

# FINANCIAL REVIEW AND GOVERNANCE REPORT

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## FINANCIAL REVIEW

BBC Worldwide is firmly focused on profit. Its primary target is growth in profit before interest and taxation. Specific operating and financial performance indicators relevant to individual businesses are highlighted in the trading results below.

### Turnover

Excluding disposals, turnover grew 7.6% to £807.0 million. Prior year turnover included £35.1 million sales from the books, learning and non-BBC specialist magazine businesses, which were disposed of or terminated during the year. Overall turnover, including share of joint ventures, grew 3.2% to £810.4 million.

### Profit before interest and taxation

BBC Worldwide has tripled its profit over the three years from 2003/04, following the BBC's Commercial Review that focused the company on the bottom line. Profit before interest and taxation has grown to £111.1 million (2006: £89.4 million). This profit included £10.5 million of exceptional items (2006: £10.5 million). Operating profit before exceptional items has grown 27.5% year on year and exceeds £100 million for the first time (2006: £78.9 million).

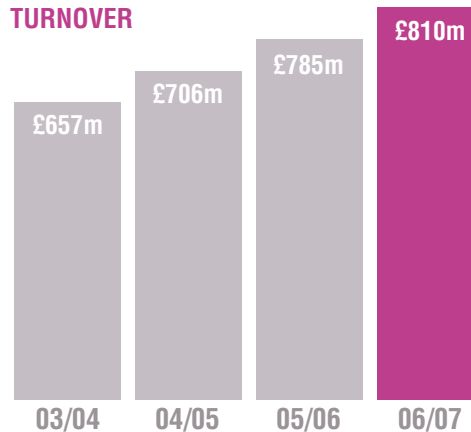
### Return on sales

BBC Worldwide is also increasingly focused on margins. Return on sales has increased to 12.4% in the last financial year (2006: 10.1%). Return on sales including exceptional items rose to 13.7% (2006: 11.4%).

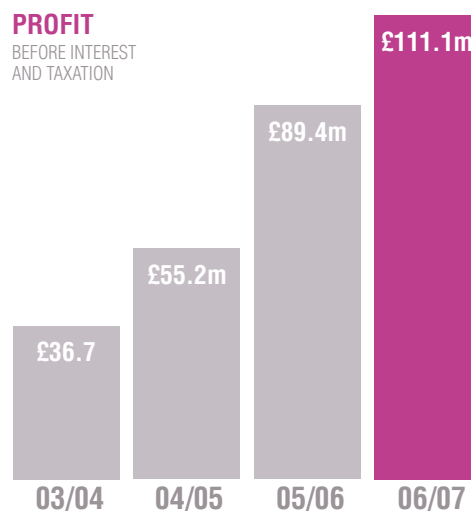
### Outlook

The existing portfolio of activities is expected to deliver another year of strong performances in 2007/08. However, the business will also make a substantial reinvestment of profit into new services, including TV channel launches, new web-based services, magazine launches and the roll-out of production businesses. In the short-term, this will depress reported profits, although profits are expected to remain double those of 2003/04.

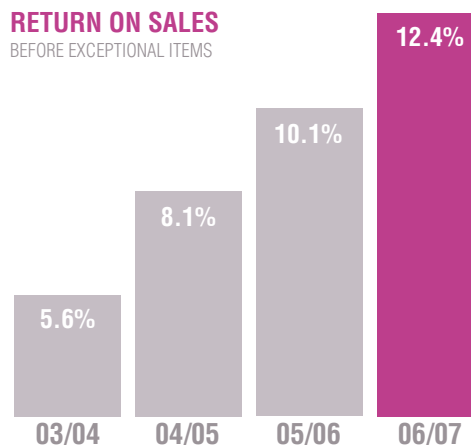
### TURNOVER



### PROFIT BEFORE INTEREST AND TAXATION



### RETURN ON SALES BEFORE EXCEPTIONAL ITEMS



### 10-year cashflow target

At the start of the BBC's last charter period, BBC Worldwide was set a 10-year target to quadruple cash generated for the BBC. BBC Worldwide beat this target in 2006/07, delivering over £225 million of BBC Cashflow. This measure is no longer a key performance indicator for BBC Worldwide.

## FINANCIAL REVIEW

### OVERVIEW

	SALES (INCL SHARE OF JOINT VENTURES)		PBIT (POST EXCEPTIONAL ITEMS)	
	2007	2006	2007	2006
AS AT 31 MARCH	£M	£M	£M	£M
Global Channels	169.0	166.1	20.9	6.9
Global TV Sales	216.4	188.9	40.2	33.7
Content & Production	52.9	36.1	9.5	3.2
Magazines	171.3	171.8	20.0	19.5
Home Entertainment	186.9	208.9	24.4	27.7
Digital Media	13.9	13.3	(3.9)	(1.6)
<b>Total BBC Worldwide</b>	<b>810.4</b>	<b>785.1</b>	<b>111.1</b>	<b>89.4</b>

Overall profit before interest and taxation (profit) rose 24.3% to £111.1 million (2006: £89.4 million). This follows a period of consistent growth, with profits tripling over the last three years and return on sales before exceptional items more than doubling to 12.4% 2006/07 from 5.6% in 2003/04. EBITDA margin also grew to 27.4% from 20.0% over the same period.

### BUSINESS REVIEW

**Global Channels** grew profits threefold to £20.9 million (2006: £6.9 million) on turnover that held steady at £169.0 million (2006: £166.1 million). Profits generated in the UK grew to £11.0 million (2006: £3.6 million), with overseas profits growing to £9.9 million (2006: £3.3 million).

BBC Worldwide exercised a put option during the year to sell its 25% shareholding in Animal Planet LLC to Discovery Communications Inc (DCI), generating a net exceptional profit on the transaction of £45.8 million. As part of a separate arrangement BBC Worldwide also restructured its relationship with DCI for the provision of services to the BBC America channel resulting in an exceptional charge of £46.0 million (see below).

