PART TWO:
Annual Report and Accounts 2007/08
The BBC Executive’s review and assessment
...quality programming that informs us, educates us and more often than not, entertains us. These three tenets are as important today as when they were first uttered around 80 years ago.
When I wrote to you a year ago, our award-winning Gaza correspondent Alan Johnston was still missing. We didn’t know if we would ever see him again. And then, what we’d all been hoping, working and praying for: Alan’s tired but smiling face as he was led to freedom.

But within a few days, we had fresh problems to deal with: a cluster of issues with phone votes and competitions, and the mis-editing of a promotional clip of our Monarchy series. Without public trust the BBC is nothing, so the moment these issues came to light we knew we had to act quickly and decisively.

Soon, we had designed and launched the biggest training course in the BBC’s history – not, as some papers mischievously reported, ‘integrity seminars’, but a conversation involving no less that 17,000 BBC people that explored the ethical issues and dilemmas that modern broadcasting throws up. We also now have a host of new controls and safeguards in place, but the most important thing is that we reaffirmed something which the overwhelming majority of those who work for the BBC have always known: we serve the public and nothing matters more than honesty and integrity in our dealings with them.

The public rightly expect more of the BBC. By year’s end, survey evidence suggested that public trust in the BBC had fully recovered.

Despite these difficulties, the BBC has had a year of outstanding creative renewal. From Cranford to Sacred Music to Gavin and Stacey, television has lived up to our aim – to delight audiences. And we have seen the nation share some of the events that unite us all – from the Concert for Diana to Wales’ triumph at the Six Nations Rugby championship.

The current creative output from the BBC is some of the best I can remember. Across drama, news and current affairs, comedy and documentaries, the BBC is delivering high-quality output for all our audiences, whatever their interests.

Radio is flourishing under Jenny Abramsky who leaves us this year having made an extraordinary impact over her 39 years here. It is a fitting tribute that BBC radio has never been stronger: Radio 4 has adapted – and won the plaudits of the entire industry; Radio 2 listeners grow by the day – with 8.1 million listening to Terry Wogan every morning; and our digital stations are all growing and reaching out to new audiences.

How the BBC adapts to the new digital and on-demand world will shape the future of the Corporation for the next ten years. At Christmas we launched BBC iPlayer, offering BBC television and radio output broadcast over the previous seven days. Audiences of all ages embraced it quickly, and by March it had already reached over 17 million monthly downloads and streams. And it’s still growing. There is no evidence that it is impacting our linear television and radio ratings which remain very strong.

With Freesat now launched, complementing our popular Freeview service, it’s clear that partnerships and collaborations will increasingly matter to the BBC. True public service broadcasting means a strong BBC working alongside other broadcasters like ITV, Channel 4 and five. A BBC that spends licence-fee income wisely, keeping costs to a minimum so the vast majority can be invested in quality programming that informs us, educates us and more often than not, entertains us. These three tenets are as important today as when they were first uttered around 80 years ago.

Over the next 12 months the BBC will continue to deliver content to audiences, wherever they are, and however they want to receive it. From across the whole UK, through BBC iPlayer, bbc.co.uk, DAB radio and traditional broadcasting, the BBC will strive to represent the UK at its best.
About the BBC

The BBC remains the benchmark for all broadcasters, wherever they are. The quality and integrity of its news and factual output is second to none, and its creativity in other programmes – its drama is first class, and it is the home of the most iconic comedy and entertainment ever – make it what we all aspire to be.

The fact that it does this consistently on a national and global stage year after year on radio, television and online should be a matter of considerable pride for the UK.

Fritz F. Pleitgen
President of the European Broadcasting Union
Building on the foundation that is ‘inform, educate and entertain’, the BBC has six public purposes – outlined here – which provide a focus for us to create memorable content and great services, and to offer everyone in the UK an experience of the BBC that truly makes a difference to their lives.

The BBC’s public purposes are:

**Sustaining citizenship and civil society:**
the BBC’s journalism has an unparalleled global standing in newsgathering, specialist expertise and analysis, eyewitness reportage, professional presentation and high-profile interviews – bringing trusted, independent and high-quality journalism to our audiences that explains the stories that matter to them. Our UK-wide, international, national and local channels and services cover a wide range of stories tailored for specific audiences, and supported by our flagship domestic channel BBC News. Fresh this year is our 8pm weekday summary on BBC One which has successfully increased the reach of our news content to younger audiences.

We also have a strong commitment to cover and explain UK democratic processes, including the devolved institutions and the Westminster parliament, giving context and analysis to help build a greater understanding. Local and Nations’ services are primary outlets for holding local politicians to account.

**Promoting education and learning:**
the BBC promotes and supports formal and informal education for children, teenagers and adults – including children’s radio output on BBC 7 that builds knowledge, skills and confidence, Key Stage 1 curricular goals are informally supported via CBeebies, Bitesize online revision for older school students (especially popular at exam time!), adult learners of Welsh, Gaelic or Irish with Colin and Cumberland online, and general or specialist factual programmes – such as regulars Horizon and The Culture Show, or this year’s Life in Cold Blood.

Enabling people to learn about new topics, or more about an existing passion, in ways they will find engaging, entertaining and challenging is fundamental to what the BBC does.

**Stimulating creativity and cultural excellence:**
the BBC has a long-standing reputation for creative and innovative content that breaks new ground and sets trends – such as David Frost’s That Was The Week That Was bringing satire to television in the 1960s and which made a reappearance this year. TW3 was responsible for developing and launching the careers of those who went on to appear in The Two Ronnies and Monty Python, among others, and helped to establish an environment for comedy development that can be traced to The Mighty Boosh and Gavin and Stacey on BBC Three and Radio 4’s eclectic comedy offer including The Now Show and Down the Line. The BBC is still home to much of the UK’s very best talent.

Representing the UK, its nations, regions and communities: the modern UK is an incredibly diverse place, home to a rich range of cultures and communities. The BBC portrays and celebrates this diversity at national, regional and local levels. We broadcast in English, Welsh and Gaelic, and offer a range of programmes in other indigenous languages. The Asian Network, for example, broadcasts primarily in English, but also in eight other languages from the Indian sub-continent – providing a lifeline to older listeners who may not have a strong understanding of English.

We also encourage people to share experiences, from the great state occasions to important sports events. Our new HD television service will come into its own in August with the Beijing Olympics, offering the best quality sports pictures ever seen in the UK.

**Bringing the UK to the world and the world to the UK:**
the BBC’s global news services provided independent and internationally-respected news and analysis to audiences around the world. We also sell content and formats like Strictly Come Dancing and The Weakest Link in the global marketplace.

We also bring in or partner in content to inform debate within the UK on significant world issues. Sunday mornings on BBC Parliament this year saw extensive coverage and analysis of the US Presidential primaries. Radio 2 and Radio 3 covered major music festivals and performance – including Glastonbury, T in the Park and opera from New York’s Metropolitan Opera House. BBC Four remains the home of international film on British television.

**Taking a leading role in the switchover to digital television:**
digital switchover is now under way in the UK. The BBC will continue to promote and deliver the benefit of emerging communications technologies and services – such as Freeview, Freesat and the recently launched BBC iPlayer and HDTV – to all audiences.

On the following pages you will find the stories of some individuals’ relationships with the BBC this year: Every one of them can be tracked back to ‘inform, educate and entertain’.
Mishal Husain,  
NEWS PRESENTER

I work across news programmes on television and radio, though my main home at the moment is our international channel BBC World News. I feel very privileged to work for an organisation that offers so many different types of services to our users and so has the scope for me to challenge myself and explore my own potential. Wherever I am in the world, those three letters B.B.C. mean something to people. Of course, such recognition also has great responsibility we all have to live up to high standards as faces or voices of the Beeb. I think the future of BBC News is strong, as long as we are ahead of the game in how we deliver content and in what that content is we should not shy away from featuring international stories on the domestic news, as long as they have a resonance with UK audiences. We need to make sure we connect with the stories we cover and transmit to those who watch us, listen to us, or use our services. That’s the key to safeguarding our future.

Global news is a crucial element of the BBC’s newsgathering and reporting activities around the world. This year we’ve launched BBC Arabic TV and are planning to launch BBC Persian TV later in 2008. Both services are part of a £30million Grant in Aid restructuring investment at the World Service. Other improvements include enhancements to new media services (including Spanish and Urdu), more FM distribution for our radio services, better international newsgathering facilities all of which will enhance the BBC’s reputation as a trusted voice in global news. In other areas, we launched a nightly newscast, BBC World News America, on BBC World News, and the international news site element of bbc.com.
“Children’s programming without ads? Now that is something special!”
Mum Louise says it’s hard work being their age. Everywhere they look, they’re bombarded with toys and sweets that apparently they can’t live without. The lack of ads on the BBC is a real godsend, something I didn’t fully appreciate when I worked there and before I became a full time mum, oddly enough*. And it’s also funny how my feelings towards the place have evolved over the years as my priorities have changed from viewer to employee to parent. Today, we watch CBeebies and CBBC on Freeview and use the CBeebies website, mainly for Balamory karaoke though I also look at the Grownups messageboard to see what parents are currently discussing. It is great having dedicated channels, especially for pre school when you’re often at home all day. Programme quality is high and there’s a wide range not just cartoons. Justin Fletcher (aka Mr Tumble) is the best presenter on children’s television. He is brilliant; not at all patronising. He’s the mum’s favourite on the messageboard! We all sit down and watch The Sarah Jane Adventures and Jackanory together. I really like us to be able to do this and all get something out of it, and now they’re older we can do that.

* Louise left the BBC in early 2006.

Justin with his friend Mr Tumble presents Something Special, a programme that is supported with Makaton signs and symbols to make its content welcoming and accessible to children in the early stages of language development, and especially those with special communication needs. The BBC’s offer to children last year comprised over 10,000 hours of television content alone repeatable blocks on CBBC and CBeebies, as well as slots on BBC One and BBC Two, websites, BBCi and on demand services. More than 1,000 hours across a range of genres – drama, factual, entertainment and news – were originated from both independent production companies and in house departments. There are over 20 children’s channels in the UK, but our purpose is simple: to ensure that our children have access to the very best programmes and services. The 17 million children who use our services each week, including the many fans who watch Justin and Mr Tumble, seem to agree.
“Anything that brings communities together is worth making a song & dance about.”
Ute Scholl & Anna Leatherdale, ARGENTINE TANGO TEACHERS, DEVON

Ute: I took up dancing because I wanted to be able to move better to music. Now, of course, I love Strictly Come Dancing. It attracts the attention of a wide and varied audience, and because of it more people have developed an interest in dance. Each new series brings new students to our classes.

Anna: I initially took up dancing because I enjoyed the social interaction that it offers something that Strictly has been a catalyst for round here, as Ute says.

Ute: Most of our students have been motivated to learn to dance, or dance better, by the show. The down side, of course, is that many of them start with the expectation of learning a dance perfectly in one week!

Anna: Our day jobs take up much of our time, but when not dancing we also enjoy watching movies, documentaries and costume dramas. We love Radio 4. We listen to Women’s Hour, The Archers and In Living Memory. We’re really pleased that the BBC still invests in producing good radio plays.

Radio 4 is one of the biggest commissioners of drama and readings in the world – with over 730 original hours last year. In drama alone, the BBC offers something for everyone. There’s family drama on television like Doctor Who and Robin Hood on Saturday evenings, for example, and more adult-oriented drama at later times in the schedules like Waking the Dead and Spooks. And we still offer the great entertainment programmes like Strictly or factual content like Andrew Marr’s History of Modern Britain that give us all something to talk about over the week ahead.

Last year we were nominated for 489 awards nationally and internationally – including BAFTA, RTS, Webby, Grierson, Prix Europa and Prix Italia – and won 213 of them. Nominations and awards are recognition of the vision, effort and talents of many individuals, and we are proud of all those who work on our behalf to make great quality programmes and content. The BBC could not inform, educate or entertain its audiences without them.
Cathy Mary MacMillan,
DOUNO CARLOWAY ON THE ISLE OF LEWIS

“I’m really interested in people, which colours the type of programmes I watch and listen to. Of course, we’re Gaelic speakers here and we watch and listen to whatever we can – the children do too, from the cartoons on BBC Two each morning to Thursday evenings on BBC Two. We enjoy programmes from the community, about the communities, and on at sensible times. Radio nan Gàidheal produced a documentary series on our village. It’s a small place and so we were all involved. It looked at our history, but portrayed us as a dynamic culture that’s developing and growing from experience to experience. Really positive stuff. And Coinneach MacIomhair (Kenny MacIver) is like a friend I listen to every day. We’re all really excited about the new digital television service and that will have programmes that appeal to non-Gaels as well. Eòrpa is already incredibly popular with lots of people in Scotland. Of course, the BBC’s Scottish news (Reporting Scotland) is a staple; Question Time too. The BBC understands the different levels of community.”

The BBC gets involved with the communities where it works in many different ways. As well as making programmes and content that reflect local and national experience, we provide opportunities for new shared memories through live events and concerts, many of which are free for people to attend. We are also associated with several registered charities and others receive our support via broadcasts. Last year our charitable activities included:

- BBC Children in Need raised £36million
- Radio 4 and Lifeline appeals raised nearly £1.5million
- The BBC Performing Arts Fund received over £450,000 from Dance X and Any Dream Will Do phone lines
- The BBC Wildlife Fund raised over £1.6million
- In March 2008 Sport Relief raised over £20million
- The BBC World Service Trust invested external grants and voluntary contributions worth about £18million from the Department for International Development and the EU, among other organisations

For more on our corporate social responsibility work see www.bbc.co.uk/outreach
"BBC & INDEPENDENTS: PARTNERS IN CREATIVITY"
As a viewer, I know what a thrill it is to tune into a brand new drama for the first time, hoping that it will entice and seduce you into its world. As a producer, I know that developing dramas like Hustle and Life On Mars, which aspire to do that, takes time and commitment. You have to be passionate about each project. Over the past seven years we’ve been ambitious to make programmes in that way, as we have evolved from a small company into a major supplier of drama. It’s really important that the UK continues to have a healthy creative sector which entertains, inspires and challenges. Broadcasting drama which reflects different voices and views of the world is essential to reflect viewers’ experiences fully. All UK broadcasters understand this and it is vital that independent producers like us have good ongoing relationships with the BBC, but also Channel Four and ITV. There’s room for everyone – vigorous competition at both the supplier and buyer ends can only be good for audiences.

BBC Vision has a statutory requirement for 25% of eligible hours to be produced by independent producers. In addition, for the first full year last year, independents and others (such as other broadcasters) were also able to bid for up to 25% more. In the calendar year 2007*, independents produced 39% of qualifying hours for the BBC (versus 35% in 2006). A further 1.4% was produced by other external suppliers. Including external programme producers, last year the BBC spent nearly £1.2bn in the UK’s creative economy – around £33million more than the previous year.

Kudos was the top independent supplier to BBC Vision by spend in 2007. The rest of the top ten were: Tiger Aspect Productions, Endemol, Hat Trick Television, talkback THAMES, Lion Television, Shed Productions, Wall to Wall Television, 12 Yard Productions, and Carnival Films. Four of these companies were not in the top ten in 2006.

We also have a voluntary commitment to 10% of eligible hours of radio programming for the UK networks – in 2007/08 we achieved 13% (13.5% in 2006).

* In line with Ofcom requirements, television figures are measured on a calendar year basis.
The band

Monday 26th May

Promoting new talent

£6/5 (Thu-Sat) £5/

Nearest tube: Camden town
Kids in Glass Houses, CARDIFF

Singer Aled says: “The Stereophonics was the first real band I was aware of, and the fact that they were local meant that me becoming a musician was possible. So I learnt to play. Like lots of bands, we weren’t signed when Bethan and Huw gave us our first airplay. Bethan managed to get Jo Whiley interested enough to give our music some play on Radio 1 network. We’ve never looked back. We’ve now had quite a bit of exposure – mainly Radio 1 but also on Lily Allen’s show on BBC Three. In all honesty, we could do with more music-based shows on TV as there are loads of good bands out there who just need a bit of a boost. Online can be a blessing as well as a curse – it’s really difficult to stand out or make an impact. We’ve had a bit of support from the BBC, and a little bit of good fortune, and have now got a contract. Our first album Smart Casual is due out in May.”

* Now called BBC Introducing…in Wales, an opt-out programme available only in Wales. National versions exist in England, Scotland and NI too, all of which are dedicated to new and unsigned talent.

The BBC strongly supports live and original music. Last year we broadcast from a range of live events and concerts across the UK – including Radio 1’s Big Weekend in Preston, Scotland’s T in the Park, 1Xtra Live from Coventry, the Cambridge Folk Festival and the London Jazz Festival – and from across the globe: the USA, Cuba, Jordan and Georgia among others. An eclectic mix of music was covered, including folk, orchestral, R’n’B, Bhangra, and chart. Radio 1 alone offered over 300 new live studio sessions, and Radio 3 broadcast over 500 concerts – including the whole of the Proms season (more than 500 hours of Proms content was broadcast on radio and television in the UK).

To listen to the best in music – live and recently broadcast – log on to Radioplayer via www.bbc.co.uk/music/listen/. For some of the best in unsigned music visit www.bbc.co.uk/music/introducing/
Early last year was a bit rocky for the BBC, and for Blue Peter. We tested our viewers’ trust and have had to work hard to win it back. As it turned out, it was a bit of a catalyst for the good. We’ve taken part in the Safeguarding Trust seminar and now pull together more as a team. We’re much more collaborative in what we do off screen and on screen. And viewers seem to like it. It’s more exciting for them, and for the presenters who do more group activities—climbing mountains, competing to collect CDs for our appeal and even pumpkin racing. We’ve even cautiously reintroduced competitions: two viewers will be part of the Olympics and Paralympics handovers to London in Beijing this August. We really do help to make memories—everyone under 50 has a good memory of Blue Peter, don’t they? I hope when the time comes my own kids will too. But in the meantime, when they’re in bed, my own more recent TV memories come from watching Spooks, Heroes and The Apprentice on my PVR.

With so much choice of content and services out there for viewers and listeners, we’ve had to be imaginative in how, where and when we make BBC content available—and that includes actively seeking out opportunities to engage with people where they want to be. bbc.co.uk now attracts 17.5 million unique users in the UK each week (Nielsen, March 2008), and this year we made BBC video content available to audiences via YouTube, Bebo, MSN and Yahoo. We’re attracting new and younger audiences through these sites and making it possible for them to take our content and embed it in their own blogs and social network profiles. By pushing the boundaries of traditional linear broadcasting and experimenting in these new areas, we’ve not only increased our relevance to some audience groups, like the young, but we’ve also gained a deeper understanding of what it means for a broadcaster to operate in these types of spaces.
"Helping my Journey
become a shared experience"
Qasim Ahmed,  
**LAW STUDENT, GLOUCESTER**

I heard about Video Nation from my teacher when I was doing a personal history project at school. He thought the BBC might be interested in my story, and was right. But there was also an element of being in the right place at the right time. My project was on Partition, and the anniversary was coming up, so it caught the mood. Sixty years ago my family was living in part of the Punjab that was to become India. We’re Muslim, so had to move to Pakistan. I’ve been there several times, but the Video Nation trip was my first visit to India. It made me realise that both countries actually have a fair bit of shared heritage, and have more in common than I thought. It was a real privilege. I hadn’t thought that much about the BBC before. But now I realise just how broad it is. It’s not just BBC One and Radio 1, or all about London. And my opinion has definitely changed. If they asked me to go back, I’d do it in an instant.

Over 60% of the UK population has a home pc (ONS, August) which means that the rest two in five of the population don’t. For some, this is down to a lack of confidence — the digital equivalent of not being able to work your video recorder and being too embarrassed to say so. The BBC has always been keen to support media literacy — raising awareness of the importance of media literacy to the wider economy, as well as supporting people as they develop their skills and knowledge of the media. So although we primarily offer audiences access to shared experiences and memories through our programmes and content, we also support personal experiences and learning journeys, as we did with Qasim. If you are a novice, get started through www.bbc.co.uk/webwise/

Younger users looking to experiment should visit www.bbc.co.uk/blast/

To read about other personal journal stories see bbc.co.uk/videonation

In addition, we are committed to ensuring that our programmes and services are as accessible as is reasonably possible to disabled people. Editorial guidelines show how we can improve access to our services and encourage creative approaches and solutions. Last year we exceeded our targets for subtitling, audio description and signing for television. (See page 57.) You can customise your home page via www.bbc.co.uk or check out the variety of content on www.bbc.co.uk/ouch
Steve Longhurst,
BBC DISTRIBUTION MANAGER

I’ve been involved with TV and radio transmitters for over 20 years, mainly working at the BBC’s R&D department in Kingswood Warren in Surrey, where things like Teletext, Nicam and the BBC website were developed. Digital switchover is easily the biggest broadcast engineering project the UK has ever seen. For the viewer it’s simple, but at the transmitters it’s more complicated a bit more than plugging in a Freeview box. There’s been loads of effort to make it that user friendly, including a rolling regional programme to replace vast amounts of broadcast plant. There are over 1,100 TV transmitting stations that will have to go digital over the next four years. Once work is complete we get to use a helicopter to assess the performance at the most important sites of the new antennas being built for digital switchover. This involves travelling the length and breadth of Britain to fly round these tall masts collecting data and then analysing it to prove it’s working as the manufacturer designed.

The BBC is taking the lead in readying the UK for final terrestrial switch off, when all television in the UK switches to a digital signal. About 25,000 households in Cumbria were first to lose their terrestrial TV signals (in October 2007). The rest of the Border region will switch over in 2008, and the whole process will end in 2012 when Ulster, Tyne Tees and London get their turn. Between now and then, the BBC will have invested around £1billion on facilitating digital roll-out for the UK. For more information on digital switchover and how it will affect you, see www.bbc.co.uk/digital
Around 2 million people in the UK have face to face contact with the BBC each year. We find out what the remaining 58 million or so like and expect through extensive market research and analysis…

…none of which apparently matters to The Stig. However, a typical Top Gear viewer does have a stake in the outcome and might say the following:

I never think about it, but I guess my dealings with the BBC change all the time. It’s always been there, but I watch it nowadays with a more critical eye. I expect my 40p or so licence fee each day to guarantee me top quality programmes with the best ideas and the best talent. Plus, I want them to be relevant to me and my life, and that’s not just about programmes but also about how I take them. At home in the morning, breakfast radio sets me up for the day, and in the car I listen to Radio 5 live. And at weekends, when I’m likely to be out and about, I download Fighting Talk to my MP3. Then I can listen when I want on the bus into town, or waiting for the girlfriend to get ready though it only lasts an hour… Every week without fail I now also stream Top Gear, of course, Match of the Day and The Apprentice. BBC iPlayer makes the BBC fit in with me.

Last year the licence fee was £135.50 per household. It’s the same whether you live alone or as part of a large family. The TV licence funds the majority of the BBC’s public service broadcast channels: ten television channels, ten UK wide network radio stations (including five on digital only), 46 nations and local radio services, plus regional opts on BBC One, BBC Two, Radio 1 and on five English local radio stations. In addition, it pays for bbc.co.uk, interactive services on BBCi, and the new BBC iPlayer and HDTV offers. We invest the money in activities as immediate as daily radio magazine programmes as well as long term in the infrastructure that will support British broadcasting for the future. We offer something for everyone, with services free of adverts and independent of advertisers, shareholders or political interests.

BBC World Service is funded by government grant and not the TV licence fee. Profits from separate BBC commercial services help to keep the licence fee low.

93% of the UK population watched BBC television, listened to BBC radio or used BBC online services on average every week last year.
The Executive Board manages the BBC. It is chaired by the Director-General and has a significant minority of non-executive Directors.

The Executive Board is supported by four sub-committees: Nominations, Remuneration, Audit and Fair Trading, and also a number of management groups, including the BBC Direction Group, Finance Committee and four Group Boards covering the areas of Vision, Audio & Music, Journalism, and Future Media & Technology. The Boards of BBC Commercial Holdings and BBC Worldwide support the Executive Board on commercial matters.

The Executive Board is responsible for the delivery of BBC services and day-to-day operations across the organisation against the plans that have been agreed with the BBC Trust. The BBC Trust holds the Executive Board to account.
1. **MARK THOMPSON**
   Director-General since June 2004. Chair of the Executive Board and the BBC Direction Group, made up of all the BBC’s divisional directors.
   “The BBC News website keeps me going 24/7, but for my family the highlight of the week – whether live or on BBC iPlayer – remains the amazing Doctor Who.”

2. **MARK BYFORD**
   “Robert Preston’s scoop on northern Rock; John Simpson’s vivid reports from Baghdad and Zimbabwe; brilliant coverage of the Federer/Nadal epic Wimbledon Men’s Final; and the outstanding public service role of Local Radio during the floods.”

3. **JENNY ABRAMSKY CBE**
   Director of Audio & Music. Board member since April 1998.
   “Reunion on Radio 4, with Sue MacGregor, on the Brighton Bomb had an extraordinary cast list: Patrick Magee, who planted the bomb, looked back on the day and its repercussions with Lord Hurd (then NI Secretary), conference producer Harvey Thomas, and Jo Berry, whose father Sir Anthony Berry was killed.”

4. **JANA BENNETT OBE**
   “The range and diversity of our content has been impressive, from Cranford to Gavin and Stacey to Earth: The Power of the Planet to In the Night Garden, to pick just a few personal highlights – and we’re developing some real jewels in our multi-platform offering – like Springwatch, Long Way Down, Doctor Who, and The White Season.”

5. **TIM DAVIE**
   Director of Marketing, Communications & Audiences since April 2005. Trustee, BBC Children in Need. Director of Freesat (UK) Limited and a non-executive director of Digital UK.
   “Mark Ronson at the Electric Proms. A standout gig from a recent great addition to the BBC’s schedules.”

6. **ASHLEY HIGHFIELD**
   Director of BBC Future Media & Technology. Board member since October 2000.
   “BBC iPlayer made all the difference to how I watched The Apprentice this year. I also love the look of bbc.co.uk’s new homepage, and teen service bbc.co.uk/switch.”

7. **STEPHEN KELLY**
   Director of BBC People since October 2006. Trustee of the BBC Pension Scheme.
   “Radio 4’s Today programme in the morning, and Chris Evans on Radio 2 on the way home, are both staples for me.”

8. **ZARIN PATEL**
   Group Finance Director since January 2005. Trustee of the BBC Pension Scheme and non-executive Director of BBC Worldwide Limited.
   “Being able to catch more of the stuff I like because it’s available on BBC iPlayer or as downloadable podcasts is just great.”

9. **JOHN SMITH**
   “The first time I saw Wild China was when we launched the series in Beijing in March with our Chinese co-producer. The sequence of honey-hunters following bees via feathers stuck to the bees’ bodies was particularly amazing.”

10. **CAROLINE THOMSON**
   Chief Operating Officer, Board member since May 2000. Trustee of the BBC Pension Scheme. Non-executive Director of Digital UK.
   “I would make sure that I was home on Friday evenings when The Chair – Boys Don’t Sing was on – greatly involving television.”

11. **MARCUS AGIUS**
    Appointed non-executive Director and Senior Independent Director in December 2006. Chairs the BBC Executive Board’s Remuneration Committee. Chairman of Barclays PLC. Trustee of the Royal Botanic Gardens, Kew and Chairman of the Foundation and Friends of the Royal Botanic Gardens, Kew.
    “Gardening is a passion, and every year I particularly enjoy all the coverage of the RHS Flower Show at Chelsea.”

12. **DR MIKE LYNCH OBE**
    “Coast and Andrew Marr’s History of Britain were unmissable, In the Night Garden was a huge hit with my kids, who’ve given up trying to explain it to me.”

13. **DAVID ROBBIE**
    Appointed non-executive Director in January 2007. Chairs the BBC Executive Board’s Audit Committee. Group Finance Director at Rexam PLC. Trustee of the Almeida Theatre.
    “Cranford and Gavin and Stacey were both essential quality viewing this year. And Radio 4’s comedy is a constant source of joy, like Friday’s The News Quiz.”

14. **DR SAMIR SHAH OBE**
    Appointed non-executive Director in January 2007. Chief Executive of Juniper Communications Limited. Chair of the Runnymede Trust, trustee of the Victoria and Albert Museum and Special Professor in Post-Conflict Studies in the School of Modern Languages and Cultures, University of Nottingham.
    “Trevor Eve in Waking the Dead and as Hughie Green – an actor at the top of his game. While on radio, Charles Wheeler remains peerless.”

15. **ROBERT WEBB QC**
    “My highlight has to be the Christmas Doctor Who, not only made in Wales, but with Kylie and some fabulous cameos.”

16. **VAL GOODING CBE**
    Appointed non-executive Director in January 2008. Chief Executive of BUPA. Also non-executive board member of Standard Chartered and J Sainsbury, Advisory Board Member of Warwick Business School, Trustee of the British Museum, non-executive director of the Lawn Tennis Association.
    “Business coverage on Radio 5 live and the Bottom Line on Radio 4 are constant favourites. And I loved Lark Rise to Candleford.”

Employment contracts of Executive Directors have a notice period of 12 months, and are subject to earlier termination for cause. At 31 March 2008, the unexpired term and notice period of each Executive Board member was a maximum of 12 months, although since then Jenny Abramsky and Ashley Highfield have both announced their intention to leave the BBC.

Non-executive Directors are appointed initially for a period of two years, except the Senior Independent Director, who is appointed for an initial three-year period.

There is no entitlement to any additional remuneration in the event of early termination other than in the case of termination for reason of redundancy. Executive Directors may also hold non-remunerated posts outside the BBC.
The BBC Trust assesses the performance of the BBC’s management and its services, outlined on these pages. See Part One of the BBC Annual Report and Accounts for their review of 2007/08. You can find this online at bbc.co.uk/annual report.

**Vision**

**BBC One**
BBC One aims to be the UK’s most valued television channel, with the broadest range of quality programmes of any UK mainstream network.

**BBC Two**
BBC Two brings challenging, intelligent television to a wide audience by combining serious factual and specialist subjects with inventive comedy and distinctive drama.

**BBC Three**
BBC Three is dedicated to innovative British content and talent, providing a broad mix of programmes aimed primarily at younger audiences.

**BBC Four**
BBC Four aims to be British television’s most intellectually and culturally enriching channel, offering a distinctive mix of documentaries, performance, music, film and topical features.

**CBeebies**
CBeebies offers a mix of high-quality, UK-produced programmes designed to encourage learning through play for pre-school children in a consistently safe environment.

**The CBBC channel**
The CBBC channel offers a distinctive mixed schedule for 6–12 year olds, encouraging the development of existing and new interests and helping children to understand and embrace the world around them.

**BBC HD**
BBC HD is a high-definition television showcase for a range of programming from across the BBC’s portfolio.

**Future Media & Technology**

**BBCi**
BBCi offers digital television audiences all day, up-to-the-minute content and information, including news, weather, learning, entertainment and interactive programming.

**bbc.co.uk**
bbc.co.uk provides innovative and distinctive online content, much of it linked to programme output or building on existing content, promoting deeper relationships with licence fee payers.

**BBC iPlayer**
BBC iPlayer offers a post-broadcast catch-up service for some TV and radio content, literally making the unmissable, unmissable.
Audio & Music

BBC Radio 1 offers a high-quality service for young audiences combining the best new music, a comprehensive range of live studio sessions, concerts and festivals, and tailored speech output.

BBC Radio 2 brings listeners a broad range of popular and specialist music focused on British talent and live performances, complemented by a broad range of speech output.

BBC Radio 3 is centred on classical music, and also provides a broad spectrum of jazz and world music, drama and arts, and includes live and specially recorded performances.

BBC Radio 4 uses the power of the spoken word to offer programming of depth which seeks to engage and inspire with a unique mix of factual programmes, drama, readings and comedy.

BBC Radio 5 live broadcasts live news and sport 24 hours a day, presenting events as they happen in an accessible style.

Radio Extra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new British artists.

BBC 6 Music engages with lovers of popular music by offering the best music from the BBC sound archive together with current releases outside the mainstream, complemented by music news and documentaries.

BBC Radio 7 is a speech-based digital radio service offering comedy, drama and readings mainly from the BBC archive. It is also the home of children’s speech radio.

BBC Asian Network offers challenging debate, informed journalism, music, sport, entertainment and drama to audiences of British Asians from different generations.

