended Inspire Trust workshops to update their knowledge.	Complete the roll-out of the Inspire Trust programme to all staff members; provide more tailored editorial standards training to specific business areas.
Share best practice by bringing together senior editorial figures from across the business at regular Editorial Forums (EF) and Editorial Leaders Group (ELG) meetings.	ELG met four times across the year; two EFs brought together 70 senior editorial figures to discuss issues, ranging from general election reporting issues to the editorial dilemmas of televising sport.	Review the activities and composition of the ELG to ensure editorial standards retain a high level of importance in new business activities.
Roll out the new Advertising & Sponsorship Guidelines, ensuring relevant staff fully understand them; review, in association with the BBC, to ensure they remain up to date.	Workshops held in the majority of our offices globally; Guidelines translated into Spanish for Latin America and updated to reflect product placement following changes in UK broadcasting regulation.	Roll out easily accessible online training; provide training around product placement; ensure we remain competitive by adapting Guidelines where necessary, while protecting the BBC Values and brand.
People		
Training and development		
Centralise budget and resource in order to focus on delivering more training and development that is aligned efficiently to our strategic objectives; ensure we deliver maximum benefit from our investment; develop and launch an online learning management system.	Developed a suite of training courses covering all core business skills; agreed preferred training supplier list and developed in-house courses; online learning management system launched, providing access to 250 courses for most staff globally.	Extend systems and training course portfolio to Lonely Planet and 2 entertain; continue to develop content to support the delivery of our company strategy; this will include the further development of an in-house sales and marketing academy.
Support new and middle managers with a bespoke people-management training programme, establishing core standards and reinforcing the importance of managing performance and of our culture and Values.	Management Essentials programme introduced and 40% of all managers completed Module 1.	All managers to complete Module 1 and Module 2 to be introduced.
Talent management		
Create a better talent and succession planning process; launch a development programme for high achievers.	Talent and succession plans now reviewed annually; Personal Development Plans in place to speed individual progress, address skill gaps and help retain key individuals; High Potentials Development programme, Aspire 2010, completed in the UK (candidates complete a 12-month rapid development programme); Aspire 2011 launched in the US and Europe.	Cascade the process for reviewing talent and creating succession plans further down the organisation; launch Aspire in Australia, Asia and at Lonely Planet and 2 entertain.
Values		
Embed the Values formally in all aspects of employee systems and raise the profile of BBC Worldwide as an employer of choice.	Values embedded into job descriptions, induction programme, new performance appraisal system and recruitment processes.	Develop BBC Worldwide recruitment tools including website.

Plan for 2010/11	Progress	Plan for 2011/12
Reward		
Develop and implement a new Reward strategy to realign BBC Worldwide with our commercial competitors while taking into account the interests of our shareholder, the BBC; review incentives to drive performance and reward strong performance; ensure reward is fair and competitive.	Strategy in place; benchmarking survey completed and new Annual Bonus Scheme and Long-term Profit Sharing Plan developed (senior employee bonuses based on personal performance as well as operating business and/or company financial achievement).	From 2012, most staff bonuses to be linked to personal performance as well as operating business and/or company financial achievement.
Consult with and communicate to staff the proposed new BBC Pension changes.	Consulted with staff on the BBC Defined Benefit Pension Scheme and introduced a new Defined Contribution Pension Scheme.	Continue to monitor the pensions situation and take appropriate action to address issues.
Diversity		
Work to achieve a diverse mix of employees across the Group.	Currently the Group employs 20.6% of staff from black and minority ethnic backgrounds.	Continue to work to ensure recruiting processes actively seek and attract as diverse a range of candidates as possible.
Join the BBC's Extend scheme, which facilitates recruitment of disabled employment candidates.	Joined scheme and ran several placements in various areas of the business.	Continue to ensure people with disabilities have the opportunity to seek and maintain employment with BBC Worldwide.
Ethical sourcing		
Training		
Continue targeted ethical training and ethical workshops for staff; introduce ethical training module as part of induction programme for all new managers.	New training module developed and launched March 2011.	Hold monthly ethical training for new managers; extend to joint ventures and evaluate overseas requirements.
Planning and systems		
Review ethical programme scope.	Scope reviewed and extended to include joint ventures.	Action ethical programme with relevant joint ventures.
Extend comprehensive factory and audit data capture to include all business areas.	Ethical data record implemented autumn 2010 to include all business areas.	Extend data recording to include joint ventures.
Factory auditing		
Continue to require third party SMETA (Sedex Members Ethical Trade Audit) audits for all primary factories producing BBC Worldwide products in higher-risk countries.	Audits received for all primary factories producing BBC Worldwide products.	Extend audit requirement to joint ventures.
Continue to conduct control (forensic) audits in order to build on the effectiveness of the core programme and gain increased understanding of labour standards issues within our supply chain.	Extended to lower-risk countries.	Review requirement to run control audits in lower-risk countries.
Introduce trial of record verification audits where there is evidence of inconsistency in factory records.	Audits trialled in Licensed Products and Children's Publishing.	Review effectiveness of these audits and extend use where appropriate.

Plan for 2010/11	Progress	Plan for 2011/12
Introduce measures to track and respond to discrepancies between control and third-party audits.	Discrepancies report launched; initial findings shared with stakeholders.	Further develop strategy for addressing audit discrepancies.
Continue to grade all audits.	Increased in-house review capability.	Extend to joint ventures.
Continue to address and resolve all Critical Failure Points (CFPs); encourage use of Hours Action Plans (HAPs) to address extreme hours CFPs; develop a resolution strategy for lesser non-compliance.	CFPs resolved as routine; take up of HAPs increased.	Establish programme to address lesser non-compliance issues; extend CFP resolution to joint ventures; establish monitoring mechanism for HAPs.
Check ethical programme compliance and understanding across our businesses.	Factory and grade data tracked for all business areas.	Extend to joint ventures.
Communication and learning		
Develop more links with companies with comparable programmes, labour standards organisations and NGOs.	Initial dialogue established with a number of trade bodies, retailers, compliance initiators and NGOs.	Extend discussions with a view to collaboration on key issues, including transparency and audit reliability.
Conduct a trial capacity-building programme.	Trial commenced in China March 2011.	Evaluate impact of trial, adapt/extend as appropriate.
Research and conduct trial social programme in high-risk country.	Trial launched in India December 2010.	Track progress, evaluate effectiveness, adapt/extend as appropriate.
Environment		
Management		
Maintain and develop the ISO 14001 Environmental Management System (EMS).	ISO 14001 (achieved in London HQ May 2010) passed first surveillance audit in November 2010.	Develop and use the EMS according to the needs and plans of the company, reviewing targets and objectives regularly.
Ensure all staff are aware of environmental impacts and objectives; staff with environmental responsibilities to receive bespoke training.	44% of UK staff completed online training; bespoke training provided for key teams, such as IT, legal and facilities.	Promote training module and staff awareness; extend bespoke training to other areas; develop training module for international offices.
Carbon		
Monitor and track travel carbon emissions against internal target to reduce carbon emissions from travel by 10% by 2010 from a 2008 baseline by enforcing the environmental travel policy.	Progress proved challenging owing to our rapid international expansion. Travel carbon emissions increased by 6% over the target period, but would have been higher without the travel policy.	Review strategy to reduce emissions relative to international growth; reinforce travel policy throughout company.
As part of a "measure, reduce, offset" approach, offset all unavoidable carbon emissions.	Unavoidable emissions from energy consumption in buildings and travel offset with Gold Standard certified credits.	Regularly review carbon reduction and offsetting position.
Waste and packaging		
Develop and roll out new Environmental Packaging Guidelines.	Packaging Guidelines developed.	Assess current packaging used and roll out Packaging Guidelines to relevant business areas.
Run a bespoke waste audit at our London HQ.	Set up for June 2011.	Use findings from waste audit to change behaviour where required; introduce binless offices internationally (already in place in the UK).