Despite growing both profit and distribution year on year following the restructure above, the BBC America channel still has work to do on ratings and its newly appointed management team is in the process of revitalising the programme schedule. Underlying performance of the other existing channels remains strong.

The business also operates a portfolio of channels with its joint venture partners, including 10 domestic channels provided via the UKTV joint venture with Virgin Media, with a combined annual reach of 18 million homes. Under the terms of the various agreements with its joint venture partners BBC

Worldwide has no obligation to fund losses incurred by the entities or make good their net liabilities and it has no effective obligation to these ventures. BBC Worldwide only recognises its share of the profits from these ventures to the extent that they have become cumulatively profitable. During 2006/07 UK Channel Management Ltd became cumulatively profitable and, therefore, BBC Worldwide equity accounted for £6.5 million in profits for the year (2006: £nil). The share of turnover generated from the principal channels joint ventures, UK Gold Holdings Ltd and UK Channel Management Ltd, was flat year on year at £76.9 million (2006: £77.5 million).

In addition, BBC Worldwide received £4.5 million (2006: £4.0 million) in dividends from UK Gold Holdings Ltd during the year.

The outlook for 2007/08 will be marked by significant investment in the rollout of channels under five thematic brands, including the May 2007 launches of BBC Entertainment and CBeebies in India. From 1 April 2007 the business began representing BBC World, the BBC Global News Division's international news and information channel, for advertising, sales and distribution.

**Global TV Sales** had another record year with profits growing 19.3% to £40.2 million (2006: £33.7 million) on the back of sales that grew to £216.4 million (2006: £188.9 million). Prior year comparatives have been restated to include £15.8 million sales of Children's and learning television programmes that had previously been reported as part of the then standalone Children's division.

The business remains Europe's largest exporter of programmes with £21.6 million of profit generated on sales outside of the UK (2006: £18.1 million). Profits were buoyed by significant hits in the year including the landmark Planet Earth natural history

## FINANCIAL REVIEW

series, and the success of titles such as Doctor Who, Robin Hood and Primeval. Overall margins improved, with a return on sales of 18.6% compared to 17.8% the previous year. This trend was reversed in the Americas as a result of an increased mix of co-productions and the effect of the US dollar weakening against sterling.

Prospects for 2007/08 are good, with a strong programme catalogue including In the Night Garden and Warriors.

**Content & Production**, a business newly created last year, also saw a threefold profit improvement to £9.5 million (2006: £3.2 million). Europe delivered particularly strong growth with profits rising to £5.7 million (2006: £2.0 million) on the back of a range of formats including the Weakest Link (France), The Generation Game (South Africa) and Honey We're Killing the Kids (Australia). The TV production business operated by the 2 entertain joint venture also delivered a strong return, including a one-off £1.6m profit on capital restructuring. In the US, Dancing with the Stars remained a huge success, being one of the highest rated shows on ABC and Grease: You're the One that I Want also performed well. Margins in the US are in line with those of a production business model, with £2.0 million profit upside in the year delivered from a £14.4 million sales improvement in the territory.

The future success of the business hinges on its ability to develop new content with a global appeal, and the business will invest in developing a format production base in Los Angeles in 2007/08 while also looking at developing local production capability in markets around the world.

**Magazines** profits have been maintained at £20.0 million (2006: £19.5 million) in the face of increasing market pressure. Revenues have held steady at £171.3 million (2006: £171.8 million) despite the sale of non-BBC specialist titles that delivered £10.0 million turnover in the previous year. The children's magazines business has performed particularly well, with profits growing to £3.4 million (2006: £1.6 million) following successful launches of the Doctor Who Adventures and CBeebies Weekly magazines.

In May 2006, BBC Worldwide sold its controlling interest in Origin Publishing Ltd, and all of the non-BBC related titles published by it, to a management buy-out team at a net profit on disposal of £0.2 million. BBC Worldwide retained a 39% stake in the business. The BBC-branded titles that had been produced by Origin Publishing Ltd were retained within a

new wholly owned subsidiary of BBC Worldwide called Bristol Magazines Ltd.

The Audit Bureau of Circulations (ABC) reports on magazines performance in the UK every six months. The year-on-year growth rates for the period July to December for the top five titles by circulation were as follows:

### Magazines Circulation

	2007	2006
INCREASE/(DECREASE)		
Radio Times	(1.1)%	(1.3)%
BBC Good Food	1.7%	0.5%
BBC Gardeners' World	0.2%	(8.5)%
BBC Top Gear	8.5%	5.9%
BBC Good Homes	(6.4)%	4.6%

The business is now focusing increasingly on its digital activities and is investing in key online services including radiotimes.com, topgear.com and bbcgoodfood.com. Investment into these digital initiatives and new launches will result in a dip in profits from this business next year.

**Home Entertainment** restructured during the year with the sale of 85% of its books businesses and the decision to exit the Business Learning and retail shops activities. It has also taken charge of BBC Worldwide's Children's licensing, publishing and events business, previously a small standalone business. By transferring it to Home Entertainment where there is existing publishing and licensing experience, together with the launch of new properties, it is anticipated that Children's will improve its performance. Children's magazine publishing remains managed by the Magazines division, while the management and reporting of sales of Children's television programmes has moved to the Global TV Sales business. Home Entertainment also took over responsibility for the Music and the telephony businesses, both previously managed by Digital Media. Prior year figures have been restated where necessary to enable comparisons to be made on a like-for-like basis.

Turnover of £186.9 million fell 10.5% year on year (2006: £208.9 million), largely reflecting the decision to reduce the interest in the books and learning businesses. Underlying turnover excluding these items held steady at £179.1 million (2006: £179.6 million).