Journalism

BBC News aims to provide the best journalism in the world and to maintain its position as the world’s most trusted international news organisation: accurate, impartial and independent news content across a wide range of BBC channels and services.

The BBC News delivers news, analysis and insight, supported by the BBC’s newsgathering operations, all day, every day of the year.

BBC World Service provides global news, analysis and information in English and 32 other languages on radio and the internet and also provides news on television in Arabic.

BBC World News is a commercially-funded global 24-hour television news and information channel.

BBC Parliament is the only UK channel dedicated to the coverage of politics, featuring debates, committees and the work of the devolved chambers of the UK.

BBC Sport provides network coverage of UK sport, including big national sporting events and a wide range of specialist and Olympic sports across television, radio and interactive media. It also provides comprehensive sports news.

Journalism – Nations & Regions

BBC English Regions

BBC English Regions serves a wide range of urban and rural communities and aims to be the most trusted and creative local broadcaster in England.

BBC Northern Ireland

BBC Northern Ireland provides something of value for everyone in the community through its broad portfolio of programmes and services that reflect local interests and experiences.

BBC Cymru Wales

BBC Cymru Wales is committed to producing services that reflect the unique culture and history of Wales, and its social and political landscape.

BBC Scotland

BBC Scotland produces a broad range of distinctive television and radio programmes for all age groups that properly reflect the diverse nature of Scotland, including the new BBC ALBA Gaelic language service.
Review of services
This has been one of the most technologically influential years in media ever – and the BBC has been leading from the front. BBC iPlayer is heralding a quantum change in how and when we all – from the Radio 3 aficionado to the EastEnders groupie – can choose to take our ‘radio’ and our ‘telly’. Creativity, ingenuity and innovation don’t start and end with the content.

Ashley Highfield
Director of Future Media & Technology
Once more we have seen continued growth for our online, interactive and on-demand services:

- Page impressions to bbc.co.uk average over 3.6 billion per month – with weekly unique users averaging over 33 million globally.
- BBCi offers more content than ever before with its average monthly reach growing to 15.0 million this year.
- BBC Mobile remains the most accessed mobile news, sport and weather browser in the UK – 45% of news, sport and weather users access the service.

But the big story of our year is the launch of BBC iPlayer, which alongside our streamed audio service Radio Player now offers content online for those who missed it first time around on linear television or radio. Viewers and listeners are benefiting from a seismic power shift in their favour in the media landscape. Viewers and listeners are benefiting from a seismic power shift in their favour in the media landscape.

Audiences of all types – from teenager siblings with different tastes in music to their grandparents looking to pass half an hour around on linear television or radio. Viewers and listeners are benefiting from a seismic power shift in their favour in the media landscape.

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BBCi, the BBC’s interactive television service, lets digital TV viewers access continuous and constantly updated news, information, education and entertainment in the form of interactive video, audio, pictures and text. With around two in five people in the UK still not online, BBCi is an important service to a large part of our audience, finishing the year as the most popular interactive service for audiences on all three platforms on which it is available: Freesview, satellite and cable.

BBCi is especially popular among committed sports fans – events last year included international Rugby, African Cup Football and World Darts – but also attracts occasional sports fans – last year Wimbledon drew in an audience of well over 3 million on digital satellite alone. A priority for us is to evolve from an event based service to an aggregated service for audiences of interactive sport that offers audiences a coherent one-stop-shop sports offering. This is what the fans say they want.

The appeal of BBCi extends beyond sports, and the red button is increasingly being used by audiences looking for interactive music and entertainment programming. Over 2.6 million people used us to watch Glastonbury interactive and over 1.5 million pressed red for Celebrity Fame Academy. A similar number sang along to the Eurovision Song Contest. The Proms were a highlight for audiences, particularly the one showcasing former Eurovision hopeful Michael Ball.

BBCi also appeals to our younger viewers, with CBeebies and CBBC Extra accounting for nearly 10% of our audience. Charlie and Lola has twice numbered amongst the BBC’s top five interactive programmes on TV.

We brought BBC iPlayer into UK living rooms by launching on Nintendo Wii, and will be launching slightly later than expected on Virgin Media in May. Plans are also under way to make BBCi available on Freesat, and we continue to explore the use of emerging technologies like IPTV to extend the audience value of our services.

BBCi’s average annual weekly reach was 11.0 million (30% of adults with digital TV), growing in line with digital penetration from 10.2 million (30%) in 2006/07.

bbc.co.uk reached its landmark tenth birthday this year – and shows no sign of slowing down. We are still the most popular content site in the UK, offering something for everyone with our unique range of high-quality content and services including, for the first time this year, a permanent range of podcasts. These consistently prove popular with our audiences. In the UK alone we saw 7.7 million people successfully download our podcasts in March against a global BBC total for the month of 16.4 million. In the same month Radio Player served a total of 12.5 million hours of live listening to the UK, and 17.2 million hours globally. UK audiences also listened to
4.3 million hours of on-demand radio content that same month – with a further 3 million hours picked up globally.

A large proportion of our sites support BBC programmes. Highlights included Doctor Who; White, which expanded BBC Two’s season on Britain’s white working class with archive footage and provoked online debate; and Long Way Down, which allowed audiences to follow Ewan McGregor and Charley Boorman’s motorcycle adventure from Scotland to South Africa ahead of broadcast through an online diary, video clips and a route map. Over half (52%) of the audience for the TV programme had watched online before transmission.

We complemented major events such as the Electric Proms and Glastonbury on bbc.co.uk as well as official off-site BBC pages on social networking sites. We used photographs and other visuals very effectively on our site for The Making of Music, including an interactive timeline that let users explore 1,000 years of classical music, read narratives and profiles, and understand the music in its proper historical context.

We used the benefits of digital technology to address the serious issue of body image in an accessible way for Radio 1, attracting around 1.5 million unique users to a week-long campaign that saw Kelly Osbourne and the Chris Moyles team get the airbrush treatment to see just how far images in the media can be manipulated.

For our younger users, we introduced My CBBC (a one-stop shop for kids to aggregate all their online activities), Adventure Rock (a downloadable world pioneering creative gameplay) and child-friendly film-making application Me and My Movie.

In response to audience demand, we have beta-launched /programmes (which is a one-stop shop for all programme information), and /topics pages (which brings together in one place a wealth of information around major events like the Iraq conflict, or people like Gordon Brown, or subjects like climate change). The stories and personalities that affect our audiences, interest them too. News, sport and weather accounted for around half of all page impressions over the year.

In 2007/08 average weekly reach to bbc.co.uk among adult internet users aged 16+ was 12.0 million/44% (up from 10.2 million/41% in 2006/07). The highest reach figures were seen in February, coinciding with the take-up of BBC iPlayer and a strong month for the News site.

Following approval by the BBC Trust, in December the BBC launched BBC iPlayer as an on-demand service that makes the unmissable truly unmissable by allowing audiences to catch up on programmes broadcast during the previous seven days. We were in time for Christmas, and were an instant hit and outperformed all expectations.

In March, after only three months, users made 17.2m requests for downloads and streams of BBC programmes, up from its initial monthly figures for January of 11.2 million (around 25% monthly compound growth). Over the three months a total of 42 million programmes were accessed.

By the end of 2007/08, we were reaching on average 1.1 million users each week. At the same time, we broke through the half a million barrier, registering over 550,000 daily requests to stream or download.

Big successes on BBC iPlayer come from all genres: entertainment, comedy, factual and drama programming are all popular. The most streamed programme in the last financial year was an episode of BBC One’s The Apprentice, while Louis Theroux: Behind Bars for BBC Two, in which the documentary maker investigated America’s penal system, was second. Other top titles include Gavin and Stacey, Ashes to Ashes, EastEnders and Torchwood.

We showed the Six Nations Tournament in February to great success, and hope to increase our sport content in the future (subject to rights). A wide range of news programmes from News 24 and BBC Parliament are already available along with high-profile current affairs programmes like Newsnight and Panorama. And the main news bulletins from BBC One. The time taken to make broadcast material available on BBC iPlayer is also reducing, which will allow the latest news to be continuously available as soon as it has been shown on TV.

We aim to further develop BBC iPlayer as a download service by making it available to Apple Mac and Linux users. We have already provided the streaming service on these platforms, as well as iPhone and touch devices.

We have an ambitious year planned. Our aim is to make more of the broadcast TV schedule available through BBC iPlayer, which will be fully integrated with the more established radio service, including simulcast streaming. We will improve support for accessibility content and introduce HD. We also plan to make it easier to find content, giving audiences journeys from one area of interest to another and allowing them to personalise their on-demand content from the BBC and build play lists as well as to recommend, share and discuss their favourite BBC programmes with others.

Robust reach figures are not yet available for BBC iPlayer – we will report these in the 2008/09 Annual Report and Accounts.
Vision

“Audiences deserve top-quality content – original, distinctive, memorable programmes with great production values. But we have to offer more than just the sum of these parts. We should reflect their lives and experiences, and build on them – showing them images and exposing them to new ideas they won’t have seen before.”

Jana Bennett
Director of Vision
It has been a very strong year for BBC Vision, in terms of both range and quality – from the charm of Cranford on BBC One to the quintessentially BBC Two series Andrew Marr’s History of Modern Britain, from the stellar success of Gavin and Stacey on Three to the Genius of Photography on Four. Across all seven channels, including our newest HD channel, and in our multi-platform offering we have delivered a wealth of fresh and exciting experiences to our audiences. Viewers have responded positively to the range of choices across our portfolio.

It has been an outstanding year for drama, with distinctive single dramas on both BBC One and BBC Two, including Mark Haddon’s Coming Down the Mountain and Stephen Poliakov’s Joe’s Palace. BBC One shone as the top channel for drama with extremely high audience appreciation levels. The enormous popularity of Cranford spilled over to other successful series including Oliver Twist and Lark Rise to Candleford.

BBC Vision continues to be the biggest investor in original British comedy, developing new writers and new talent including James Corden and Ruth Jones, the writing duo behind Gavin and Stacey. Other successes this year include British-Iranian stand-up Omid Djalili, Mitchell and Webb, and Catherine Tate, part of a highly appreciated Christmas season on BBC One.

This has been a rich and varied year for factual programming. Landmark series have included Sir David Attenborough’s Life in Cold Blood, Dr Iain Stewart’s Earth: The Power of the Planet and David Dimbleby’s How We Built Britain.

BBC Two has been courageous in forging ahead with modernising its factual offering, rejuvenating its portfolio and reaching out to younger audiences with programmes such as Top Gear, Louis Theroux, Long Way Down and Everest: Doctors in the Death Zone.

BBC Three has achieved new heights with range and quality. Following a highly successful relaunch at the start of 2008, BBC Three now combines high-quality television and the web into a single integrated offer for young people.

New audiences are also finding BBC Four which continues to be very inventive, from drama to standout specialist factual programming such as Atorn and Medical Mavericks.

All four channels have acquired a judicious mix of highly distinctive programmes which complement each channel’s offer: for example, Damages on BBC One, Heroes on BBC Two, Family Guy on BBC Three and Mad Men on BBC Four, which have all grown loyal audiences.

Our commitment to children and younger audiences continues through the enormously successful channels Cbeebies and CBBC, and this year we have also launched our teen offering BBC Switch.

BBC Vision is the largest integrated commissioning and production house of its kind in the world, enabling producers to maximise the creative potential of their content by delivering audiences a total, complementary experience across channels and platforms. Highlights within our multi-platform offering have included this year’s India and Pakistan season, Sport Relief 2008, and The Apprentice, a real gem across BBC One, Two and on the web.

This year we got permission to launch our new High Definition service. This will showcase some of the most ambitious, innovative programmes from across our portfolio, including sports, drama, music and entertainment, as well as key national events.

The BBC iPlayer has played an important part in increasing the prominence and availability of the full range of our output, providing additional opportunities for viewers to find and watch programmes which otherwise might have been missed in the linear schedules (BBC Four and BBC Three shows are consistently in the top 20 programmes).

It was a very strong year for programmes – but it was also a year of some high-profile lapses in editorial standards that affected all areas of the BBC, including BBC Vision. We have been working hard to strengthen our editorial processes, to ensure that BBC content remains the most trusted and valued for our audiences.

BBC One is the nation’s most popular service – with over 44 million visitors each week. Almost everyone in the UK has a direct relationship with the channel, and so we offer something for everyone.

BBC One is the home of high-quality, high-impact drama. We had an outstanding year, with the magnificent Cranford, written by Heidi Thomas drawn vividly from Elizabeth Gaskell’s books, and distinctive singles from Mark Haddon’s Coming Down the Mountain to Stephen Poliakov’s Joe’s Palace. Further highlights included The Passion, shown across the Easter week, Lark Rise to Candleford and Ashes to Ashes, the sequel to Life on Mars. The No 1 Ladies Detective Agency by Anthony Minghella and Richard Curtis, filmed entirely on location in Botswana, proved popular with viewers. It was a fitting tribute to Anthony.

These series were part of many drama titles with broad audience appeal. Others included Waking the Dead, Hustle, Hotel Babylon, Spooks and The Street. Younger viewers have been equally well served this year with Doctor Who.
Robin Hood and Waterloo Road all returning and drawing in under 16s with their familiar characters and engaging storylines. EastEnders has been reinvigorated, and viewers have responded positively to the programme’s rich investment in new writing talent.

We had an exceptional Christmas season, our strongest for several years, delivering a festive assortment of programmes, from dramas such as Ballet Shoes, a star-studded Doctor Who, to comedy specials: Extras, My Family and a welcome return for To the Manor Barn. All these provided the audience with must-see family moments.

The ONE Show, launched last year, is an important, continuing commitment to audiences across the United Kingdom. The programme now attracts nearly 5 million viewers every day and it has given the channel’s early evening weekday schedule improved structure. Adrian Chiles, Christine Bleakley and their colleagues are able to interest their early evening audience in subjects as diverse as natural history, science and medicine. Viewers have responded positively – and the audience figures in the 7pm slot on BBC One are considerably stronger than before.

Our schedule also delivered outstanding comedy and entertainment. Programmes like Have I Got News For You and Friday Night with Jonathan Ross continued to shine. On Saturday nights Doctor Who, Strictly Come Dancing and Any Dream Will Do delivered great value and a really warm experience for the audience.

We also took the opportunity to establish a more consistent, audience-focused schedule on Sunday evenings last year. Antiques Roadshow has now moved to its new peaktime slot, and is regularly followed by popular drama. For the first time we experimented with the Strictly Come Dancing results show on Sundays, with an average of 8.4 million tuning in each week to see who will be waltzing into the sunset. The show really has caught viewers’ imaginations, as well as raising well over £1 million for Children in Need. Everyone is looking forward to series six later in the year.

We refreshed the line-up of comedy offerings last year, with three new sketch shows making promising debuts: The Armstrong and Miller Show, The Omid Djalili Show and Ruddy Hell! It’s Harry and Paul. The family sitcom Outnumbered, with its charming use of improvisation by the children, made a great start and was highly praised. All will return in 2008.

Our daytime offer continues to perform well despite the loss of Neighbours, with home-grown drama Doctors consistently attracting around a quarter of the early afternoon audience. There was also success with live programming in the morning, in particular Missing Live, a programme which was commended in the House of Commons.

The BBC Ten O’Clock News continued to perform strongly in response to ITV moving its own late evening programme to the same slot. News is important to our audiences, which is why the channel offers it at consistent times in the schedule. We have now expanded our offer with a new summary at 8pm designed to give a quick update on the day’s main events. It has been particularly useful in delivering the news agenda to younger viewers and others who might not otherwise see any TV news. Schedule consistency also means that Question Time and This Week have continued to build loyal followings on Thursday nights.

This year Panorama established itself back on Monday night, bringing challenging and impactful stories such as Afghanistan to peaktime and achieving its highest audiences in five years. In addition the channel produced a number of high-impact current affairs specials including Iraq: No Plan No Peace, The Blair Years, Midwives Undercover and Taking on the Taliban: The Soldiers’ Story.

Landmark series included Sir David Attenborough’s Life in Cold Blood, Griff Rhys Jones’ Mountain, David Dimbleby’s How We Built Britain and Michael Palin’s New Europe. We have also invested in high-quality science with series such as Child of Our Time and Fight for Life, and will continue to build our portfolio of high-impact factual and science ideas in the coming year.

We are constantly refreshing the channel’s offer. Peaktime repeats are down again slightly this year, to 8.3%, below the target of 8.4% (2006/07: 8.4%).

BBC One’s average 15-minute weekly reach to viewers aged 4+ was 78.2% or around 44.1 million people in 2007/08 (in line with the 78.4% or 43.9 million people in the previous year).

BBC Two had a great year in programmes across the genres, which helped us to grow our overall reach, and had real success reaching younger viewers (25–44 year olds) with titles such as QI, Top Gear, Heroes, Long Way Down and Dragons’ Den. We were the only terrestrial channel to increase weekly reach last year and increase share among younger audiences (16–34s).

BBC Two has a reputation for making complex ideas accessible and compelling for viewers. Highlights from our schedule which did just this were Andrew Marr’s History of Modern Britain, an epic account of events that...
The hugely successful Gavin and Stacey was a showcase of some of the best of new UK talent.

Sacred Music, an ambitious look at the evolution of European religious music in the Christian tradition.

The number of extra viewers who watched BBC Two last year, versus the year before.

600,000

The Life and Times of Vivien Vyle did not capture the audience’s imaginations, despite quality writing, acting and production, we remain committed to developing our own comedy, as well as offering a terrestrial home for some of the best from BBC Three.

We created a number of new features and factual entertainment formats for the key 8pm peaktime slot, including James May’s 20th Century, Nigella Express and The Restaurant. Masterchef moved to peak, and after years of showing us how to do things properly, Delia finally relented and taught us how to cheat in the kitchen.

Last year BBC Two’s average 15-minute weekly reach to viewers aged 4+ in all homes was 57.6% or 32.5 million people, up slightly on 2006/07 (57.0%/31.9 million).

This year brought a new look to BBC Three and an exciting range of programmes that helped us meet our remit as the UK’s most innovative and creative network for young audiences – combining television and the web into a single, integrated offering.

This was a particularly strong year for comedy. Gavin and Stacey won a host of awards – including two BAFTAS – and delighted large audiences with wonderful scripts and performances from a new generation of young British talent. The show will now move across to BBC One – confirming BBC Three’s ability to develop and grow new comedy titles while also acting as a ‘greenhouse’ for programmes that eventually migrate to the BBC’s terrestrial channels. Other comedy highlights included The Mighty Boosh, which was a particular favourite with the channel’s 16–34 target audience.

In drama, there has been a similar focus on new British talent. We transmitted a season of drama pilots to showcase a range of youthful acting and production talent – and audiences were invited to feed back on which of the programmes they liked most. One of the dramas, Being Human, triggered a petition running into thousands demanding that a full series be commissioned; and others such as W10 LDN were felt to be particularly significant for diverse audiences.

Current Affairs also grew in strength over the year, as we looked to tackle tough subjects in accessible ways for young viewers. Kizzy; Mum At 14 provided an intimate look at teen pregnancy, and formed part of the Born Survivors season – a hard-hitting look at some of the problems bravely faced by younger members of society. The season also included documentaries on child poverty, self-harm and the young who care for unwell parents.

Alongside this work, we also received a BAFTA Best Documentary nomination for our two-part investigation into honour killings, Honour Kills. Other factual programming of note in this period included the education experiment Leave Us Kids Alone, and Bizarre ER, which found a popular way of exploring medical problems and the sometimes surprising solutions.

With an eye to diverse audiences, we also substantially enriched our News offering, with 60Seconds News providing nightly world news bulletins, alongside special editions on science and technology, and the environment.

Last year was also a big year for us in terms of our commitment to new media and technology. In February the channel was revamped, with a focus on merging our television and web elements into a unified offering. All programmes are now simulcast.
on the web at bbc.co.uk/bbcthree, and we offer regular slots for user-generated content in peaktime. Alongside this innovation, BBC Three sought out content ideas that drew television and the web together, with Lily Allen and Friends receiving particularly positive feedback from young audiences.

All of this added up to a good year for BBC Three in terms of audience reach and growth. The channel regularly has the highest share of any non-terrestrial channel in the hours that it transmits (2.2% for all individuals – and 3.5% for the target 16–34s).

Average 15-minute weekly reach over the year in all homes was 17.3% – up from 14.0% the previous year (9.7 million in 2007/08, up from 7.8 million).

BBC Four reached its sixth birthday, which proved to be a breakthrough moment for audiences to the channel – around one in ten of the population in digital homes now tunes in to BBC Four each week.

Holding on to our original vision, we aimed to increase the authority and impact of our documentaries by moving towards more short-run series and away from single documentaries by moving towards more artful creativity, and the art that grew out of them.

In music, we brought our viewers Classical Britannia, Brasil Brasil! and Soul Britannia, an in-depth examination of the impact of Black American and Caribbean sounds on British music and society. The year drew to an end with actor and former chorister Simon Russell Beale exploring the evolution of western religious music in Sacred Music, our biggest classical music series to date. He examined the developments from 12th century plainsong to the pre-eminent composer of Christian church music, JS Bach. It was very well received.

Our science offer was broad this year, including Visions of the Future, Medical Mavericks, Atom and Absolute Zero – as well as Parallel Worlds, Parallel Lives which followed Mark Everett, singer with rock band Eels, on his journey across America to learn about the father he never really knew, quantum physicist Hugh Everett III. It won an RTS award for best single documentary. In the year ahead we will still make room in the schedule for notable one-offs like this, but our plans are to continue to extend some series to longer runs.

Our experiments with seasons and themed nights have already proven successful. Edwardians: The Birth of Now was a major six-week collection of dramas, documentaries and entertainment that celebrated developments at the start of the 20th century that were truly world-changing. Others this year included Children’s TV on Trial, British Birds, Motorways and Viennese art. The Why Democracy? season from Storyville was a huge multimedia event that examined the state of democracy in the world today. It involved over 40 broadcasters, in around 200 countries and territories – potentially reaching 300 million people. Our seasons have been appreciated and valued by critics and viewers alike.

Factual programming is core to our offer – but we continue to experiment in fiction.

Last year our forays into comedy – The Thick Of It and Lead Balloon – and drama – Andrew Davies’ adaptation of Fanny Hill – worked extremely well and swiftly earned terrestrial outings on BBC Two.

BBC Four’s average 15-minute weekly reach to viewers aged 4+ in all homes in 2007/08 was 7.0% or 4.0 million people (compared to 5.6% or 3.2 million people in 2006/07).

Nearly half of the target audience (44.4% of 2–6 year olds) watches CBeebies each week. And it is still growing.

New programmes like Mister Maker and Space Pirates quickly became hits with our viewers. But our biggest success story of the year was In the Night Garden, which quickly became our most popular programme ever. There is nothing like this imagined world for early pre-schoolers. The immersive website includes games and the Ninky Nonk webcam, and played a big part in helping the CBeebies website attract over three-quarters of a million unique users each week.

Nina and the Neurons brought science to our viewers in a fun way in 15-minute chunks. Nina is a neuroscientist and the Neurons live in her brain sending messages from her brain to the parts of her body which control her senses. They comment on the world Nina inhabits while ‘looking out’ on it from Nina’s brain.

We took our young viewers out and about this year to a variety of interesting places like farms, beaches and castles with Something Special. The programme follows a simple, fun and informative format, focusing on aspects of the children’s world about them. It uses Makaton
The CBBC Channel is now almost the only source of new UK originated content for 6–12 year olds in news, factual, drama and entertainment. One of the key strengths of the channel is its mixed genre offering, without an over-reliance on animation.

This year our daily news service Newsround celebrated its 35th year – and it’s still the only year-round news service specifically designed for children on television, with a complementary online news service giving more background to the big stories. Its investigation into child poverty, The Wrong Trainers, won a Bafta. Just one of five the channel won last year. Other Newsround specials covered knife crime and divorce. More are planned.

In factual, Extreme Animals featured the wackiest, smartest, most spectacular and the most gross – naturally! – animals found in the BBC Natural History Unit’s archive. The series was narrated by Reggie Yates and Caroline Flack. RTS award-winning Serious Andes took a group of adventurous children to the top of Mount Cotopaxi and later this year we’ll pick up the natural history theme again in Serious Ocean, which will take a group of children around the South African Cape.

Dramas such as The Sarah Jane Adventures, MI High and Tracy Beaker are popular with our viewers, who also like to visit the programme sites online to find out more about their favourite characters, download games, and chat with their friends. The online space is increasingly important to our viewers, and we’ll continue to offer interesting and entertaining content for them there. New sites launched this year included a real-time online event called Run!, a downloadable virtual world called Adventure Rock and a personalised online space called Mycbbc. All BBC websites for children are mediated and are safe places for young people to be.

Entertainment shows such as Trapped, The Slammer and Raven remain immensely popular on the channel. This year saw Raven reach series 7 – and still viewers want to pit their wits and their skills against others, sure that it won’t be them falling into the freezing waters of the Deep Loch. Stake Out is new to our schedule, a hidden camera gameshow that tests how well you know your friends and plays inventive practical jokes.

Kids everywhere hound their parents to stop smoking – so we made a programme called Smokehouse where we supported those children who wanted to encourage Mum or Dad to kick the habit. Over 150,000 ‘giving up smoking’ packs were downloaded from the website.

Following the channel’s relaunch with a brand new line-up and new website, and despite tough competition and our 7pm finish time being increasingly out of line with children’s viewing times, 2007/08 was the CBBC channel’s strongest year yet.

Weekends are still challenging for CBBC, with strong competition from other broadcasters, particularly on Saturday mornings, but it’s still a great place to showcase talented presenters like Barney Harwood, Sam and Mark, and Basil Brush.

Average 15-minute weekly reach to viewers aged 4+ was 5.6% or 3.1 million people (4.4% or 2.4 million people in 2006/07).
In a world of multichannel, technological innovation, increasing mobility and choice, the BBC still makes a difference. It supports British talent in its broadest sense – writers, musicians, performers of course, but also journalists, engineers and others. It helped make first terrestrial and now digital radio possible in the UK. And it enables cultural and creative diversity to find its voice and thrive.

Jenny Abramsky
Director of Audio & Music
On average around two-thirds of the UK population aged 15+ listened to BBC radio stations each week last year for at least 15 minutes. This was broadly consistent with the previous year, and a strong performance in an increasingly competitive market.

A high proportion of this listening is to our analogue services – Radios 1, 2, 3, 4 and 5 live – but awareness of and listening to our digital channels are both growing: they each have over half a million weekly listeners and in Q1 2008 6 Music, 1Xtra and Asian Network all achieved record reach.

The big radio story for the year is the growth of digital radio listening – more than 10 million people now listen to BBC radio digitally each week via DAB, DTV or internet.

Digital broadcasting offers tremendous opportunities for users of audio and music content. On-demand listening has continued to grow and there is a real appetite for podcasting. Some of our podcasts are more successful than others, and we will continue to work to improve and extend this offer across our services.

Radio is an intimate medium – many listeners have a strong relationship with their favourite station. Presenters are key to this working. We will develop talent or give new opportunities to established talent in order to deliver the best mix of creativity and value that we can to our listeners.

Radio 1 may have turned 40 in September, but we are still one of the UK’s best known and used youth brands.

Despite a highly competitive market (commercial radio has a 50% share of 15–29s radio listening) and the fact that the target age group is increasingly tempted away from radio in favour of newer forms of media – social networking sites and gaming, for example – Radio 1 reach topped 11 million in the quarter January–March for the first time in over six years and online, we have by far the highest number of unique users among all BBC stations – averaging 1 million during the year (up 11% on the previous year).

Love him or not – and he does divide opinion – Chris Moyles played his part in this strong performance. His breakfast show yet again increased reach and share in the first quarter of 2008, with 27.7 million weekly listeners; up by nearly 700,000 on a year ago (aged 15+) – a new record high.

Daytime programming is complemented by a diverse range of specialist shows and we simplified our schedule in 2007 to offer a clearer proposition: Friday night, for example, now focuses on dance music, starting with the early evening Friday Floor Fillers, and continuing with Pete Tong and Annie Mac’s Mash-Up; Saturday night is dedicated to urban music, kicking off with Trevor Nelson (simulcast on 1Xtra), followed by Westwood and Reggae Dancehall.

There is also a new focus on fewer, bigger, better ideas; for example, we celebrated our birthday with Established 1967. Each weeknight for two weeks, some of the biggest names in music past and present were invited to host their own show playing the tunes that inspired them. The line-up included Paul McCartney, the Arctic Monkeys, Debbie Harry and Paul Weller: We also asked 40 current acts to cover 40 tracks from each year of our history, starting with Kaiser Chiefs covering The Move’s Flowers In The Rain, the first song ever played on the station.

Live events coverage this year included Radio 1’s Big Weekend in Preston, Download, Global Gathering, T in the Park, and the Electric Proms. Together with the addition of Jo Whiley’s Live Lounge Tour and Radio 1 Presents…, as well as over 300 new live studio sessions, we again showed a significant commitment to live music.

And emerging acts found a stage through BBC Introducing, launched during the year across a number of services as an important promoter of new and unsigned artists.

Speech programming has a key place in the schedule – last year we delivered 300+ hours of news designed specifically for our young audience, including the first-ever behind-the-scenes look at MI6’s headquarters. We will also continue to offer social action campaigns with impact – our 2007 Bare All safe-sex campaign aimed to get listeners talking responsibly about sex and its consequences and was deliberately timed to coincide with the summer holiday season. And on Sunday evenings, Kelly Osbourne became the new presenter of The Surgery, offering advice on issues of concern to young people.

Overall, Radio 1 accounted for over 10% of all radio listening in 2007/08 – and had an average 15-minute weekly reach of 21.5% (around 10.8 million people) – up slightly from the previous year’s 21.4% and 10.5 million.
Radio 2’s mix of music and speech makes us the UK’s most popular radio station, with the average listener tuning in for around 12-and-a-half hours each week; and Wake Up to Wogan is still the most listened to breakfast show in the UK, reaching a record 8.1 million listeners in Q1 2008.

Weekday daytime programmes continue to perform well. Chris Evans further established himself in the drivetime slot; his original and entertaining business news each hour demystifying developments in the financial world and providing consumer hints and tips. This year he won two Sony Gold Awards – The Entertainment Award and Music Radio Personality of the Year – part of a total for the station that included three further Golds plus others.

Russell Brand is evolving into a major radio figure. His single late night weekend show spawns an incredibly popular weekly podcast, averaging over 540,000 UK monthly downloads in the last quarter of the year.

Aled Jones has flourished presenting Good Morning Sunday, with its lively mix of chat and inspirational music. Guests have included the Archbishop of York, the Most Revd and Rt Hon Dr John Sentamu at Easter and former Home Secretary, David Blunkett. Several popular performers have discussed their faith with him, including Belinda Carlisle and Engelbert Humperdinck.

Live music is key to the Radio 2 mix, including this year a concert from REM, a collaboration between Annie Lennox and the BBC Concert Orchestra, and Simply Red performing their iconic Stars album in its entirety. Our festival coverage included a continuing commitment to the Cambridge Folk Festival and one-off events such as Concert for Diana and Live Earth.

The Music Club hosted Music Club Live in December; celebrating the success of new artists it has championed and featuring James Blunt, Newton Faulkner, Amy Macdonald, Tom Baxter, The Hoosiers and KT Tunstall. The show was recorded for television and exclusive backstage footage was available online at The Music Club website.

To mark the 40th Anniversary of the Beatles’ definitive album Sgt Pepper’s Lonely Hearts Club Band, contemporary artists, including Oasis and The Kaiser Chiefs, were commissioned to re-record tracks. Behind the scenes video footage was offered via BBCi. A major season on the 60’s accompanied this musical initiative and was one of our speech highlights of the year:

Jeremy Vine’s weekday show is well established in our schedule, with 5.7 million weekly listeners this year. His engaging presentation of subjects as diverse as examining ‘yob’ culture and quizzing the Foreign Secretary on rendition flights, offers listeners an accessible approach to current affairs.

In 2007/08 Radio 2 had an average 15-minute weekly reach to adults aged 15+ of 26.2% or 13.2 million people (in line with the previous year’s 26.5% and 13.2 million).

The revised Radio 3 schedule has now been effective for over a year and it has delivered a strengthened proposition of musical performance: music recorded at concerts and other events now accounts for over 55% of the music output, up from 52% in 2006/07. We aim to attract a broad range of listeners, but do not shy away from representing challenging material alongside the more familiar – both Pavarotti and Stockhausen were commemorated with special programming. Audience appreciation continues at a high level, with Composer of the Week and Classical Collection in particular being rated very positively.