Plan for 2010/11	Progress	Plan for 2011/12
Paper		
Ensure paper used in manufacture of BBC products is recycled or sourced from credibly certified, well managed forests.	100% of magazines printed on paper from controlled sources, including 82% (peak) FSC-certified paper; 91% of Lonely Planet titles printed on FSC-certified paper; FSC stock sourced for all DVD/Blu-ray titles from April 2011.	Continue to increase percentage from either recycled or from credibly certified, well managed forests.
Water		
Extend water-saving initiatives beyond London HQ's rainwater harvesting system.	Low-volume toilets installed in UK and US HQs.	Continue to monitor water usage.
Outreach		
Support not-for-profit initiatives that help young people develop an understanding of the media business and raise their career aspirations.	Initiatives with Hammersmith & Fulham Education Business Partnership included: Take Two mentoring scheme and running an Explore Media Day; lessons in law provided at a local school via Lawyers in Schools; paid placements provided to students in the Career Academies UK programme.	Monitor and assess Take Two mentoring scheme; hold another Explore Media Day; recruit Career Academy interns for summer 2011.
Provide opportunities for staff to participate in volunteer activities which benefit local schools and non-profit organisations; help staff understand the needs of our local communities.	Team Challenges took place at four schools near our London HQ; for the fourth year, volunteers supported the Jack Tizard School for children with profound special needs.	Seek out new opportunities to contribute to local communities in the UK and overseas, sharing London HQ experiences; recruit fresh volunteers for Jack Tizard scheme.
Develop opportunities internationally to support young talent in media-related professions.	BBC Knowledge with New Zealand's film production association (SPADA) offered grants, and an opportunity to premiere documentaries, to producers under 30; CBeebies Australia co-funded an internship with media college AFTRS; Young Writers and Public Speaking awards held in Holland, Belgium and Hungary.	Continue to support young talent internationally.
Continue to give support to BBC charities; provide easy tax-free method for staff to donate to charity via Payroll Giving.	Staff raised funds for BBC charities through a variety of activities and our magazines and websites widely publicised them to the public; Payroll Giving drive held in February 2011.	Review our Outreach policy in the UK and internationally; continue to promote charitable giving across all areas.



BBC Worldwide Board



Robert Webb QC

Chairman

Appointed: 1 October 2009

Robert Webb QC was appointed a Non-executive Director of the BBC in January 2007 and Chairman of BBC Worldwide in October 2009. He is also Chairman of BBC Commercial Holdings Ltd. He was called to the Bar in 1971 and appointed QC in 1988. Robert was General Counsel at British Airways from 1998 to 2009. He is Chairman of Autonomy Corporation plc, and Sciemus Ltd and a Non-executive Director of the London Stock Exchange plc, Hakluyt & Co Ltd and Argent Group plc.



John Smith

Chief Executive

Appointed: 18 March 2005

John Smith, CEO, joined BBC Worldwide in July 2004 and was confirmed CEO in March 2005. Before this, John was the BBC's Chief Operating Officer, and held other senior executive roles at the BBC including Finance Director and Director of Finance, Property & Business Affairs. Before joining the BBC, he held posts at BR Engineering Ltd, Sealink, Seaspeed Hovercraft and other commercial subsidiaries owned by the British Rail Group. John was a member of the BBC's Executive Board from 1996 to 2009. He is a Non-executive Director of Burberry plc, a Director of the Henley Festival and a Vice President of the Royal Television Society.



Philip Vincent

Chief Financial Officer

Appointed: 1 December 2010

Philip Vincent became acting Chief Financial Officer in June 2010 and was confirmed in the post on 1 December 2010. As CFO, Philip is responsible for BBC Worldwide's financial strategy, in particular the development of its five-year plan. Previously, he held a number of positions in BBC Worldwide including Deputy CFO, Group Finance Director (Broadcast & Digital) and Finance Director (Channels). Philip joined the BBC in 1998, before which he was Financial Controller at Bunzl Disposables Ltd. Philip qualified as a Chartered Accountant at KPMG, working in both London and New York.



Nicholas Eldred

Non-executive Director

Appointed: 31 January 2006

Nicholas Eldred is Group General Counsel and Secretary of the BBC. He is also a Director of BBC Commercial Holdings Ltd and BBC Studios and Post Production Ltd. Nicholas joined the BBC in August 2001 from O2 Ltd (previously BT Cellnet) where he had been Director of Legal and Business Affairs and Company Secretary. He had joined BT Cellnet from BT plc where he was head of the mergers and acquisitions legal team. Previously he was a corporate lawyer with city law firm Simmons & Simmons.



Charlotte Hogg

Non-executive Director

Appointed: 24 September 2010

Charlotte Hogg is the UK and Ireland Managing Director at Experian, the global information services company. In April 2011 she was appointed Head of Retail Distribution and Intermediaries at Santander and will take up the position later this year. She was previously an SVP of Discover Financial Services (formerly Morgan Stanley). Charlotte brings extensive financial and international growth management experience with her to BBC Worldwide. She is a member of the Finance Committee of Oxford University Press, a Trustee of the charity First Story and Governor of Nottingham Trent University.



Zarin Patel

Non-executive Director

Appointed: 31 January 2006

Zarin Patel joined the BBC in 1998 as Group Financial Controller, becoming Chief Financial Officer in December 2004. Before joining the BBC, Zarin trained as a chartered accountant with KPMG, where she gained 15 years' experience working with multinational corporations across the industrial and commercial sectors. Zarin is also a Governor of the University of the Arts in London and a Trustee of the BBC Pension Scheme.



Tim Weller

Non-executive Director

Appointed: 26 April 2010

Tim Weller is Chief Financial Officer of Cable&Wireless Worldwide plc and a member of its Board of Directors. He was Chief Financial Officer for United Utilities plc from July 2006 and played a key role in strategically realigning the group prior to the £1.8bn sale of United Utilities Electricity. Tim's career began at KPMG where he became Partner in the Infrastructure Audit and Accounting Group in 1997 before joining the Granada Group plc where he was Director of Financial Control. Tim has been a Non-executive Director of the Carbon Trust since 2007.

Jane Earl Company Secretary

BBC Worldwide Executive



Marcus Arthur
Managing Director,
Brands, Consumers & New Ventures

Marcus manages the development of our major global brands, our consumer relationships and some of our nascent, high-potential businesses. He began his career in advertising sales, joining BBC Worldwide in 1991 and the BBC Magazines Board in 2001. Appointed Publishing Director of Radio Times in 2002, he served on the boards of our magazine joint-venture businesses Frontline Ltd, BBC Haymarket Exhibitions Ltd and Galleon CI Ltd. He took up his current role in 2008.



Jana Bennett
President, Worldwide Networks
and Global BBC iPlayer

Jana is responsible for BBC Worldwide's portfolio of TV channels, and the development and roll out of the commercial global BBC iPlayer. Until February 2011 she was Director of BBC Vision, in charge of BBC Television and Vision Productions. Her extensive television career also includes being EVP and GM at Discovery Communications in the USA. In 2000 she was awarded an OBE for services to science and broadcasting.