## FINANCIAL REVIEW

BBC Worldwide's share of revenue from the 2 entertain joint venture with Woolworths plc delivered £115.3 million turnover (2006: £115.2 million) and £36.3 million share of profit before taxation (2006: £28.2 million). Together with DVD publishing, this figure includes the performance of 2 entertain's TV production business, which is reported within the results of Content and Production, and of a music publishing business, which is reported as part of the Audio and Music segment.

DVD publishing performance continues to perform well despite retail price pressure and increasing talent cost inflation. 2006/07 was, however, also a year of heavy investment into BBC Worldwide's in-house royalty systems, with profits falling to £16.9 million (2006: £23.6 million).

Music profits have fallen to £0.7 million (2006: £4.9 million) following the one-off disposal of a package of rights in the prior year. Audiocall, BBC Worldwide's telephony services business, has seen strong growth in profit to £0.6 million (2006: £0.1 million).

Home Entertainment has now largely completed a major programme of restructuring and the results for the year reflect these decisions: £1.9 million cost of closure of the retail shops business, £0.9 million cost of terminating the business learning operations, and a net £13.3 million profit on disposal of 85% of the books business (see below).

During the year, BBC Worldwide entered into an agreement with Ragdoll Ltd to form two new joint ventures to exploit and manage existing Children's properties and to invest in the development of new intellectual property rights. BBC Worldwide owns a 50% share in both ventures and no gain or loss arose on these transactions.

Despite the success of titles such as Alan Bennett's *The History Boys*, the Audiobooks business has struggled to offset the declining UK retail market, particularly in the cassette format, with a loss of £(0.8) million (2006: £0.5 million).

**Digital Media** was also restructured in the year to enable it to focus on the development of new digital platforms and services, with the music and telephony service businesses now being managed by Home Entertainment. Sales held up year on year at £13.9 million (2006: £13.3 million) although overall losses of £(3.9) million increased from the previous year (2006: £(1.6) million).

The internet/VOD/mobile businesses form the platform from which BBC Worldwide is developing its *bbc.com*, VOD and

commercial media player propositions. BBC Worldwide's investment in these areas generated a loss of £(3.7) million in the year (2006: £(1.4) million), although revenue and profit from key 2006/07 content deals such as the creation of a BBC Worldwide channel on YouTube, will not be recognised until 2007/08.

BBC Motion Gallery, the television clip sales business, has grown its turnover by 17.6% to £12.7 million (2006: £10.8 million) reflecting expansion of its international representation deals, including with ESPN and NHK, although with little impact on profit in the current year. The business is continuing to seek out new ways of improving its profitability and is investing in digitising its extensive archive of video material and making this content available to customers online.

2007/08 will be a year of substantial investment in web-based services, including the proposed *bbc.com* and commercial media player.

### EXCEPTIONAL ITEMS

Further details in respect of exceptional items are set out below.

#### Animal Planet US

On 30 April 2004, BBC Worldwide exercised a put option to require Discovery to purchase the Group's entire 25% shareholding in Animal Planet LLC. The net book value of the Group's investment in this associate at 31 March 2006 was £nil. On 3 April 2006 consideration of \$80 million (£45.8 million) was paid to BBC Worldwide in respect of this disposal. The profit recognised on disposal was £45.8 million.

#### BBC America

The BBC America television channel (BBCA) was launched in the USA in March 1998. \$139 million was provided by Discovery Communications Inc (DCI), an unrelated third party, to finance the launch and operating costs of the channel. DCI did not have an equity interest in BBCA, but earned a variable commission on advertising sales and affiliate sales at levels designed to be sufficient to recover its sales service cost and its expenditure in BBCA (but with no guaranteed level of return from BBCA).

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

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### Disposal of books business

In July 2006, BBC Worldwide sold 85% of its wholly-owned subsidiary, Woodlands Books Limited, to Random House Limited. Woodlands Books Limited holds the assets of BBC Worldwide's books business, which were transferred to it in the prior year. BBC Worldwide received net consideration of £18.1 million and retained a 15% stake in Woodlands Books Limited, generating a profit on disposal of £13.3 million. The Group is accounting for its 15% investment as an associate undertaking given that it has a participating interest and exercises significant influence over the company.

### Retail shops

During the year, BBC Worldwide announced its intention to terminate its retail shops business. Termination costs totalling £1.9 million were charged to the profit and loss account in respect of redundancy, property lease termination provisions and other costs of exit.

### Business learning

BBC Worldwide terminated its business learning activities during the year. Termination costs totalling £0.9 million were charged to the profit and loss account.

## ACCOUNTING POLICIES

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

## FOREIGN CURRENCY TRANSLATION

Transactions in foreign currency are translated at average exchange rates with balance sheet items converted into sterling at the rate prevailing on 31 March 2007. The Group generates a surplus in most currencies in which it operates and 56% of its revenues, excluding joint ventures, are generated overseas (2006: 51%). 46% of total sales, including joint ventures, were generated overseas (2006: 41%). In particular, the Group has

been exposed to the weakening value of the US dollar during the year. BBC Worldwide's policy remains to take a risk averse approach to the management of foreign exchange exposures, including the hedging of risk by entering into forward exchange contracts.

## TAXATION

The total tax charge for the period was £23.6 million (2006: £24.6 million). The effective tax rate of 21% (2006: 28%) is lower than the statutory rate of UK corporation tax that is provided at 30% (2006: 30%). The effective tax rate has been reduced by the use of capital losses in respect of the disposal of Animal Planet LLC, non-taxable dividend income and prior year over provisions.

The future tax charge will be affected by the mix of profits generated from the different tax jurisdictions in which the Group operates (principally the UK and the US) and the statutory corporation tax rates applicable in these territories. The future Group tax charge will also be higher than the UK statutory rate of corporation tax as a result of expenses disallowable for corporation tax deduction (including goodwill amortisation).