In addition to the BBC Proms, many of our 500 concerts during the year were organised directly by Radio 3 and the BBC performing groups. Elgar’s anniversary, for example, provided a welcome opportunity to re-examine this enigmatic composer; including his seldom-heard Starlight Express. Another rarity was heard for the first time in eight decades on the evening of Remembrance Sunday, A World Requiem by John Foulds. We dedicated an entire weekend to concerts of music by Judith Weir. Our world music output took us round the globe, including visits to Cuba, Jordan and Georgia to hear those musical traditions in their original settings.

Partnerships are vital to the station. We continue to work closely with major festivals like WOMAD and the London Jazz Festival, with opera houses like the Metropolitan Opera, and with performing groups – we have an exciting new relationship with the New York Philharmonic. For the first time, we collaborated with Radio 4 in a major history of western music, with Radio 3’s weekday Afternoon on 3 offering performances of music featured in James Naughtie’s Radio 4 series, The Making of Music.
Today is just one example of world class radio journalism in our schedules.

Our speech and drama output offers both classic work and contemporary reflections. WH Auden figured prominently in his centenary year, and the 70th birthday of Tom Stoppard was marked by a production of his recent play, Rock 'n' Roll. The Radio 3 festival of ideas, Free Thinking, again held in Liverpool, involved both the general public and thinkers from the worlds of arts, science, philosophy and technology. The theme of Freedom reflected the anniversary marking the abolition of the transatlantic slave trade.

The emerging digital landscape offers great opportunities, somewhat restricted by regulatory issues in the classical music area. However, we were pleased to make an innovative video of Carmen from English National Opera available on-demand. Our developing range of podcasts, launched in early 2008, is extending the reach of the station and has performed well against other early 2008, is extending the reach of the station and has performed well against other

Years since the Falklands conflict one of several major anniversaries marked by Radio 4 this year.

Radio 4 is best known for the quality and range of its journalism, with highlights this year including two interviews with departing prime minister Tony Blair – riveting radio delivered by John Humphrys – and Baroness Thatcher's first interview for many years for Hong Kong – A Decode of Change.

It was a year for strong documentary series, including Gavin Esler's The Clinton Years, Evan Davis's The Price of Property and Justin Webb's Death to America, which challenged anti-Americanism. We responded to current events with fast commissioning of programmes on emerging issues such as the summer floods, the US credit crunch, Scotland's first Scottish Nationalist administration and events in Pakistan.

Major anniversaries were marked with seasons of drama, documentaries and debate: the 60th anniversary of Indian and Pakistani independence; The Falklands: 25 Years On, including programming from an Argentine perspective; and the six-day Arab-Israeli war, with Jeremy Bowen retelling the conflict day by day; whilst The Sex Lives of Us explored sexuality in Britain 50 years after the Webb's report. Sue McGregor's The Reunion included a memorable edition on 1984's Brighton bomb in which Lord Hurd, then Northern Ireland Secretary, met IRA bomber Patrick Magee.

Narrative history series tackled big themes on a scale unmatched elsewhere. In The Making of Music James Naughtie followed the development of western music from Gregorian chant to Philip Glass. The 60-part series was complemented by related music on Radio 3. A ten-part series presented by Anna Chen told the story of The Chinese in Britain.

World on the Move, which began in early 2008, is the biggest natural history project ever on radio, with an extensive online dimension and working closely with BBC Vision's Springwatch and Autumnwatch. The 40-week series of live programmes is tracking the migration of animal species great and small, on all continents, and inviting listeners to contribute their own observations.

Radio 4 remains the biggest commissioner of radio drama and readings anywhere. Our aim is to increase the impact of drama, with more series rather than single plays, and sustainable returning series. We are experimenting with Writing the Century, an 18-month-long project based on family letters and diaries, some contributed by listeners. We also broadcast more drama illuminating current events: When Greed Becomes Fear and Soul Motel each took only six weeks from initial idea to transmission, and Avoid London was a week of dramas marking the anniversary of the 7/7 London bombings.

New comedy included The Unbelievable Truth and The Museum of Curiosity. Fags, Mags and Bags was a new situation comedy set in an Asian Glasgow corner shop, by Sanjeev Kohli and Donald McLeary.

The sound of Radio 4 continues to evolve through new voices, or familiar voices doing new things. Kirsty Young has built the audience for Desert Island Discs; Sandi Toksvig chairs The News Quiz brilliantly; Evan Davis’s fresh approach to business, The Bottom Line, has established itself in the schedule.

Our feature-making was recognised in the success of Don't Hang Up, the first radio feature to win all three top international awards – Prix Italia, Prix Europe and Third Coast – in the same year.

Radio 4 had an average 15-minute weekly reach to adults aged 15+ of 18.7% or 9.4 million people, similar to the 2006/07 figures (18.7% or 9.3 million people).
5 live offers a daily mix of news and an unrivalled coverage of UK and international sports across a variety of platforms. The service’s continued reliance on its terrestrial AM frequency remains an issue, in terms of coverage and sound quality, although we are increasingly drawing in listeners through digital means – 31% of listeners now do so digitally (Q1 2008) – and we are putting out more content via mobile phones, podcasts and on digital TV with the red button (where 606 Interactive can now be found). Live online listening reached a new high in Q1 2008 at 6.1 million total hours, up 25% on the same period in 2007.

We increased the quantity of our sports programming this year by about 80 hours, to over 2,100 hours in total. The quality remains peerless, with an outstanding line-up of sports commentators and journalists such as Alan Green, Garry Richardson and Mark Pougatch.

In news, the creation of the core news team to follow and develop news stories throughout the day is leading to a more coherent daily news offer, from Nicky Campbell and Shelagh Fogarty in the mornings to Richard Bacon at night. We have also run a series of investigative Sport documentaries presented by Brian Alexander.

We will develop further the Breakfast’s reputation for taking the programme out to surprising locations. Hendon Police College and Eton were just two from the last 12 months. The show’s blog took audience interaction in a new direction.

Across the output we used material from listeners for special NHS and Education days – just two examples of how the continued growth of audience interactivity resulted in more listener-originated, and original, stories on air last year than ever before. We will continue to explore more opportunities to do this.

Radio 5 live had an average 15-minute weekly reach to adults aged 15+ of 11.7% or 5.9 million people (versus 12.0% or 6 million people in 2006/07).

5 live Sports Extra provides commentary-based coverage of a wide range of sports, offering a greater choice of live action to fans. We continue to build our reputation as the home of live cricket with uninterrupted coverage of International Test matches and the World Twenty20 championship among the highlights.

We also hosted nine matches in the Rugby World Cup and some in the Six Nations competition. The service continues to follow Formula 1 practice and qualifying. Over the last year we also covered tennis, swimming, rugby league, boxing, athletics and golf.

Many sports are seasonal – and so weekly broadcast hours, and therefore listening hours, fluctuate across the year. On average across 2007/08, Radio 5 live Sports Extra had an average 15-minute weekly reach to adults aged 15+ of 1.5% or 0.7 million individuals, slightly up on 2006/07 levels (1.3% or 0.7 million people). We achieved record reach – nearly 900,000 listeners – for 2007’s Cricket World Cup.

This year we revamped our schedule, making it simpler and launching new flagship breakfast and early evening shows in October. But there was no change to the existing music policy, which has little crossover with commercial stations with its unrivalled commitment to UK black music, including many artists largely ignored by other (legal) radio stations. This allows 1Xtra to draw in audiences often underserved elsewhere in the BBC: two-thirds are young adults aged 15–29, with nearly one in three from a minority ethnic group. It’s a unique mix in the BBC.

Our wide range of live events coverage from around the UK and beyond over the last 12 months included Notting Hill and Leeds Carnivals, 1Xtra in New York (with DJ Semtex live from the offices of the legendary Def Jam records), and the Africa Cup of Nations. 1Xtra Live, our first major live concert, was a success – and 4,000 people had a truly memorable night in Coventry as a result. Our aim is to make 1Xtra Live a regular showcase for black music in the UK, and we’re already planning a follow-up.

1Xtra is home to some of the most passionate and knowledgeable specialist DJs in the UK, including Mistajam, Ras Kwame and Westwood. Giving them all space to do their thing, 1Xtra’s focus now is on fewer, but bigger and better creative ideas. Dancehall After Dark, for example, was an in-depth week of programming and interviews with key artists in the genre. It demonstrated the breadth of our specialist output.

With younger people still not buying digital radios to the same degree as older listeners, we are using online to grow our audience. We’ve increased interactive content and podcasts. And we’re looking to reach out into new media spaces through syndication, mobiles, or games consoles.

1Xtra had record audiences last year. Over the 12 months to March, our average 15-minute weekly reach to adults aged 15+ was 1.0% or 0.5 million people last year (0.8% or 0.4 million 2006/07).
The year got off to a difficult start for 6 Music, with some phone-in competitions revealed as having misled our audience. We apologised, and have since ensured that all relevant programme staff have completed the Safeguarding Trust course. We are confident the situation will not be repeated.

On a positive note, over the last 12 months we’ve developed our presenter line-up to now include Adam & Joe, Stephen Merchant, George Lamb and Don Letts. Shaun Keavney established himself in the Breakfast slot.

Our music news service was improved, and we launched a Music Week podcast. Digital media offers really exciting possibilities for 6 Music: we generated a vodcast of music news reporting from the Electric Proms for the rest of the BBC this year; and Tom Robinson’s Introducing show became the first national radio programme to wholly source unsigned artists from the internet.

We are exploring further opportunities to grow The Hub’s links with live music from predominantly new and UK artists, particularly at festivals, and as a virtual space online.

Over the year, BBC 6 Music has continued to attract in new listeners, with a new reach record of 853,000 in the first quarter of 2008 – meaning that over one in four of our listeners then were new to the channel, and its particular mix of old and new. Average 15-minute weekly reach to adults aged 15+ was 1.0% or 0.5 million people (0.9% or 0.4 million people in 2006/07). We were delighted to win Station of the Year in the Digital Music Awards.

2007/08 was business as usual for BBC 7 – which means an eclectic mix of archive and new material aimed at a discriminating audience.

Highlights this year included a series of programmes in a Daphne du Maurier centenary commemoration and a Stars and Stripes season featuring American comedy and drama. We also broadcast newly commissioned comedy in the form of The Penny Dreadfuls and Chain Gang, an interactive drama developed from listeners’ suggestions.

CBeebies in the afternoon slot provided a distinctive mix of stories, features and music for pre-schoolers, including Charlie and Lola, Doodle Doo and Wiggly Park. For older children, every day at breakfast Big Toe Books offered readings from the archive, with titles this year including Oliver Twist and The Chronicles of Narnia.

This year our daily 7th Dimension slot included Blake’s 7 and a Doctor Who season. And we broadcast a Heroes radio show, also available as a podcast, to tie in with the cult BBC Two series. Sci-fi remains our most popular type of drama and we are keen to develop this further, working with Radio 3 and Radio 4 on a joint season for later in 2008.

BBC 7 is the BBC’s most popular digital station, with a peak reach of 853,000 in Q4 2007. Average listening hours were broadly stable over the year and versus 2006/07 at 5 hours and 24 minutes a week. Our average 15-minute weekly reach to adults aged 15+ for 2007/08 was 1.6% or 0.8 million people, up slightly on the previous year (1.4% or 0.7 million people).

We collaborated with BBC Two on Desi DNA, on subjects like art and music, and less obvious areas ranging from bodybuilding to drag queens, covering football on the way. Additional exclusive content was available via the red button.

We worked hard to increase the impact of our journalism with powerful stories in Asian Network Reports on forced conversion and being gay in Asian communities, to name just two. There was extensive coverage of Benazir Bhutto’s return to Pakistan and subsequent assassination.

The 60th anniversary of Partition provided food for thought, and much of our programming reflected the variety of experiences and opinions within British Asian communities. The Asian Nation multimedia project gave a platform for our listeners to share their own stories.

BBC Asian Network had an average 15-minute weekly reach to adults aged 15+ of 1.0% or 0.5 million people last year. This was consistent with 2006/07 (0.9% or 0.5 million). AM listening in the Midlands remains strong.
It's a big goal, to be the best. But BBC News is the UK’s most trusted local, national and international news provider, offering the best journalism in the world. We'll be under threat if we don’t adapt to meet the changing needs of our audiences for greater convenience, personalisation and participation. The digital revolution defies us not to rest on our laurels.

Mark Byford
Deputy Director General and Chair of Journalism Board
JOURNALISM:
NEWS

The BBC provides the most watched, listened to and used news service in the UK – over 80% of the UK population aged 15+ used our news services in a typical week throughout last year.

During the year we continued the radical overhaul of BBC News – to better meet changes in audience needs. For the first time, radio, television and on line news have come together to minimise duplication and optimise the impact of original BBC journalism by creating a Multimedia Newsroom. The new Newsroom works closely with the new Multi Media Programmes department which brings together key BBC investigative and long-form programmes like Radio 4’s Today, and television’s Newsnight and Panorama. These changes will also help deliver efficiency savings over the coming six years.

Journalistic accuracy, impartiality and independence will remain the cornerstone of the BBC’s ongoing news strategy. These key values were seen across our news output this year on all platforms.

Leading domestic stories this year included:

- The transition of power from Tony Blair to Gordon Brown was covered confidently by our specialist correspondents.
- Bomb attacks on London and Glasgow included on-the-spot coverage and interviews with key witnesses.
- Immigration has grown to be a key concern for the British public. We ensured that we dealt with the issues objectively as well as providing a deeper level of analysis on, for example, immigration statistics.

The international agenda also shaped what we covered. Big stories from around the world included:

- The death of Benazir Bhutto at a political rally – covered extensively in our domestic and international services.
- On the violence in Tibet, China’s internal security laws meant that the BBC could not enter Tibet, so we took care to try to verify on-the-ground ‘eyewitness’ accounts.

In its first full year of operation, the College of Journalism, the BBC’s first co-ordinated journalism learning service offering and developing a wide range of courses and modules, confirmed its importance to the BBC. The College was lead partner in the BBC Trust’s Safeguarding Trust online and face-to-face training modules, which were completed by 99% of all relevant staff within the financial year (over 17,000 individuals).

A bespoke modified version of the modules has now been rolled out to supplier organisations and individuals in the independent production sector to ensure that factual programmes in particular meet the BBC’s values, and will be made available free of charge to the wider UK population on bbc.co.uk in the summer as part of the BBC’s wider media literacy outreach effort.

The College also ensures that BBC journalists, irrespective of where they are or the language they report in, understand the BBC’s journalistic values.

Over half of all UK adults aged 15+ (52.1%) listened to radio news each week last year (15 minutes) – around 26.2 million people. This figure was up slightly on 2006/07 (25.6 million/51.4%). At the end of March 8.0 million people visited us online – up by one-third on the year before (6.0 million).
Many BBC journalists, like Lyse Doucet, work across radio and television, and increasingly online too.

BBC’s global news audience.

Afghan women use a child’s radio to listen to World Service.

We marked ten years of a rolling news service in November. A big anniversary provides an opportunity to reflect and over the year we’ve assessed the channel within the context of the wider news offer and concluded that the time was right to refresh the brand and place it at the heart of BBC News. However, the brand change does not mean any fundamental shift in the channel’s proposition – it retains its hourly news headlines and emphasis on serious and trusted journalism, comment and analysis.

Earlier experiments with the use of studio space and other resources had been encouraging. For example, we co-presented across News 24, BBC World and the terrestrial networks from two sites in Pakistan within hours of the death of Benazir Bhutto: Lyse Doucet from the Bhutto’s ancestral home in Larkana and Mishal Husain from Islamabad.

Other developments have included Question Time Extra, which responds to viewers immediately after BBC One’s Question Time. And Blue Peter’s Gethin Jones presented £24, an entertainment news pilot which proved an early success and had its initial run of nine weeks extended.

Viewing figures are up 21% year-on-year and the channel has a 15-minute weekly reach figure of 4.2 million (7.5% of all homes – versus 3.2 million and 5.7% for 2006/07), and share up from 0.5% to 0.7%, ahead of all the other UK news channels. It was presented with a prestigious Golden Nymph during the year.

The channel is much more than a record of debates and hearings and is nimble enough to experiment and innovate. Last year, for example, we took a selection of programmes from BBC Two’s Storyville strand and created a couple of themed evenings about democracy around the world. One story – Taxi to the Dark Side – went on to win the 2008 Oscar for Feature Documentary, and promptly got its UK post-victory airing on BBC Parliament.

Archive events included a showing – presented by Cliff Michelmore – of original news programmes on the devaluation crisis of 1967. On Sundays, viewers watched coverage of the speeches and press conferences of the US presidential candidates week by week.

2007/08 was the channel’s first complete year with a full-screen on Freeview, which has helped to make the channel a more attractive destination. Over the year average monthly reach has been over 1 million, with around 200,000 tuning in for Westminster’s debate on the Lisbon Treaty in March.

Weekly 15-minute reach in all homes has grown year-on-year from 0.2% to 0.3% – an increase of over one-third from 260,000 to 360,000.

The BBC’s Global News division covers English and 32 languages, and had a combined reach on radio, television and online last year of 233 million, in line with the year before, and maintaining the BBC’s position as the world’s leading international news service.

We encompass BBC World Service radio, BBC World News television, the BBC’s international-facing online news services, BBC Monitoring and BBC World Service Trust.

This year BBC World Service launched BBC Arabic TV, the BBC’s first publicly funded non-English language television service.

The Middle East has been an important region in news terms for much of the last 50 years. Although the BBC has been broadcasting Arabic radio since 1938, and has offered a highly acclaimed website since 2001 – both of which have successfully attracted audiences making the BBC a trusted voice in the region – television is undoubtedly the primary way audiences in the Arab world currently consume their news. It is key to reaching new audiences.

Initially broadcasting 12 hours every day, BBC Arabic TV will be extended to a 24-hour rolling service during 2008. This will help the BBC to improve its reach and impact in the region by offering its news and information to 200 million people across the Arab world. This year we also got permission to launch BBC Persian TV, which will be available later in 2008. Both new channels operate under the auspices of BBC World Service.
Across all our services we have, this year, reported the main international news stories in depth. And we’ve offered analysis and opinion to support daily and breaking news.

Our award-winning Bangladesh Boot was one key example of BBC Global News pulling together as a whole and working with other parts of the BBC, such as the Asian Network. We spent a month travelling along the rivers of Bangladesh as part of a major project to track and debate climate change for real in a country severely threatened over the next 40 years due to rising sea levels. 17 language services got involved and delivered a range of programmes covering the gamut of opinion that the subject inspires.

BBC World Service’s weekly global audience estimate, created from independent surveys, was 182 million last year, in line with the previous year’s record of 183 million.

BBC World News, the commercially funded English-language news and information channel, is available all day every day in 153 million homes. A further 118 million homes can receive it at other times, giving a combined total distribution of 271 million households. Every week 78 million people watch BBC World News, making it the BBC’s most popular news channel.

Yet again, reach to our international-facing news sites was at record levels during the year – with a record 808 million page impressions in March, up from last year’s peak of 763 million. We had 42.5 million unique online users during March 2008, an increase of 10% on 38.5 million a year ago.
On television we continued to consolidate journalism within our sports coverage with further series of Inside Sport on BBC One presented by Gabby Logan. The programme gets behind the sporting headlines and brings an insight into the key sporting debates, and this year included a range of interviews with big sporting names such as Sven-Goran Eriksson, Dwain Chambers and Christine Ohuruogu. There was also a special programme from Beijing as the city prepared to host the Olympics.

We continued with our commitment to take Sports Personality of the Year outside London, with a second year at Birmingham’s NEC. An increased audience of 8,000 were at the live show, with 9.3 million tuning in to see world champion boxer Joe Calzaghe win the main award. This year the event moves to Liverpool.

Collaboration across the various services – on television, radio and online – has been improved by the creation of a new multimedia sports news hub, with journalists working on stories for all platforms. This has also led to more multimedia commissioning which has significantly increased the sharing of ideas, resources and material between the different BBC outlets for sport.

Acquiring broadcasting rights to major sports events, and across all media, continues to be one of the most delicate of balancing acts for the BBC: we have to deliver a quality service, but at an acceptable price. It is the nature of the beast that sometimes we will be outbid by other broadcasters or the asking price will be just too great. However, this year we were delighted to be able to add Formula One and the Football League to our television portfolio from 2009. There have also been successful renewals of our contracts with the All-England Club at Wimbledon, Six Nations rugby, The Masters golf and the Rugby League Challenge Cup. Our debut coverage of the Super Bowl was well received by American Football fans, with around 400,000 of them still watching live at 3am.

The average 15-minute weekly reach of BBC Sport on TV to viewers aged 4+ in 2007/08 was 28.9% or 16.3 million people (down from 31.8% or 17.8 million people in 2006/07). Average weekly reach via BBC Radio 5 live at the end of the year was stable year-on-year at 3.8 million/7.5% (versus 3.7 million/7.4%). Online, BBC Sport reached 6.3 million at the end of March 2008, up 28% from 4.9 million last year.

The local radio market is highly competitive. Yet within this environment, BBC Local Radio in England continues to reach nearly one in five of all adults. The total audience has fallen slightly over recent years and some larger urban stations – Manchester and WM (West Midlands) for example – are being refreshed in order to address the potential for reaching out to new audiences.

Our 39 stations offer speech-led local programming plus music with a broad appeal outside the all-talk breakfast programmes. This year we have improved the quality and frequency of our travel information, and we’re now doing the same with weather forecasts.

Sport remains particularly important to our listeners although budgets for soccer commentary rights remain under pressure. Leeds United recently withdrew commentary rights from BBC Radio Leeds after 40 years, choosing instead to give them to a DAB-only radio station owned by the club. Local radio sports staff now publish their stories online, which has enhanced the service in recent months.
All the stations offer religious programming on Sunday mornings. BBC Radio Solent gave extensive coverage to a contemporary Passion play and celebration witnessed by thousands of people in Winchester.

BBC Local Radio also has a particular role to play at moments of civic crisis. We won enormous praise from audiences and the emergency services for our response to last summer’s floods: BBC Radio Gloucestershire gave essential information on finding fresh water after the mains system failed; BBC Hereford & Worcester helped people replace flood-damaged goods.

Journalism remains the backbone of our speech content. BBC Radio Newcastle secured the first broadcast interview with Adam Applegarth, then chief executive of Northern Rock; Freedom of Information responses from East Midlands police forces revealed that they recorded crimes committed by children as young as four and that children who are too young to prosecute are committing hundreds of offences every year. This story was covered on all the region’s BBC radio stations.

Radio Berkshire report about a Basingstoke club which banned people with disabilities at weekends was followed up by the Disability Rights Commission and the local council.

We’ve had mixed results on our podcasts, but successes have included sport, news round-ups and some presenter-led content. The UK Black podcast, drawing together the best of BBC Local Radio’s African and Caribbean programmes, was particularly welcomed by the communities it serves. We are developing our podcast service further.

On television, we continue to provide the most watched local weekday evening news bulletin (BBC One at 6.30pm with an average 3-minute weekly reach of 12.5 million last year) and explore stories of local significance in more depth in Inside Out.

The average weekly reach among adults 15+ to BBC Local Radio was 18.6% or 7.5 million listeners (compared to 18.8% or 7.7 million in 2006/07).

Last year, we delivered a rich mix of genres to both network and Scottish audiences. On TV, factual programmes as diverse as Stephen Fry’s HIV and Me, an exploration of quantum physics, Parallel Worlds, Parallel Lives, and a controversial study of boys in care, Boys Behind Bars, won awards. Our national news programme, Reporting Scotland, celebrated 50 years on air, while the move to broadband was reflected in new rights to cover The Scottish Premier League football and in increased audiences on the web for coverage of live events, such as in the Park.

Investment in development paid off. The popular comedy Still Game broadcast its sixth series, and developed a successor, Dear Green Place. The entertainment show, Lottery Jet Set, resulted in the commissioning of a Saturday night quiz show. We delivered innovative drama to BBC Three in Phoo Action, while winning new commissions set in Scotland. Primetime soap River City attracted more than half the population of Scotland over the year.

Scotland’s music was celebrated across TV, radio and online, in concerts by the BBC Scottish Symphony Orchestra and in partnership projects with the National Theatre, among others. The celebration incorporated The Highland Year of Culture, with opportunities for the audience to contribute their own films. Our Gaelic digital service was approved for launch in 2008, complementing our existing Radio nan Gàidheal service.
Radio Scotland offered the biggest mix of programmes and more live music than all other Scottish stations including, with TV and online, *Celtic Connections*, the World Pipe Band Championships and the National Mod. This year Radio Scotland commissioned 12 new plays, and BBC Scotland delivered around 75 hours more drama to other radio networks.

Comprehensive coverage of 2007’s Scottish local and parliamentary elections included three televised Big Debates, a Leaders’ Debate and a Newsnight Scotland investigation in BAFTA award-winning *Does Your Vote Count?*. There was overnight coverage of the results on all platforms, with a camera at every count. Political coverage was enhanced with extended web coverage of the party conferences in Scotland, including live streaming of main speeches and debates.

Average weekly reach for Radio Scotland was down year-on-year to 21.5% (equal to 915,000 individuals) from 23.1% (981,000). However, those who did tune in were inclined to stay for longer this year than in the year before. A new schedule was launched in May, and there are signs that listener numbers are now starting to build again. In TV news, Reporting Scotland maintained its 3-minute weekly reach at 1.3 million.

**BBC Cymru Wales**

BBC Wales has continued to build on the successes of recent years both in its local programming and its contribution to the UK networks – where, in drama alone, *Doctor Who* and *Torchwood* returned, and we launched *The Sarah Jane Adventures* which quickly became one of the most popular children’s TV programmes on the BBC. We began work on a ninth and final series of award-winning local TV drama *Belonging*, and a key priority is to find a worthy successor. A broad range of drama was also delivered to Radio 4 and Radio 3.

In factual programming, *Tribe* presented by Bruce Parry returned to our screens, as did *The Trees That Made Britain* and the delightful observational series *A Year At Kew*. A major local success for BBC Wales last year was *Coal House*, which took three families back to experience the realities of mining life in 1927. The series was complemented with radio discussions, websites, community events and additional television programming. It provoked an overwhelmingly positive audience response. A second series has been commissioned.

The Welsh Assembly Election in May 2007 saw our news and current affairs programming lead the debates in both languages and keep the public informed of all the twists and turns of the campaign. We also created a group of voters, the *Wales 60*, to represent a balanced range of views from across the nation to give their reaction to the policies, politicians and campaigns. *Dragon’s Eye* and the new political debate programme for S4C *CF99*, maintained the momentum after the creation of the coalition government in Wales.
Over 12% of Network Television’s eligible spend will be in Scotland, Wales and Northern Ireland by 2012.

People who attended the Springwatch event in Londonderry’s Guildhall Square.

Northern Ireland without rain? History series Blueprint showed it was once true.

6,000

BBC Northern Ireland

New technologies and delivery platforms are creating an increasingly complex broadcasting environment in Northern Ireland. Despite this we achieved record audience reach figures for TV News, BBC Radio Ulster/Foyle, local television programmes and our interactive services last year. In a BBC first, we launched an election results service via mobile phone – just one part of our extensive coverage of elections to the Northern Ireland Assembly.

We had another good year for challenging and original journalism. Four network investigations for Panorama included a disturbing and BAFTA-nominated film on dog fighting. A Spotlight special ‘The Hunt for Captain Nairac’ examined issues relating to his kidnap and murder over 30 years ago.

Documentaries and popular factual series continued to appeal to our television audiences and help us to better reflect the changing diversity of local society.

Ambitious history projects such as Blueprint (BBC One NI) and A Short History of Ireland (BBC Radio Ulster) brought their subjects to life and enjoyed critical and popular success. Proms in the Park had its largest-ever attendance in Carrickfergus, whilst Vital, ATL Rocks school and the Blockstaff Sessions provided a showcase for local bands and emerging musical talent.

BBC Radio Foyle played host to the local Springwatch campaign and attracted almost 6,000 people to its large-scale event in Guildhall Square. BBC Radio Ulster undertook its most ambitious programme of outside broadcasts and provided a platform for listeners’ stories and experiences on Days Like This.

Once more this year we reflected important aspects of the region’s cultural and linguistic diversity through programmes in Irish and Ulster Scots. These included Na Dódaí, Blas and A Kist Ó Wurds. Our programming in this area will benefit from additional funding over the next period as part of a new editorial strategy for local minority languages.

Locally produced drama programmes included the serialisation of David Parks’ The Truth Commissioner for Radio 4’s Book at Bedtime. Two drama series were delivered to network television – a return for Messiah and Fairy Tales with its contemporary retelling of familiar stories. Although beautifully crafted, Fairy Tales did not secure a large network audience and has not been recommissioned. We remain ambitious to build a portfolio of network production across all platforms with sustainable creative, cultural and economic benefits for the local community.

We refreshed our sports output with new contracts for large-scale events and fixtures. These will include dedicated coverage of local and international soccer, GAA and the North West 200.

BBC Radio Ulster/Foyle had a combined average 15-minute reach to adults aged 15+ of 38.6% or 533,000 people (versus 38.0% or 523,000 people in 2006/07). TV News from BBC Newsline reached 833,000 across the day and had the highest average audience appreciation across the year of the BBC’s regional programmes across the UK.
Commercial activities

“BBC Worldwide’s activities around the world – from licensing programmes to developing websites and magazines, or launching our own BBC-branded TV channels – help to build the BBC’s reputation as a creator of wonderful content. We’re completely focused on bringing the most value back to the BBC brand and to licence fee payers by investing for growth.”

John Smith
Chief Executive of BBC Worldwide Limited
Beautiful cinematography is just one element of our first Chinese co-production, *Wild China*.

It was BBC Worldwide's most profitable year yet.

Programme, format and DVD sales combined to give BBC Worldwide its most successful year yet.

**BBC Worldwide**

This was another record year of growth for BBC Worldwide, the main commercial arm of the BBC. Total sales were up 13.1% to £916.3million (from £810.4million), including our share of joint ventures, and operating profit was up 17.0% to £117.7million (from £100.6million before exceptional items).

In addition to delivering increased profit from existing activities, we also invested heavily in new businesses during the year in order to secure future growth. Profit was driven by high sales of television programmes and DVD, especially *Planet Earth*.

Our mission is to “entertain the world and bring value to the BBC”. In June 2007 we set out our growth strategy, which was approved by the BBC Executive Board and BBC Trust, and are making significant headway in meeting these purposes and to:

- Grow online revenues to more than 10% of all sales
- Grow overseas revenues to two thirds of the total
- Roll out a suite of TV channels around the world
- Build an international network of production businesses
- Undertake acquisitions.

Across our online businesses, revenues were up 17.4% on 2006/07 (and share of Group turnover from online business rose from 1.1% to 2.7%). In November we launched bbc.com, through which people from around the world can access the BBC's highly popular website bbc.co.uk, but with the addition of advertising that is only visible to users outside the UK. Plans are also well developed to establish an internet-based commercial media player joint venture with ITV and Channel 4, subject to approvals.

Gross turnover from international activity was also up by 11%. We continued to roll out our new BBC-branded TV channels in markets including Singapore and Poland. In the USA, schedule changes to BBC America helped primetime ratings double among the sought-after demographic 18–49s. We also established production bases in New York and Mumbai, to add to our stake in Australian independent, The Freehand Group. These are all securing local commissions including the next series of *Dancing with the Stars* in India and a local series of *Top Gear* in Australia. Just after year end we established a joint venture with Australian magazine publisher ACP and a local version of *Top Gear* magazine is already in development.

Our major acquisition of the year was a controlling stake in the number one travel information group Lonely Planet. The well-respected brand and its extensive catalogue of books, TV programmes and online services complement our existing catalogue of 500 hours of travel and world culture programming. Plans are under way to improve the website www.lonelyplanet.com and to develop ways of introducing BBC content online to new audiences worldwide.

Other highlights of the year included placing all 83 episodes of *Allo Allo* on Germany’s ProSieben network. We sold the scripted format of *The Office* to Chile, and of *Life On Mars* to Spain, the setting being tweaked to the post-Franco era of 1978. Adding to our reputation as distributor of the world’s foremost natural history programming, we had continued success with *Planet Earth*, rolled out *Ganges and Earth – The Biography*, and unveiled the landmark *Wild China*, our first-ever Chinese co-production. In the UK our joint-venture channels business (with Virgin Media) unveiled Dave, a new entertainment channel that was an instant hit with target audiences, as was the first range of *In The Night Garden* DVDs and toys.