Sarah Cooper
Chief Operating Officer
and Deputy CEO

Sarah leads a legal team responsible for the negotiation of all BBC Worldwide's major acquisitions, joint ventures and partnerships, as well as all regulatory compliance and rights acquisition by the company. Since 2008 Sarah has led the Technology team of BBC Worldwide, overseeing our IT infrastructure and development, and is also responsible for Talent Accounting and BBC Advertising.



Paul Dempsey
Managing Director,
Consumer Products

Paul is Chief Executive of our video business 2 entertain, comprising DVD and DTO. He is also responsible for our music business, licensed products, book publishing partnerships and direct-to-consumer retail sales. His sales and marketing experience includes Mars Confectionery and Sales Director of Frontline Ltd. He joined BBC Worldwide in 1998 as UK Sales Director, was appointed Director of Audio & Music in 2006 and took up his current role in 2008.



Charlotte Elston
Director of
Communications

Charlotte took up her role in January 2010. She began her career with Edelman PR in London, and then spent seven years at Brunswick, the international corporate communications agency. In 2003 she was appointed Head of Communications at Pearson plc and was Group Communications Director at Aegis Group plc from 2005 to 2009.



Michelle Emmerson
Group HR
Director

Michelle is responsible for all aspects of BBC Worldwide's people strategy including reward, culture and employee relations. She also manages business continuity, health and safety, and facilities management. Michelle joined the BBC in January 2009 from EMI Music where she held a number of senior positions including Senior Vice President, Human Resources.



Helen Jackson
Managing Director,
Content & Production

Helen is responsible for BBC Worldwide's content investment strategy with the BBC and independent producers, our international production network and talent and brand ventures. She was appointed to her current role in December 2010, having previously held the post of BBC Worldwide's Director of Independents. Joining BBC Worldwide more than two decades ago, Helen has built up formidable commercial experience of the television sector holding various roles across international sales and distribution, marketing and content investment.



Helen Kellie
Chief Marketing
Officer

Helen joined BBC Worldwide in October 2008 with responsibility for marketing across all BBC Worldwide businesses, building the BBC Worldwide brand and prioritising its portfolio of sub-brands around the world. She was previously Director of Marketing Communications and Audiences for BBC Vision and she has also worked for household products company Reckitt Benckiser plc.



Steve Macallister
President,
Sales & Distribution

Steve took up this role in 2007 and is responsible for the exploitation around the world of our catalogue of BBC and independently produced content. He began his career in advertising sales, later moving to television exports covering Europe, Asia Pacific and the Middle East with the Walt Disney Company. Prior to joining BBC Worldwide, he was Senior Vice President and Managing Director of Buena Vista International Television for the Asia Pacific region.



David Moody
Director of
Strategy

David is responsible for all aspects of the company's direction and objectives, he also leads major deal negotiations and business reviews. From 2005 to 2009 he combined this role with that of Managing Director of Digital Media, growing our digital activities from a start-up position to the business area it is today. He began his career with strategy consultants The LEK Partnership and joined the BBC in 2002 as Commercial Director for BBC Ventures Group, before moving to BBC Worldwide in 2004.



Peter Phippen
Managing Director,
Magazines

As part of his role Peter is Chairman of Bristol Magazines, Chairman of BBC Haymarket Exhibitions, and Chairman of Park Publishing and of Worldwide Media, our joint ventures in Australia and India respectively. He is a Director of Frontline Ltd and of Dovetail Ltd. Currently a Director of the international magazine association FIPP and a Director of the Professional Publishers Association (PPA), Peter joined BBC Worldwide from IPC in 1987 and was President of BBC Worldwide Americas from 1998 to 2001.



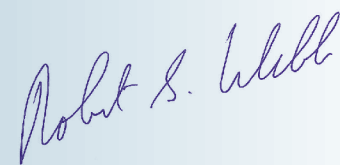
Herb Scannell
President,
BBC Worldwide America

Appointed in June 2010, Herb is responsible for the company's US and Canadian business. Formerly Vice Chairman of MTV Networks and President of Nickelodeon Networks, he oversaw all creative and business operations for a portfolio of brands including number-one rated Nickelodeon, TV Land, Spike TV and Noggin. Herb was most recently CEO of Next New Networks, a digital media company he co-founded in 2006, which was recently acquired by Google.

Corporate governance report

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

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



Robert Webb QC
Chairman, BBC Worldwide

Relationship with the BBC, our shareholder

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

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

Safeguarding our reputation

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

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

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

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

4CC and Fair Trading framework

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

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

BBC Worldwide's governance framework

1. Leadership

Role of the Board

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

The Chairman and Chief Executive

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

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

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

Non-executive Directors

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

Independence

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

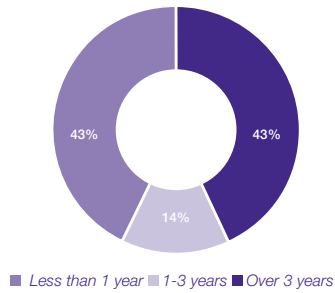
Insurance indemnities

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

Company Secretary

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

Board members: Tenure of office



2. Effectiveness

Board composition and appointments

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

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

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

The current members of the BBC Worldwide Board are shown on p42 and p43 together with details of their external commitments.

BBC Worldwide Board Attendance

Robert Webb	7/7
Sharon Baylay	3/5
Neil Chugani	2/2
Simon Clift	2/4
Nicholas Eldred	7/7
Thomas Geitner	3/5
Charlotte Hogg*	3/4
Zarin Patel	5/7
John Smith	7/7
Philip Vincent	2/2
Tim Weller*	5/7

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

3. How the BBC Worldwide Board operates

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

Financial and risk management

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

Corporate transactions

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

Business oversight

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

Legal and governance issues

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

People and succession

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

Board Committees

The Board delegates to its committees as set out below.

Nominations Committee

The Nominations Committee is chaired by Robert Webb; Nicholas Eldred and John Smith are members. The committee is responsible for reviewing the composition of the BBC Worldwide Board and for proposing new Directors to the Board, and to the BBC Executive

Board and the BBC Trust. No formal Board evaluation has taken place during this year as a consequence of the number of new Directors who have been appointed. During the year the committee recommended changes to the membership of the Audit Committee and was directly involved in the engagement of external headhunters and the appointment of the new Directors.

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

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

Nominations Committee attendance during the financial year under review was as follows:

Attendance	
Robert Webb	2/2
Nicholas Eldred	2/2
John Smith	2/2

Remuneration Committee

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

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

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

A full report of the remuneration policies and activities of the committee, chaired by Robert Webb, can be found on p55. The Company Secretary and the Group HR Director support the activities of the committee and attend every meeting by invitation.

Charlotte Hogg was appointed to the committee on 1 April 2011.

Remuneration Committee attendance during the financial year under review was as follows:

Attendance		
Robert Webb		6/6
Zarin Patel		6/6

BBC Worldwide Executive Committee
The BBC Worldwide Executive Committee (WEX) meets weekly and is chaired by John Smith. John Smith, Philip Vincent (CFO) and the BBC Worldwide Executives listed on p44 to p45 comprise the core membership of WEX. The Company Secretary also attends and supports the activities of the committee.

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

To reflect the investment in the USA, WEX accompanied the Board to New York in January 2011 and received presentations from the BBC America channels and Los Angeles production teams together with external US media experts.

Our employees are fundamental to our success and WEX devotes significant time to reviewing: the framework for pay and reward; succession planning; training and development; and how our Values are embedded within the culture of the company. Following the launch of the Aspire programme (which targets and offers aspirational employees a year-long development programme with a WEX member as mentor) each successful Aspire candidate presented their business project at a WEX meeting.