Deferred taxation is provided for at the rates prevailing at the period end date and deferred tax assets are reviewed regularly for their recoverability.

## DIVIDENDS

Dividends of £75.3 million were paid and approved in the year (2006: £57.3 million).

## GOODWILL AND INTANGIBLE ASSETS

Total intangible assets at 31 March 2007 were £108.7 million (2006: £125.8 million), of which £98.5 million (2006: £106.5 million) related to investments in programmes for future sale.

BBC Worldwide invested £103.6 million across the year in new programmes (2006: £93.5 million). £96.3 million was invested in in-house and independent programmes commissioned by the BBC (2006: £89.0 million), with the remainder invested in non-BBC commissioned programming.

Amortisation charges for the year of £107.1 million (2006: £82.3 million) reflected an increased proportion of investment into co-productions and the timing of amortisation charges to the profit and loss on investments made on behalf of BBC Worldwide's joint venture partners. Programme investments are amortised over their useful lives and their carrying value is reviewed regularly to ensure that the recoverable amount remains in excess of the assets balance sheet value.

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The net book value of goodwill at 31 March 2007 was £10.2 million (2006: £19.1 million), the year-on-year decrease largely reflecting the partial disposal of the Origin Magazines business.

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

### CASHFLOW

	2007	2006
£ MILLION		
<b>Net debt at 1 April</b>	<b>(19.5)</b>	<b>(53.9)</b>
Cash generated from operations	205.1	191.8
Operating exceptional	(51.5)	–
Taxation & net interest paid	(17.1)	(17.0)
Capital expenditure	(7.5)	(7.4)
Proceeds from sale of assets	72.4	1.0
Investment in programmes	(109.5)	(74.0)
Investment in joint ventures	(5.5)	–
Dividends paid	(75.3)	(57.1)
Other	(1.4)	(2.9)
<b>Net debt at 31 March</b>	<b>(9.8)</b>	<b>(19.5)</b>

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

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

Earnings before interest, taxation, depreciation and amortisation (EBITDA) grew to £222.0 million (2006: £168.9 million) before exceptional items. An operating exceptional payment of £51.5 million (\$93.0 million) was made to Discovery Communications Inc to reduce the level of future commission that it may earn for the services provided in respect of the BBC America channel (see above).

Excluding this item, the underlying improvement against the previous year was driven by trading performance, working capital movements and the timing of certain receipts and payments falling due for settlement at the year end.

Expenditure on capital assets was £7.5 million (2006: £7.4 million) reflecting investment to update IT equipment and build software assets, particularly to support the development of online initiatives.

### DEBT STRUCTURE AND BORROWINGS

BBC Worldwide had net borrowings of £9.8 million at the balance sheet date (2006: £19.5 million).

The Group maintains a debt facility with BBC Commercial Holdings Ltd, the holding company for the BBC's commercial subsidiaries, on which the outstanding balance at 31 March 2007 was £16.6 million (2006: £39.8 million). This loan was due to expire on 30 September 2007 and is therefore disclosed as a creditor falling due within one year. The loan has been renegotiated since the year end and extended to 30 September 2008.

In addition the Group negotiated an external loan facility with the European Investment Bank during the year, on which the drawn down balance at 31 March 2007 was £20.0 million.

The Group held £27.3 million in cash or cash equivalents at 31 March 2007 (2006: £25.6 million).

Unsecured loan notes of £0.5m were outstanding at the year end (2006: £5.3 million) being the remaining deferred consideration for the acquisition of Cover to Cover Limited.

### TREASURY OPERATIONS

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

### PENSIONS

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

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### RISKS AND UNCERTAINTIES

BBC Worldwide has an embedded programme of risk assessment and management, which is described in more detail in the Corporate Governance report.

BBC Worldwide operates a broad portfolio of businesses, operating in a number of different markets and territories

and, therefore, could be considered lower risk than businesses operating in a single market or media.

The Group considers that its principal risks and uncertainties are:

RISK	KEY IMPACT	MITIGATION
Increased competition for key programmes and talent	All areas	<ul style="list-style-type: none"> <li>■ Establishing stronger relationships with BBC Vision Studios and independent producers</li> <li>■ Developing own production capability overseas</li> <li>■ Building an in-house format development business</li> </ul>
Advertising sales market fluctuations worldwide and an increasing shift of spend towards online services may challenge existing businesses	TV Channels, Magazines	<ul style="list-style-type: none"> <li>■ Developing online services (e.g. bbc.com, radiotimes.com, topgear.com) which will enable BBC Worldwide to offer cross-platform advertising</li> </ul>
Changing technology may undermine core businesses	DVD, TV Channels	<ul style="list-style-type: none"> <li>■ Launching complementary services such as the commercial media player, download-to-own and streaming content</li> </ul>
Delays launching new services may impact ability to achieve strategic plan	TV Channels, commercial media player, bbc.com	<ul style="list-style-type: none"> <li>■ Careful planning and preparation to obtain BBC and regulatory approval where necessary</li> </ul>
Execution risk for new services in developing markets	Commercial media player, bbc.com	<ul style="list-style-type: none"> <li>■ Extensive research and testing of both consumer and advertiser propositions and the underpinning technology</li> <li>■ Tight controls in place to ensure editorial integrity at all stages of development and operation of new services</li> <li>■ Appointment of management with proven track record of success</li> </ul>
Increasing exposure to fluctuations in major currencies, particularly the US dollar, as the business expands its operations overseas	TV Channels, TV Sales, Children's licensing, US DVD	<ul style="list-style-type: none"> <li>■ Hedging process managed by BBC Treasury</li> </ul>

### INTERNATIONAL FINANCIAL REPORTING STANDARDS

BBC Worldwide has prepared its financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP). This is consistent with its ultimate parent company, the BBC. A summary of the impact that adopting International Financial Reporting Standards will have on the BBC Group financial statements will be published with the BBC's results for the year ended 31 March 2007.