However, in a year of unparalleled success, it is regrettable that a mistaken practice came to light within our telephony services business Audiocall. Over a two-year period to August 2007, £106,000, which should have gone to charity from phone-in votes placed after the voting period had closed, was wrongly retained by Audiocall. Following an independent review, no evidence of any impropriety or intention to defraud has come to light. However, it was nonetheless a bad oversight. This has now been rectified and all the money has been paid to the charities involved, with sufficient extra to cover interest (£123,000 in total).

For more information about BBC Worldwide check out www.bbcworldwide.com/annualreview

**BBC Resources**

This year BBC Resources Limited made an operating loss of £1.9million on turnover of £122.3million. The loss before interest and tax was £3.2million. (2007: PBIT £5.2million, turnover £126.2million.)

The fall in operating profitability reflects a £5.5million increase in contribution to the BBC Pension Scheme.

During the year the Company was offered for sale in whole or in part, resulting in the sale of the Outside Broadcasts business to SIS Outside Broadcasts Limited on 1 April 2008. The results reflect £1.3million of costs relating to this process, charged as an exceptional item.

The Costume and Wigs hire operation was closed in February 2008 and its stock was sold to other suppliers.

For more information on BBC Resources see www.bbcresources.com
Engaging with audiences

Whether someone is doing a tour, phoning for advice or information, or making a complaint, we put the audience first and ensure that the BBC is open and accountable. We’re always keen to improve the ways people can interact with us – we’ve recently built our online booking service for free tickets to shows, for example – and constantly strive to give them better services.

Tim Davie
Director of Marketing, Communications & Audiences
Regulated use of premium phonelines lets viewers take part in programmes, and can raise money for charity.

Calls, letters and emails to BBC Information last year.

An eclectic mix of guests keeps Later with Jools as TV's pre-eminent contemporary music show.

Interacting directly with viewers, listeners and online users is important to the BBC. We regularly engage with audience groups to find out what they like, what they don't like, and what they expect from the BBC. And we use what they tell us to inform on the programmes we make and the services we offer.

There are also other ways in which people can participate in the BBC. They can vote in our entertainment shows like I'd Do Anything, take part in competitions (the BBC adopted new guidelines during the year following editorial breaches across the industry), be in a studio audience, attend an event – from an orchestral performance to World Music Awards, get information or support after some of our programmes, tour a building or attend our open centres. Millions of people have a face-to-face experience with us every year; and millions more phone, text, write, email, send us their photos and videos, or post on one of our many blogs. We are committed to doing our best to make each of those contacts a positive experience.

BBC INFORMATION

BBC Information is the virtual front door for our audience. Over the last 12 months we handled over 1.1 million contacts from the public, around 70% – over 750,000 – of which were unsolicited. The balance was solicited, such as the action line set up for Sport Relief Presents Surviving Suicide which provided details of organisations offering help and support to anyone affected by depression. Almost 60% of these contacts came through by phone; 91% of all calls were answered in 30 seconds.

RESPONDING TO COMPLAINTS

In 2007/08 we dealt with approximately 124,000 unsolicited complaints. 93% of complaints were answered within ten working days. There is evidence to suggest that lobby activity from a number of Turkish websites drove the highest volume of complaints on a single issue – over 11,500 complaints were answered on the topic of the BBC not referring to the PKK as a ‘terrorist’ organisation. Other notable issues were the removal of the complementary medicine section on bbc.co.uk, the cutting short of live performances on Live Earth, and the BBC losing the rights to broadcast Neighbours. EastEnders was the programme attracting the most complaints over the course of the year: 5,500, more than double that of any other programme. Production teams take feedback on the programmes we make and the services we offer.

BBC Information: Action Line

The Action Line provides further sources of help and information on social action issues. The campaign generating the biggest response last year was Radio 1’s safe sex campaign, in conjunction with 1Xtra. Almost 33,000 phone and email requests were received.

STUDIO AUDIENCES

2007/08 was our busiest year yet for network radio and television shows recorded live in front of audiences – 850 in total, up by 50 on the previous year. We recruited the majority of these 193,104 audience members ourselves, using a new random draw system. The most subscribed TV shows this year were Strictly Come Dancing, I’d Do Anything, Later With Jools and, for radio, Friday Night is Music Night. Radio comedy shows are also very popular. For news of what’s coming up see www.bbc.co.uk/tours

STUDIO TOURS

Television Centre had 53,356 tour visitors last year, of whom 57% were under 18. The visitors most enjoyed the interactive elements – such as a quiz (with prizes!) for the grown-ups and a chance to play Raven for the kids – and looking around working studios. The tours picked up two awards: Runner-Up at the National Group Travel Awards – Best Company/Venue Offering Guided Tours 2007, and Best Tourism Experience in London Silver Award 2007. 95% of visitors asked said that they would recommend the tour to a friend and 70% regarded the BBC more favourably as a result of coming on a tour. See www.bbc.co.uk/tours

OTHER OUTREACH ACTIVITIES

Other activities last year included Schools Question Time, where school students helped to produce an edition of the BBC One programme, and BBC Stringers and Making It where audience members made output and even got to run some BBC operations for a day – BBC Berkshire and BBC South were 2007’s host regions – under the gimlet eye of Controller of English Regions Andy Griffie.

BBC News and Sport on Tour was present once more at events around the UK in places such as Swansea, Coventry, Nottingham and Glasgow. The Tour allowed visitors to have a go at reading the news on television or radio in our special studios. They could also try out some of the technical roles involved in getting programmes on air and check out some of our interactive services. Some top national and regional TV and radio presenters were there to give tips and advice. Participants could write stories for online too and some of the best ‘rookie reporters’ made output for local and national news outlets across all media.

The BBC offers a variety of experiences each year. No two years are the same.
Mostly, however, people connect with the BBC through our programmes and services. Charts 1 – 4 show how we’ve performed with audiences over the last year. (Sources: BARB and Rajar)

BBC services combined are viewed, listened to or used by 93% of the population – there was no substantial change on the previous year’s reach performance (92.5%) and the figure is still ahead of the target set by the BBC Trust (90%). BBC services in television and radio perform strongly against other providers. See the service reviews starting on page 29 for individual reach by service.

Last year the BBC had a 33.8% share of the television market, and a 55.2% share of the radio market. Combined, we had an average weekly share of 42.2% – around the same as the previous year (42.6%). Our digital television channels all showed growth, which is to be expected as households migrate. These charts show the share percentage by service.

### Chart 1: BBC Vision reach versus main UK competitor groups, %

<table>
<thead>
<tr>
<th>Service</th>
<th>2007/08</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>All BBC Vision</td>
<td>85.0</td>
<td>84.4</td>
</tr>
<tr>
<td>Total other channels</td>
<td>70.6</td>
<td>64.8</td>
</tr>
<tr>
<td>All ITV</td>
<td>75.4</td>
<td>74.7</td>
</tr>
<tr>
<td>All C4</td>
<td>66.6</td>
<td>66.1</td>
</tr>
<tr>
<td>All Five</td>
<td>42.8</td>
<td>42.2</td>
</tr>
<tr>
<td>All Sky</td>
<td>32.5</td>
<td>33.5</td>
</tr>
</tbody>
</table>

### Chart 2: BBC Audio & Music reach versus main UK competitors, %

<table>
<thead>
<tr>
<th>Service</th>
<th>2007/08</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total BBC Radio Reach</td>
<td>66.3</td>
<td>66.4</td>
</tr>
<tr>
<td>All Commercial Radio</td>
<td>62.1</td>
<td>62.6</td>
</tr>
<tr>
<td>Virgin AM/FM</td>
<td>4.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Classic FM</td>
<td>11.3</td>
<td>11.8</td>
</tr>
<tr>
<td>Talksport</td>
<td>4.8</td>
<td>4.7</td>
</tr>
<tr>
<td>All Local Commercial Radio</td>
<td>49.8</td>
<td>50.8</td>
</tr>
</tbody>
</table>

### Chart 3: BBC Vision share by service, %

<table>
<thead>
<tr>
<th>Service</th>
<th>2007/08</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBC One</td>
<td>21.9</td>
<td>22.0</td>
</tr>
<tr>
<td>BBC Two</td>
<td>8.3</td>
<td>8.4</td>
</tr>
<tr>
<td>BBC Three</td>
<td>1.0</td>
<td>0.8</td>
</tr>
<tr>
<td>BBC Four</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>CBBC</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>CBeebies</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td>BBC News</td>
<td>0.7</td>
<td>0.5</td>
</tr>
<tr>
<td>BBC Parliament</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>BBC i</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

### Chart 4: BBC Audio & Music share by service, %

<table>
<thead>
<tr>
<th>Service</th>
<th>2007/08</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Radio 1</td>
<td>10.5</td>
<td>10.1</td>
</tr>
<tr>
<td>Radio 2</td>
<td>15.9</td>
<td>15.8</td>
</tr>
<tr>
<td>Radio 3</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Radio 4</td>
<td>11.6</td>
<td>11.4</td>
</tr>
<tr>
<td>Radio 5 Live</td>
<td>4.4</td>
<td>4.3</td>
</tr>
<tr>
<td>5 live Sports Extra</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>1Xtra</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>6 Music</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>BBC 7</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Asian Network</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>World Service (UK only)</td>
<td>9.8</td>
<td>10.2</td>
</tr>
<tr>
<td>BBC Local &amp; Nations Radio</td>
<td>0.7</td>
<td>0.7</td>
</tr>
</tbody>
</table>

We subtitled over 46,000 hours of programming.
The BBC is committed to making its programmes as accessible as possible to all audience groups. In 2007/08 we exceeded all our access targets. See charts 5–7.

We subtitled over 46,000 hours of programming – up year-on-year, and on target to meet our 100% target by 2008/09. BBC Parliament and BBC HD are not subject to Ofcom targets, but nonetheless added a further combined 1,388 hours.

Our target for programming to be audio described increased from 8% to 10% this year. This target does not apply to the News Channel due to the nature of its rolling news output, and does not apply to BBC Parliament, BBCi and BBC HD due to audience size.

The same exemptions apply to signing where, in November, our target increased from 4% to 5%. All relevant services exceeded the average for the year (4.4%).

**Chart 5: Programmes Subtitled, by service, %**

<table>
<thead>
<tr>
<th>2007/08</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBC One</td>
<td>97.6</td>
</tr>
<tr>
<td>BBC Two</td>
<td>97.2</td>
</tr>
<tr>
<td>BBC Three</td>
<td>92.7</td>
</tr>
<tr>
<td>BBC Four</td>
<td>91.9</td>
</tr>
<tr>
<td>CBBC</td>
<td>92.7</td>
</tr>
<tr>
<td>Cbeebies</td>
<td>91.8</td>
</tr>
<tr>
<td>BBC News</td>
<td>91.1</td>
</tr>
</tbody>
</table>

**Chart 6: Programmes Audio Described, by service, %**

<table>
<thead>
<tr>
<th>2007/08</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBC One</td>
<td>12.6</td>
</tr>
<tr>
<td>BBC Two</td>
<td>12.4</td>
</tr>
<tr>
<td>BBC Three</td>
<td>21.4</td>
</tr>
<tr>
<td>BBC Four</td>
<td>18.1</td>
</tr>
<tr>
<td>CBBC</td>
<td>11.9</td>
</tr>
<tr>
<td>Cbeebies</td>
<td>10.6</td>
</tr>
</tbody>
</table>

**Chart 7: Programmes Signed, by service, %**

<table>
<thead>
<tr>
<th>2007/08</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBC One</td>
<td>4.7</td>
</tr>
<tr>
<td>BBC Two</td>
<td>4.2</td>
</tr>
<tr>
<td>BBC Three</td>
<td>4.3</td>
</tr>
<tr>
<td>BBC Four</td>
<td>4.2</td>
</tr>
<tr>
<td>CBBC</td>
<td>4.7</td>
</tr>
<tr>
<td>Cbeebies</td>
<td>4.9</td>
</tr>
<tr>
<td>BBC News</td>
<td>4.6</td>
</tr>
</tbody>
</table>

* Based on 52 weeks, not full year.
The BBC is a dynamic place to work, where people never stop learning and can stretch their creativity, imagination and expertise to create content and services that our audiences love and value.

Stephen Kelly
Director BBC People
With over 24,000 people in 43 countries, in excess of 100,000 job applications last year, and in the region of 30 million hits to our employment website (www.bbc.co.uk/recruitment), the BBC takes staff recruitment, retention and training seriously.

The following map gives a snapshot of where BBC UK staff working in our broadcast and support functions were located as at 31 March 2008. (See note 4a for average across the year.)

Map 1: Staff UK PSB staff by Nation (equivalent full-time), %

<table>
<thead>
<tr>
<th>Nation</th>
<th>07/08</th>
<th>06/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>England (excluding London)</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>London (regional only)</td>
<td>57</td>
<td>56</td>
</tr>
<tr>
<td>Scotland</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Wales</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

A major consultation was concluded in April 2007, which saw the launch of a new People Strategy, five strategic themes aimed at unlocking the local and corporate business priorities in each BBC business group – Vision, Audio & Music, Journalism, Future Media & Technology, and central and commercial services:

- **Collective leadership**: We want to ensure that managers have the skills to foster a culture of creativity, openness and rigour around editorial standards and quality wherever they happen to work. To develop management capability, a new leadership training programme, Leadership Essentials, launched in October, and a new Staff Survey was introduced in April 2008 to help us to get authentic feedback from staff as well as to understand their attitudes and aspirations, and so work together. The first results are due in June 2008.

- **Getting the right skills and talent for a changing BBC**: This year saw the BBC undertake an extensive reprioritisation programme. This involved more than 2,000 job closures and redundancies (to take place by 2010) – as well as the creation of 800 new roles, many in new media and multi-platform areas as we conclude our preparations for a digital UK. Around 400 individuals are being redeployed within the business to gain new skills that will benefit the BBC and its audiences.

- **Reward for performance**: Get in the right people, and then reward them appropriately – that’s the key to encouraging and achieving great performance. One element in our new approach to genuine performance management is the Senior Management Development, Potential and Performance Reviews being carried out across the BBC this year; and to be extended to all staff next year. We also launched a new online service for Flexible Benefits called myReward which allows UK staff to choose how to manage their own benefits such as holiday entitlement and pension contributions.

Salary is the cornerstone of staff reward. The following table shows BBC senior managers’ headcount by full-time total salary for the year to 31 March 2008. Where staff are part-time, the full-time equivalent salary is given. This figure is made up of staff in both the public service and the commercial areas, excluding staff on maternity or unpaid leave at that date.

Table 1: Senior managers’ headcount by salary band

<table>
<thead>
<tr>
<th>Salary band</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under £70,000</td>
<td>72</td>
</tr>
<tr>
<td>£70,000-£99,999</td>
<td>329</td>
</tr>
<tr>
<td>£100,000-£129,999</td>
<td>171</td>
</tr>
<tr>
<td>£130,000-£159,999</td>
<td>89</td>
</tr>
<tr>
<td>£160,000-£189,999</td>
<td>44</td>
</tr>
<tr>
<td>£190,000-£219,999</td>
<td>15</td>
</tr>
<tr>
<td>£220,000-£249,999</td>
<td>11</td>
</tr>
<tr>
<td>£250,000+</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>744</td>
</tr>
</tbody>
</table>

(Note: 5 managers were excluded in error in the original published table.)
*Getting the basics right:* We are committed to constantly improving how we do things, making our processes and systems simple, clear and transparent to those staff who do business with us. This year we reinforced our joining processes (including right to work, Criminal Records Bureau checks and editorial compliance), and revisited some of our employment policies (updating our Grievance, Capability and Conduct, and Bullying and Disciplinary policies).

As a function, BBC People also revised its operating model to become more effective for customers.

Our relationship with Capita, our HR outsourcing partner, has been reviewed and they are currently working on a Service Improvement Plan to enhance their service capability. Our joint ambition is to work together to strengthen the services they deliver to us.

*Changing how we work:* BBC People is tasked with delivering a new ‘Employee Value Proposition’ for the BBC, embracing Salford (mediaCity:uk) and London (W1 and W12 sites). We want to make the BBC a truly creative place to work, and that will deliver real value to licence fee payers and benefits to audiences by offering them the great programmes and content that emerge as a result.

---

**Training and Development**

Across the board, training is crucial to our evolving people strategy. Whether it’s a week-long face-to-face experience on leadership or a 30-minute online refresher course on health and safety, it is important that our staff have the right level of training and training support to carry out their duties.

Last year we delivered the equivalent of 70,490 training days to 63,487 delegates, many from the independent sector and wider media industry.

We are continuing to invest in a range of initiatives aimed at supporting new ways of working within digital multi-platform environment, and our in-house training facilitators go around the BBC encouraging and facilitating ideas generation across the organisation.

As noted elsewhere, Safeguarding Trust was provided to 17,000 members of staff in the space of six months and is now being rolled out to the independent sector.

In total, we spent over £43 million on training this year.


### Chart 8: Black and Minority Ethnic staff, % of total

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>10.9</td>
</tr>
<tr>
<td>2007</td>
<td>10.3</td>
</tr>
<tr>
<td>2006</td>
<td>9.9</td>
</tr>
</tbody>
</table>

### Chart 9: Disabled staff, % of total

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>4.7</td>
</tr>
<tr>
<td>2007</td>
<td>2.8</td>
</tr>
<tr>
<td>2006</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Overall approval of the BBC among BME adults is positive, and is very closely aligned to ‘the All UK adults’ level.

### OCCUPATIONAL RISK MANAGEMENT

The Director-General has responsibility for ensuring that the organisation has a health and safety policy and complies with it. The Executive Board approves strategy and monitors performance. On a day-to-day basis, local managers have responsibility for activities under their control. Our goal is to provide a safe and healthy working environment for our employees, the people we work with and those who visit us.

The Corporate Consultative Committee for Health Safety and Welfare includes senior managers and safety representatives. Staff are consulted through regular team briefings and local safety forums.

On a daily basis, risks faced by staff include stress, noise, manual handling and driving, as well as those associated with studio and location filming, and major outdoor events. Journalists overseas often work in hostile situations – just last year Alan Johnston was held captive in Gaza for 114 days, and we continually have journalists in hostile environments including Iraq and Afghanistan. We provide specialist support to staff working in areas of conflict and other high-risk environments.

The BBC is committed to reducing (on 2000 levels and by 2010):

- incidence rate of reportable accidents by 60%
- number of working days lost from work-related injury and ill health by 30%
- incidence rate of cases of work-related ill health by 20%

And this year:

- incidence rate for reportable accidents down from 277 to 132 per 100,000 staff (down 53%)
- 101,700 reported absence days
- incidence rate of suspected cases of work-related ill health was 23 per 1,000 in 2000 down to 2.72 per 1,000 last year, mainly due to stress, upper limb disorders and other musculoskeletal problems. A new reporting system has been introduced and this will give more consistent monitoring over time.

There were no fatalities.

### Enforcement

No enforcement action has been taken. The BBC received a report from the Health and Safety Executive which drew attention to shortcomings in management and practice. The Executive Board has outlined a plan to tackle these. Contact with enforcing authorities is routinely monitored by the Executive Board.

### H&S Training

We recorded face-to-face safety training given to 7,346 people; around 8,000 courses were also completed online.

We are a member of the Joint Industry Grading Scheme for UK-based Stunt and Special Effects professionals. We work with other broadcasters and Skillset to implement a safety passport scheme to deliver transferable safety training to the media sector.
The BBC – both as an organisation and in the shape of the individuals who carry out countless tasks every day in its name – recognises that it has an obligation to behave in a proper manner. We must take care that we do not use our privileged position deliberately or inadvertently to unfairly disadvantage others with whom we compete or do business.

Caroline Thomson  
Chief Operating Officer
A lot of activity goes on behind the scenes to make sure that the BBC is able to provide the great programmes and services that audiences love, and which bring them back to us time and again.

To do this we have to understand what’s happening with technology in the broadcasting environment, and make sure that the BBC is in a position to respond. As we work out how best to do this, we have to consider our stakeholders, the impact we have on the market, and how we keep all our activities – be they programmes or new services – within the law and the regulatory structure in which we operate. In making sure the BBC is ready for the future, we have to manage the major infrastructure projects which will transform the ways people use television and radio content, as well as the way we work.

Digital switchover is key to what we are now doing. It sets the timeframe for our actions and decisions, as well as offers certain expectations to our audiences.

And so we are in the process of transforming our working environment to change to meet the needs of the digital broadcasting age. We have already completed a broadcast centre at Pacific Quay in Glasgow, and work is under way to rebuild part of our central London premises and create a new centre at Salford, where around 1,600 roles will move from London to join the 800 or so staff currently based in Manchester.

We strive to support all our staff, wherever they work, to enable them to do the best they can for our audiences. We help the BBC function, from catering to construction, and car parking to cleaning. And we do so in the most environmentally friendly and efficient way we can. Over 90% of the BBC’s electricity comes from low carbon sources.

In this section, we will explain how we carry out our activities – the key trading and compliance obligations and policies that shape our actions and our decisions.

We then record some of the facts and figures that we’ve measured this year to show how and where we have spent our money – audience figures in the Engaging with audiences section (page 54) show the flip side of the coin, how well it worked for our audiences. Various comparatives from 2006/07 have been restated to comply with the revised presentation requirements and definitions.

And finally we will report on our performance against our promises to viewers, listeners and users in last year’s Statements of Programme Policy (SoPPs). New SoPPs for 2008/09 were published in May, and can be found at www.bbc.co.uk/info/statements2008/

FAIR TRADING POLICY & COMPLIANCE

The BBC must work to ensure that we meet our Fair Trading obligations as set out in the Charter, Agreement and the BBC Trust’s Statement of Policy on Fair Trading. These are encapsulated in the BBC’s Fair Trading Guidelines which provide a detailed operational framework for our commercial activities. These can be found at www.bbc.co.uk/info/policies/commercial_guides/

Compliance with the Fair Trading Guidelines was overseen during the year through formal sub-committees of the BBC Trust (Public Value and Fair Trading Committee from January 2008 and Fair Trading Policy and Appeals Committee for the preceding period) and Executive Board (Executive Fair Trading Committee).

A revised Fair Trading regime came into effect on 1 July 2007 and included updated procedures requiring referral to the central Fair Trading department for Fair Trading advice. Previously such matters were dealt with by locally trained staff in the first instance. During this period of transition the BBC has applied a combination of both procedures. Having reviewed the situation the BBC is satisfied that this approach has worked effectively to ensure overall that its Fair Trading obligations have been met for the period 1 July 2007 to 31 March 2008. The BBC has now moved to fully implement the updated procedures for the coming period.

Following a report by PricewaterhouseCoopers LLP (PwC), commissioned by the BBC Trust, on the economic aspects of Premium Rate Services (PRS) the BBC Trust concluded that there were instances of lack of formal contracts between the BBC’s public service and one of its commercial subsidiaries for the supply of PRS. Having reviewed the matter the BBC Executive is satisfied that the situation did not represent a material breach of the Fair Trading Guidelines and has taken steps to ensure that contracts are now in place in all such cases. Management is also looking to further enhance existing processes to ensure formal contracts are in place for any trading activities between the BBC’s public service and its commercial subsidiaries.

Annual Fair Trading audit

The BBC Trust commissions independent auditors 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 Policy. Details of the audit and opinion can be found at www.bbc.co.uk/bbctrust/research/index.html

ISO accreditation

The management of the BBC’s fair trading arrangements have been accredited with the ISO 9001:2000 quality standard. Performance against this standard is regularly tested by the British Standards Institute. The most recent
assessment in December 2007 confirmed that the procedures are continuing to operate effectively.

Four Commercial Criteria
The BBC Agreement requires the BBC Executive to ensure that all its Commercial Services meet four commercial criteria:

(i) fit with the BBC’s Public Purpose activities
(ii) exhibit commercial efficiency
(iii) not jeopardise the good reputation of the BBC or the value of the BBC brand
(iv) comply with the Fair Trading Guidelines and in particular avoid distorting the market

Having received reports from relevant senior management, the BBC Executive is satisfied that all its commercial services have met the above criteria for the period 1 April 2007 to 31 March 2008.

Fair Trading complaints
The BBC operates a Fair Trading complaints and appeals framework which separates the handling of complaints, investigated by BBC Executive, and appeals, which are to be undertaken by the BBC Trust. Public guidance on the complaints and appeals process can be found at www.bbc.co.uk/bbctrust/appeals/index.html

The BBC dealt with 11 Fair Trading complaints during the year. One complaint was the subject of an appeal to the BBC Trust. Details of these issues can be found in the BBC’s Fair Trading Bulletin www.bbc.co.uk/info/policies/fairtrading_complaints/ and on the Trust’s appeals page www.bbc.co.uk/bbctrust/appeals/fairTrading_appeal_findings.html

Executive report on BBC World Service Trading Protocols
BBC World Service purchases programmes and services from licence fee-funded areas of the BBC as well as its commercial subsidiaries.

The BBC’s Fair Trading Guidelines provide guidance on this trading relationship in order to ensure separation between Grant-in-Aid and licence fee income.

As required by the Fair Trading Guidelines, the BBC Executive commissioned a report from external auditors on the BBC’s compliance in this area. The audit report found that the BBC’s behaviour was compliant. Further details can be found at www.bbc.co.uk/worldservice/us/annual_review/2008

COMPLIANCE
Freedom of Information
The BBC’s online publication scheme had nearly 2.4 million hits during the year (up 80% from 2006/07), with almost 1.7 million documents downloaded (double the previous year).

We received 1,066 requests for information under the Freedom of Information Act. All or some of the information was released in 651 (61%) of requests. 88% of requests were responded to within the 20 working days statutory time frame, or extended legitimately under the Act.

Over the year, the top six areas for requests received were:
- Money spent on taxis and flights
- Costs expended in collecting the licence fee
- Staff pay and expenses
- Future Technology
- Details of BBC properties and property services
- BBC staff demographics (gender and minority ethnic splits)

In addition, there were 37 requests for internal reviews of BBC FOI decisions, and 53 cases were referred to the Information Commissioner’s Office.

More information on these issues and other BBC FOI activity can be found at www.bbc.co.uk/foi

Data protection
The BBC received 34 formal Subject Access Requests under the Data Protection Act. 27 were delivered within the 40-day statutory timetable. None were referred to the ICO.

Costs of compliance
In order to ensure that we complied with all relevant legislation, in 2007/08 we incurred compliance costs estimated at £15.3million (£14.8million in 2006/07). This figure includes the BBC’s annual £3.3million subscription to Ofcom.

CORPORATE SOCIAL RESPONSIBILITY
We strive to make Corporate Responsibility integral to everything we do.

Like other companies, our operational activities have both an environmental impact and an impact on communities where we work, and often where we live too. In addition, the media’s huge reach and potential to inform public opinion means that along with industry colleagues we also have a responsibility to respond to changes in society and to reflect its diversity.

We use our outreach work to connect with people who we may not engage with very much through our mainstream programming. Breathing Places, for example, complemented the BBC. Two series of the same name that celebrated UK wildlife. Last year we ran Breathing Places festivals in 15 cities across the UK, offering a range of wildlife-themed activities for families. Breathing Places also launched The Big Wild Read, promoting literacy among children and encouraging them to think about nature and their impact on their wild environment. For every book read, children
received a tree token, which went towards the planting of 20,000 trees.

**BBC School Report** helps Year 7 and 8 pupils to produce their own news reports. School Report day in March saw BBC news output featuring reports made by students from 300 UK schools. The project aims to improve young people’s representation and stimulate political interest in the next generation – as well as producing engaging content for the wider audience.

A network of independent Appeals Advisory Committees informs the BBC’s management on its charity policy and practice. UK Public Service Broadcasting does not make cash donations to charities but provides services in kind. Last year we provided charities with services with a cash equivalent of £296,000 (£305,000 in 2006/07).

In addition to broadcast appeals, BBC commercial businesses donated £180,000 to charities during the year, mostly due to commitments made by new acquisition Lonely Planet (£12,000 in 2006/07).

This year we also agreed our first five year environment strategy. This sets ambitious, but sustainable, targets for reductions in energy, transport, water and waste. A programme of activities to involve and engage staff is planned. This is in addition to improved measuring and monitoring of environment data and active engagement with our supply chain. An Environment Committee, chaired by the Chief Operating Officer, has been set up to oversee the implementation of the strategy.

You can read more about these initiatives and how we strive to be corporately responsible at [www.bbc.co.uk/outreach](http://www.bbc.co.uk/outreach).

### Table 2: Hours of output by genre

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Factual</td>
<td>2,021</td>
<td>1,931</td>
<td>1,757</td>
<td>1,577</td>
<td>1,333</td>
<td>1,300</td>
<td>969</td>
<td>958</td>
<td>159</td>
<td>0</td>
</tr>
<tr>
<td>Education (formal)</td>
<td>6</td>
<td>5</td>
<td>785</td>
<td>1,374</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>News and weather</td>
<td>2,400</td>
<td>2,463</td>
<td>559</td>
<td>558</td>
<td>32</td>
<td>32</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Current affairs</td>
<td>206</td>
<td>212</td>
<td>260</td>
<td>283</td>
<td>126</td>
<td>114</td>
<td>194</td>
<td>212</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Entertainment</td>
<td>481</td>
<td>435</td>
<td>681</td>
<td>662</td>
<td>1,170</td>
<td>966</td>
<td>274</td>
<td>321</td>
<td>72</td>
<td>0</td>
</tr>
<tr>
<td>Sport</td>
<td>603</td>
<td>707</td>
<td>951</td>
<td>921</td>
<td>25</td>
<td>24</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>Children’s</td>
<td>496</td>
<td>479</td>
<td>1,619</td>
<td>1,462</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Drama</td>
<td>1,114</td>
<td>1,088</td>
<td>322</td>
<td>226</td>
<td>329</td>
<td>390</td>
<td>340</td>
<td>358</td>
<td>213</td>
<td>0</td>
</tr>
<tr>
<td>Film</td>
<td>690</td>
<td>662</td>
<td>819</td>
<td>701</td>
<td>184</td>
<td>227</td>
<td>204</td>
<td>202</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>Music and arts</td>
<td>109</td>
<td>82</td>
<td>315</td>
<td>324</td>
<td>71</td>
<td>75</td>
<td>1,251</td>
<td>1,132</td>
<td>122</td>
<td>0</td>
</tr>
<tr>
<td>Religion</td>
<td>105</td>
<td>116</td>
<td>30</td>
<td>27</td>
<td>5</td>
<td>2</td>
<td>15</td>
<td>36</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Continuity</td>
<td>235</td>
<td>245</td>
<td>295</td>
<td>295</td>
<td>110</td>
<td>108</td>
<td>78</td>
<td>75</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Total network hours (excluding opt outs)</td>
<td>8,466</td>
<td>8,425</td>
<td>8,392</td>
<td>8,410</td>
<td>3,384</td>
<td>3,238</td>
<td>3,332</td>
<td>3,310</td>
<td>652</td>
<td>0</td>
</tr>
</tbody>
</table>

* BBC HD was launched 1 December 2007.
management to ensure that issues had been learned were one example of matters covered this year.

The BBC does not publish the document in whole or in part but it is used by management as an active internal tool to gauge, and where appropriate, improve the BBC’s system of compliance and controls. The BBC Trust in turn uses the report as one of its mechanisms to ensure that management takes compliance with laws and regulations in as serious manner as the subject requires.

We also run a central legal library and arrange legal and other training. Most of our in-house talks and seminars are open to the wider BBC community.

A separate legal department works with BBC Scotland, in recognition of the different legal structure there.

FACTS & FIGURES

The BBC aims to ensure high ethical and editorial standards in all our output by requiring all production staff – in-house BBC as well as independent producers – to adhere to the BBC Editorial Guidelines, found at www.bbc.co.uk/guidelines/editorialguidelines. These incorporate the relevant sections of the Ofcom Broadcasting Code. This year we published new guidance for all audience competitions, voting and awards – see www.bbc.co.uk/guidelines/editorialguidelines/advice/interactivity/

The Editorial Policy team is also consulted by, and offers advice to, programme teams during the production of potentially contentious programming, including output that involves secret filming. It is crucial we get this right, given the quantity and variety of programmes we make.