WEX delegates to a Content Investment Committee, which is responsible for approving programme and product investments of between £0.5m and £2.0m, and to the Investment Review Group, which approves other financial commitments between £1.0m and £2.0m. Both these committees are chaired by the CFO. Each business has authority for approving non-content budgeted spend up to £1m.

Accountability and risk
Audit Committee

The Audit Committee is chaired by Tim Weller; Nicholas Eldred and Charlotte Hogg are members. The committee is responsible for monitoring the integrity of the financial statements including critical accounting policies and estimates. The committee spends time reviewing emerging issues and understanding the impact of matters such as impairments and exchange-rate implications. The committee also reviewed hedging and treasury policies together with tax compliance.

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

The committee also reviews the effectiveness of systems for internal control and reporting, together with those ensuring adequate procedures are in place for staff to raise concerns. It regularly reviews the risk profile of the company, focusing on key risks as appropriate. The implementation of the Bribery Act 2010 has been considered closely during the year and, following a review of the Whistle Blowing procedures, a campaign to increase awareness was undertaken both in the UK and overseas. The enhanced powers of the Information Commissioner also resulted in the committee asking the management team to review data protection and information security.

The committee also undertook a review of the effectiveness of the KPMG external audit. The committee was satisfied with the performance of the audit team and welcomed changes in its key members in line with KPMG’s policy of regularly refreshing its teams. The policy for non-audit services is reviewed on an annual basis. The committee also reviews the independence of KPMG and receives confirmation that such independence has not been compromised in accordance with ISA(UK&I) 260 and the APB’s Ethical Standard 5. Representatives from KPMG attend each of the audit committee meetings and the committee meets regularly with them privately without the Chief Executive, CFO and management representatives being present.

The committee reviewed the effectiveness of the internal audit function. Internal audit resources are provided to BBC Worldwide via the BBC and the members of the committee meet privately with the BBC Director of Risk and Assurance without the CEO, CFO and management representatives being present.

The committee is supported in its activities by the Company Secretary, the BBC Director of Risk and Assurance, and the company’s Risk Advisory team. The committee submits quarterly returns to the BBC Executive Audit Committee detailing the key issues discussed by the committee. The terms of reference for the committee can be found on the company’s website. The committee is not fully compliant with the UK Corporate Governance Code as not all the members of the committee are independent. Given the company’s status as a wholly owned subsidiary of the BBC we believe at the current time the members of the committee are appropriate.

Audit Committee attendance during the financial year under review was as follows:

Attendance		
Tim Weller		3/3
Nicholas Eldred		4/4
Charlotte Hogg		1/1
Zarin Patel		2/3

Zarin Patel resigned as a member of the Audit Committee on 22 November 2010.

How we work
Doctor Who Experience

The Doctor Who Experience is an interactive exhibition which launched in February 2011 at London’s Olympia Two. As a commercial activity of BBC Worldwide, this project must comply with the Four Commercial Criteria (p47).

The BBC Worldwide Executive Committee approved the investment in the Doctor Who Experience together with an assessment of 4CC compliance in February 2010 prior to launch. Before seeking WEX approval, the project and a 4CC assessment were reviewed and approved by the Investment Review Group. While BBC Worldwide Board approval was not required for an investment of this size, the Board was kept notified of the project.

The relevant business area, Brands, Consumers & New Ventures, addressed likely 4CC issues and actively engaged with the relevant BBC Public Service teams.

- It was agreed that potential reputational risks would be mitigated by BBC Worldwide closely working with the BBC public service Doctor Who team throughout the project’s development.
- The BBC public service team retained editorial oversight of the project to ensure consistency with the Doctor Who programme values.
- To facilitate BBC’s editorial input, BBC Worldwide co-funded a full-time production role for one year.



- The company liaised with BBC Fair Trading on implementation, reporting lines and funding arrangements of this role.

Before launch, both the venue and the contractor used for the creative design of the exhibition were subject to full vetting in accordance with applicable BBC guidelines. This included completion of Health & Safety and ethical standards checks.

Principal risks and uncertainties: impacts and mitigation

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

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

Commercial governance
Magazines Annual Review

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

The ARP conducted its sixth review of BBC magazine output during the course of 2010/11 (the first was completed in May 2006) and concluded that, overall, BBC magazines are quality publications, which display originality and editorial integrity. The portfolio is strong, with successful, varied titles which reflect a range of viewpoints and interests. The EAB system continues to be a considerable success, with members offering invaluable advice and insights. Connectivity with BBC output remains particularly strong in the pre-school and pre-teen titles; it is good in Gardeners’ World magazine, Good Food, Lonely Planet, BBC Music, Countryfile magazine, BBC Wildlife and Radio Times. Further details on the Editorial Framework can be found on p36 and p38.

Brand Protection

BBC Worldwide’s brand-protection team continues (together, where appropriate, with local investigators and enforcement authorities, including customs, trading standards and police) to investigate infringements of the Group’s and its partners’ intellectual property rights. It undertakes takedowns, seizures and prosecutions around the world, to help control the market for pirate audiovisual products, counterfeit goods and other infringements, with an increasing emphasis on online infringements, notably on auction and content-sharing sites. BBC Worldwide is a member

of various industry and enforcement bodies, including the Anti-counterfeiting Group, Television Against Piracy and Internet Enforcement Group in the UK, ABAC-BAAN in Belgium, and SNB-REACT in the Netherlands. The team also manages trade-mark protection across the BBC Worldwide brands globally, including the clearance and registration of brands and resolving conflicts with other brands.

Respecting the privacy of individuals

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

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

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

Performance and reward

Report on Directors’ remuneration

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

Letter from the Chairman of the Remuneration Committee

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

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

The principal tenets of BBC Worldwide’s remuneration strategy are to:

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

During the year the committee made a number of changes to the company’s incentive arrangements to create better alignment between management and shareholder interests and to drive growth in line with the company’s five-year strategic plan.

Full details of the new schemes are provided in the main body of the report and the key changes are summarised as follows:

- To incentivise continuing strong performance, we placed an increased emphasis on variable pay, which now accounts for up to 67% of an executive’s compensation package (excluding pension).

- In order to retain staff, we introduced a new long-term performance plan, which provides value to participants if the sustained profit and growth targets of the five-year plan are achieved.
- To focus on delivering absolute growth in profitability year on year, rather than exceeding a target based on the current year budget, we revised BBC Worldwide’s Annual Bonus targets.
- To reward the management team for delivery of financial results over and above the annual bonus targets, we extended the Annual Bonus Scheme.

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

Robert Webb QC
Remuneration Committee Chairman,
BBC Worldwide

Remuneration Committee

Composition

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

Summary terms of reference can be found on p49.

Advisors

The committee obtains advice from various sources in order to ensure it makes informed decisions. The committee's main advisors are set out below:

Advisor	Area of advice
Deloitte LLP	During the year Deloitte was retained on a consultancy basis to advise on changes to both the annual and long-term incentive schemes
Towers Watson	Provided comparative benchmark data on executive remuneration

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

No individual is responsible for setting his/her own remuneration.

Activities in 2010/11

The committee's activities included:

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

- Oversight of the implications for BBC Worldwide staff of changes to the BBC Pension Plan.

Executive Directors

Full details of the composition of the BBC Worldwide Executive Committee are on p44 and p45. This report summarises the remuneration of the relevant BBC Worldwide Board members.

Changes to the BBC Worldwide Board, Executive members

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

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

Full details of both individuals' remuneration during the year are disclosed opposite.