**DAVID KING**  
Chief Financial Officer, BBC Worldwide

## CONSOLIDATED PROFIT AND LOSS

	2007	2007	2007	2006	2006	2006
	Before exceptional items	Exceptional items	TOTAL	Before exceptional items	Exceptional items	TOTAL
FOR THE YEAR ENDED 31 MARCH	£M	£M	£M	£M	£M	£M
Turnover (including share of joint ventures)	810.4	–	810.4	785.1	–	785.1
Less: share of joint ventures	(238.5)	–	(238.5)	(229.1)	–	(229.1)
<b>Group turnover</b>	<b>571.9</b>	<b>–</b>	<b>571.9</b>	<b>556.0</b>	<b>–</b>	<b>556.0</b>
Cost of sales	(343.0)	–	(343.0)	(341.3)	–	(341.3)
<b>Gross profit</b>	<b>228.9</b>	<b>–</b>	<b>228.9</b>	<b>214.7</b>	<b>–</b>	<b>214.7</b>
Distribution costs	(136.3)	(46.0)	(182.3)	(139.3)	–	(139.3)
Administrative expenses	(32.7)	–	(32.7)	(27.7)	–	(27.7)
<b>Group operating profit</b>	<b>59.9</b>	<b>(46.0)</b>	<b>13.9</b>	<b>47.7</b>	<b>–</b>	<b>47.7</b>
Share of operating profit of joint ventures	39.8	–	39.8	30.4	–	30.4
Share of operating profit of associates	0.9	–	0.9	0.8	–	0.8
<b>Total operating profit</b>	<b>100.6</b>	<b>(46.0)</b>	<b>54.6</b>	<b>78.9</b>	<b>–</b>	<b>78.9</b>
Profit on disposal of businesses	–	13.5	13.5	–	1.7	1.7
Profit on sale of fixed assets	–	45.8	45.8	–	9.3	9.3
Loss on termination of business	–	(2.8)	(2.8)	–	(0.5)	(0.5)
<b>Profit before interest and taxation</b>	<b>100.6</b>	<b>10.5</b>	<b>111.1</b>	<b>78.9</b>	<b>10.5</b>	<b>89.4</b>
Interest receivable	1.8	–	1.8	1.5	–	1.5
Interest payable	(2.9)	–	(2.9)	(4.1)	–	(4.1)
<b>Profit on ordinary activities before taxation</b>	<b>99.5</b>	<b>10.5</b>	<b>110.0</b>	<b>76.3</b>	<b>10.5</b>	<b>86.8</b>
Tax on profit on ordinary activities	(29.0)	5.4	(23.6)	(21.4)	(3.2)	(24.6)
<b>Profit on ordinary activities after taxation</b>	<b>70.5</b>	<b>15.9</b>	<b>86.4</b>	<b>54.9</b>	<b>7.3</b>	<b>62.2</b>
Equity minority interests	–	–	–	(0.1)	–	(0.1)
<b>Profit attributable to shareholders</b>	<b>70.5</b>	<b>15.9</b>	<b>86.4</b>	<b>54.8</b>	<b>7.3</b>	<b>62.1</b>

There is no difference in the profit for the financial period as reported compared to an historical cost basis in either the current or prior year.  
The profit for the current and prior year is derived from continuing operations.

## CONSOLIDATED BALANCE SHEET

	2007	2006
At 31 MARCH	£M	£M
<b>Fixed assets</b>		
Intangible fixed assets	10.2	19.3
Tangible fixed assets	14.0	12.1
Investment in programmes for future sale	98.5	106.5
Interests in joint ventures:		
Share of gross assets	172.6	147.0
Share of gross liabilities	(161.8)	(164.4)
Adjustment to reflect effective obligation	32.3	33.8
Loan receivable from joint venture	0.8	–
Goodwill	20.9	26.7
	64.8	43.1
Interests in associated undertakings	1.0	1.1
Interests in trade investments	5.0	–
Total investments	70.8	44.2
	193.5	182.1
<b>Current assets</b>		
Stocks	13.0	14.4
Current debtors	152.8	160.4
Long-term debtors	23.9	6.7
Total debtors	176.7	167.1
Cash at bank and in hand	27.3	25.6
	217.0	207.1
Creditors: amounts falling due within one year	(252.9)	(263.9)
Net current liabilities	(35.9)	(56.8)
Total assets less current liabilities	157.6	125.3
Creditors: amounts falling due after more than one year	(20.0)	–
Provisions for liabilities	(18.8)	(14.9)
Net assets	118.8	110.4
<b>Capital and reserves</b>		
Called up share capital	0.2	0.2
Profit and loss account	118.6	110.2
Total equity shareholders' funds	118.8	110.4