Where do we invest the licence fee?

There are 8,760 hours in the year (plus an extra 24 in 2008 for the leap year) – and both BBC One and BBC Two, our main mixed genre television channels, are on air for most of that time.

One of the BBC’s public purposes is to reflect the diverse communities and places of the UK – and a key way to do this is to make programmes in local communities, where we live and work.

Map 2: Source of first transmission television hours

<table>
<thead>
<tr>
<th>Source of First Transmission</th>
<th>07/08</th>
<th>06/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>England (excluding London)</td>
<td>5,732</td>
<td>5,599</td>
</tr>
<tr>
<td>London (regional only)</td>
<td>327</td>
<td>313</td>
</tr>
<tr>
<td>Scotland</td>
<td>1,089</td>
<td>1,078</td>
</tr>
<tr>
<td>Wales</td>
<td>873</td>
<td>922</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>690</td>
<td>675</td>
</tr>
</tbody>
</table>

The mix of programmes is also complex for Audio & Music services.

Map 3: BBC television spend by nation, £Ms

<table>
<thead>
<tr>
<th>Country</th>
<th>07/08</th>
<th>06/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>339</td>
<td>325</td>
</tr>
<tr>
<td>Scotland</td>
<td>97</td>
<td>80</td>
</tr>
<tr>
<td>Wales</td>
<td>60</td>
<td>61</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>38</td>
<td>32</td>
</tr>
</tbody>
</table>

Map 4: Source of first transmission radio hours

<table>
<thead>
<tr>
<th>Source of First Transmission</th>
<th>07/08</th>
<th>06/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>England (excluding London)</td>
<td>255,080</td>
<td>251,733</td>
</tr>
<tr>
<td>London (regional only)</td>
<td>72,910</td>
<td>72,261</td>
</tr>
<tr>
<td>Scotland</td>
<td>13,588</td>
<td>13,799</td>
</tr>
<tr>
<td>Wales</td>
<td>16,572</td>
<td>16,473</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>9,328</td>
<td>8,954</td>
</tr>
</tbody>
</table>
Average cost per hour of BBC news and weather

During the year, the BBC also spent a further £27million on its online services in the nations.

Table 3: Network radio hours of output by genre

<table>
<thead>
<tr>
<th>Programme</th>
<th>BBC Analogue Channels</th>
<th>BBC Digital Channels</th>
<th>BBC Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007/08</td>
<td>2006/07</td>
<td>2007/08</td>
</tr>
<tr>
<td>Music</td>
<td>23,270</td>
<td>23,409</td>
<td>17,454</td>
</tr>
<tr>
<td>News and weather</td>
<td>10,033</td>
<td>9,561</td>
<td>5,842</td>
</tr>
<tr>
<td>Sport</td>
<td>2,773</td>
<td>2,847</td>
<td>1,974</td>
</tr>
<tr>
<td>Factual</td>
<td>1,560</td>
<td>1,712</td>
<td>984</td>
</tr>
<tr>
<td>Current affairs</td>
<td>1,589</td>
<td>1,691</td>
<td>1,186</td>
</tr>
<tr>
<td>Drama</td>
<td>1,185</td>
<td>1,137</td>
<td>3,475</td>
</tr>
<tr>
<td>Arts</td>
<td>927</td>
<td>900</td>
<td>628</td>
</tr>
<tr>
<td>Entertainment</td>
<td>528</td>
<td>568</td>
<td>3,561</td>
</tr>
<tr>
<td>Religion</td>
<td>543</td>
<td>513</td>
<td>571</td>
</tr>
<tr>
<td>Schools</td>
<td>168</td>
<td>168</td>
<td>0</td>
</tr>
<tr>
<td>Children's</td>
<td>24</td>
<td>42</td>
<td>1,349</td>
</tr>
<tr>
<td>Presentation</td>
<td>730</td>
<td>670</td>
<td>1,170</td>
</tr>
<tr>
<td>National Opt</td>
<td>258</td>
<td>220</td>
<td>0</td>
</tr>
<tr>
<td>Total hours</td>
<td>43,588</td>
<td>43,438</td>
<td>35,368</td>
</tr>
</tbody>
</table>

Where do we invest the licence fee?
The challenge, however, is not just to spend, but to invest wisely. As the following tables show, some programme genres cost more than others – drama is most expensive, while because of the quantity of hours we make across our portfolio, news and weather appears cheapest. Both fulfil different aspects of our mission to inform, educate and entertain – and both deliver a different kind of value to BBC licence fee payers.

Digital switchover is now here – we have restated last year’s numbers to account for the new way of presenting this information, and Table 4 shows the average cost per hour by programme type across both our analogue and digital television channels.
With big audiences, it costs less than 1p per user hour to offer Radio 2.

Table 4: Cost per hour of television programmes by genre

<table>
<thead>
<tr>
<th></th>
<th>Cost per hour, £000s 2007/08</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factual &amp; Learning</td>
<td>111.1</td>
<td>103.1</td>
</tr>
<tr>
<td>Formal Education</td>
<td>130.0</td>
<td>70.2</td>
</tr>
<tr>
<td>News &amp; Weather</td>
<td>12.9</td>
<td>12.7</td>
</tr>
<tr>
<td>Current Affairs</td>
<td>104.2</td>
<td>100.9</td>
</tr>
<tr>
<td>Entertainment</td>
<td>207.4</td>
<td>216.3</td>
</tr>
<tr>
<td>Sport</td>
<td>154.7</td>
<td>161.7</td>
</tr>
<tr>
<td>Childrens</td>
<td>99.2</td>
<td>82.5</td>
</tr>
<tr>
<td>Drama</td>
<td>473.7</td>
<td>474.5</td>
</tr>
<tr>
<td>Film</td>
<td>129.3</td>
<td>199.8</td>
</tr>
<tr>
<td>Music &amp; Arts</td>
<td>98.1</td>
<td>99.9</td>
</tr>
<tr>
<td>Religion</td>
<td>102.6</td>
<td>111.9</td>
</tr>
</tbody>
</table>

It is also important that we target our investment to where the audiences are. BBC One is where the biggest audiences can be found, and it is therefore the channel that receives the biggest investment.

Table 5: Cost per hour of programmes and cost per user hour by service

<table>
<thead>
<tr>
<th></th>
<th>Cost per hour, £000s 2007/08</th>
<th>2006/07</th>
<th>Cost per user hour, £ 2007/08</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Television channels</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBC One</td>
<td>76.7</td>
<td>79.4</td>
<td>0.07</td>
<td>0.07</td>
</tr>
<tr>
<td>BBC Two</td>
<td>43.5</td>
<td>42.6</td>
<td>0.07</td>
<td>0.07</td>
</tr>
<tr>
<td>BBC Three</td>
<td>28.5</td>
<td>28.7</td>
<td>0.13</td>
<td>0.16</td>
</tr>
<tr>
<td>BBC Four</td>
<td>14.3</td>
<td>15.0</td>
<td>0.17</td>
<td>0.21</td>
</tr>
<tr>
<td>BBC HD</td>
<td>5.2</td>
<td>–</td>
<td>n/a*</td>
<td>–</td>
</tr>
<tr>
<td>CBBC Channel</td>
<td>8.2</td>
<td>9.0</td>
<td>0.10</td>
<td>0.15</td>
</tr>
<tr>
<td>CBeebies</td>
<td>3.5</td>
<td>3.0</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>BBC News</td>
<td>5.2</td>
<td>4.9</td>
<td>0.09</td>
<td>0.12</td>
</tr>
<tr>
<td>BBC Parliament</td>
<td>0.3</td>
<td>0.2</td>
<td>0.17</td>
<td>0.24</td>
</tr>
<tr>
<td>BBCi</td>
<td>2.3</td>
<td>2.2</td>
<td>0.04</td>
<td>0.04</td>
</tr>
<tr>
<td><strong>Radio stations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBC Radio 1</td>
<td>3.5</td>
<td>3.4</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>BBC Radio 2</td>
<td>4.5</td>
<td>4.3</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>BBC Radio 3</td>
<td>4.3</td>
<td>3.9</td>
<td>0.06</td>
<td>0.05</td>
</tr>
<tr>
<td>BBC Radio 4</td>
<td>9.9</td>
<td>9.9</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>BBC Radio 5 live</td>
<td>6.3</td>
<td>6.4</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>BBC 5 live Sports Extra</td>
<td>1.7</td>
<td>1.7</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>iXtra</td>
<td>0.8</td>
<td>0.7</td>
<td>0.05</td>
<td>0.06</td>
</tr>
<tr>
<td>BBC 6 Music</td>
<td>0.6</td>
<td>0.6</td>
<td>0.04</td>
<td>0.04</td>
</tr>
<tr>
<td>BBC 7</td>
<td>0.6</td>
<td>0.6</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>BBC Asian Network</td>
<td>1.3</td>
<td>1.2</td>
<td>0.07</td>
<td>0.05</td>
</tr>
<tr>
<td>BBC English Local Radio</td>
<td>0.4</td>
<td>0.4</td>
<td>0.03</td>
<td>0.02</td>
</tr>
<tr>
<td>BBC Radio Scotland</td>
<td>3.3</td>
<td>2.4</td>
<td>0.09</td>
<td>0.06</td>
</tr>
<tr>
<td>BBC Radio nan Gàidheal</td>
<td>1.2</td>
<td>0.8</td>
<td>0.12</td>
<td>0.09</td>
</tr>
<tr>
<td>BBC Radio Wales</td>
<td>1.8</td>
<td>1.6</td>
<td>0.05</td>
<td>0.04</td>
</tr>
<tr>
<td>BBC Radio Cymru</td>
<td>1.6</td>
<td>1.3</td>
<td>0.13</td>
<td>0.09</td>
</tr>
<tr>
<td>BBC Radio Ulster/BBC Radio Foyle</td>
<td>1.7</td>
<td>1.4</td>
<td>0.04</td>
<td>0.03</td>
</tr>
<tr>
<td><strong>FM&amp;T</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bbc.co.uk</td>
<td>13.0</td>
<td>9.5</td>
<td>0.18</td>
<td>0.16</td>
</tr>
<tr>
<td>BBC jam</td>
<td>n/a</td>
<td>3.8</td>
<td>n/a</td>
<td>2.56</td>
</tr>
</tbody>
</table>

* BBC HD was accepted onto BARB measurement system in May 2008 – audience figures will be available from the end of 2008/09.
As well as being regulated by the BBC Trust, the BBC is also answerable to Ofcom for a number of programme production quotas, outlined in Table 6, and we are further obliged under European Community legislation to make sure that the majority of our qualifying programmes (which, for the BBC, excludes mainly news, sport and events) are European origin and that at least 10% of it is made by independent producers.

There can be a delicate balancing act between delivering best value to the licence fee payer while at the same time meeting a regulatory requirement. Last year, however, the BBC once more comfortably exceeded these quotas – 87% of our output is of European origin (primarily UK) and last year 39% was made by independent producers, for example.

These figures are the BBC’s own assessment. Ofcom will formally report on our performance in its Communications Market 2008 Review due to be published later in the year. The most recent (2007) review can be found at www.ofcom.org.uk/research/cm/cmr07/

<table>
<thead>
<tr>
<th>Table 6: External programme production quotas</th>
<th>Quota</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent production quota</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hours of qualifying programmes across all channels</td>
<td>25%</td>
<td>39%</td>
</tr>
<tr>
<td>Hours of qualifying programmes on BBC One</td>
<td>25%</td>
<td>33%</td>
</tr>
<tr>
<td>Hours of qualifying programmes on BBC Two</td>
<td>25%</td>
<td>44%</td>
</tr>
<tr>
<td>Regional programme-making</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spend on qualifying programmes</td>
<td>30%</td>
<td>33%</td>
</tr>
<tr>
<td>Hours of qualifying programmes</td>
<td>25%</td>
<td>32%</td>
</tr>
<tr>
<td>Network news and Current Affairs programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hours of News on BBC One</td>
<td>1,380</td>
<td>1,606</td>
</tr>
<tr>
<td>Hours of News on BBC One in peak</td>
<td>275</td>
<td>279</td>
</tr>
<tr>
<td>Hours of Current Affairs on BBC One and BBC Two</td>
<td>365</td>
<td>461</td>
</tr>
<tr>
<td>Hours of Current Affairs on BBC One and BBC Two in peak</td>
<td>105</td>
<td>112</td>
</tr>
<tr>
<td>Levels of original production*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBC One</td>
<td>70%</td>
<td>85%</td>
</tr>
<tr>
<td>BBC One in peak</td>
<td>90%</td>
<td>99%</td>
</tr>
<tr>
<td>BBC Two</td>
<td>70%</td>
<td>83%</td>
</tr>
<tr>
<td>BBC Two in peak</td>
<td>80%</td>
<td>95%</td>
</tr>
<tr>
<td>BBC Three</td>
<td>80%</td>
<td>91%</td>
</tr>
<tr>
<td>BBC Three in peak</td>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>BBC Four</td>
<td>70% approx</td>
<td>75%</td>
</tr>
<tr>
<td>BBC Four in peak</td>
<td>50%</td>
<td>64%</td>
</tr>
<tr>
<td>CBeebies</td>
<td>80% approx</td>
<td>79%</td>
</tr>
<tr>
<td>CBeebies Channel</td>
<td>70%</td>
<td>75%</td>
</tr>
<tr>
<td>BBC News</td>
<td>90%</td>
<td>97%</td>
</tr>
<tr>
<td>BBC Parliament</td>
<td>90%</td>
<td>98%</td>
</tr>
<tr>
<td>Regional programming (BBC One and BBC Two only)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hours of regional programming</td>
<td>6,580</td>
<td>7,226</td>
</tr>
<tr>
<td>Hours of programmes made in the relevant area</td>
<td>95%</td>
<td>99.5%</td>
</tr>
<tr>
<td>Hours of BBC One news</td>
<td>3,920</td>
<td>4,769</td>
</tr>
<tr>
<td>Hours of BBC One news in peak</td>
<td>2,010</td>
<td>2,290</td>
</tr>
<tr>
<td>Hours of non-news programming in peak</td>
<td>1,030</td>
<td>1,145</td>
</tr>
<tr>
<td>All non-news programmes adjacent to peak</td>
<td>355</td>
<td>403</td>
</tr>
</tbody>
</table>

* Original productions include all BBC-commissioned programmes including repeats. For BBC Three and BBC Four they exclude repeats of programmes first shown on another channel.
Statements of Programme Policy commitments 2007/08

Statements of Programme Policy (SoPPs) are annual promises to licence fee payers from the BBC which showcase some of the ways that each of our services delivers high-quality, creative and memorable content to them as viewers, listeners and users. SoPPs are an Ofcom commitment, approved by the BBC Trust, which then tracks how the BBC meets them.

These pages summarise performance against SoPPs 2007/08. Unless otherwise stated, all commitments are minimum hours or percentages and include originations, repeats and acquisitions. SoPPs for the year ahead can be found at bbc.co.uk/info/statements 2008.
BBC VISION

BBC Television services have a statutory regulatory requirement to meet Tier 2 quotas, agreed annually with Ofcom, for independent production, regional programme-making, news and current affairs programmes, levels of original production, and regional programming. For performance against these quotas, see page 69.

BBC One

Priorities

Early evening peaktime schedule After a successful trial, The ONE Show launched in July. By March it had audiences of 4.9 million, with a high of 5.6 million in February 2008.

Saturday evening schedule Doctor Who and Robin Hood provided high-quality family drama that reinvigorated Saturday nights, and Strictly Come Dancing and Any Dream Will Do each caught the audience’s imagination.

High-impact stripped events Celebrity Masterchef and Saving Planet Earth both broadcast in the slot immediately after the news hour to great effect. Oliver Twist performed well.

UK mainstream comedy Three new sketch shows had promising debuts: Armstrong and Miller, Omid Djalili and Ruddy Hell It’s Harry and Paul. After You’ve Gone established itself. All will return alongside the channel’s other successes My Family and The Green Green Grass.

Reduce % peaktime repeats 8.3% peaktime repeats were broadcast in 2007/08, beating the target of 8.4%.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of arts and music</td>
<td>45</td>
</tr>
<tr>
<td>Hours of current affairs programmes</td>
<td>90</td>
</tr>
<tr>
<td>… including in peaktime</td>
<td>48.5</td>
</tr>
<tr>
<td>Hours of new factual programmes</td>
<td>650</td>
</tr>
<tr>
<td>Hours of religious programming (as part of 112 hours with BBC Two)</td>
<td>80</td>
</tr>
<tr>
<td>Hours of sports programmes</td>
<td>260</td>
</tr>
<tr>
<td>Hours of children’s programmes (joint commitment with BBC Two)</td>
<td>500</td>
</tr>
</tbody>
</table>

BBC Two

Priorities

Programmes for viewers under 45 years Weekly reach among 25–44 year olds increased to 9.7 million. Heroes reached 30% of UK under 45s. Factual programmes key: Top Gear, Long Way Down, Louis Theroux and Dragons’ Den all proved popular.

Innovative comedy with mainstream potential New sitcoms included Roman’s Empire and The Life and Times of Vivien Vyle. Saxondale and Lead Balloon both returned. Comedy formats attracting in younger viewers included Mock The Week, QI and The Graham Norton Show.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>New hours of factual programmes</td>
<td>500</td>
</tr>
<tr>
<td>Hours of children’s programmes (joint commitment with BBC One)</td>
<td>500</td>
</tr>
<tr>
<td>Hours of hours of arts and music programming</td>
<td>200</td>
</tr>
<tr>
<td>Hours of news</td>
<td>100</td>
</tr>
<tr>
<td>Hours of current affairs</td>
<td>240</td>
</tr>
<tr>
<td>Hours of sport</td>
<td>430</td>
</tr>
<tr>
<td>Hours of religious programming (as part of 112 hours with BBC One)</td>
<td>20</td>
</tr>
</tbody>
</table>
BBC Three

Priorities

**Peaktime offer** The 7pm slot remains difficult with strong competition and no audience inheritance, although *Doctor Who* did well. Later scheduled programmes like *The Real Hustle* and *Dog Borstal* fared better.

**Grow appeal and reach to 16–34s** Reach amongst 16–34s was up 3.1 percentage points on last year. Notable successes include: *Gavin and Stacey*, *Last Man Standing, Filthy Rich and Homeless*, *Family Guy* and *Drop Dead Gorgeous*.

**New UK comedy and talent** In addition to *Touch Me, I’m Karen Taylor* a number of successful comedies featured new and emerging talent. *Gavin and Stacey* was written by new writers James Corden and Ruth Jones.

**Support high-impact events, and use digital platforms** Innovative coverage of Glastonbury helped deliver one of the best rating weeks ever and *Liverpool Nativity* was hugely successful on and off screen.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of new music and arts</td>
<td>50</td>
</tr>
<tr>
<td>% of output with interactive support</td>
<td>20%</td>
</tr>
<tr>
<td>Hours of new factual, knowledge-building programmes</td>
<td>50</td>
</tr>
<tr>
<td>Hours of new current affairs programmes</td>
<td>15</td>
</tr>
<tr>
<td>% of hours broadcast from news, current affairs, education, music and the arts</td>
<td>c.15%</td>
</tr>
</tbody>
</table>

BBC Four

Priorities

**Broaden appeal within existing channel identity** Two- to four-part documentary series have provided some of our most watched moments: *Atom, Bombay Railway and The Protestant Revolution*, among others, matched audience figures with critical acclaim.

**Seasons of high-impact programmes** Edwardsians: The Birth of Now took a novel approach to history. Theme weeks included *Children’s TV on Trial, Why Democracy, BBC radio @ 40*, and *Viennese art*.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new international film titles premiered</td>
<td>20</td>
</tr>
<tr>
<td>Number of new international documentaries</td>
<td>30</td>
</tr>
</tbody>
</table>

CBeebies

Priorities

**Maintain weekly reach to the service** Weekly reach to CBeebies remains very high at 7.7% in 2007/08 (6.6% last year). *In the Night Garden* performed very strongly, and *Tommy Zoom* has outperformed in almost every slot it has played in.

**Improve reach to 4–6 year olds** Reach among 4–6 year olds was 42.4% compared to 39.0% last year – an increase of around 130,000. New content brands such as *Tommy Zoom, Space Pirates, Numberjacks* and *Jackanory Junior* proved popular.

**Refresh parenting websites** Early March 2008 saw the repositioning of existing editorial content to fit with the new ‘brand-led’ format, with embedded parenting messages within games and video content.

**Increase on-demand content** CBeebies continues to seek opportunities to support its linear programme content like *Jackanory Junior* with other chances to view, subject to licences.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in new UK programming</td>
<td>75%</td>
</tr>
<tr>
<td>Programme hours</td>
<td>4,500</td>
</tr>
<tr>
<td>New UK programming</td>
<td>25%</td>
</tr>
</tbody>
</table>
CBBC

Priorities

Maintain reach Reach was 5.6% (up from 4.4%), helped by new content brands like Sorcerer’s Apprentice, Shaun the Sheep, Do Something Different and Roman Mysteries.

Encourage and support participation Adventure Rock and MyCBBC both encourage increased participation and user-generated content in a more personalised environment.

Increase on-demand content CBBC Watch continues to serve a selection of short-form clips every day to promote current output and individual programme sites include short-form content wherever possible.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily live news bulletins</td>
<td>3</td>
</tr>
<tr>
<td>Hours of news</td>
<td>85</td>
</tr>
<tr>
<td>Hours of factual and schools programming</td>
<td>1,000</td>
</tr>
<tr>
<td>Hours of drama</td>
<td>650</td>
</tr>
<tr>
<td>Hours of live presentation</td>
<td>150</td>
</tr>
</tbody>
</table>

RADIO

BBC Radio made a voluntary pledge that at least 10% of eligible hours on its national analogue and digital radio networks would be made by independent producers. In 2007/08 it achieved 13.0% overall, on a spend of £17.0million.

BBC Radio 1

Priorities

Develop interactive content Radio 1’s podcast offering has been expanded and shows are increasingly incorporating mobile MMS technology into programme features.

Launch a new strand for younger listeners A teen zone launched on Sunday evenings in October, with Fearne and Reggie hosting a new chart show, followed by Switch with Annie Mac and Nick Grimshaw and The Surgery with Kelly Osbourne.

Unsigned and new talent BBC Introducing launched at Glastonbury and also visited Bestival and the Latitude Festival. On air, Radio 1’s nations opt outs are now branded BBC Introducing, with Huw Stephens also presenting a new weekly show to champion unsigned and emerging talent.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of news, sport and current affairs</td>
<td>310</td>
</tr>
<tr>
<td>% of schedule devoted to specialist music or speech-based programmes</td>
<td>40%</td>
</tr>
<tr>
<td>% of ‘new’ music in daytime output</td>
<td>45%</td>
</tr>
<tr>
<td>% of music in daytime output from UK acts</td>
<td>40%</td>
</tr>
<tr>
<td>Live events and festivals broadcast</td>
<td>c.25</td>
</tr>
<tr>
<td>New sessions and Live Lounge performances</td>
<td>250</td>
</tr>
<tr>
<td>New documentaries</td>
<td>40</td>
</tr>
<tr>
<td>Hours of original opt outs from Scotland, Wales and Northern Ireland</td>
<td>200</td>
</tr>
</tbody>
</table>

1 Pre-release or less than one month since release.
BBC Radio 2

Priorities

**Develop further Radio 2 Music Club** Music Club Live celebrated the success of new artists championed by Radio 2’s Music Club with a major concert in December, featuring exclusive backstage video available on the website.

**New comedy talent** Two Out To Lunch spin-off programmes were broadcast. Radio 2 remains in conversation with BBC Entertainment on how best to develop both talent and formats.

**Live music** Major events included the Concert for Diana and Live Earth, and festivals including Guilfest, Cambridge Folk Festival, and Cheltenham Jazz Festival. Concerts/performances included Genesis, Elton John, Mick Hucknall, Beth Nielsen and Manic Street Preachers.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of specialist music programmes</td>
<td>1,100</td>
</tr>
<tr>
<td>Hours of musical theatre and film music</td>
<td>60</td>
</tr>
<tr>
<td>Hours of arts programming</td>
<td>100</td>
</tr>
<tr>
<td>% of speech output</td>
<td>c.33%</td>
</tr>
<tr>
<td>Hours of religious output</td>
<td>170</td>
</tr>
<tr>
<td>Hours of news and original current affairs programming, including regular news bulletins</td>
<td>800</td>
</tr>
</tbody>
</table>

BBC Radio 3

Priorities

**International daytime performances** New afternoon programme used to increase coverage of international musical performance. The target of 100 events was achieved through broadcasts of symphonic and chamber music from many countries, festivals and venues, including the broadcast of around 40 operas.

**New appointment for the appreciation of poetry** Words and Music has an established weekly slot in the schedule, representing the juxtaposition of music and poetry.

**Musical recommendations as guides** In addition to the long-running CD Review, Jazz Library is fulfilling a similar role for jazz; it covers a wide range of performers and is also becoming popular in its podcast version.

**Complement Radio 4’s classical music history** Radio 3 followed up each edition of Radio 4’s 60-part series The Making of Music with an hour of music related to that edition.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of live or specially recorded music</td>
<td>50%</td>
</tr>
<tr>
<td>Live or specially recorded performances</td>
<td>500</td>
</tr>
<tr>
<td>New musical works</td>
<td>30</td>
</tr>
<tr>
<td>Documentaries on arts and cultural topics</td>
<td>30</td>
</tr>
<tr>
<td>% of budget spent outside the M25</td>
<td>40%</td>
</tr>
</tbody>
</table>
BBC Radio 4

Priorities

Increase impact of drama  A strong line-up included *Number 10*, a contemporary political drama series; *Avoid London*, a week of dramas marking the anniversary of the 7/7 London bombings; *Witness*, a retelling of the life of Christ; and a dramatisation of Vikas Swarup’s novel *Q & A*.

Widen appeal through:

- **narrative history** *The Making of Music* told the story of Western music from Gregorian Chant to Philip Glass in a 60-part series presented by James Naughtie, with complementary programming on Radio 3.
- **seasons** Examples include: *India & Pakistan*, marking the 60th anniversary of Partition; *The Falklands 25 Years On, The Six Day War, The Sex Lives of Us*, exploring contemporary sexual attitudes 50 years after Wolfenden; and *Uncovering Pakistan*, going deeper into the contemporary reality of Pakistan in the weeks before the elections.
- **current events** We responded quickly with special programmes on issues of national or international importance such as Tony Blair’s departure, the summer floods, the US credit crisis, Northern Rock, a Nick Robinson special on party funding, and the crisis in Pakistan.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of news and current affairs</td>
<td>2,500</td>
</tr>
<tr>
<td>Hours of original drama and readings</td>
<td>730</td>
</tr>
<tr>
<td>% of new <em>Afternoon Plays</em> that are first or second commissions</td>
<td>25%</td>
</tr>
<tr>
<td>Hours of original comedy</td>
<td>180</td>
</tr>
<tr>
<td>Hours of original documentaries</td>
<td>200</td>
</tr>
<tr>
<td>Hours of original religious programming</td>
<td>200</td>
</tr>
</tbody>
</table>

BBC Radio 5 live

Priorities

Migrate listeners to digital platforms  31% of 5 live’s audience listen digitally, the highest (with Radio 4) of any BBC network also available on analogue transmissions. 5 live continues to expand its digital activities including sports bulletins and film recommendations sent to mobile.

Expand use of User-Generated Content  The station’s Audience Team continues to get a high number of stories and guests to air. The breakfast show blog provided material from listeners for special NHS and Education days.

Comprehensive rugby coverage  5 live offered extensive coverage of the Rugby World Cup and Six Nations on air and a lively presence online.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of news coverage</td>
<td>6,000 (c.70%)</td>
</tr>
<tr>
<td>Hours of documentaries</td>
<td>50</td>
</tr>
</tbody>
</table>

BBC Radio 5 live Sports Extra

Priorities

Test Match Special  We provided complete coverage of England’s internationals at home and abroad. The Test Match Special Blog is consistently the most popular blog on bbc.co.uk.

Nurture new sport broadcasting talent  A number of names new to radio sports commentary have been nurtured on the station, including Matt Dawson (rugby) and Alison Mitchell (cricket).
Xtra

Priorities

Refresh the schedule: Highlights of a refreshed schedule include new flagship breakfast programme with Trevor Nelson & Zena, and Mistajam with a new evening show. A number of the incoming DJs were new to radio.

Develop signature live event: Xtra Live was successfully launched in front of 4,000 listeners in Coventry in March. The aim is it will become an annual event.

Weekday news and discussion programming: Work continues to ensure that news and speech output is more closely integrated into daytime programming. A new weekday afternoon news and discussion programme hosted by Max was launched in October.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of new music</td>
<td>70%</td>
</tr>
<tr>
<td>% of music from the UK</td>
<td>40%</td>
</tr>
<tr>
<td>Live music events</td>
<td>50</td>
</tr>
<tr>
<td>% of output dedicated to news, documentaries and social action</td>
<td>~10%</td>
</tr>
<tr>
<td>% of speech-based output</td>
<td>~20%</td>
</tr>
</tbody>
</table>

BBC 6 Music

Priorities

Live music, especially UK origin: The Hub sessions continue to play a pivotal role in defining 6 Music. Live acts this year have included the Manic Street Preachers, Kate Nash, Faithless, and an outstanding performance from PJ Harvey.

Develop music news service: The station now has a network of stringers in BBC local radio stations and East and West Coast reporters for important US stories. The podcast of The Music Week has started well.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of archive concert performances</td>
<td>400</td>
</tr>
<tr>
<td>% music over four years old</td>
<td>50%</td>
</tr>
<tr>
<td>% of music that is concert tracks and sessions from the BBC’s archive</td>
<td>15%</td>
</tr>
<tr>
<td>New sessions</td>
<td>275</td>
</tr>
<tr>
<td>Hours of documentaries and essays</td>
<td>550</td>
</tr>
</tbody>
</table>

BBC 7

Priorities

Reach new audiences: Introducing Comedy Club has increased Sunday evening reach. Sci-Fi drama like Blake’s 7, The Scarifyers and Doctor Who attracted new listeners.

Children’s programming, including pre-school: CBeebies on BBC 7 has developed its offering with non-competitive quizzes for children and new pre-school comedy programming.

Innovative ways to listen and interact: In conjunction with the EBU, writers from six countries were commissioned to write short dramas on the subject of borders to coincide with European Radio Day in October.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of comedy</td>
<td>2,800</td>
</tr>
<tr>
<td>Hours of drama</td>
<td>2,800</td>
</tr>
<tr>
<td>Hours of original new comedy</td>
<td>10</td>
</tr>
<tr>
<td>Hours of original new drama</td>
<td>20</td>
</tr>
<tr>
<td>Hours of children’s programming</td>
<td>1,400</td>
</tr>
</tbody>
</table>
**BBC Asian Network**

**Priorities**

**Broaden music offer** New programmes include Love Bollywood at weekends, weekday music-led Drive programme, and a Bhangra programme on Saturdays.

**Increase the impact of journalism** Staff attachments to Journalism/5 live continue to build closer relationships. BBC-wide projects participated in included a focus on climate and a special on MI5 recruitment.

**Increase independent production hours** Independent production increased to 13 hours a week, with programmes such as Devotional Sounds and Mic Check and commissions to work on Asian Nation, a major project linked to the 60th anniversary of Partition.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of speech : music</td>
<td>50:50</td>
</tr>
<tr>
<td>% music from UK artists</td>
<td>40%</td>
</tr>
<tr>
<td>Hours of language programmes per day</td>
<td>3.5</td>
</tr>
</tbody>
</table>

**BBC FUTURE MEDIA & TECHNOLOGY**

**BBC FM&T** has a mandatory minimum external spend of 25% for its online services. This year it achieved 31% (up year-on-year from 30%), worth £22.3million (up from £17.3million in 2006/07).

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>% (by value) of eligible content and services from external suppliers</td>
<td>25%</td>
</tr>
</tbody>
</table>

**bb.co.uk**

**Priorities**

**Launch BBC iPlayer** service launched on Christmas Day 2007, and quickly reached over 0.5 million daily downloads. Non-DRM downloads launched in March 2008 with integrated Radio Player.

**Establish portfolio approach to content** Prioritised roadmap and portfolio established for FM&T editorial services. Initial development for 500 subject portals planned for Q2 2008.