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

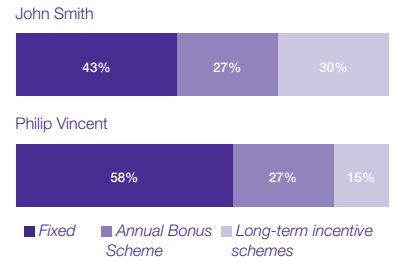
Components of reward

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

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

1. Based on operating profit before specific items
2. Based on Profit after Interest and Tax

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



The graph above shows the Annual Bonus Scheme as a % of total remuneration before any deferral into the Bonus Matching Scheme.

Base salary

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

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

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

John Smith Chief Executive	£440,000
Philip Vincent CFO	£250,000

Annual incentives

Annual incentives are provided through the BBC Worldwide Annual Bonus Scheme in which all staff participate*. The Chief Executive is eligible to receive a core bonus of up to 55% of base pay and the CFO is eligible for a core bonus of up to 40% of base pay. The performance conditions are weighted 25% against individual objectives with 75% determined by the performance of BBC Worldwide against stretching profit targets.

* Other than those on sales schemes.

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

- Revision of the methodology for setting Annual Bonus targets. The scheme now seeks to reward for delivering absolute growth in profitability year on year, rather than exceeding a target based on the current year budget.
- Modification of the performance conditions so that, for senior employees, 75% of the bonus opportunity is conditional upon the delivery of profit performance of BBC Worldwide and the balance is dependent upon individual performance against pre-determined objectives.

Our reward strategy

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

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

- A new element has been added to the scheme to reward senior managers for delivering financial performance beyond the already stretching targets set out in the Annual Bonus Scheme. This is self funding and achieved by creating a pool, calculated as a percentage of profits achieved above the annual bonus target: 80% of this pool is shared across participating members. All senior managers (above a defined grade) are eligible to participate in this element of the scheme. The remaining 20% is awarded on a discretionary basis for outstanding performance. Both John Smith and Philip Vincent are eligible to participate in this.
- Total individual reward under the Annual Bonus Scheme is capped at 100% of salary.

The company element of the annual bonus awards to be paid in respect of 2010/11 performance reflects the strong performance of BBC Worldwide during the year, including headline profit growth of 10.3%.

Long-term incentives
Bonus Matching Scheme

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

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

comparator group of at least 15 other international media companies.

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

The constituent companies of the comparator group

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

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

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

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

The new plan was introduced to better align reward to BBC Worldwide’s long-

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

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

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

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

For an employee joining the Pension Scheme before 1 November 2006, the accrual rate is 1/60th of the final pensionable salary for each year of service with pensionable salary being base pay, adjusted in line with inflation up to retirement. However, with effect from 1 April 2011, all future increases in pensionable salary will be limited to a maximum of 1% per annum, reflecting the recent changes to the BBC Pension Scheme. For employees in this group the normal pensionable age is 60. Pension contribution rates for these employees were increased from 1 April 2010 to 7.5% (6.75% at

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

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

1 April 2009) with a corresponding reduction in employer contributions. For an employee who joined on or after 1 November 2006 the accrual rate is 1.67% of their pensionable pay for each year of service, adjusted in line with inflation up to retirement. As before, with effect from 1 April 2011 all future increases in pensionable salary will be capped at 1%. Participating employees contribute 4% of their pensionable salary to the Pension Scheme. For employees in this group the normal pensionable age is 65.

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

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

Any participating employee who reaches or exceeds the statutory Lifetime Allowance of £1.80m (£1.75m 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
The notice period of Board Directors serving during the year is detailed in the table above. These are subject to earlier termination for cause. No payments are made to Directors on termination other than as contractually required. If termination arises through redundancy, Board Directors are entitled to one month’s pay for each year of continuing service, subject to a 24-month cap.

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

During the year, John Smith served as a Non-executive Director of Burberry plc. 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 does not apply to them.

	Company	Payment received £000
John Smith	Burberry plc	65

Non-executive Directors
The BBC Non-executive Directors, Nicholas Eldred, Zarin Patel and Sharon Baylay (who ceased to be a Director in November 2010) do not receive remuneration from BBC Worldwide for the services provided to BBC Worldwide. The other Non-executive Directors receive a fee, determined by the BBC Trust, reflecting the complexity of the role and the time required to execute the role effectively. The fee levels are set with reference to rates paid by other UK corporations, but at a level such that the Non-executive Directors would not be financially dependent on BBC Worldwide. Details are provided on p60. The fee levels are reviewed annually on 1 September, the next review being effective from 1 September 2011.

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

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

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

Non-executive Directors must maintain a register of all external interests that might be seen to affect their ability to perform their independent duties. This register includes declarations of all positions of employment, directorships

and voluntary positions as well as interests of close family members if relevant and is approved by the BBC Worldwide Board at least annually.

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

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

Remuneration earned in the year ended 31 March 2011

£000	Fee/ base pay	Annual bonus	PSP	Matching scheme for bonuses deferred from prior years ²	Taxable benefits	Pension allowance ⁴	Total 2011	Total 2010
Executive Directors								
John Smith ^{1, 2, 6}	440	138	172	134	14	-	898	823
Philip Vincent ^{5, 6}	83	38	22	-	3	-	146	-
Neil Chugani ^{3, 4, 6}	130	-	-	-	4	16	150	521
Total Executive Directors	653	176	194	134	21	16	1194	1344
Non-executive Directors								
Sharon Baylay ^{7, 8}	-	-	-		-	-	-	-
Simon Clift ⁹	21	-	-		-	-	21	35
Nicholas Eldred ⁷	-	-	-		-	-	-	-
Thomas Geitner ¹⁰	27	-	-		-	-	27	35
Charlotte Hogg ¹¹	18						18	-
Zarin Patel ⁷	-	-	-		-	-	-	-
Robert Webb	77	-	-		-	-	77	45
Tim Weller ¹²	38	-	-		-	-	38	-
Total Non-executive Directors	181	-	-		-	-	181	115
Total Executive Board	834	176	194	134	21	16	1375	1459

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

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

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

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

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

6. The BBC introduced a salary sacrifice arrangement on 1 June 2008 for Old and New Benefits members who joined the Pension Scheme before 1 November 2006. This arrangement is also applicable to all Career Average Benefit members. Those Directors indicated in the table above participated in the arrangement. From that date, the terms and conditions of employment were changed for those employees opting for the salary sacrifice arrangement and as a result employee pension contributions made via the salary sacrifice have been treated as employer contributions, with a corresponding reduction in salary. Base salaries for Executive Directors have not been adjusted to reflect the impact of the salary sacrifice. The total salary sacrifice by Executive Directors was £38,150 (£33,000 2009/10).

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

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

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

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

11. Appointed on 24 September 2010.

12. Appointed on 26 April 2010.

Deferred bonus potential vesting of outstanding schemes

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

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

Pension entitlements

Executive Directors	Age as at 31 March 2011	Annual values		Transfer values ¹		
		Total accrued pension at 31 March 2011 £000	Increase in accrued pension over year £000	Transfer value of accrued pension at 31 March 2011 ¹ £000	Transfer value of accrued pension at 31 March 2010 ¹ £000	Increase in transfer value less Directors' contributions £000
John Smith	53	201	18	3319	3250	69
Philip Vincent ³	41	25	2	234	189	45
Neil Chugani ²	42	5	1	36	26	10

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

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

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

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


Robert Webb QC
Remuneration Committee Chairman,
BBC Worldwide

Summary Financial Statements

These Summary Financial Statements contain BBC Worldwide's (the Group) Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Comprehensive Income and Consolidated Cash Flow Statement, as well as some detailed notes to help explain these primary statements. These notes include the key headline data from the Group's 2011 Annual Report and Accounts.