## CONSOLIDATED CASH FLOW STATEMENT

	2007	2006
FOR THE YEAR ENDED 31 MARCH	£M	£M
<b>Net cash inflow from operating activities</b>	<b>131.2</b>	<b>172.0</b>
<b>Dividends from joint ventures and associates</b>	<b>22.4</b>	<b>19.8</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	1.0	0.6
Interest paid	(2.3)	(4.1)
<b>Net cash outflow from return on investments and servicing of finance</b>	<b>(1.3)</b>	<b>(3.5)</b>
<b>Taxation</b>	<b>(15.8)</b>	<b>(13.5)</b>
<b>Capital expenditure and financial investments</b>		
Purchase of tangible fixed assets	(7.5)	(7.4)
Purchase of intangible assets	–	(0.4)
Proceeds from sale of fixed assets	45.8	1.0
Investment in programmes for future sale	(109.5)	(74.0)
Drawdown of loan to joint venture	(0.8)	–
Repayment of loan to associated undertaking	0.3	0.4
<b>Net cash outflow for capital expenditure and financial investments</b>	<b>(71.7)</b>	<b>(80.4)</b>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertakings	–	(0.8)
Purchase of trade investment	(0.9)	(4.1)
Investment in joint ventures	(5.5)	–
Disposal of business	26.6	6.3
<b>Net cash inflow from acquisitions and disposals</b>	<b>20.2</b>	<b>1.4</b>
<b>Cash inflow before distributions and financing</b>	<b>85.0</b>	<b>95.8</b>
<b>Equity dividends paid to shareholders</b>	<b>(75.3)</b>	<b>(57.1)</b>
<b>Cash inflow before financing</b>	<b>9.7</b>	<b>38.7</b>
<b>Financing</b>		
Repayment of loan from parent undertaking	(23.2)	(27.8)
Net cash inflow from bank loan	20.0	–
Outflow in respect of unsecured loan notes	(4.8)	(0.5)
<b>Net cash outflow from financing</b>	<b>(8.0)</b>	<b>(28.3)</b>
<b>Increase in cash in the year</b>	<b>1.7</b>	<b>10.4</b>

The full Directors' Report is contained in BBC Worldwide's Report and Financial Statements which may be obtained from Companies House ([www.companies-house.gov.uk](http://www.companies-house.gov.uk))

## CORPORATE GOVERNANCE REPORT

### BBC WORLDWIDE'S COMMITMENT

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

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

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

### THE BOARD

#### Composition

As part of the new Commercial Governance framework the BBC Trust approved new corporate governance arrangements for BBC Worldwide, effective January 2007. As part of the implementation of these arrangements, two new independent Non-executive Directors, Simon Clift and Thomas Geitner, joined the Board of BBC Worldwide during the year for an initial three-year term.

BBC Worldwide communicates regularly with the BBC, its ultimate parent company, and presents its strategy, financial results and budgets to the BBC for review and approval. In addition, the public service Non-executives, Zarin Patel, Nicholas Eldred and Jana Bennett, represent the key stakeholder.

#### The Non-executive Directors who served during the year were:

Etienne de Villiers (Chairman), Jana Bennett, Simon Clift (Independent – appointed 1 November 2006), Nicholas Eldred, Thomas Geitner (Independent – appointed 1 February 2007), Zarin Patel

#### The Executive Directors who served during the year were:

John Smith (Chief Executive), Darren Childs, Sarah Cooper, Wayne Garvie, Paula Hornby, David King, David Moody, Peter Phippen, David Vine (resigned 21 July 2006), Chris Weller, Mark Young (resigned 1 May 2007)

### Responsibility

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

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

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

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

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

### How the Board operates

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

## CORPORATE GOVERNANCE REPORT

Matters considered by the Board will include:

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

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

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

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

Certain Executive Directors are also appointed to the Boards of various joint venture and associate undertakings as appropriate, and participate in the oversight and management of those ventures.

The Board has delegated responsibility for certain functions to the BBC Worldwide Executive Board, BBC Worldwide Audit Committee and BBC Worldwide (Programme) Investment Committee. However, the Board takes direct responsibility for the review and monitoring of key areas such as risk management and for approving all programme investments over £5 million.

Matters delegated to management include the day-to-day operation of the business, implementation of the strategy approved by the Board and performance of risk management practices.

Further information on the BBC's Executive Board and the BBC Trust is available in the BBC Annual Report and Accounts.

### EXECUTIVE BOARD

#### Composition and remit

The Executive Board is chaired by the Chief Executive and comprises all of the Executive Directors. It deals with certain operational matters delegated to it by the Board, within clearly defined approval limits.

The Executive Board meets weekly and has day-to-day responsibility for managing the operations of the business, devising and implementing strategy agreed by the Board, the identification and management of risk, and for providing assurance to the Board.

#### ACCOUNTABILITY AND INTERNAL CONTROL

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

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

Documented policies and procedures exist to define clearly the level of delegated authority for operational decision making and to provide structured processes for identifying and managing risk. These policies are applicable across the Group and ensure consistency worldwide. Key policies include Ethics, Standards and Conflicts of Interest, BBC Worldwide Group Accounting Policies, Anti-fraud & Corruption Code of Conduct, Investment & Expenditure Approval and the Recruitment Policy. Local policies are also in place to ensure that all trading businesses comply with local laws and regulations.

Key elements of BBC Worldwide's internal control environment are set out below:

## CORPORATE GOVERNANCE REPORT

**Risk management** – The BBC Worldwide Board has responsibility for the identification and management of risks facing the business. An assessment of the exposure to risk, and the extent to which these risks are controlled, is updated and presented to the BBC Worldwide Audit Committee every three months. Management assessments are reviewed by the BBC's Internal Audit function, which reports on this matter to the BBC's Audit Committee (see below). This committee considers risk management across the BBC Group as a whole. BBC Worldwide's risk management team monitors risks facing the business and makes recommendations to develop the internal control environment.

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

**Operating units** – Key controls over business risks include performance review and exception reporting. The BBC Worldwide (Programme) Investment Committee, a sub-committee of the Board, must approve all programme and product investment over a certain threshold. The Board and the BBC Trust must approve all transactions over certain higher thresholds.

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

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

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

**Fraud awareness** – Although incidents of fraud are rare, BBC Worldwide takes its responsibilities to minimise the risk of fraud very seriously. BBC Worldwide operates an Anti-fraud & Corruption Code of Conduct and a Fraud Control Policy, which set out consistent standards across the Group and responsibilities for ensuring adequate controls are in place. In addition, the Risk Management team organises training for key areas. BBC Worldwide has an ongoing process to review its anti-fraud management practices to ensure that they remain appropriate to the scale and complexity of the business. During the year, the BBC's anti-fraud group also continued to meet, chaired by the BBC's Head of Business Assurance, to include representatives from the BBC and its subsidiaries. The key objectives of the group are to embed measures to minimise the risk of fraud and raise overall fraud awareness. BBC Worldwide is responsible for reporting any suspicions of fraudulent activity to the BBC's Investigations Unit.