**Complete trial of BBC Open Archive** The trial completed successfully mid-December.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>% (by value) of eligible content and services from external suppliers</td>
<td>25%</td>
</tr>
</tbody>
</table>

**BBCi**

**Priorities**

**Navigation and signposting** New user interfaces are being investigated as part of wider switchover plan with cable version likely to be de-scoped. Load times faster year-on-year.

**Sport** Integrated ‘red button’ sports portal on track to launch for Beijing Olympics in August.

**Launch on-demand service** BBC iPlayer will launch as a full service on Virgin Media in April 2008. Slightly delayed on initial plans due to rights issue around music and third party missing technical deadlines.

**Ceefax** Planning work in progress and on target to deliver in Autumn 2008. Complete content parity will not be achieved due to bandwidth constraints so Journalism has prioritised content needs.
**BBC NEWS**

**BBC News and BBC Parliament each has a statutory obligation for at least 90% of broadcast hours to be originations, and to spend at least 30% of ‘relevant programme’ budgets (representing 25% of hours by volume) outside the M25. In 2006/07, both services met their requirements.**

**BBC News**

**Priorities**

**Online and interactive** 61124 MMS contact number improved user-generated interaction from audiences. News 24 now streamed online and is regularly among most viewed sites, particularly on big story days.

**Use of presenters** Presenters deployed on many occasions, including: Portugal (McCann story), Westminster (Brown-Blair handover), around the UK (floods, foot and mouth), party political conferences, Iraq, Afghanistan and the Scottish elections.

**Reach to underserved audiences** Teen 24 (trial run of programmes) is making an impact, and the weekend Your News (utilising viewer contributions) regularly watched by 200,000 people. Entertainment 24 offers latest showbiz news.

**Documentaries** Our World: weekly half-hour programmes (with narrative repeats) expose and evaluate global issues; Panorama and The Best of Newsnight: routinely rerun each week; Question Time Extra has started, and a Question Time cut-down runs every Saturday in peaktime.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Hourly news service</td>
<td>✓</td>
</tr>
<tr>
<td>✓ News summary on the half-hour</td>
<td>✓</td>
</tr>
<tr>
<td>✓ Hourly business news from 9am to 7pm on weekdays</td>
<td>✓</td>
</tr>
<tr>
<td>✓ More international news than other main continuous news channel(s) in UK</td>
<td>Research outstanding</td>
</tr>
<tr>
<td>✓ More local/regional news than other main continuous news channel(s) in UK</td>
<td>Research outstanding</td>
</tr>
<tr>
<td>Hours of sports news across the year</td>
<td>100 118</td>
</tr>
</tbody>
</table>

**BBC Parliament**

**Priorities**

**Examine the work of the Houses of Commons and Lords using actuality and interviews, supplemented by new material on bbc.co.uk/parliament** Friday edition of The Record focuses on the work of Parliament and its relationship with the devolved institutions, including interviews with parliamentarians and expert commentators.

**Use of broadband** Three broadband streams on offer; plus over 30 hours each week on BBC iPlayer.

**First Minister’s Questions from Scotland and Wales** A new late evening (Monday–Thursday) strand launched featuring First Ministers Questions from Northern Ireland, Wales and Scotland, Deputy First Minister’s Questions from Northern Ireland and Prime Minister’s Questions.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly hours of coverage of the Westminster Parliament (normal week)</td>
<td>70 70</td>
</tr>
<tr>
<td>Weekly hours of Select Committees</td>
<td>10 13</td>
</tr>
<tr>
<td>Hours of proceedings of the Scottish Parliament</td>
<td>100 145</td>
</tr>
<tr>
<td>Hours of proceedings of the Welsh Assembly</td>
<td>100 81†</td>
</tr>
<tr>
<td>Hours of programming from Brussels and Strasbourg</td>
<td>100 101</td>
</tr>
</tbody>
</table>

† Elections held 3 May and delays in forming a new Welsh Assembly Government meant there were only six weeks of regular Assembly sessions in the five months between April and Aug 2007.
Services from BBC Nations & Regions have no statutory commitments but work with BBC television and radio networks and interactive services to provide content for audiences throughout the UK. In 2006/07, Radio Scotland, Radio Wales, Radio Cymru and Radio Ulster/Foyle each made a voluntary commitment to commission at least 10% of eligible hours from independent producers. The levels achieved were: Radio Scotland (17%), Radio Wales (10%), Radio Cymru (10%) and Radio Ulster/Foyle (9%), with a combined value of around £3 million.

*The Alan Simpson Show was taken over by in-house production in January 2008 due to concerns over editorial quality. A further eight hours per week have now been commissioned to replace this and we expect to meet this commitment from 2008/09.

**BBC Local Radio in England** As at 1 April 2008 there are 39 local radio stations in England, plus five opt out services.

**Priorities**

**Maintain reach** Weekly reach was 18.6% in 2007/08 compared to 18.8% for last year.

**To better serve core audience** Editorial work on bulletins, weather, sport and travel across Local Radio has taken place. Local Radio 2010 strategy to engage staff in debate over best practice and develop audience awareness now launched.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of local radio output</td>
<td>230,000</td>
</tr>
<tr>
<td>% of repeats</td>
<td>&lt;2.5%</td>
</tr>
<tr>
<td>Speech content of BBC Local Radio in core hours (6am–6pm)</td>
<td>60%</td>
</tr>
<tr>
<td>Speech content of BBC Local Radio at breakfast peak</td>
<td>100%</td>
</tr>
</tbody>
</table>

**BBC Radio Scotland**

**Priorities**

**Maintain reach** Weekly reach to Radio Scotland was down to 21.5% from 23.1% last year in a highly competitive broadcast environment.

**Scottish Parliamentary and local election coverage** Substantial reporting and analysis across the output during the campaign in existing strands, plus special editions of Scotland Live. The Leaders' Debate was simulcast and election results broadcast through the night.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of mixed genre programming</td>
<td>7,000</td>
</tr>
<tr>
<td>Hours of radio news and current affairs</td>
<td>2,200</td>
</tr>
<tr>
<td>Hours of arts coverage on radio (including narrative repeats of daily arts show)</td>
<td>200</td>
</tr>
<tr>
<td>Weekly specialist music strand</td>
<td>✓</td>
</tr>
</tbody>
</table>

**BBC Radio nan Gàidheal**

**Priorities**

**Maintain reach** The average reach for 2007 for RnG is 68%, up slightly on the 66% for last year.

**Scottish Parliamentary and local election coverage** Coverage of parliamentary and local election campaigns offered within daily news programming, together with reports on key national and local issues.

**Develop and commission cross-platform content** Second series of Rapal TV, complementing existing radio and web-based content, completed. Cuairtean website launched, offering virtual tours of the Highlands and incorporating archive radio interviews, visuals and related information.

**BBC One Scotland**

**Priorities**

2007 Scottish Parliamentary and local election coverage Extensive coverage of the Scottish elections on TV, radio and online, with a camera at every count on election night. Coverage included a number of major TV debates, an extended Newsnight Scotland throughout the campaign and a Bafta-winning special on subsequent voting problems.

**New sitcoms** Two new comedy series, Dear Green Place and Legit, transmitted in the autumn. Both featured new writing and performing talent alongside more established cast members.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of opt out content on BBC One Scotland</td>
<td>450</td>
</tr>
</tbody>
</table>
Performance ++ Statements of Programme Policy Commitments 2007/08

BBC Two Scotland

Priorities


Series on indigenous music-making in Scotland Six-part series Scotland’s Music with Phil Cunningham charted Scotland’s musical heritage to significant audience and critical acclaim.

Develop and commission cross-platform content Examples include Scotland’s Music, local and parliamentary election coverage, T in the Park, and ‘mobisodes’ of River City. New five-year contract provides SPL football coverage, with every game live on radio and online, a television highlights programme and broadband clips.

BBC Radio Wales

Priorities

News, sport and information Good Evening Wales in the key evening drivetime slot extended by half an hour and regularly broadcasts news specials or live coverage to reflect the Welsh agenda.

Welsh Assembly election coverage The Radio Wales Phone in with Richard Evans featured interviews with leaders. Comprehensive coverage included overnight election night programme and special news programmes broadcast after the election as the battle for the leadership for the Welsh Assembly continued.

Daytime speech content Enriched and improved, with new topics and guests. Roy Noble now broadcasts in the afternoon, and Jamie Owen and Louise Elliott present from 9am to 12noon.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of news and current affairs on BBC Radio Wales</td>
<td>1,500</td>
</tr>
<tr>
<td>Hours on BBC Radio Wales, excluding news and current affairs (excluding opt outs)</td>
<td>5,300</td>
</tr>
</tbody>
</table>

BBC Radio Cymru

Priorities

Welsh Assembly election coverage Extensive coverage on Post Cyntaf, Taro'r Post, Post Prynhawn, Dau o'r Bae and Manylu. Youth service C2 also provided coverage in an attempt to engage new audiences.

Build reach on weekday afternoons Work continues on refreshing the weekday afternoon schedule. New programmes Stiwdio covering the arts in Wales, and Blas, a weekly food and drink programme, target underserved 30–40 age range.

Implement multi-platform strategy Improved commissioning structure to maximise multi-platform opportunities. More podcast pilots approved as we try to reach new and younger audiences. Youth service C2 relaunched its website.

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of news and current affairs on BBC Radio Cymru</td>
<td>1,000</td>
</tr>
<tr>
<td>Hours on BBC Radio Cymru, excluding news and current affairs (excluding opt outs)</td>
<td>6,200</td>
</tr>
</tbody>
</table>

BBC One Wales

Priorities

Increase reach to Assembly election coverage Innovative ways to do this included enlisting 60 undecided voters and giving them a unique insight into the issues throughout the election across all services.

Broaden reach to younger audiences Coal House was an unprecedented multi-platform success for BBC Wales, and its biggest gain in audience share was among our previously underserved 25–44 year olds.
**BBC Two Wales**

**Priorities**

**Widen audience appeal** What’s in a Name?, an innovative multi-platform project on place names, proved popular; well-known faces came together to celebrate the centenary of the National Museum of Wales in Notional Treasures; and BBC Cardiff Singer of the World got a peaktime slot.

**Sport analysis** Sport Wales provides a dedicated outlet for sports journalism across the disciplines. Scrum V, live and highlights, continues to attract large audiences.

---

**BBC Radio Ulster/Foyle**

**Priorities**

**News and current affairs** Key events around devolution, the re-established executive at Stormont, the withdrawal of troops from Northern Ireland and election, drove record numbers to our news and topical debate strands, including Talkback and The Stephen Nolan Show.

**Maintain diversity in schedule** Saturday mornings now include a sustained programme of outside broadcasts and event-led programme activity that has put on air a wider range of voices, communities and diverse groups than before. Arts, music and culture are reflected in daily entertainment and arts strands and coverage of special events like the Opening Night of the Belfast Festival.

**Social action and adult learning initiatives** A series focusing on adult learning Teabreak began its run on Radio Ulster MW in January. There have been two campaigns in this year: RoW and Breathing Places.

---

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Originated hours of local radio</td>
<td>8,400</td>
</tr>
<tr>
<td>Hours of news and current affairs on BBC Radio Foyle</td>
<td>380</td>
</tr>
<tr>
<td>Hours of news and current affairs on BBC Radio Ulster</td>
<td>1,550</td>
</tr>
<tr>
<td>Hours of new comedy on BBC Radio Ulster</td>
<td>20</td>
</tr>
<tr>
<td>Hours of Ulster Scots radio programmes</td>
<td>40</td>
</tr>
<tr>
<td>Nightly specialist music programme</td>
<td>✓</td>
</tr>
</tbody>
</table>

---

**BBC One Northern Ireland**

**Priorities**

**Maintain approval for news coverage** BBC Newsline achieved an average appreciation score of 84 over the year; the highest of any of the early evening BBC regional or national news programmes.

---

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of non-news opt out content on BBC One NI</td>
<td>100</td>
</tr>
</tbody>
</table>

---

**BBC Two Northern Ireland**

**Priorities**

**Celebrate and explore life in NI** The main areas of focus for local content are politics, sport, schools, specialist music, and minority languages. Two examples included Hearts and Minds, which had another long run, and Blockstaff Sessions which showcased folk music. Programmes were provided in Irish and Ulster Scots.

**Reflect minority and specialist interests** Blas Ceol is a new ten-part music series. Imeol Geal started in January, and a second series of Dander with Drennan, an Ulster Scots strand, was commissioned.
We work across the BBC to deliver the best possible value from every pound of licence fee and commercial income. Creative risk does not mean financial recklessness and we aim to carry out our business of making great programmes as simply and efficiently as possible, delivering something of value to all of our audiences.

Zarin Patel
Group Finance Director
OBJECTIVES AND STRATEGY
The BBC has no shareholders, and does not seek to make a profit from its public service activities. This means that our objectives are focused on ensuring that our audiences get value for money from the licence fee:

- Collecting the licence fee as efficiently as possible. We are doing this by putting in place more cost-effective payment methods and keeping evasion as low as possible;
- Getting maximum value for programmes paid for by the licence fee. We do this via our commercial business BBC Worldwide, through which we sell a growing number of programmes overseas, as well as developing new online services;
- Ensuring the BBC is run as efficiently as possible. We do this by using new technology, simplifying the way we operate, and by prioritising resources in areas which deliver most value to all of our licence fee payers;
- Using the licence fee to benefit all areas of the UK. We are doing this by establishing new production bases outside London, such as Salford, and by making more programmes in the nations and regions.

FINANCIAL PERFORMANCE
The charts at the top of this page show our key financial performance indicators.

Licence fee income
Minimising costs and controlling evasion levels are the two key elements of our licence fee collection strategy. This year we made further substantial reductions in collection costs, to £123million (2007: £134million), and maintained evasion at 5.1%.

The cost of collection is now 3.6% of gross licence fee sales, the lowest ever achieved. We have done this by setting up more efficient payment methods, and by making savings on contracts with collection agents. In particular, this was the first full year of our contract with PayPoint for over-the-counter licence sales – projected to save us around £100million over six years.

More people are paying for their TV licence by direct debit – 66% in all – which compares favourably with other utilities, particularly as we are not able to incentivise people to switch from other payment channels. With direct debit take-up levelling out, however, we are looking to other ways to reduce costs.

Online licence sales are one such opportunity. Over 1.5 million licences were sold online last year – up 27% year-on-year. Next year we will introduce e-licences to cut back on costs associated with paper licences.

After a decade of falling evasion, we have reached a level where it is difficult to reach, and hold on to, people who do not want to pay. Looking forward, digital switchover and the growth in the number of ways to access our content will represent fresh challenges, although this will be mitigated in part by the forecast rise in the number of UK households.

Commercial businesses’ performance
BBC Worldwide’s strategy to grow overseas and online revenues once more resulted in record sales – £916million this year (2007: £810million), and profit before interest and tax of £118million (2007: £111million). Return on sales was therefore up to 12.8% (2007: 12.4%). Earnings (before interest, tax, depreciation and amortisation) were £233million (2007: £222million), a margin of 25.5% (2007: 27.4%).

Sales of BBC programmes and formats to overseas broadcasters have risen again, as have DVD sales both in the UK and abroad. 56% of BBC Worldwide’s sales (excluding joint ventures) are now from outside the UK. The consolidation of sales from Lonely Planet following its acquisition also accounts for some of the increase.

These results come at a time when the business is undergoing major development through its digital strategy, with investment in new online services such as a commercial media player (subject to BBC Trust approval). BBC Worldwide is forecasting that its profits will be depressed by the size of those investments next year. Over the longer term, however, this strategy means that BBC Worldwide will deliver better value back to the licence fee payer by developing new ways to exploit BBC-owned content.

In October 2007 BBC Worldwide purchased a 75% stake in the Australian travel information company Lonely Planet. The acquisition supports its strategy for overseas and digital growth. Since acquisition, Lonely Planet has contributed sales of £23million, and its underlying trading business is profitable (although it recorded a small loss of £2million due to goodwill amortisation and integration costs).

On 1 April 2008 we announced the sale of the Outside Broadcasts division of BBC Resources Limited to Satellite Information Services Limited. The sale follows on from the 2004 Commercial Review which concluded that the business did not need to be owned by the BBC. The sale proceeds reflect the greater growth potential of the business under new ownership, free from the BBC subsidiaries’ restrictions on raising capital for new investment.

<table>
<thead>
<tr>
<th>Licence fee collection/evasion, %</th>
<th>BBC Worldwide profit before interest and tax, £Ms</th>
<th>Efficiency savings, £Ms</th>
<th>Licence fee spent across UK nations/regions, £Ms</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/06 9.6</td>
<td>05/06 106</td>
<td>05/06 347</td>
<td>05/06 835</td>
</tr>
<tr>
<td>06/07 9.2</td>
<td>06/07 111</td>
<td>06/07 228</td>
<td>06/07 864</td>
</tr>
<tr>
<td>07/08 8.7</td>
<td>07/08 118</td>
<td>07/08 347</td>
<td>07/08 960</td>
</tr>
</tbody>
</table>

The combined cost of collection and evasion as a percentage of gross licence fee income is down, driven by savings on collection costs, in particular over the counter licence sales.

BBC Worldwide’s increase in profit, on turnover of £916million, was driven by strong sales of programmes and formats, and sales of DVDs, overseas.

Our three year efficiency programme ended in March 2008, resulting in annual recurring savings of £347million. From next year our target is to make 3% annual efficiencies.

We are continuing to invest heavily in programmes and services from right across the UK’s nations and regions.
**Efficiency and effectiveness**

Efficiency – doing more for less and spending on the right things – is the BBC’s financial bottom line. Over the last three years we have made annual recurring savings now totalling £347million across our UK PSB business. This represents around 10% of our cost base. The total one-off costs associated with the programme were £197million over the three years.

This figure falls slightly short of our £355million target. However, it excludes further guaranteed savings of £10million, which are sale proceeds from a property disposal receivable in 2010. After taking these in to account, we will have exceeded the target.

The programme continues our long-term focus on cutting costs, with efficiency savings made every year since the early 1990s. This includes over £2billion between 2000 and 2006, through smarter deals with suppliers, centralisation of some support services, and changing working practices to improve staff utilisation.

From next year, under a new Continuous Improvement Programme, we have a target to achieve 3% cash-releasing efficiencies (net of costs) each year up to the end of the current licence fee settlement in 2012/13. We must find sustainable cash savings equivalent to 3% of our ongoing cost base, whilst improving or maintaining the quality of our output and containing inflation. These savings will be reviewed each year by our auditors, and in 2010 by the National Audit Office.

The efficiencies we make under this programme will fall in to two types – either productive (doing things at lower cost whilst maintaining quality) or allocative (switching resources to activities which provide better value to licence fee payers). In other words, it is not just about saving money but ensuring that critical aspects of performance are maintained or improved.

Given the ongoing context of rising inflation and energy costs, this annual target is challenging. But at the same time the pace of technological change in broadcasting has never been faster, creating opportunities to reduce production costs.

During the year the National Audit Office published three reports under the programme of value for money studies agreed with the BBC Trust. We welcome the findings of these studies and are acting on the recommendations. The reports can be found at www.bbc.co.uk/bbctrust/

**Digital switchover**

Under the terms of the current licence fee settlement, a proportion of licence fee income is ring-fenced to help pay for wider industry costs relating to digital switchover.

This includes a marketing and awareness campaign run by Digital UK Limited, a separate entity owned collectively by the BBC and other UK broadcasters. This year Digital UK Limited incurred costs of £21million, of which the BBC contributed £19million (2007: £12million/£10million), and expenditure will rise again next year as more regions near their switchover date. A total of £201million up to 2012/13 has been set aside for this activity.

In addition, the BBC is also required to pay for the Digital Switchover Help Scheme, supporting up to seven million people (those aged over 75, or on certain disability benefits, or registered blind or partially sighted) to convert one television set to digital. The scheme is administered by DSHS Limited, a wholly owned subsidiary, which this year spent £6million (2007: £nil). During the year it provided support to around 2,600 people in Cumbria – in the first area to switch off the analogue signal. In total, £603million has been set aside for this activity.

We are still in the early stages of digital switchover; but on the basis of costs incurred so far we are expecting to remain within the amounts set aside.

**Service licences**

The new service licence framework came into effect from 1 January 2007 and this year is the first full year of its operation. During the year our accounting for service licences has been reviewed and enhanced, and updated service licence baseline budgets have been agreed with the BBC Trust.

During the year a number of service licence budget tolerances were exceeded, whilst several other services spent less than their budget. These were agreed with the BBC Trust and are outlined in Note 28.

**Pension scheme valuation**

The formal actuarial valuation of the BBC final salary pension scheme as at 1 April 2007 was finalised just after the end of this year and showed a surplus of £275million (1 April 2005: £13million surplus), with the increase reflecting two years of strong returns on the scheme’s assets.

As life expectancy increases, final salary schemes are becoming increasingly expensive, and this has driven the slight increase in overall contribution rates to 25.35% (2007: 24.8%). Our final salary scheme forms an important part of our overall remuneration package to staff. Licence fee payers should not, however, be asked to support it at any price, which is why we launched a Career Average Benefits section for new members from November 2006, and why from April 2009 we will be asking our staff to help meet the cost of longer life expectancy through two phased increases to the employee contribution rate.

**Resources**

We have valuable resources to help us achieve our financial and wider corporate objectives. Creativity and innovation are the lifeblood of the BBC, so we invest time and effort in attracting, developing, and keeping great people through effective recruitment and extensive training and development programmes.

Guaranteed licence fee funding for the remainder of the Charter period also enables us to plan with relative certainty, even if we cannot control rising costs. The BBC’s brand and reputation, both in the UK and overseas, are also important assets. Despite the editorial breaches last year there are signs that audience trust has since been recovered.

**Risks and uncertainties**

The key risks and uncertainties which we face in achieving our overall corporate objectives are listed below:

- **Loss of relevance to audiences** should the quality and distinctiveness of our programmes decline, or should we fail to keep up with the industry in making programmes easily available. To address this risk we conduct extensive audience research, and are exploring new ways to enable audiences to access our programmes whenever it suits them.

- **Incidents which cause harm to our staff or audiences**. Safety and security are of critical importance, and we carry out detailed risk assessments in advance of filming activities, overseas assignments, and events involving the public.

- **Disruption to output** due to loss of transmission or industrial action. To guard against this we regularly test business continuity plans, and we also liaise closely with unions over staffing issues.

- **Loss of key talent and major rights**, particularly as competition intensifies among broadcasters for star performers, programmes, and sports rights. We have developed co-ordinated strategies for developing and paying for talent, and for building a portfolio of programme and
sports rights which seeks to offer something for everyone.

- **Breach of editorial standards**, damaging the audience's trust in us. In response to the breaches identified this year, we have set up a new Editorial Standards Board, chaired by the Deputy Director-General, to oversee compliance with editorial policy.

- Sustained high inflation and energy price rises reduce our spending power in real terms. To mitigate this we regularly review our spending plans to see what we can afford and what represents best value for money. BBC Worldwide is also exposed to the risk of a wider economic downturn, but is relatively well protected due to the diverse range of businesses and global markets in which it operates; whilst a decline in the advertising market would impact on sales, other revenue streams would provide protection.

Details of the BBC’s risk management processes are included in the Governance and Financial Statements section (see page 89).

**STATUTORY RESULTS FOR THE YEAR ENDED 31 MARCH 2008**

**Income and expenditure**

BBC Group income of £4,415million represented a £238million (6%) increase on the previous year. Licence fee income rose 4% to £3,369million, reflecting the 3% increase in the cost of a TV licence, together with the reductions in collection costs and growth in number of UK households.

The main reason for the rise in income exceeding the fixed licence fee increase was the performance of the commercial businesses, where income of £720million (2007: £636million) was 13% up on last year (excluding the BBC’s share of joint ventures income).

Group operating expenditure did not increase at the same rate (expenditure of £4,475million was 2.8% higher), mainly due to a reduction in the FRS 17 accounting charge for the cost of pension scheme benefits earned by members during the year. If these costs are excluded, operating costs rose by 6% in line with income.

**Balance sheet**

Group net assets, excluding the pension scheme, fell slightly to £996million (2007: £1,064million). Within this, working capital remained broadly constant, with £359million net current assets (2007: £377million).

During the year our borrowings increased by a net £107million, primarily within the commercial businesses in order to fund the acquisition of Lonely Planet. Over the course of the current licence fee period, we are forecasting to increase our level of borrowings in order to pay for improvements to programmes and services, whilst remaining within the borrowing limits specified in the Charter.

The other significant movement is in the level of provisions, which rose by £39million largely due to the provision for future redundancy costs.

**Cash flow statement**

The Group cash balance fell by £67million over the year; but it is important to note that rather than seeking to generate more cash, our main priority is ensuring that we remain within the borrowing limits specified in the Charter.

**Treasury policies**

We aim to ensure that we have sufficient liquid funds to meet financial obligations as they fall due, and that we comply with all borrowing limits (in particular those set out in the Charter and any external loan covenants – see Note 23).

**Critical accounting policies**

Our accounting policies are described in detail in the financial statements (pages 101–104). The two areas which require the greatest degree of judgement are pensions and provisions:

- Our valuation of the pension scheme for FRS 17 accounting purposes includes assumptions on life expectancy, future investment returns, inflation and salary growth, as stated in Note 8c viii. We consult with the scheme actuaries to ensure that they fall within an acceptable range based on market practice, but different assumptions would result in a change to the level of surplus.

- Provisions represent our best estimate of future liabilities, including those relating to future redundancy costs. These, for example, involve assumptions on the number of people involved and their level of remuneration, and whilst we base these on past experience the provision would change if we used different assumptions.

This year we have also adopted an amendment to FRS 17 ‘Retirement Benefits’. This change, and its impact on the financial statements, is described on page 112.

**International Financial Reporting Standards**

Legislation requires UK quoted companies to adopt International Financial Reporting Standards (‘IFRS’) in group financial statements. Whilst the BBC ordinarily prepares its financial statements on a basis consistent with UK quoted companies, we have decided not to adopt IFRS this year.

It remains our intention to prepare financial statements on the same basis as that used by Her Majesty’s Treasury in the preparation of the Whole of Government Accounts (‘WGA’). Based on the announcement in this year’s budget statement, regarding the first year of adoption of IFRS in WGA, we are planning to prepare financial statements in accordance with IFRS from 2009/10 onwards. In the meantime, UK Generally Accepted Accounting Principles apply, although we show the impact of adoption of IFRS on the BBC’s Group accounts on page 147.

Zarin Patel
Group Finance Director
19 June 2008
Governance and financial statements

“Effective governance – the system of directing and controlling an organisation, including the processes by which limited resources are efficiently targeted and monitored – is at the core of the BBC’s ability to operate successfully in the global business environment.”

Zarin Patel
Group Finance Director
The composition, operations and functions of the Executive Board are defined in the Royal Charter (the Charter). In discharging its functions the Charter requires the Executive Board to have regard to generally accepted principles of good corporate governance. So, although the BBC is not a listed company, it has opted to follow the relevant provisions of the Financial Services Authority’s Listing Rules and the 2006 Financial Reporting Council Combined Code on Corporate Governance (the 2006 FRC Code), in order to be consistent with companies quoted on an EU regulated market.

The Executive Board has complied with the requirements of the Charter, creating appropriate and effective governance arrangements for the BBC. This has also secured substantial compliance with the 2006 FRC Code although in a number of areas the 2006 FRC Code is not appropriate to the circumstances of the BBC. Compliance with the Charter has resulted in a small number of areas where compliance with the 2006 FRC Code has not been achieved, although the Executive Board believes that this does not compromise the quality of the governance arrangements in place, as shown here.

### Principle of the 2006 FRC Code

<table>
<thead>
<tr>
<th>Principle</th>
<th>BBC Position</th>
<th>Explanation</th>
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<tr>
<td>A.2 – There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsible for the running of the company’s business. No one individual should have unfettered powers of decision.</td>
<td>The Chairman of the Executive Board is the Director-General, the chief executive officer of the BBC.</td>
<td>The Charter specifies that the Director-General may be the Executive Chairman of the Executive Board. The role of the BBC Trust in approving high-level strategy means that no single individual has unfettered powers.</td>
</tr>
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<td>A.3 – The board should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the board’s decision taking.</td>
<td>The Executive Board comprises 16 directors, of which ten are executive Directors and six are non-executive Directors. All non-executive Directors are considered independent for the purposes of the 2006 FRC Code. As a result, the Executive Board does not comply with the provision (A.3.2) that at least half the board, excluding the Chairman, should be independent.</td>
<td>The Charter specifies that non-executive Directors must not be less than one-third and not equal to or more than one half of the members of the Executive Board. The Executive Board includes a balance of executive and non-executive Directors and no individual or small group of individuals can dominate decision taking.</td>
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</table>

In addition, provisions in the 2006 FRC Code that relate to interaction with shareholders do not apply to the BBC, although in some circumstances it is possible to consider, by analogy, the way in which the Trust engages with licence fee payers. This is set out in Part One of the Annual Report and Accounts.
The Executive Board is responsible for all aspects of operational management of the BBC (except the BBC Trust Unit), including:

- Delivering the BBC’s services in accordance with purpose remits, service licences and other strategies;
- Directing the BBC’s editorial and creative output;
- Ensuring compliance with all legal and regulatory requirements (including initial handling of complaints about the BBC), except where these areas specifically relate to the BBC Trust or the BBC Trust Unit;
- Ensuring compliance with all the requirements which the BBC Trust places on the Executive Board;
- Making proposals to the BBC Trust for anything which the BBC Trust is required to approve;
- Appointing, and holding to account, the management of the BBC and its subsidiaries;
- Conducting the BBC’s operational financial affairs to ensure value for money;
- Accounting to the BBC Trust for its own performance and the performance of the BBC and its subsidiaries;
- Complying with any decision from the BBC Trust in relation to the exercise of its functions.

The Executive Board meets monthly (except for August); summary minutes of meetings are available online at www.bbc.co.uk/info/running/executive/minutes.shtml.

In practice, the Executive Board delegates some of its responsibility to other managerial groups. Any delegation from the Executive Board is stated in the relevant standing orders for each group and a framework for reporting and review is established.

In accordance with the requirements and provisions of the Charter the following Committees continued to operate last year:

- Audit Committee (see pages 90–91)
- Fair Trading Committee (see page 63)
- Nominations Committee (see page 89)
- Remuneration Committee (see pages 92–95)

Information and professional development

Directors receive an induction programme and a wide range of information about the BBC on joining. This includes background information on the BBC, its Directors, details of Board procedures and Directors’ responsibilities.

All of the Directors have access to external independent advice should they so wish.

Performance evaluation

Assessment of the performance of the Executive Board in delivering the BBC’s services and activities is conducted by the BBC Trust in accordance with the Charter. The BBC Trust reviews progress on an ongoing basis culminating in an annual

Table 7: Executive Board and Committee attendance

<table>
<thead>
<tr>
<th>Executive Board</th>
<th>Audit Committee</th>
<th>Fair Trading Committee</th>
<th>Nominations Committee*</th>
<th>Remuneration Committee</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Ordinary Member</td>
<td>Extra-ordinary Attendee</td>
<td>Member Attendee</td>
<td>Member Attendee</td>
</tr>
<tr>
<td>Number of meetings for the period</td>
<td>11</td>
<td>4</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Mark Thompson</td>
<td>Mark Byford</td>
<td>Mark Thompson</td>
<td>Jenny Abramsky</td>
<td>Jana Bennett</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>4</td>
<td>5</td>
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<td>11</td>
<td>4</td>
<td>5</td>
<td>4</td>
</tr>
</tbody>
</table>
| Marcus Agius | Chairman of the Remuneration Committee | 1 | 4 | 4 | 1 | 3 **
| Val Gooding | Chairman of the Executive Audit Committee | 10 | 4 | 4 | 1 | 2 **
| David Robbie | Chairman of the Fair Trading Committee | 10 | 2 | 5 | 3 |
| Dr Samir Shah | Chairman of the Fair Trading Committee | 10 | 0 | 4 | 2 |

* Membership of the Committee differs depending on the appointment (non-executive or executive) being made. Marcus Agius, Mark Thompson and Dr Mike Lynch are members for all appointments. Mark Byford is a member for executive appointments and a regular attendee for non-executive appointments. Mark Thompson is the Chairman for executive appointments and Marcus Agius is the Chairman for non-executive appointments.