The information contained in the Summary Financial Statements does not constitute the Group's statutory accounts for the year ended 31 March 2011, but is derived from those accounts. The auditors' report on the Group's statutory accounts is unqualified. The Summary Financial Statements do not contain sufficient information to allow a full understanding of the results and state of affairs of the BBC Worldwide Group as provided by the 2011 Annual Report and Accounts. Copies of the 2011 Annual Report and Accounts may be obtained from www.bbcworldwide.com

The Summary Financial Statements were approved by the Board on 10 June 2011 and signed on its behalf by:



John Smith
Chief Executive



Philip Vincent
Chief Financial Officer

Auditors' statement

Independent auditors' statement to the Shareholder of BBC Worldwide

We have examined the Summary Financial Statements for the year ended 31 March 2011 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Comprehensive Income and Consolidated Cash Flow Statement set out on p64 to p72.

This statement is made solely to the company's members, as a body, in accordance with section 427 of the Companies Act 2006. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in such a statement 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 work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Review in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statements within the Annual Review with the full annual Financial Statements and the Directors' Report, and its compliance with the relevant requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the Annual Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statements.

Basis of opinion

We conducted our work in accordance with Bulletin 2008/3: The auditors' statement on the Summary Financial Statements in the United Kingdom, issued by the Auditing Practices Board. Our report on the company's full annual Financial Statements describes the basis of our audit opinion on those Financial Statements and the Directors' Report.

Opinion on Summary Financial Statements

In our opinion the Summary Financial Statements are consistent with the full annual Financial Statements, and the Directors' Report of BBC Worldwide Ltd for the year ended 31 March 2011 and comply with the applicable requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.



Paul Korolkiewicz
For and on behalf of KPMG LLP
Statutory Auditors and
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL

10 June 2011

Consolidated income statement for the year ended 31 March

	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	
Note	2011 £m	2011 £m	2011 £m	2010 £m	2010 £m	2010 £m	
Gross revenue including joint ventures	1,029.8	127.9	1,157.7	944.9	129.3	1,074.2	
Less: Share of revenue of joint ventures	(146.1)	(4.5)	(150.6)	(174.7)	(11.2)	(185.9)	
Revenue	883.7	123.4	1,007.1	770.2	118.1	888.3	
Total operating costs	(812.5)	(110.0)	(922.5)	(703.2)	(104.0)	(807.2)	
Share of results of joint ventures and associates	27.5	0.1	27.6	39.5	0.6	40.1	
Operating profit	98.7	13.5	112.2	106.5	14.7	121.2	
Analysed as:							
Operating profit before specific items	3	143.5	16.7	160.2	130.4	14.8	145.2
Impairment of goodwill	3	(33.8)	-	(33.8)	(17.5)	-	(17.5)
Share of interest and tax of joint ventures and associates	3	(10.5)	0.1	(10.4)	(9.4)	(0.1)	(9.5)
Other specific items	3	(0.5)	(3.3)	(3.8)	3.0	-	3.0
	98.7	13.5	112.2	106.5	14.7	121.2	
Gain on disposal of Animal Planet	8	96.4	-	96.4	-	-	-
Other gains and losses	4	1.6	-	1.6	15.6	-	15.6
Finance income		0.5	0.2	0.7	0.1	-	0.1
Finance expense		(9.2)	(0.5)	(9.7)	(10.3)	(0.2)	(10.5)
Profit before tax		188.0	13.2	201.2	111.9	14.5	126.4
Tax charge for the year	11	(30.0)	(4.2)	(34.2)	(30.3)	(3.9)	(34.2)
Profit for the year		158.0	9.0	167.0	81.6	10.6	92.2
Attributable to:							
Equity shareholders of the parent company			161.7				87.9
Non-controlling interests			5.3				4.3
Profit for the year			167.0				92.2

Consolidated statement of comprehensive income for the year ended 31 March

	2011 £m	2010 £m
Profit for the year	167.0	92.2
Other comprehensive income:		
Recognition and transfer of cash flow hedges	0.1	1.0
Tax on cash flow hedges taken directly to other comprehensive income	-	(0.3)
Exchange differences on translation of foreign operations	(5.1)	4.3
Other comprehensive income for the year	(5.0)	5.0
Total comprehensive income for the year	162.0	97.2
Attributable to:		
Equity shareholders of the parent company	156.7	91.8
Non-controlling interests	5.3	5.4
Total comprehensive income for the year	162.0	97.2

Consolidated balance sheet as at 31 March

	Note	2011 £m	2010 £m
Non-current assets			
Goodwill	5	69.7	102.8
Distribution rights	6	132.1	106.2
Other intangible assets		45.5	45.3
Property, plant and equipment		28.4	26.9
Investments in joint ventures and associates	7	34.0	55.5
Deferred tax assets		22.9	16.3
Trade and other receivables		2.5	6.7
Derivative financial assets		1.0	0.3
		336.1	360.0
Current assets			
Programme rights and other inventories		75.4	72.6
Trade and other receivables		285.8	219.7
Derivative financial assets		3.5	2.6
Cash and cash equivalents		63.1	23.3
Assets classified as held for sale		44.4	30.0
		472.2	348.2
Total assets		808.3	708.2
Current liabilities			
Interest bearing loans and borrowings	9	20.1	-
Trade and other payables		363.4	360.0
Current tax liabilities		8.7	8.4
Provisions		7.2	0.9
Derivative financial liabilities		5.0	5.1
Liabilities relating to assets classified as held for sale		36.5	12.4
		440.9	386.8
Non-current liabilities			
Interest bearing loans and borrowings	9	95.3	134.2
Trade and other payables		9.9	5.8
Provisions		11.4	14.9
Derivative financial liabilities		4.2	8.2
Deferred tax liabilities		15.3	2.6
		136.1	165.7
Total liabilities		577.0	552.5
Net assets		231.3	155.7
Equity			
Share capital		0.2	0.2
Hedging reserve		0.8	0.5
Translation reserve		33.0	36.8
Retained earnings		190.8	138.9
Other reserves		-	(36.3)
Equity attributable to owners of the parent company		224.8	140.1
Non-controlling interests		6.5	15.6
Total equity		231.3	155.7

Consolidated cash flow statement for the year ended 31 March

	2011 £m	2010 £m
Cash flows from operating activities		
Cash generated from operations	194.1	207.9
Tax paid	(32.8)	(32.8)
	161.3	175.1
Cash flows from investing activities		
Interest received	0.7	-
Dividends received from joint ventures and associates	43.8	10.7
Purchases of distribution rights	(101.0)	(83.4)
Purchases of other intangible assets	(11.1)	(5.7)
Purchases of property, plant and equipment	(10.6)	(6.5)
Acquisition of non-controlling interests	(41.7)	-
Acquisition of subsidiary	-	20.0
Disposal of subsidiary	9.5	-
Acquisition of investments in joint ventures and associates	(1.6)	(0.7)
Net funding of joint ventures and associates	2.2	1.3
Disposal of investments in joint ventures and associates	97.9	-
	(11.9)	(64.3)
Cash flows from financing activities		
Interest paid	(7.0)	(9.1)
Repayment of loans and borrowings	(23.8)	(89.7)
Capital element of finance lease payments	-	(1.5)
Equity dividends paid	(83.4)	(32.1)
Dividends paid to non-controlling interests	(3.0)	(0.8)
	(117.2)	(133.2)
Net increase/(decrease) in cash and cash equivalents	32.2	(22.4)
Cash and cash equivalents at the beginning of the year	31.6	55.9
Effect of foreign exchange rate changes	(0.7)	(1.9)
Cash and cash equivalents at end of the year	63.1	31.6
Amount included within assets held for sale	-	(8.3)
Cash and cash equivalents per balance sheet	63.1	23.3