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

### AUDIT COMMITTEE

#### Composition

The constitution of the BBC Worldwide Audit Committee was revised during the year as part of the new Corporate Governance Framework and now comprises solely Non-executive Directors, Zarin Patel, chairperson, and Nicholas Eldred. In accordance with the Combined Code, the Board is satisfied that the Audit Committee has an appropriate range of financial experience.

## CORPORATE GOVERNANCE REPORT

### Remit

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

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

BBC Worldwide has implemented a policy to ensure that other services provided by the external auditors do not impair their objectivity and the Audit Committee monitors this on a regular basis. The policy sets out the value of non-audit services that can be provided and the types of service for which the external auditors would not be appropriate. All non-audit services provided by the external auditors greater than £50,000 must be pre-approved by the BBC Audit Committee. This approval limit is reviewed annually. The Group auditors are also appointed as auditors of subsidiary, joint venture and associate undertakings wherever possible.

Matters relating to BBC Worldwide are also considered by the BBC's Audit Committee.

### Meetings

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

### REMUNERATION COMMITTEE

#### Composition, remit and meetings

The BBC Remuneration Committee has responsibility for setting the remuneration package for BBC Worldwide's Chief Executive. The Remuneration Committee of BBC Commercial Holdings Ltd, the parent company for the BBC's commercial subsidiaries, has responsibility for setting BBC Worldwide Board remuneration policy, including the remuneration packages for BBC Worldwide's other Executive Directors.

The BBC Commercial Holdings Remuneration Committee comprises Zarin Patel and Etienne de Viliers. The Committee met twice during the year with both members attending each meeting.

The Committee has made no significant changes in Directors' remuneration policy over the year; although a new Long-Term Incentive Plan has been developed for senior management to support the company's objective of delivering long-term growth.

The Chief Executive recommends the remuneration packages for the other Executive Directors, for approval by the Remuneration Committee. The Chief Executive assesses the performance of the Executive Directors before recommending their annual remuneration awards.

The Chief Executive, the Chief Financial Officer, the Director of Human Resources and the BBC's Head of Reward provided assistance to the Committee during the year. The Committee appointed none of these advisers.

#### Non-executive Directors

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

#### Executive Directors

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

# BBC WORLDWIDE



PHOTOGRAPH: CHRIS CAPSTICK

## BBC WORLDWIDE BOARD

### Non-executive Directors

**ETIENNE DE VILLIERS**  
Non-executive Director,  
Chairman of BBC Worldwide

**JANA BENNETT**  
Director of BBC Vision,  
BBC Non-executive Director, BBC Worldwide

**SIMON CLIFT**  
Non-executive Director

**NICHOLAS ELDRED**  
BBC Group General Counsel,  
BBC Non-executive Director, BBC Worldwide

**THOMAS GEITNER**  
Non-executive Director

**ZARIN PATEL**  
BBC Group Finance Director,  
BBC Non-executive Director, BBC Worldwide

### Executive Directors

**JOHN SMITH**  
Chief Executive

**DARREN CHILDS**  
Managing Director, Global Channels

**SARAH COOPER**  
Director of Business Affairs

**WAYNE GARVIE**  
Managing Director, Content & Production

**PAULA HORNBY**  
Director of Human Resources

**DAVID KING**  
Chief Financial Officer

**DAVID MOODY**  
Managing Director, Digital Media  
and Director, Strategy and  
Business Development

**PETER PHIPPEN**  
Managing Director, Magazines

**CHRIS WELLER**  
Managing Director, Home Entertainment

**STEVE MACALLISTER**  
Managing Director, Global TV Sales  
(Joins July 2007)

# WIDE BOARD



**PICTURE LIST:**

1. Peter Phippen
2. Chris Weller
3. Paula Hornby
4. Nicholas Eldred
5. Jana Bennett
6. Darren Childs
7. Thomas Geitner
8. John Smith
9. Etienne de Villiers
10. David Moody
11. Sarah Cooper
12. Simon Clift
13. Wayne Garvie
14. Zarin Patel
15. David King

## CORPORATE GOVERNANCE REPORT

### INVESTMENT COMMITTEE

#### Composition, remit and meetings

The BBC Worldwide (Programme) Investment Committee's responsibilities included approval of programme and product investments of between £0.5 million and £2.0 million, ensuring that programme investment decisions are consistent with BBC Worldwide's overall strategy and appetite for risk and assessing Post Investment Reviews.

During the year the committee comprised four Board Directors – David King, Mark Young, Wayne Garvie and Darren Childs. Following Mark Young's resignation in May 2007, Chris Weller joined the committee. All Board members receive the agenda prior to each meeting and are able to attend as appropriate. The committee meets fortnightly, with at least two members required on each occasion.

#### Approval levels

Authority to approve investment and expenditure is documented in BBC Worldwide's Investment and Expenditure Approval Guidelines, which are available to all staff. Investments valued at over £2.0 million in total, and any other single decision that will result in a commitment to costs of over £0.5 million, must be pre-approved by the BBC Worldwide Executive Board. The limit of £0.5 million enables the majority of operational decisions to be approved by local management boards and for the committee to focus on more significant or contentious decisions.

## FAIR TRADING

### FAIR TRADING AT THE BBC

#### New Fair Trading Regime for 2007/08

The new BBC Charter and Agreement that took effect on 1 January 2007 requires the BBC Trust to have regard to the competitive impact of the BBC's activities on the wider market. As a result the BBC Trust has developed a Competitive Impact Framework (the Framework) which will come into effect from 1 July 2007.