** Mark Thompson attended only part of one of the meetings.

*** Val Gooding was appointed as a non-executive Director from 1 January 2008; there were three ordinary meetings and one extraordinary meeting held during January to March 2008.
performance day attended by the Executive Board and the BBC Trust. The Chairman of the BBC Trust also meets separately with the non-executive Directors annually.

The BBC’s current governance arrangements were put in place from 1 January 2007, when the present Charter became effective and will be subject to a streamlining review now that they have been operational for a full reporting year. In addition, as part of his role, the Senior Independent Director has considered the effectiveness of the operation of the Executive Board (see below).

The performance review processes for the Executive Board’s Committees is evolving and each reviews its own performance and effectiveness; no significant issues were identified.

The performance review processes for the Executive Board’s Committees is evolving and each reviews its own performance and effectiveness; no significant issues were identified.

The Director-General reviews the performance of each Executive Director individually against personal and divisional annual objectives. The results are reviewed by the Remuneration Committee.

REPORT OF THE SENIOR INDEPENDENT DIRECTOR
As Senior Independent Director, I have sought to provide a point of contact for various of the interested parties involved in the governance of the BBC. From time to time during the year I have met separately with the Director-General to ensure that I am aware of any relevant issues that the Executive team may wish to raise. I have also met separately with the Chairman of the BBC Trust to understand his views – and through him those of his fellow Trustees – on the relationship between the Executive Board and the Trust and on the efficacy of the new BBC governance arrangements for the BBC as a whole. Thirdly, I have held individual meetings with each of the other non-executive Directors for an exchange of views on the effective operation of the BBC Executive Board.

In addition to its ten Executive Directors, the Executive Board of the BBC currently has six non-executive Directors, five of whom were Directors for the whole of the 2007/08 financial year. The sixth, Val Gooding, joined the Executive Board on 1 January 2008. While I can confirm that the Executive Board acts as a unitary Board, it now contains a mixture of Executive and non-executive Directors, each of whom brings a different perspective to bear on the various agenda items which are discussed around the board table. Each of the non-executive Directors was chosen because of his or her independence from the BBC and also because each was thought to possess skills and experience which would be relevant and helpful to the Executive Board’s deliberations.

2007/08 was a busy year for the Executive Board which, in addition to a full agenda of business as usual, had to deal with the six-year plan for Delivering Creative Future, resulting from the lower than sought for licence fee settlement and the consequences of the breach of trust issue which substantially impacted the BBC in the summer and autumn of 2007. Both of these issues tested the ability of the Directors to resolve them in a measured and professional manner and I can attest to the quality of analysis and debate which took place and to the contribution of all Directors in ensuring that the Executive Board’s response was timely and relevant.

To bring five, then six, new non-executive Directors, most of who were unknown to one another, on to a seasoned Executive Board – effectively all at once – was always going to be a challenge. My sense is that all concerned have risen to this challenge. The working relationships around the board room are supportive and professional. The debate is robust and transparent and the overarching culture – which is now establishing itself – is positive and in harmony with the public purposes of the BBC.

Marcus Agius
Senior Independent Director
19 June 2008

Nominations Committee
The Nominations Committee oversees the process of proposing, appointing and dismissing members of the Executive Board (with the exception of the Chairman, who is appointed by the BBC Trust). Membership of the Nominations Committee is dependent on whether it is exercising its responsibilities in relation to executive or non-executive appointments.

During the year, one non-executive appointment was made. The selection process involved interviews with a selection of candidates, with the appointment made on merit and against objective criteria.

ACCOUNTABILITY AND INTERNAL CONTROL
The Executive Board is responsible for ensuring there is a process for managing significant risks to the BBC, and for maintaining an adequate system of internal control and reviewing its effectiveness.

Risk identification, management and ownership
An ongoing process for identifying, evaluating, managing, monitoring and reporting significant risks to the BBC, which accords with the Turnbull guidance, has been in place for the year ended 31 March 2008 and up to the date of approval of this BBC Annual Report and Accounts. We consider the overall management of risk within the BBC to be most effectively achieved through the engagement of the entire Executive Board and, for that reason, risk management is not delegated to a sub-committee. Key elements of the process include:

* The Director of each BBC business group has a clear responsibility for identification and management of risks facing their business. Each business group maintains a register of identified key business risks which may have an impact on the accomplishment of its strategic objectives or achievement of its core business purposes, together with identified current controls and actions planned in response. Risk registers are subject to regular review and assessment throughout the year, and feed into consideration of risk exposure at both local and BBC Executive Board level.

* The Executive Board receives regular reports on the BBC’s risk exposure, focusing particularly on the risk themes currently deemed critical to the success of the BBC, including identification of controls currently in place, further actions planned to manage those risks effectively and highlighting any issues for their attention.

* Specialist functions oversee the pan-BBC management of certain major areas of risk, ensuring appropriate frameworks and arrangements are in place to provide for consistency across the business, and ensuring appropriate executive sponsorship and management ownership of these. Such specialist functions include the Business Continuity Unit and Occupational Risk Management.

* The responsibility to minimise the risk of fraud and the consequential loss to the licence fee payer is taken very seriously. A clear fraud policy clarifies responsibilities for the controls in place to minimise the risk of fraudulent activity and all suspected incidents of fraud are investigated.

* An internal risk management function, led by the Head of Risk, works with management and the Executive Board to ensure the continued operation and appropriate development of processes to identify, evaluate and manage the significant risks facing the BBC, and to ensure there is...
appropriate ownership of all risks. An annual report on the process is submitted to the Executive Audit Committee.

Internal control
The Executive Board, supported by senior management teams, is responsible for establishing and maintaining the BBC’s system of internal control, for reviewing its effectiveness and for ensuring necessary actions are taken to remedy significant failings or weaknesses identified. Our system of control is designed to manage rather than eliminate weaknesses identified. Our system of internal control include:

- Comprehensive financial and other reporting processes, within business groups and up to the Executive Board, including monthly management reporting, business reviews, an annual budget cycle with regular interim forecasts, long-term planning, performance review and exception reporting.

- Formalised authorisation processes, with the maintenance of proper records whenever these are necessary, covering all financial transactions, all programme commissioning and production, all major project expenditure, and all contracts, with clearly defined criteria when Executive Board approval is required.

- Processes to ensure compliance with all applicable laws and regulations, including Ofcom requirements.

- Processes to manage risks associated with the outsourcing of key business services (eg licence fee collection, finance transaction processing, HR services, technology systems and support) and to ensure continuity of ongoing business operations.

- Formalised policies and procedures concerning all material business processes, to ensure the flow of timely, relevant and reliable information across the business.

- Processes to ensure the professionalism and competence of staff, including recruitment policies, performance appraisal systems, and training programmes to develop and maintain required skills and knowledge.

The Executive Board, in reliance upon the detailed work of the Executive Audit Committee and by review and discussion of quarterly reports on both risk and compliance, confirms that it has considered the effectiveness of the system of internal controls in operation throughout the financial year and up to the date of approval of the Annual Report and Accounts.

Over the course of the year a number of breaches of editorial guidelines relating to competitions, votes and honesty with audiences were discovered. A number of measures were taken designed to prevent any further instances, including a new Code of Conduct: Competitions and Voting, new editorial guidance for votes, competitions and awards, and enhanced technical supervision of interactive votes and competitions. In addition, a new ‘face-to-face’ course, Safeguarding Trust, designed with the aim of ensuring programme makers understand and comply with the BBC’s values and editorial standards and reinforce ways to be open with audiences about production techniques, was delivered to very nearly every programme maker (more than 17,000) by the end of March 2008.

Internal audit
Our Business Assurance function, whose authority and independence is assured by its independent and direct access to the Director-General and to the Executive Audit Committee, delivers the BBC’s internal audit service. Business Assurance undertakes regular testing of control systems and core business processes, evaluating their adequacy and effectiveness and ensuring their consistent application across the BBC. Its work programme is based on a continuing assessment of key risks, with due consideration to value for money to the licence fee payer, and covers material financial, operational and compliance controls. It is agreed annually with the Executive Audit Committee and extends throughout all activities of the BBC and covers the exercise of the BBC’s right of audit over external parties, including independent production companies and suppliers of key outsourced business services. Any significant control failings or weaknesses revealed by testing are reported promptly to appropriate levels of management. The results of testing are reported at each meeting of the Executive Audit Committee; follow-up reviews take place to monitor that management has implemented recommendations.

Executive Audit Committee
The members of the Executive Audit Committee, all appointed in January 2007, are non-executive Directors David Robbie (Chairman), Dr Mike Lynch and Dr Samir Shah. The Executive Board is satisfied that David Robbie has significant, recent and relevant financial experience. The committee augments the broad range of skills of its three members, gained from considerable experience in senior roles with other major organisations, with advice as necessary from internal and external professionals, including on relevant developments in financial reporting and related company law.

REPORT OF THE CHAIRMAN OF THE EXECUTIVE AUDIT COMMITTEE
The report set out below describes in some detail the remit of the Executive Audit Committee and how, over the course of the year, our meetings have fulfilled our key responsibilities. A main focus at each of our meetings is the major points coming out of Internal Audit reviews completed during the quarter and a discussion regarding the status of the implementation of significant actions raised in those reviews. Throughout these discussions, we challenge management to make the needed changes with the minimum of delay. We also receive regular updates from our external auditors; these outline their audit approach and any issues they wish to bring to our attention for discussion.

To gain a deeper understanding of the most significant risks facing the BBC and a fuller appreciation of the existing and proposed mitigation of those risks, this year we have requested that a paper on at least one major risk theme be presented to each of our meetings. Our interest is in the appropriateness and the adequacy of the actions taken to manage the risk and we challenge those presenting the papers where we feel there to be improvements that can be made. One such paper dealt with information security; to verify our approach to this on the back of problems encountered by other organisations.

The scope of this committee covers the whole BBC, therefore we also receive and discuss updates from the other Audit Committees which oversee our commercial businesses.

In addition to the quarterly meetings, we held a separate meeting which was dedicated to the appointment of our external auditors which included presentations from those short-listed. The committee approved the appointment of KPMG LLP as the external auditors and this appointment has since been ratified by the Secretary of State.

David Robbie
Chairman of the Executive Audit Committee
19 June 2008
During the year, the Executive Audit Committee has reviewed its Terms of Reference and has approved their continued application, deeming them appropriate to ensure the committee’s continued effectiveness. The written terms of reference are available at bbc.co.uk/info/running/executive/standing_orders.shtml. The committee’s core purpose is to review and maintain oversight of the BBC’s corporate governance, particularly with respect to financial reporting, internal control and risk management.

The Executive Audit Committee has fulfilled its responsibilities, and in particular has:

- Reviewed the effectiveness of the system of internal controls, in particular by considering the findings of the internal and external auditors and seeking assurance from management that control issues highlighted are being addressed, and by considering reports from management on processes for managing significant risks to the organisation, including subsidiary companies.

- Reviewed the BBC’s financial statements, including accounting policies, compliance with legal and regulatory requirements, and the findings of the external and internal auditors.

- Overseen the BBC’s relationship with the external auditors, including their engagement, the scope of and approach to their work, their fees, their effectiveness and their independence, including the approval and observance of the policy relating to their engagement in non-audit work.

- Approved the work plan of Internal Audit.

- Reviewed the processes in place for the detection of fraud and for whistle-blowing.

The Executive Audit Committee met five times during the financial year. The meetings were attended by the Director-General, the Group Finance Director (also Chief Risk Officer), the Head of Business Assurance, the Head of Risk (since appointment in October 2007) and representatives from the external auditors. The committee meets at least annually with the external auditors without any member of management present. The Chairman of the Executive Audit Committee meets routinely with the Head of Business Assurance, alone with the external auditors, but without management, and also meets with the external audit lead partner alone.

Minutes of each Executive Audit Committee meeting, once approved, are available to the Executive Board and to the BBC Trust. Recommendations of the committee on any area within its remit where action or improvement is needed are reported back to the Executive Board by whatever route is deemed most appropriate to the nature and circumstances of the issue. The committee Chairman formally reports to the Executive Board at least once a year on all matters within the committee’s duties and responsibilities.

**Independence of external auditors**

We comply with the guidance relating to maintaining an appropriate relationship with external auditors set out in the 2006 FRC Code. The external auditors appointed by the BBC are KPMG LLP as auditors of the financial statements, and PricewaterhouseCoopers LLP (PwC) as the fair trading auditors. The Executive Audit Committee, the Fair Trading Committee, KPMG LLP and PwC themselves all have safeguards in place to avoid the possibility of the auditors’ objectivity and independence being compromised. The Executive Audit Committee regularly reviews the independence of its external auditors, and recruitment from KPMG LLP into any senior management position in the BBC requires its prior approval.

To ensure that the provision of non-audit and accounting services from KPMG LLP does not compromise their independence and objectivity, the Executive Audit Committee has set a clear policy which defines the threshold above which proposed work must be approved in advance by the committee, and also defines when the planned work must be submitted to competitive tender. This policy has been reviewed and updated by the committee during the year. In all cases, KPMG LLP are not considered for work for which might compromise their ability to independently opine on the BBC’s financial statements.

**Whistle-blowing**

We have a ‘whistle-blowing’ or ‘protected disclosure’ policy, to facilitate the anonymous communication of any incident in which there is a suspicion that the BBC’s codes have been breached. A whistle-blowing hotline is administered by an independent external company to ensure anonymity. Each reported incident is notified to the Head of Business Assurance, who ensures that every incident is investigated, a response communicated and action taken as appropriate. The Executive Audit Committee reviews both the process to ensure the proportionate and independent investigation of matters reported, and the appropriateness of follow-up action.

### REPORT OF THE CHAIRMAN OF THE EXECUTIVE REMUNERATION COMMITTEE

Managing executive reward at the BBC poses challenges that are perhaps unique in the UK. In particular, the BBC has to balance its value-for-money responsibilities as a public sector corporation with its need to recruit and retain high-quality managers in competition with private sector media and technology companies.

The BBC operates a remuneration strategy, approved by the Trust, and designed to enable the recruitment and retention of staff in the markets in which it operates, that is, both public service broadcasting and commercial business. During the year the Executive Board Remuneration Committee (ERC) and the BBC Trust reviewed the strategy and decided to continue with it for the coming year.

In recognition of the BBC’s unique funding position we do not provide the level of short- and long-term incentives that are typical in the wider media sector but, to attract and retain key creative talent, we focus instead on providing competitive base salaries. An exception to this is the Chief Executive Officer of BBC Worldwide who participates in the annual bonus and long-term incentive plans of BBC Worldwide, our commercial business.

Whilst we have managed to attract our Executive Directors, the ERC is nonetheless aware that the competitiveness of the BBC’s overall remuneration package in the external marketplace continues to decline, in part due to the increasing levels of short- and long-term incentive practice in the wider media sector. We review this each year and consider whether the remuneration strategy and underlying policies remain appropriate.

Over the last 12 months the ERC has made a number of changes to remuneration of some Executive Directors to recognise a significant increase to their responsibilities such as the Deputy Director-General, the Director, BBC Vision and the Chief Operating Officer. In addition the remuneration of the Director, Future Media and Technology was changed in response to competitive pressures in the technology sector. In the determination of bonus awards for the year; the ERC has taken into consideration both the achievements of Executive Directors and the editorial and compliance issues that have faced the BBC and the impact those issues have had on public trust.

In summary, this has been a challenging year for the BBC but my colleagues and I believe that we have applied a remuneration strategy that is in the interests of our licence fee payers and has enabled us to retain our key executive talent.

Marcus Agius
Chairman of the Remuneration Committee
19 June 2008
EXECUTIVE BOARD REMUNERATION REPORT
This report sets out the BBC’s remuneration policy and details the remuneration received by the members of the Executive Board. Although the BBC is exempt from the requirements of the Directors’ Remuneration Report Regulations 2002 and those of the Financial Services Authority, this report has been prepared as if those requirements apply wherever the disclosure provisions are relevant and applicable. The sections on pensions and remuneration received by the Executive Board members are audited by KPMG LLP.

Remuneration Committees: constitution and operation
The Remuneration and Appointments Committee (RAC) of the BBC Trust sets the remuneration strategy for the Director-General and Executive Directors as well as the fees of the non-executive Directors. See Part One of the BBC Annual Report and Accounts for more information on this, available online at www.bbc.co.uk/annualreport.

The Executive Remuneration Committee (ERC) is responsible for implementing the remuneration strategy for executive members of the Executive Board (excluding the Director-General) this includes the determination of base pay and incentive awards. The members of the ERC are non-executive Directors. Committee members are Marcus Agius (Chairman), Dr Mike Lynch, and Robert Webb.

Meetings of the ERC are also attended, on invitation, by the Director-General and the Director, BBC People, to advise on matters relating to other members of the Executive Board and the overall performance of the BBC. The Director, BBC People, is not present when matters concerning his own remuneration are considered. The ERC has access to internal expertise through the BBC’s Reward Director who also attends the meetings.

Complying with the 2006 FRC Combined Code on Corporate Governance, the ERC takes specialist advice from external professional advisers on some matters, particularly those relating to market practice. During the year, independent advice was received from Hay Group who were appointed by the committee. (In addition to its work for the committee, Hay Group provides other areas in the BBC with comparative market data.)

Non-executive Directors: remuneration policy
The 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 the BBC. The fee levels are reviewed every other year; the next review being effective from 1 January 2009.

Each non-executive Director receives a base fee (currently £35,000 pa). An additional fee (currently £5,000 pa) is awarded to the chair of each Board committee for each role performed. The Senior Independent Director is awarded an additional fee of £10,000 pa for performing this role which includes chairing the Nominations Committee. The non-executive Directors are additionally reimbursed for expenses incurred on BBC business, and any tax arising on those expenses is settled directly by the BBC. Their fees and expenses are reported in Table 9.

Executive Directors: remuneration policy
The Executive remuneration policy enables the BBC to provide:

* Base pay: In determining base pay the ERC takes into account the base pay of the BBC’s principal competitors and the other organisations with which it competes for talent; the affordability of the BBC to reward executives; and the performance of the executive. Whilst it is accepted that the BBC must be competitive the BBC should not lead the market on executive pay in the media sector and therefore base salaries will typically be positioned around the median of the market.

* Variable pay: A limited element of variable pay, linked to the achievement of key objectives and overall contribution to BBC performance, is provided. The policy recognises that many competitor organisations are able to offer significant levels of variable pay, including higher cash bonuses and share-based awards which are not possible within the BBC. Executive Directors (with the exception of the Chief Executive Officer (CEO) of BBC Worldwide) are eligible for an annual bonus of up to a maximum of 10% of base pay of which up to 6% is for the achievement of divisional value-for-money targets, and up to 4% is for the achievement of divisional transformational objectives. It is intended that the bonus arrangements for 2008/09 will follow a similar structure to 2007/08. The policy recognises that BBC Worldwide is a commercially funded business and provides that the CEO of BBC Worldwide participates in the annual bonus and the long term incentive plans of BBC Worldwide. The design of the annual bonus and long term incentive plans are approved by the BBC Trust. Details of the plans are provided under BBC Commercial Businesses, page 94.

Table 8: Defined benefit schemes

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>Age as at 31 March 2008</th>
<th>Total accrued pension at 31 March 2008 £000s</th>
<th>Increase in accrued pension £000s</th>
<th>Transfer value of accrued pension at 31 March 2008 £000s</th>
<th>Transfer value of accrued pension at 31 March 2007 £000s</th>
<th>Transfer (decrease) in transfer value less members’ contributions over year £000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jana Bennett</td>
<td>52</td>
<td>11</td>
<td>2</td>
<td>164</td>
<td>126</td>
<td>16</td>
</tr>
<tr>
<td>Mark Byford</td>
<td>49</td>
<td>193</td>
<td>21</td>
<td>2,763</td>
<td>2,489</td>
<td>246</td>
</tr>
<tr>
<td>Tim Davie</td>
<td>40</td>
<td>6</td>
<td>2</td>
<td>37</td>
<td>27</td>
<td>3</td>
</tr>
<tr>
<td>Ashley Highbfield</td>
<td>42</td>
<td>14</td>
<td>2</td>
<td>99</td>
<td>96</td>
<td>(4)</td>
</tr>
<tr>
<td>Stephen Kelly 2</td>
<td>42</td>
<td>3</td>
<td>2</td>
<td>20</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Zarin Patel</td>
<td>47</td>
<td>18</td>
<td>2</td>
<td>170</td>
<td>159</td>
<td>4</td>
</tr>
<tr>
<td>John Smith</td>
<td>50</td>
<td>194</td>
<td>21</td>
<td>3,167</td>
<td>2,637</td>
<td>504</td>
</tr>
<tr>
<td>Mark Thompson</td>
<td>50</td>
<td>7</td>
<td>2</td>
<td>91</td>
<td>64</td>
<td>20</td>
</tr>
<tr>
<td>Caroline Thomson</td>
<td>53</td>
<td>62</td>
<td>4</td>
<td>1,308</td>
<td>1,130</td>
<td>170</td>
</tr>
</tbody>
</table>

1 Jenny Abramskiy has not accrued any benefits under the Pension Scheme since October 2006 when she started to draw benefits under the Scheme.
2 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 Actuarial Guidance Note GNI 1). 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.
3 Stephen Kelly is a New Benefits member with less than two years’ service, and so would not be entitled to a deferred pension on leaving the Scheme on this date. However, to be consistent with the other members, his accrued benefits have been calculated and valued.
### Table 9: Remuneration received

The remuneration of the Trustees and the Executive Board members during the year is shown below:

<table>
<thead>
<tr>
<th></th>
<th>Fee/base pay £000</th>
<th>Annual bonus £000</th>
<th>Expenses/ benefits £000</th>
<th>Other remuneration £000</th>
<th>Total remuneration 2007/08 £000</th>
<th>Total remuneration 2006/07 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jenny Abramsky</td>
<td>327</td>
<td>19</td>
<td>12</td>
<td>61</td>
<td>419</td>
<td>329</td>
</tr>
<tr>
<td>Jana Bennett</td>
<td>406</td>
<td>23</td>
<td>19</td>
<td>88</td>
<td>536</td>
<td>433</td>
</tr>
<tr>
<td>Mark Byford</td>
<td>459</td>
<td>41</td>
<td>13</td>
<td>–</td>
<td>513</td>
<td>437</td>
</tr>
<tr>
<td>Stephen Dando¹</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Tim Davie</td>
<td>314</td>
<td>17</td>
<td>17</td>
<td>65</td>
<td>413</td>
<td>406</td>
</tr>
<tr>
<td>Ashley Highfield</td>
<td>350</td>
<td>34</td>
<td>11</td>
<td>71</td>
<td>466</td>
<td>359</td>
</tr>
<tr>
<td>Stephen Kelly²</td>
<td>320</td>
<td>33</td>
<td>16</td>
<td>62</td>
<td>431</td>
<td>268</td>
</tr>
<tr>
<td>Zarin Patel</td>
<td>329</td>
<td>31</td>
<td>15</td>
<td>65</td>
<td>440</td>
<td>386</td>
</tr>
<tr>
<td>John Smith³</td>
<td>380</td>
<td>88</td>
<td>18</td>
<td>–</td>
<td>486</td>
<td>460</td>
</tr>
<tr>
<td>Mark Thompson⁴</td>
<td>647</td>
<td>–</td>
<td>9</td>
<td>160</td>
<td>816</td>
<td>788</td>
</tr>
<tr>
<td>Caroline Thomson</td>
<td>328</td>
<td>32</td>
<td>15</td>
<td>65</td>
<td>440</td>
<td>361</td>
</tr>
<tr>
<td><strong>Total Executive Directors</strong></td>
<td>3,860</td>
<td>318</td>
<td>145</td>
<td>637</td>
<td>4,960</td>
<td>4,252</td>
</tr>
<tr>
<td><strong>Non-executive Directors¹</strong></td>
<td>50</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>50</td>
<td>17</td>
</tr>
<tr>
<td>Marcus Agius</td>
<td>9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9</td>
<td>–</td>
</tr>
<tr>
<td>Val Gooding</td>
<td>35</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>35</td>
<td>9</td>
</tr>
<tr>
<td>Mike Lynch</td>
<td>40</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td>David Robbie</td>
<td>35</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>35</td>
<td>9</td>
</tr>
<tr>
<td>Samir Shah</td>
<td>40</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td>Robert Webb</td>
<td>579</td>
<td>–</td>
<td>63</td>
<td>–</td>
<td>642</td>
<td>209</td>
</tr>
<tr>
<td><strong>Total Non-executive Directors</strong></td>
<td>209</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>209</td>
<td>55</td>
</tr>
<tr>
<td><strong>Total Executive Board</strong></td>
<td>4,069</td>
<td>318</td>
<td>145</td>
<td>637</td>
<td>5,169</td>
<td>4,307</td>
</tr>
<tr>
<td><strong>Total Trustees⁴</strong></td>
<td>579</td>
<td>–</td>
<td>63</td>
<td>–</td>
<td>642</td>
<td>209</td>
</tr>
<tr>
<td><strong>Total Governors⁷</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,648</td>
<td>318</td>
<td>208</td>
<td>637</td>
<td>5,811</td>
<td>4,811</td>
</tr>
</tbody>
</table>

¹ Stephen Dando resigned 23 April 2006.
² Stephen Kelly joined on 1 October 2006 and therefore 2007/08 is the first full year reporting.
³ John Smith’s base pay, bonus and benefits have been fully funded by BBC Commercial Businesses since 1 September 2006. In addition to the annual bonus an equal amount has been invested in the Long Term Incentive Plan for BBC Worldwide which may vest in March 2011.
⁴ The BBC Trust has responsibility for setting Mark Thompson’s bonus award and has assessed his performance over the year. His maximum bonus potential was 10% of base pay; and the BBC Trust determined that his performance merited an award in the upper quartile. However he indicated that he did not want to accept a bonus this year.
⁵ Other remuneration comprises the following:
   a. cash pensions supplements which replaced FURBS arrangements
   b. Jenny Abramsky receives a cash supplement as she no longer accrues benefits under the Pension Scheme.
   c. The Executive Directors who primarily focused on licence fee funded business waived their contractual rights to be considered for an annual bonus in 2006/07. John Smith waived his right to £18,000 of annual bonus awarded to him. This is reflected in the Total remuneration 2006/07.
⁶ Marcus Agius was appointed 1 December 2006. Val Gooding was appointed 1 January 2008, Mike Lynch, David Robbie, Samir Shah and Robert Webb were appointed 1 January 2007.
⁷ The comparator figure for 2006/07 for the Trustees is for the period 1 November 2006 – 31 March 2007.

There were no payments in respect of termination or compensation for loss of office paid to or receivable by Executive Board members during the year.
Benefits: In addition to pension, the other main contractual benefits are a car and fuel allowance, private health insurance, and life assurance. It is policy that new appointees to the Executive Board are not eligible for provision of a chauffeur-driven car. The Director-General’s contract provides for a chauffeur-driven car, but no entitlement to a personal car or fuel allowance.

Pension: Executive members of the Executive 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, including London Weighting, but not including any bonuses or other payments. For employees in this group the normal pensionable age is 60. For an employee who joined on or after 1 November 2006 the accrual rate is 1.67% of their pensionable pay for each Scheme year, adjusted in line with inflation. For employees in this group the normal pensionable age is 65.

All current Executive Directors have a normal pensionable age of 60 but may continue in employment to age 65. For those who joined the Pension Scheme after 31 May 1989 earnings are subject to maximum annual limit (£112,800 per annum for 2007/08). No maximum annual limit is applied to those who joined on or 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.

For an executive member of the Executive Board who joined on or after 1 June 1989, where their pensionable pay exceeds the maximum annual limit, a variety of arrangements were put in place, including funded and unfunded arrangements outside of the Pension Scheme. Since 1 April 2006 these arrangements were replaced by a cash supplement paid to each Director on pensionable salary above the maximum annual limit. See Table 8.

With the pension tax regime effective from April 2006, any participating employee who reaches or exceeds the Lifetime Allowance is no longer eligible to participate in the Pension Scheme and instead receive a cash supplement.

BBC’s Commercial Businesses

The CEO of BBC Worldwide (the commercial subsidiary of the BBC) participates in the annual bonus plan and long term incentive plan (LTIP) of BBC Worldwide which were established by the Board of BBC Commercial Holdings and approved by the BBC Trust. These plans are not funded by the licence fee and the full costs of base pay, annual bonus and the LTIP are self-funded by the commercial revenues of BBC Worldwide.

The CEO of BBC Worldwide is eligible for a maximum annual award of 50% of base pay under the annual bonus plan, determined principally by performance against profit targets. The CEO is entitled to defer up to 75% of the previous year’s annual bonus into the LTIP.

The LTIP is a cash incentive plan designed to align the CEO’s remuneration with the strategy of the business. The maximum payout under the LTIP is 20% of base pay, and additionally a potential 100% match of deferred annual bonus. Awards, including the matching element, made under the scheme are subject to two performance measures: Profit Growth (75% weighting) and Return on Sales growth (25% weighting), measured over a three year period and relative to a comparator group of at least 15 other international media companies. The companies are ranked according to their performance. The comparator group is selected for their mix of business, industry and geographical representation.

BBC Worldwide must be ranked at least at the median of the comparator group for any of the award to vest. Maximum vesting is achieved for a ranking at the upper quartile or above. There is a straight-line vesting scale between these two points. The vesting schedule is shown in Table 10.

Table 10: Long term incentive plan (LTIP)

<table>
<thead>
<tr>
<th>Performance ranking for BBC Worldwide</th>
<th>LTIP payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upper quartile or above</td>
<td>20% of base salary, and 100% match of deferred bonus</td>
</tr>
<tr>
<td>Median</td>
<td>10% of base salary, and 50% match of deferred bonus</td>
</tr>
<tr>
<td>Below median</td>
<td>Nothing vests</td>
</tr>
</tbody>
</table>

Notes
1 Straight line pro-ratai applies between median and upper quartile.
2 50% of the amount of any deferred annual bonus is also forfeited if performance is below the lower quartile.

10b LTIP Vesting for CEO of BBC Worldwide

<table>
<thead>
<tr>
<th>LTIP Award</th>
<th>Bonus Deferred (£000s)</th>
<th>End of Performance Period</th>
<th>Potential LTIP vesting (at target) (£000s)</th>
<th>Potential Deferred Bonus Matching Award (£000s)</th>
<th>Total potential (£000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIP 2005 to 2008</td>
<td>87</td>
<td>March-08</td>
<td>78</td>
<td>87</td>
<td>252</td>
</tr>
</tbody>
</table>

10c LTIP Potential Vesting in 2009 and 2010 for CEO of BBC Worldwide

<table>
<thead>
<tr>
<th>LTIP Award</th>
<th>Bonus Deferred (£000s)</th>
<th>End of Performance Period</th>
<th>Potential LTIP vesting (at target) (£000s)</th>
<th>Potential Deferred Bonus Matching Award (£000s)</th>
<th>Total potential (£000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIP 2006 to 2009</td>
<td>80</td>
<td>March 09</td>
<td>39</td>
<td>78</td>
<td>159</td>
</tr>
<tr>
<td>LTIP 2007 to 2010</td>
<td>80</td>
<td>March 10</td>
<td>39</td>
<td>78</td>
<td>40</td>
</tr>
</tbody>
</table>

Notes
1 LTIP 2009–2010 for performance below lower quartile 100% of deferred bonus is forfeited.
2 Potential LTIP vesting is based on current earnings and rounded to nearest £1,000.

**Employment contracts**

Employment contracts of Executive Directors have a notice period of a maximum of twelve months, and are subject to earlier termination for cause. There is no contractual entitlement to any additional remuneration in the event of early termination other than in the case of termination for reason of redundancy.

**Outside interests**

In 2007 the ERC revised its policy on external directorships. Where there is no potential for conflict of interest, and with the prior agreement of the Director-General and the Nominations Committee, executive members of the Executive Board may now hold one external directorship with up to 15 days per year permitted to fulfil these duties. From 1 April 2007 remuneration which arises from directorships may be retained by the executive member, prior to this any remuneration arising from directorships was receivable by the BBC. The change in policy is to encourage the take-up of external non-executive appointments as part of the Executive Directors’ development as well as bringing broader business skills to the BBC.

During the year the Chief Operating Officer, BBC Worldwide served as a non-executive Director of Severn Trent PLC up to 29 February 2008. Both directors retained the fees for these directorships and the amounts received are set out in the table below. It is recognised that non-executive Directors are likely to have other directorships and the restrictions applying to Executive Directors do not apply to them.