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

	Attributable to equity holders of the parent company					Total £m	Non- controlling interests £m	Total Equity £m
	Share capital £m	Retained earnings £m	Translation reserve £m	Hedging reserve £m	Other reserves £m			
Balance at 1 April 2009	0.2	82.6	25.5	-	(32.3)	76.0	11.0	87.0
Profit for the year	-	87.9	-	-	-	87.9	4.3	92.2
Recognition and transfer of cash flow hedges	-	-	-	0.7	-	0.7	0.3	1.0
Tax on items taken directly to equity	-	-	-	(0.2)	-	(0.2)	(0.1)	(0.3)
Exchange differences on translation of foreign operations	-	-	3.4	-	-	3.4	0.9	4.3
Total comprehensive income for the year	-	87.9	3.4	0.5	-	91.8	5.4	97.2
Adjustment on acquisition of 2 entertain	-	0.5	-	-	-	0.5	-	0.5
Dividends paid	-	(32.1)	-	-	-	(32.1)	(0.8)	(32.9)
Re-issue of put option over non-controlling interests	-	-	-	-	3.9	3.9	-	3.9
Transfer of foreign exchange movement on put option	-	-	7.9	-	(7.9)	-	-	-
Balance at 31 March 2010	0.2	138.9	36.8	0.5	(36.3)	140.1	15.6	155.7
Profit for the year	-	161.7	-	-	-	161.7	5.3	167.0
Recognition and transfer of cash flow hedges	-	-	-	-	-	-	0.1	0.1
Tax on items taken directly to equity	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	(5.0)	-	-	(5.0)	(0.1)	(5.1)
Total comprehensive income for the year	-	161.7	(5.0)	-	-	156.7	5.3	162.0
Dividends paid	-	(83.4)	-	-	-	(83.4)	(3.0)	(86.4)
Transfer of foreign exchange movement on put option	-	-	1.2	-	(1.2)	-	-	-
Exercise of put option over non-controlling interests	-	(26.4)	-	0.3	37.5	11.4	(11.4)	-
Balance at 31 March 2011	0.2	190.8	33.0	0.8	-	224.8	6.5	231.3

Notes to the Summary Financial Statements

1. Basis of preparation

The Summary Financial Statements are a summary of the information presented in the 2011 Annual Report and Accounts. They do not contain sufficient information to allow for a full understanding of the results or the financial position of BBC Worldwide. The Consolidated Financial Statements of BBC Worldwide included in the 2011 Annual Report and Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (the EU), the Companies Act 2006 and Article 4 of the EU International Accounting Standards Regulations.

2. Key accounting policies

(a) Revenue recognition

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

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

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

(b) Distribution rights

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

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

(c) 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:

i. Basis of consolidation

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

ii. Carrying value of goodwill

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

iii. Revenue recognition

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

iv. Distribution rights and programme rights

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

v. Fair value of financial instruments

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

vi. Deferred tax

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

3. Operating profit before specific items

The operating results of the Group can be impacted 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’, which are disclosed separately, to improve the comparability of year-on-year results. Operating profit before specific items, including profits from discontinued operations (referred to as headline profit in this Annual Review), grew 10.3% from £145.2m in 2009/10 to £160.2m in 2010/11.

Further information on specific items can be found below.

Impairment of goodwill

The Group has separately identified amounts written off acquired goodwill owing to their scale and one-off nature.

Share of interest and tax of joint ventures and associates

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

Other specific Items

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Share of change in fair value of derivatives of joint ventures	-	-	-	1.0	-	1.0
(Impairment)/reversal of impairment of joint ventures	-	(2.0)	(2.0)	2.0	-	2.0
Reorganisation costs	(0.5)	(1.3)	(1.8)	-	-	-
	(0.5)	(3.3)	(3.8)	3.0	-	3.0

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

In July 2009, the Group reversed impairment charges totalling £2.0m in respect of its joint venture UK VOD LLP. In the year to March 2011, the Group has impaired its investment in Worldwide Media Ltd, following a revised assessment of recoverable amount.

Reorganisation costs relate to other one-off costs including transaction fees and costs relating to the Group’s ongoing disposal of its Magazines business and costs relating to reorganisation of the Group’s Lonely Planet business.

4. Other gains and losses

	2011 £m	2010 £m
Change in fair value of derivative financial instruments	5.6	19.1
Change in fair value of put options over non-controlling interests	(4.0)	(3.5)
	1.6	15.6

The Directors have re-presented the income statement to include the above changes in fair values within other gains and losses. These were previously presented within total operating costs or finance income and expense.

5. Goodwill

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

	2011 £m	2010 £m
Lonely Planet	34.5	64.2
DVD distribution	25.3	25.3
Australian Channels	9.9	8.3
UK Magazines	-	5.0
	69.7	102.8

Lonely Planet

The goodwill in this CGU arose as a result of the acquisition of Lonely Planet on 1 October 2007. Following the impairment review performed during the year to 31 March 2011, the carrying value of this CGU has been written down to its recoverable amount, resulting in a charge to the income statement of £33.8m.

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

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

Had foreign exchange rates at the date of the Group’s impairment tests remained unchanged since the prior year, the impairment recorded in respect of the Lonely Planet business would have been reduced by £20.7m. The remaining impairment of the business reflects the ongoing challenges facing the industry. As described above, management is currently in the process of implementing plans which will seek to address these ongoing challenges.

Transactional details of the CGUs and key goodwill calculation assumptions are detailed below:

Cash Generating Unit	Transaction resulting in Goodwill	Key Assumptions	
		Discount factor	Growth rate
Lonely Planet	Acquisition of Lonely Planet on 1 October 2007	13.4%	3.0%
DVD distribution	Acquisition of 2 entertain on 6 August 2009	12.4%	2.0%
Australian Channels	Acquisition of UK.TV on 1 July 2008	13.8%	1.0%

6. Distribution rights

	2011 £m	2010 £m
Cost		
At 1 April	246.8	210.4
Additions	101.0	91.7
Foreign exchange translation gains and losses	(3.4)	(3.8)
Fully amortised rights written off	(57.3)	(49.0)
Transfers to non-current assets held for sale	(1.5)	(2.5)
	285.6	246.8
Amortisation		
At 1 April	140.6	122.5
Charge for the year	74.0	72.5
Foreign exchange translation gains and losses	(3.2)	(3.1)
Fully amortised rights written off	(57.3)	(49.0)
Transfers to non-current assets held for sale	(0.6)	(2.3)
	153.5	140.6
Net book value	132.1	106.2

7. Investments in joint ventures and associates

The movement in joint ventures and associates is as follows:

	Joint ventures 2011 £m	Associates 2011 £m	Total 2011 £m	Joint ventures 2010 £m	Associates 2010 £m	Total 2010 £m
At 1 April	30.9	11.6	42.5	48.9	11.8	60.7
Additions	1.6	2.1	3.7	-	0.7	0.7
Disposals	-	-	-	(39.5)	-	(39.5)
Share of results	25.7	1.9	27.6	27.0	12.1	39.1
Adjustment to provision for unrealised profits	(0.4)	0.1	(0.3)	-	0.4	0.4
Dividends received*	(37.5)	(0.5)	(38.0)	(5.1)	(5.6)	(10.7)
Funding net of repayments	(2.2)	-	(2.2)	(1.3)	-	(1.3)
Transfers to other receivables	-	-	-	(0.7)	-	(0.7)
Foreign exchange translation gains and losses	(0.3)	(0.1)	(0.4)	(0.4)	-	(0.4)
Investment (written off)/written back	(2.0)	(0.1)	(2.1)	2.0	(0.6)	1.4
Transfers to non-current assets held for sale	(5.8)	(0.3)	(6.1)	-	(7.2)	(7.2)
At 31 March	10.0	14.7	24.7	30.9	11.6	42.5

* Dividends received exclude £5.8m of dividends received from Animal Planet whilst classified as held for sale (see note 8).