The Framework will apply to all BBC trading activities, including the BBC's public service and commercial activities. Further information is available at <http://www.bbc.co.uk/bbctrust/framework/index.html>

#### BBC commercial activities and Fair Trading

The scope of the BBC's Fair Trading obligations has historically been enshrined in its Fair Trading Commitment and this has continued to apply during the course of this financial year. Further detail on the Commitment can be found at:

[http://www.bbc.co.uk/foi/docs/commercial\\_activities/commercial\\_policy\\_and\\_fair\\_trading/Fair\\_Trading\\_Commitment.htm](http://www.bbc.co.uk/foi/docs/commercial_activities/commercial_policy_and_fair_trading/Fair_Trading_Commitment.htm)

#### Annual Statement on the BBC's compliance with the Fair Trading Commitment

The BBC's Fair Trading Commitment is underpinned by the Fair Trading Guidelines which provide a detailed operational framework building on the principles of the Fair Trading Commitment.

Compliance with the Fair Trading Commitment was scrutinised by a standing committee of the Board of Governors up to 31 December 2006. From 1 January 2007 the Trust Fair Trading Policy and Appeals Committee has undertaken this function on behalf of the BBC Trust, with BBC Executive scrutiny being undertaken by the Executive Fair Trading Committee (EFTC). The EFTC comprises three Non-executive Directors and two Executive Board members.

The management of the BBC's fair trading arrangements have been accredited with the ISO 9001:2000 quality standard and performance against this standard is regularly tested by the British Standards Institute. The most recent assessment, conducted in December 2006, confirmed that the procedures are continuing to operate effectively.

The BBC Trust commissions independent auditors, PriceWaterhouseCoopers LLP (PwC), to undertake an annual Fair Trading audit to determine whether BBC management

has established and applied a system of internal controls which provide reasonable assurance that it has complied with the Fair Trading Commitment. PwC has confirmed this to be the case for the year ended 31 March 2007. Further details of the audit and opinion can be found at <http://www.bbc.co.uk/bbctrust/research/index.html>

### THE NEW BBC CHARTER AND COMPLIANCE

In his statement at the front of this review, the Chairman has referred to the new governance regime for the BBC's commercial activities, including BBC Worldwide from 1 January 2007. The new BBC Charter and Agreement has fundamentally altered the governance of the BBC with the establishment of the BBC Trust and the implementation of a new regime under which the Corporation's performance is measured and ambitions tested.

Since the completion of the Commercial Review in 2004, BBC Worldwide has been engaged in a programme of work which has transformed the company's governance structure and its operations. A key change has been the appointment of three external Non-executive Directors and three BBC Non-executive Directors to the company's main Board. The report on corporate governance details the other changes.

The Charter has brought into effect a new structure of compliance for the BBC's commercial activities whereby BBC Worldwide and its operating divisions have to comply with the Four Criteria listed on p 2.

Under the BBC Trust's published Commercial Protocol (available at – [www.bbc.co.uk/bbctrust/framework/protocols/compliance](http://www.bbc.co.uk/bbctrust/framework/protocols/compliance)), the first full year of implementation and compliance will be the 2007/08 financial year. However, in light of the substantial work undertaken since the completion of the Commercial Review (including the disposal of certain businesses) the Board is confident that for the period from 1 January to 31 March 2007, BBC Worldwide's operations reflect and comply with the Four Criteria.

The Company has adopted a range of initiatives to ensure ongoing compliance, including a controls framework, an extensive programme of training, internal reporting and external audit. Each new proposal is measured against the Four Criteria both in its development and implementation. Under the Commercial Protocol, an annual report on compliance will be made to the BBC Trust. The Board will report on the first full year of compliance in 2007/08.

## HOW BBC WORLDWIDE TRADES

### HOW BBC WORLDWIDE TRADES

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

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

#### The BBC brand

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

#### Branding guidelines

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

#### Brand protection

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

The Far East is estimated to account for more than half of all fake goods and so BBC Worldwide's investigators in the region have to be extra vigilant in assessing counterfeit activity and taking preventive measures.

In the EU, BBC Worldwide has put in place a pan-European Customs registration that allows Customs authorities in all member states to seize imports of fake products using the BBC, Teletubbies, Tweenies, Fimbles, Doctor Who and In the Night Garden brands.

### Editorial guidelines

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

### Magazines Editorial Boards

The system of Editorial Advisory Boards continues to be of great benefit to BBC Magazines and the editorial insights of the independent experts have proved helpful. The boards work alongside all BBC magazines and play a key role in ensuring that the portfolio reflects the BBC's public purposes and editorial values and extends the editorial offering of BBC programmes. The Editorial Advisory Boards are overseen by an Annual Review Panel (ARP), consisting of external experts and senior representatives from BBC Magazines, BBC Vision and BBC Audio and Music. It is chaired by the BBC's Chief Adviser, Editorial Policy.

The ARP conducted its second review of BBC magazine output during the course of 2006/07 (the first was completed in May 2006) and concluded that BBC magazines were high quality, attractive publications with high levels of reader satisfaction. The breadth and range of the portfolio was impressive and overall the magazines have strong editorial content with greatly improved connectivity with BBC television and radio programmes.

### Customer service

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

Over half a million statements and cheques relating to BBC Worldwide's activities alone are issued annually to this group. BBC Worldwide is committed to accounting accurately and on time to contributors and producers. It is investing heavily to radically improve its systems and processes to enable them not only to meet the increase in volumes that its success has produced, but also to provide a vastly improved level of customer service.

### Environment and ethical policy

BBC Worldwide is actively committed to minimising any negative impact that its activities might have on the environment and seeks to conduct its business to the highest standards. See pp 8-9 for more information.

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