Investments in joint ventures and associates continue to form a significant part of the Group’s operations with a £27.6m share of profit (£39.1m 2009/10) and dividends received of £43.8m (£10.7m 2009/10).

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

	Joint ventures 2011 £m	Associates 2011 £m	Total 2011 £m	Joint ventures 2010 £m	Associates 2010 £m	Total 2010 £m
Investments in joint ventures and associates	19.3	14.7	34.0	43.9	11.6	55.5
Provisions	(9.3)	-	(9.3)	(13.0)	-	(13.0)
At 31 March	10.0	14.7	24.7	30.9	11.6	42.5

The principal contributor to this performance is the UKTV joint venture with Virgin Media for the production, marketing and wholesale supply of free-to-air and subscription channels in the UK.

During 2009/10, 2 entertain Ltd became a subsidiary undertaking following the Group’s joint-venture partner entering administration. This resulted in a deemed disposal of its joint-venture investment of £39.5m.

8. Disposals
Animal Planet and People&Arts

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

	12 November 2010 £m	31 March 2010 £m
Investment in associate	7.2	7.2
Dividends received whilst classified as held for sale	(5.8)	-
	1.4	7.2
Transaction costs	0.1	
Gain on disposal	96.4	
Total consideration	97.9	
Satisfied by:		
Cash and cash equivalents	97.9	
Net cash inflow arising on disposal	97.9	

9. Interest bearing loans and borrowings

As at 31 March 2011 and 31 March 2010, the Group had the following loan facilities:

Facility at 31 March	Interest rate	Total facility 2011 £m	Drawn down 2011 £m	Total facility 2010 £m	Drawn down 2010 £m	Expiry or review date
Unsecured loan facilities with BBC Commercial Holdings Ltd:	As indicated below					Several as indicated below
Au\$100m unsecured loan	Australian \$ Bank Bill Swap Reference Rate plus a margin of 0.275%	64.5	64.5	60.4	60.4	7 June 2012
Sterling unsecured loan facility (£m) ¹	LIBOR plus a variable margin of between 0.275% and 0.325%	103.5	-	107.6	23.7	30 April 2012
Loan with European Investment Bank (£m)	LIBOR plus a margin of 0.09%.	50.0	50.0	50.0	50.0	£20m Dec 2011 £30m May 2012
Finance Leases Liabilities			0.9		0.1	
			115.4		134.2	

1. Includes a £50.0m (£50.0m 2009/10) borrowing facility available provided that a corresponding cash balance is maintained across the Group.

Subsequent to the balance sheet date, the Group negotiated an extension to its loan facility with BBC Commercial Holdings (see note 13).

10. Employee costs

The average number of employees during the year was 2689 (2598 2009/10).

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

	2011 £m	2010 £m
Salaries and wages	167.8	150.2
Social security costs	10.5	9.8
Other pension costs	16.7	15.3
	195.0	175.3

In addition to the above, redundancy costs and compensation for loss of office payments totalling £2.3m (£6.7m 2009/10) were incurred in the year.

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

	2011 £000	2010 £000
Emoluments	1181	2784
Compensation for loss of office	-	128
Long-term incentive schemes	194	363
	1375	3275

Retirement benefits were accrued by three directors (10 2009/10) and no directors (two 2009/10) under defined benefit schemes and money purchase schemes respectively, during the year.

Further details of Directors’ remuneration, including that of the highest paid director, are provided in the Remuneration Report on p55 to p61.

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

11. Taxation

Tax charge for the year comprises:

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Current tax:						
UK corporation tax	20.9	3.9	24.8	16.9	3.9	20.8
Foreign tax	11.1	-	11.1	13.3	-	13.3
Adjustments in respect of prior years	(1.9)	-	(1.9)	(4.4)	-	(4.4)
	30.1	3.9	34.0	25.8	3.9	29.7
Deferred tax:						
Origination and reversal of timing differences	(0.4)	0.3	(0.1)	4.4	-	4.4
Reduction in rate of UK corporation tax	0.2	-	0.2	-	-	-
Adjustments in respect of prior years	0.1	-	0.1	0.1	-	0.1
	(0.1)	0.3	0.2	4.5	-	4.5
Tax on profit on ordinary activities	30.0	4.2	34.2	30.3	3.9	34.2

Reconciliation of tax expense

The total tax charge for the year is lower (higher 2009/10) than the standard rate of corporation tax in the UK of 28% (28% 2009/10). The differences are explained as follows:

	Continuing operations 2011 £m	Discontinued operations 2011 £m	Total 2011 £m	Continuing operations 2010 £m	Discontinued operations 2010 £m	Total 2010 £m
Profit on ordinary activities before tax	188.0	13.2	201.2	111.9	14.5	126.4
Share of tax of joint ventures and associates	9.2	0.1	9.3	7.2	0.1	7.3
Group profit excluding tax	197.2	13.3	210.5	119.1	14.6	133.7
Total tax at 28% (28% 2010)	55.2	3.7	58.9	33.3	4.1	37.4
Effects of:						
Disallowed expenditure	12.8	0.6	13.4	6.0	-	6.0
Tax exempt disposal of assets held for sale	(27.7)	-	(27.7)	-	-	-
Tax differential on wholly owned overseas earnings	0.6	-	0.6	-	(0.1)	(0.1)
Difference in effective tax rate of joint ventures and associates	(0.6)	-	(0.6)	2.5	-	2.5
Reduction in rate of UK corporation tax	0.2	-	0.2	-	-	-
Adjustments in respect of previous years	(1.3)	-	(1.3)	(4.3)	-	(4.3)
Total tax charge for the year	39.2	4.3	43.5	37.5	4.0	41.5
Share of tax of joint ventures and associates	(9.2)	(0.1)	(9.3)	(7.2)	(0.1)	(7.3)
Tax expense in income Statement	30.0	4.2	34.2	30.3	3.9	34.2

12. Discontinued operations

On 1 October 2010, the Board resolved to dispose of the Group’s Magazines operations, subject to limited titles being retained as they are published on a different basis. Negotiations with interested parties have subsequently taken place and the Group was in exclusive discussions with a potential partner at the date of approval of the financial statements. These operations, which are expected to be sold within 12 months, have been classified as a disposal group held for sale and presented separately in the balance sheet.

The results of the discontinued operations have been included separately on the face of the consolidated income statement.

13. Events after the balance sheet date

On 3 May 2011, the Group renegotiated its loan facilities with its intermediate parent company, BBC Commercial Holdings Ltd. The Group’s funding from BBC Commercial Holdings Ltd now consists of a £168.0m multi-currency loan facility which supersedes the facilities in place at the balance sheet date. The revised facility expires in September 2012, and is subject to BBC Commercial Holdings Ltd renewing its own borrowing facility, which is due to expire in June 2012.

On 9 June 2011, a dividend of £34.5m in respect of 2010/11 was declared.

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