<table>
<thead>
<tr>
<th>Company</th>
<th>Payment received £000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO, BBC Worldwide</td>
<td>Severn Trent PLC 50</td>
</tr>
<tr>
<td>COO, BBC</td>
<td>The Pensions Regulator 10</td>
</tr>
</tbody>
</table>

**EXECUTIVE BOARD RESPONSIBILITY STATEMENT**

**Statement of Executive Board responsibilities in respect of the Annual Report and Accounts**

The Charter requires that an annual report and statement of accounts is prepared in accordance with UK Generally Accepted Accounting Principles and audited. The Trustees’ responsibilities are detailed in Part One of the Annual Report and Accounts. The Executive Board is responsible for the preparation of an operating and financial review, statements of compliance with applicable codes and regulations and the statement of accounts. As a result the Executive Board is required to prepare a statement of accounts (or ‘financial statements’) for each year that gives a true and fair view of the state of affairs of the BBC and of the income and expenditure for that period.

In preparing those financial statements the Executive Board is responsible for:

- Selecting suitable accounting policies and then applying them consistently.
- Making judgements and estimates that are reasonable and prudent.
- Stating whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Preparing the financial statements on the going concern basis, unless it is inappropriate to presume that the BBC will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

In addition, the Executive Board has elected to comply with the accounting and disclosure provisions of the Companies Act 1985 and, where applicable, the Financial Services Authority Listing Rules which apply to a company quoted on an EU regulated market except that International Financial Reporting Standards have not been adopted.

The Executive Board is responsible for the maintenance and integrity of the corporate and financial information included on the BBC website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Statement of disclosure of information to auditors**

The Executive Board members who held office at the date of approval of the Annual Report and Accounts confirm that, so far as they are each aware, there is no relevant audit information of which the BBC’s auditors are unaware; and each Executive Board member has taken all the steps that they ought to have taken as an Executive Board member to make themselves aware of any relevant audit information and to establish that the BBC’s auditors are aware of that information.

**Going concern**

The going concern basis has been adopted in the preparation of the financial statements as the Executive Board believes that the BBC has adequate resources to continue its operations for the foreseeable future.

This statement was approved by the Executive Board.

Mark Thompson
Director-General
19 June 2008
INDEPENDENT AUDITOR’S REPORT TO THE TRUSTEES OF THE BRITISH BROADCASTING CORPORATION (BBC)

We have audited the Group and UK Public Service Broadcasting Financial statements (the ‘financial statements’) of the BBC for the year ended 31 March 2008, which comprise the Consolidated Income and Expenditure Account, the Consolidated and UK Public Service Broadcasting Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliations of Movements in BBC Reserves and the related notes (pages 97–116). These financial statements have been prepared under the accounting policies set out therein.

In addition to our audit of the financial statements, the Trustees have engaged us to audit the information in the Trustees’ and Executive Board Remuneration Reports (together ‘the Remuneration Reports’) that are described as having been audited, which have been prepared as if the BBC were a quoted company and hence required to comply with part 3 of Schedule 7A to the Companies Act 1985.

This report is made solely to the BBC’s Trustees, as a body, in accordance with the Royal Charter for the continuance of the BBC which came into force on 1 January 2007 (‘the Charter’) and in respect of the separate opinion in relation to the Remuneration Reports and reporting on Corporate Governance on terms that have been agreed. Our audit work has been undertaken so that we might state to the BBC’s Trustees those matters we are required to state to them in an auditor’s report and, in respect of the separate opinion in relation to the Remuneration Reports and reporting on Corporate Governance, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the BBC and the BBC’s Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustees and Executive Board and Auditors

The Trustees and Executive Board are responsible for preparing the Annual Report, the Remuneration Reports and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statements of Trustees’ and Executive Board’s Responsibilities on page 95.

Our responsibility, in accordance with the terms of our appointment, is to audit the financial statements and the parts of the Remuneration Reports to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and the Charter.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the parts of the Remuneration Reports to be audited have been properly prepared in accordance with the Companies Act 1985 as if that Act had been applied to these financial statements and the Remuneration Reports. We also report to you if, in our opinion, the BBC has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees and Executive Board remuneration and other transactions is not disclosed.

In addition to our audit of the financial statements, the Trustees have engaged us to review the Corporate Governance statement as if the BBC were required to comply with the Listing Rules of the Financial Services Authority in relation to these matters. We review whether the Corporate Governance Statement on pages 86–95 reflects the BBC’s compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Service Authority, and we report if it does not. We are not required to consider whether the statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the BBC’s corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and Accounts, and consider whether it is consistent with the audited financial statements. This information includes the Chairman’s statement in Part One of the Annual Report and Accounts, the Director-General’s report on page 1, the Trustees’ review of services in Part One of the Annual Report and Accounts, the Executive Board’s review of services on pages 29–57, the Corporate Governance Statement and the unaudited parts of the Remuneration Reports. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the parts of the Remuneration Reports to be audited. It also includes an assessment of the significant estimates and judgements made by the Executive Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the BBC’s and UK Public Service Broadcasting’s circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

* The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group’s and UK Public Service Broadcasting’s affairs as at 31 March 2008 and of the Group’s surplus for the year then ended; and

* The financial statements and the parts of the Remuneration Reports which we have been engaged to audit have been properly prepared in accordance with the provisions of the Charter and the Companies Act 1985 as if that Act had applied to these financial statements and the Remuneration Reports.

KPMG LLP
Chartered Accountants
Registered Auditor, London
19 June 2008
### Consolidated statement of income and expenditure

**For the year ended 31 March 2008**

<table>
<thead>
<tr>
<th>Note</th>
<th>Income (including share of joint ventures)</th>
<th>£m</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2008</td>
<td>2007</td>
</tr>
<tr>
<td></td>
<td>Income (including share of joint ventures)</td>
<td>4,689.4</td>
<td>4,415.8</td>
</tr>
<tr>
<td></td>
<td>Less: share of joint ventures</td>
<td>13c</td>
<td>(274.6)</td>
</tr>
<tr>
<td>Group income</td>
<td>1a</td>
<td>4,414.8</td>
<td>4,177.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Operating expenditure excluding exceptional costs</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating expenditure excluding exceptional costs</td>
<td>(4,359.3)</td>
</tr>
<tr>
<td></td>
<td>Exceptional distribution costs</td>
<td>2c</td>
</tr>
<tr>
<td></td>
<td>Exceptional restructuring costs</td>
<td>4c</td>
</tr>
<tr>
<td><strong>Total operating expenditure</strong></td>
<td>2a</td>
<td>(4,477.0)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Group operating deficit</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group operating deficit</td>
<td>(62.2)</td>
</tr>
<tr>
<td></td>
<td>Share of operating surplus of associates and joint ventures</td>
<td>60.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Operating deficit: Group and share of associates and joint ventures</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating deficit: Group and share of associates and joint ventures</td>
<td>(1.9)</td>
</tr>
<tr>
<td></td>
<td>Loss on sale and termination of operations</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Profit on disposal of fixed assets</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Deficit before interest and taxation</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deficit before interest and taxation</td>
<td>(4.7)</td>
</tr>
<tr>
<td></td>
<td>Interest receivable and similar items</td>
<td>7a</td>
</tr>
<tr>
<td></td>
<td>Interest payable and similar items</td>
<td>7b</td>
</tr>
<tr>
<td></td>
<td>Other net finance income (from defined benefit pension scheme)</td>
<td>8b ii</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Surplus before taxation and minority interest</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Surplus before taxation and minority interest</td>
<td>1a</td>
</tr>
<tr>
<td></td>
<td>Taxation</td>
<td>9a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Surplus after taxation and before minority interest</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Surplus after taxation and before minority interest</td>
<td>102.2</td>
</tr>
<tr>
<td></td>
<td>Minority interest</td>
<td>(0.5)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Surplus for the financial year</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Surplus for the financial year</td>
<td>101.7</td>
</tr>
</tbody>
</table>

All results arise from continuing operations.

There is no significant difference between the results as disclosed above and the results on an historical cost basis.
### Fixed assets

<table>
<thead>
<tr>
<th>Note</th>
<th>Group 2008 £m</th>
<th>Group as restated* 2007 £m</th>
<th>UK Public Service Broadcasting 2008 £m</th>
<th>UK Public Service Broadcasting 2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>87.3</td>
<td>10.2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>11</td>
<td>747.9</td>
<td>708.9</td>
<td>523.4</td>
<td>496.8</td>
</tr>
<tr>
<td>12</td>
<td>85.1</td>
<td>98.5</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>13a</td>
<td>2.7</td>
<td>5.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>13d</td>
<td>–</td>
<td>–</td>
<td>296.0</td>
<td>295.0</td>
</tr>
</tbody>
</table>

### Interests in joint ventures

- share of gross assets and goodwill: 13c 217.4, 196.4, –, –
- share of gross liabilities: 13c (151.8), (129.5), –, –

### Interests in associates

13a 65.6, 66.9, –, –

### Current assets

- **Stocks**
  - 14 500.1, 476.9, 470.2, 463.5
- **Debtors due after more than one year**
  - 15 50.1, 74.4, 21.1, 38.9
- **Debtors due within one year**
  - 15 794.9, 696.9, 655.3, 569.8

### Total debtors

845.0, 771.3, 676.4, 608.7

### Cash at bank and in hand

78.0, 144.7, 6.7, 93.4

### Total assets less current liabilities

1,423.1, 1,392.9, 1,153.3, 1,165.6

### Creditors – amounts falling due after more than one year

16b (1,064.7), (1,015.6), (761.6), (751.2)

### Net current assets

358.4, 377.3, 391.7, 414.4

### Total assets less current liabilities

1,350.8, 1,267.8, 1,211.1, 1,206.2

### Creditors – amounts falling due after more than one year

16c (172.6), (60.4), (21.9), (26.9)

### Provisions for liabilities

17 (182.3), (143.2), (160.0), (115.7)

### Net assets excluding pension asset/(liability)

995.9, 1,064.2, 1,029.2, 1,063.6

### Pension asset

8b i 528.4, 329.3, –, –

### Pension liability

8b i (5.1), (5.2), –, –

### Net assets

1,519.2, 1,388.3, 1,029.2, 1,063.6

### Represented by

- **Operating reserve excluding pension reserve**
  - 18 206.3, 279.3, 215.3, 278.7
- **Pension reserve**
  - 18 523.3, 324.1, –, –

### Total operating reserve

1,512.5, 1,388.3, 1,029.2, 1,063.6

### BBC reserves

6.7, –, –, –

### Minority interest

6.7, –, –, –

### Net assets

1,519.2, 1,388.3, 1,029.2, 1,063.6

* See statement of accounting policies.

The financial statements were approved by the Executive Board on 19 June 2008 and signed on its behalf by:

Mark Thompson  Director-General  19 June 2008

Zarin Patel  Group Finance Director  19 June 2008
**Consolidated statement of total recognised gains and losses**
For the year ended 31 March 2008

<table>
<thead>
<tr>
<th>Note</th>
<th>Group surplus for the financial year</th>
<th>Exchange differences</th>
<th>Actuarial gain on defined benefit pension schemes</th>
<th>Total recognised gains and losses relating to the year</th>
<th>Prior year adjustment for adoption of amendment to FRS 17</th>
<th>Total recognised gains and losses since last annual report</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>101.7</td>
<td>18</td>
<td>8c v</td>
<td>153.0</td>
<td>(10.4)</td>
<td>142.6</td>
</tr>
<tr>
<td>as restated*</td>
<td>60.7</td>
<td>(1.0)</td>
<td>136.1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* See statement of accounting policies.

**Reconciliations of movements in BBC reserves**
For the year ended 31 March 2008

<table>
<thead>
<tr>
<th>Note</th>
<th>Group surplus for the financial year</th>
<th>Other recognised gains and losses relating to the year (net)</th>
<th>Other reserves</th>
<th>Increase/(decrease) in reserves during the year</th>
<th>Opening reserves (originally £1,398.7million before deducting prior year adjustment of £10.4million)</th>
<th>Closing BBC reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>101.7</td>
<td>51.3</td>
<td>18,19</td>
<td>124.2</td>
<td>1,388.3</td>
<td>1,512.5</td>
</tr>
<tr>
<td>Group as restated 2008</td>
<td>60.7</td>
<td>133.4</td>
<td>(28.8)</td>
<td>194.1</td>
<td>1,194.2</td>
<td>1,388.3</td>
</tr>
<tr>
<td>Group as restated 2007</td>
<td>(34.4)</td>
<td>–</td>
<td>–</td>
<td>(34.4)</td>
<td>1,063.6</td>
<td>1,029.2</td>
</tr>
<tr>
<td>Public Service Broadcasting 2008</td>
<td>52.1</td>
<td>–</td>
<td>–</td>
<td>52.1</td>
<td>1,011.5</td>
<td>1,063.6</td>
</tr>
<tr>
<td>Public Service Broadcasting 2007</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Consolidated cash flow statement
For the year ended 31 March 2008

#### Reconciliation of Group operating deficit to net cash flow from operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group operating deficit</td>
<td>(62.2)</td>
<td>(176.1)</td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment</td>
<td>216.7</td>
<td>221.6</td>
</tr>
<tr>
<td>Difference between pension charge and cash contribution</td>
<td>1.9</td>
<td>136.8</td>
</tr>
<tr>
<td>Profit on disposal of tangible fixed assets</td>
<td>–</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Increase in stocks</td>
<td>(8.7)</td>
<td>(16.7)</td>
</tr>
<tr>
<td>(Increase)/decrease in debtors</td>
<td>(72.7)</td>
<td>13.6</td>
</tr>
<tr>
<td>Increase in creditors</td>
<td>26.4</td>
<td>21.6</td>
</tr>
<tr>
<td>Increase/(decrease) in provisions</td>
<td>57.3</td>
<td>(66.1)</td>
</tr>
<tr>
<td><strong>Net cash inflow from operating activities</strong></td>
<td>158.7</td>
<td>133.6</td>
</tr>
</tbody>
</table>

#### Cash flow statement

<table>
<thead>
<tr>
<th>Description</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash inflow from operating activities</td>
<td>158.7</td>
<td>133.6</td>
</tr>
<tr>
<td>Dividends received from joint ventures and associates</td>
<td>45.7</td>
<td>22.4</td>
</tr>
<tr>
<td><strong>Return on investments and servicing of finance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>11.3</td>
<td>12.6</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(12.3)</td>
<td>(7.0)</td>
</tr>
<tr>
<td>Interest paid on finance leases</td>
<td>(0.7)</td>
<td>(0.5)</td>
</tr>
<tr>
<td><strong>Net cash (outflow)/inflow from return on investments and servicing of finance</strong></td>
<td>(1.7)</td>
<td>5.1</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation paid</td>
<td>(23.5)</td>
<td>(21.1)</td>
</tr>
<tr>
<td><strong>Capital expenditure and financial investments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of tangible fixed assets</td>
<td>(158.0)</td>
<td>(144.7)</td>
</tr>
<tr>
<td>Investment in programmes for future sale</td>
<td>(88.2)</td>
<td>(109.5)</td>
</tr>
<tr>
<td>Repayment of loan to associate undertaking</td>
<td>–</td>
<td>0.3</td>
</tr>
<tr>
<td>Drawdown of loan to joint venture</td>
<td>13a (0.7)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Proceeds from the sale of tangible fixed assets</td>
<td>15.1</td>
<td>79.9</td>
</tr>
<tr>
<td><strong>Net cash outflow from capital expenditure and financial investments</strong></td>
<td>(231.8)</td>
<td>(174.8)</td>
</tr>
<tr>
<td>Acquisitions and disposals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of a subsidiary</td>
<td>19 (90.3)</td>
<td>–</td>
</tr>
<tr>
<td>Cash acquired with subsidiary</td>
<td>19</td>
<td>5.9</td>
</tr>
<tr>
<td>Purchase of trade investment</td>
<td>–</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Purchase of interest in joint ventures and associates</td>
<td>13a (6.3)</td>
<td>(5.5)</td>
</tr>
<tr>
<td>Paid on termination of operations</td>
<td>(16.4)</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds from sale of operations</td>
<td>–</td>
<td>26.6</td>
</tr>
<tr>
<td><strong>Net cash (outflow)/inflow from acquisitions and disposals</strong></td>
<td>(107.1)</td>
<td>20.2</td>
</tr>
<tr>
<td><strong>Net cash outflow before use of liquid resources and financing</strong></td>
<td>(159.7)</td>
<td>(14.6)</td>
</tr>
<tr>
<td>Management of liquid resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of liquid resources</td>
<td>28.7</td>
<td>–</td>
</tr>
<tr>
<td>Purchase of liquid resources</td>
<td>(28.7)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash inflow from management of liquid resources</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in loans</td>
<td>178.9</td>
<td>20.4</td>
</tr>
<tr>
<td>Repayment of loans</td>
<td>(72.1)</td>
<td>(7.0)</td>
</tr>
<tr>
<td>Capital element of finance lease payments</td>
<td>(9.7)</td>
<td>(9.5)</td>
</tr>
<tr>
<td>Repayment of loan notes</td>
<td>(4.1)</td>
<td>(4.8)</td>
</tr>
<tr>
<td><strong>Net cash inflow/(outflow) from financing</strong></td>
<td>93.0</td>
<td>(0.9)</td>
</tr>
<tr>
<td><strong>Decrease in cash in the year</strong></td>
<td>20 (66.7)</td>
<td>(15.5)</td>
</tr>
</tbody>
</table>
Statement of accounting policies

This section explains the BBC’s main accounting policies, which have been applied consistently throughout the year and in the preceding year except where stated. A footnote in italics follows some policies to explain technical aspects of the accounting treatment in plain English.

The financial statements have been prepared in accordance with the provisions of the BBC’s Charter and Agreement, which require them to be prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

Although not mandatory, until 2005 the BBC chose to follow the accounting and disclosure provisions of the Companies Act 1985 and the Financial Services Authority Listing Rules to ensure that its financial statements were prepared on a basis consistent with those of UK companies quoted on an EU-regulated market. Following changes in company law, if it had continued to report in this way, the BBC would have prepared its consolidated financial statements in accordance with EU-adopted International Financial Reporting Standards (IFRS) from 1 April 2005. However, reporting under IFRS would be inconsistent with the BBC’s Charter and Agreement and with Government reporting. Instead, the financial statements continue to be prepared in full accordance with UK GAAP and applicable elements of the Listing Rules.

The BBC files financial statements for all its UK registered subsidiary companies with Companies House.

BASIS OF ACCOUNTING
The financial statements have been prepared under the historical cost accounting convention, as modified by the revaluation of certain plant, machinery, furniture and fittings, financial instruments, derivatives and the investment in BBC World Service and BBC Monitoring.

ADOPTION OF AMENDMENTS TO ACCOUNTING STANDARDS
The BBC has adopted the following amendments to applicable UK accounting standards for the first time in these financial statements:

- Amendment to FRS 17 ‘Retirement Benefits’ issued in December 2006. The main effect of this amendment is to replace the previous disclosures with those of IAS 19 ‘Employee Benefits’. The amended disclosures including revised comparatives are shown in Note 8. The only resulting measurement change is that pension scheme assets are now valued at current bid value (the price to be received on sale) rather than mid-market value (the mid point between the purchase and sale prices). The effect of this change is that the value of the pension asset as at 31 March 2007 decreased by £10.4 million; comparatives have been restated accordingly.

- Amendment to FRS 3 ‘Reporting Financial Performance’. This has had no impact on the financial statements in the current or prior year.

ADOPTION OF NEW URGENT ISSUES TASK FORCE ABSTRACT
The BBC has adopted UITF 42 (IFRIC 9) ‘Reassessment of Embedded Derivatives’. This has had no impact on the financial statements in the current or prior year.

BASIS OF CONSOLIDATION
The Group acquired two subsidiaries during the year, Lonely Planet Pty Limited and DSHS Limited for which the acquisition method of accounting has been adopted. Under this method, the results of subsidiaries acquired or disposed of in the year are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal.

The Group accounts include the results of all businesses controlled by the BBC (subsidiaries) together with the BBC’s share of the results of businesses over which the BBC has influence but not control (associates) and those which the BBC jointly controls (joint ventures). See Note 29 for more information.

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

UK PUBLIC SERVICE BROADCASTING INCOME AND EXPENDITURE ACCOUNT
A separate statement of income and expenditure reflecting the results of UK Public Service Broadcasting has not been presented, which is consistent with the option available to companies under Section 230 of the Companies Act 1985.

SERVICE LICENCE REPORTING
Service licences are used by the BBC Trust to monitor that each BBC service creates public value by delivering the BBC’s public purposes. Note 28 provides more detail on how costs are allocated to individual services.

INVESTMENTS IN GROUP UNDERTAKINGS
The funding of UK Public Service Broadcasting, BBC World Service and BBC Monitoring is legally separate and cross-subsidisation is not permissible. Accordingly, for the purposes of preparing UK Public Service Broadcasting’s balance sheet, the individual assets and liabilities attributable to BBC World Service and BBC Monitoring must be excluded, and UK Public Service Broadcasting is considered to have investments in BBC World Service and BBC Monitoring equal to the net assets of these entities.

OTHER INVESTMENTS
Other investments, being neither loans nor necessarily held for maturity, are recorded on the balance sheet at cost less provision for any impairment in value.

INCOME
Income, which excludes value added tax, trade discounts and sales between Group companies, is comprised of the following key classes of revenue, which are recognised as follows:

- Television licences
  The main income for the BBC is derived from television licences. Licence fee income is recognised in full when a licence is issued, subject to deductions for actual and expected refunds and cancellations.

- Grants from Government departments
  Grants are recognised when receivable from the relevant Government department. The BBC World Service receives Grant-in-Aid from the Foreign and Commonwealth Office and BBC Monitoring receives a grant from the Cabinet Office. These grants are intended to meet estimated expenditure in the year but unexpended receipts for the year, within predetermined limits, are not liable to surrender.
Statement of accounting policies

* Provision of equipment, facilities and services (including programme-making facilities and services)

With the exception of long-term contracts, income is recognised when the equipment, facilities and services are provided to customers. For long-term contracts, the amount of profit attributable to the stage of completion is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in prior years. Provision is made for any future losses as they are foreseen.

† Distribution and advertising income, licence fees from international television programme sales and sale of promotional merchandise and income from publishing

This income is recognised on provision of services, the start of the licence period or delivery of merchandise respectively. Where programme rights have not been delivered by the start of the licence period, revenue is recognised on delivery of the rights.

Sales of merchandise are stated after deduction of the sales value of actual and estimated returned goods.

The distinction between the various income sources is important. The BBC is careful not to cross-subsidise commercial, UK Public Service Broadcasting or Grant-in-Aid and grant-funded activities. More information on these BBC fair trading requirements and policies can be found on page 63 of this report.

† FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 31 March. Surpluses and deficits arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the statement of income and expenditure.

The profit and loss accounts and cash flows of overseas subsidiaries are translated into sterling at average rates for the year, which is a good approximation for the actual rate. Exchange differences arising on consolidation from the retranslation of the opening net assets of overseas subsidiaries and any related

long-term foreign currency borrowings together with the differences arising when the profit and loss accounts are retranslated at the rates ruling at the year end, are taken to the operating reserve through the statement of total recognised gains and losses. As these financial statements are prepared in sterling, the BBC’s foreign currency transactions and balances must be translated, at appropriate exchange rates, into sterling.

† PENSION COSTS

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

The amounts charged as expenditure for the defined contribution schemes represent the contributions payable by the BBC for the accounting periods in respect of these schemes.

The defined benefit schemes, of which the majority of staff are members, provide benefits based on final, or career average, pensionable pay. The assets of the BBC’s main pension scheme are held separately from those of the Group.

Pension scheme assets are measured using current market bid values. Pension scheme liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. Generally, amounts are charged to operating expenditure on the basis of the current service cost of the present employees that are members of the BBC Pension Scheme.

The BBC Pension Scheme is a Group-wide scheme and UK Public Service Broadcasting and its subsidiary undertakings are unable to identify their shares of the underlying assets and liabilities of the scheme on a reasonable and consistent basis.

Therefore as required by FRS 17 ‘Retirement benefits’, UK Public Service Broadcasting accounts for the scheme as if it were a defined contribution scheme. As a result the expenditure charged for UK Public Service Broadcasting represents the contributions payable in the year.

On retirement, members of the BBC’s main pension scheme are paid their pensions from a fund which is kept separate from the Group. The BBC makes cash contributions to that fund in advance of members’ retirement.

† RESEARCH AND DEVELOPMENT

Research and development expenditure is written off as incurred.

† INTANGIBLE FIXED ASSETS

Goodwill

Purchased goodwill (representing the excess of the fair value of the purchase consideration plus any related costs of acquisition over the fair value attributable to the separable net assets acquired) arising on acquisition of a subsidiary or business, is capitalised and amortised on a straight line basis over its useful economic life (usually 20 years), subject to reviews for impairment. On the subsequent disposal or termination of a business, the surplus or deficit is calculated after charging the unamortised amount of any related goodwill. As is permitted by FRS 10 ‘Goodwill and Intangible Assets’, goodwill arising in periods up to 1 April 1998 remains offset against the operating reserve. On disposal, goodwill previously written off against reserves is transferred to the statement of income and expenditure for the year.

Goodwill arises when the BBC pays more for a business than the sum of net assets of the business acquired, representing the fact that the Group places more value on the business entity as a whole (usually due to expected synergies or earning potential of that business). This premium is treated as an asset in its own right and held on the Group’s balance sheet, with an economic life of up to 20 years. As with any other asset, the profit or loss on sale or disposal (in this case sale/disposal of the business) is calculated after writing off the amount still held on the Group’s balance sheet.

Other intangibles

Other intangibles are capitalised and amortised on a straight line basis over their useful economic life subject to reviews for impairment. The asset’s useful economic lives are:

* List of customer names – 2 to 4 years
* Brand names – 2 to 4 years
**Tangible Fixed Assets**

Expenditure on tangible fixed assets is capitalised together with incremental internal direct labour costs incurred on capital projects. Other than the following exception, tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation and any provision for impairment.

The BBC World Service and BBC Monitoring revalued their plant and machinery and furniture and fittings as at 1 April 1996 on the basis of their estimated current replacement cost at that time. In accordance with the transitional rules of FRS 15 ‘Tangible Fixed Assets’, although the BBC did not adopt a general policy of revaluation, the book values of these assets (based on their revalued amounts) were retained. The revaluation has not been updated since, although appropriate amounts were retained. The revaluation has been recognised at the point of payment or commencement of the licence period, whichever is earlier. Agreements for the future purchase of programmes whose licence period has not commenced and where there has been no payment by the balance sheet date are disclosed as purchase commitments.

Depreciation is calculated so as to write off the cost or valuation, less estimated residual value, of fixed assets on a straight line basis over their expected useful lives. Depreciation commences from the date an asset is brought into service. The useful lives for the principal categories of assets are:

- **Land and buildings**
  - Freehold land – not depreciated
  - Freehold and long-leasehold buildings – 50 years
  - Short-leasehold land and buildings – unexpired lease term
- **Plant and machinery**
  - Computer equipment – 3 to 5 years
  - Electrical and mechanical infrastructure – 10 to 25 years
  - Other – 3 to 10 years
- **Furniture and fittings** – 3 to 10 years

* The BBC’s commercial subsidiaries are liable for corporation tax on any surplus licence fee income or grants received from Government departments. However, it is fully liable for corporation tax on capital gains and on all its other income. Expenditure on capital assets is not eligible for capital allowances.

**Investment in Programmes for Future Sale**

The BBC’s commercial subsidiaries make investments in programmes for future sale. These investments represent the right to future income from the sale, licensing or other exploitation of those programmes, and are stated at cost, after writing off the costs of programmes that are considered irrecoverable, less accumulated amortisation. Amortisation of investment in programmes for future sale is charged to the statement of income and expenditure over the estimated average marketable life of the programme genre which is generally between two and ten years. The cost and accumulated amortisation of investment in programmes for future sale are reduced by programmes which are fully written off.

The cost of programmes for sale is charged to the statement of income and expenditure to match the expected timing of income from future sales.

**Impairment of Fixed Assets**

The Group reviews the carrying amounts of its fixed assets when there is an indication that those assets may have suffered an impairment loss.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the resulting impairment loss is recognised in the statement of income and expenditure immediately.

An impairment occurs when an asset would otherwise be recorded in the financial statements at an amount greater than is recoverable from its use or sale.

**Originated Programme Stocks and Work in Progress**

Originated programme stocks and work in progress, including those commissioned from independent producers, are stated at the lower of cost and net realisable value. With the exception of the costs of prepaid repeats of independent programmes, the full stock value is written off on first transmission.

Cost includes all direct costs, production overheads and a proportion of other attributable overheads.

Programme development costs are expensed to the statement of income and expenditure until such time as there is a strong indication that they will result in a commissioned programme, when any further costs are capitalised as work in progress.

Net realisable value is based upon arm’s length contract prices negotiated between the channel controllers and programme makers, both external and internal.

**Acquired Programmes and Film Stocks**

Acquired programmes are those not initially commissioned by the BBC, usually foreign imports. The costs of acquired programmes and film stocks are written off on first transmission except to the extent that further showings are scheduled, in which case they are written off according to their expected transmission profile. Assets and liabilities relating to acquired programmes are recognised at the point of payment or commencement of the licence period, whichever is earlier.

**Other Stocks**

Raw materials and other physical stocks are stated at the lower of cost and net realisable value.

**Provisions**

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

**Taxation**

The tax charge represents the sum of the tax currently payable and deferred tax. In respect of the tax currently payable:

- The BBC’s commercial subsidiaries are liable for corporation tax based on taxable profit for the year.

Taxable profit differs from net profit as reported in the statement of income and expenditure because it excludes items of income and expenditure that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.
Deferred tax is computed under the liability method. Full provision, without discounting, is made in respect of timing differences between certain items in the financial statements and their treatment for taxation purposes at the balance sheet date except as otherwise required by FRS 19 ‘Deferred Tax’. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is corporation tax which is not payable at a specific time but which is expected to become payable in the future.

**OPERATING LEASES**

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

An operating lease is a lease in which the lessee has not taken on the risks and rewards of owning and operating the asset. The lessee has not acquired an asset but is hiring it, so the hire charge is included in the BBC’s costs.

**FINANCE LEASES**

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

A finance lease is a lease that transfers substantially all the risks and rewards of owning and operating an asset to the lessee. Effectively the lessee owns the asset and has financed it by borrowing, so the lease and borrowing are included separately in the balance sheet.

**RESERVES**

Each year an amount equivalent to the costs expended by UK Public Service Broadcasting, BBC World Service and BBC Monitoring on capital assets other than depreciation and adjusted for disposals, is transferred to the reserve so that, at the balance sheet date, the amount of the capital reserve is equivalent to the historical cost net book value of UK Public Service Broadcasting, BBC World Service and BBC Monitoring fixed assets.

The revaluation reserve reflects the difference between the net book value of the fixed assets of BBC World Service and BBC Monitoring at historic cost compared with their revalued amount.

The operating reserve is the accumulated surplus of income and expenditure account to date.

The pension reserve represents the net surplus or liability of the Group’s defined benefit pension schemes.

The other reserves represent the value of a put option exercisable by minority shareholders.

**CASH AND LIQUID RESOURCES**

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are readily convertible into known amounts of cash at, or close to, their carrying values. They comprise money market deposits and liquidity funds with a notice period in excess of one working day.

**FINANCIAL INSTRUMENTS**

The Group’s loans are stated at amortised cost using the effective interest rate.

**Derivative financial instruments**

The Group does not enter into speculative derivative contracts. However, some derivative financial instruments are used with a view to managing the BBC’s exposure to fluctuations in interest rates (interest rate swaps and interest rate caps) and foreign currency exchange rates (foreign currency forward contracts).

Derivative financial instruments are initially recognised at cost and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the statement of income and expenditure.

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

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

**Hedge accounting**

In general the Group does not apply hedge accounting but instead allows movements in fair values of hedging contracts to flow to the statement of income and expenditure as they arise. However, where a financial instrument is designated and effective as a net investment hedge of a foreign operation any exchange differences arising on the retranslation of the financial instrument will be recognised directly in the statement of total recognised gains and losses. Any ineffective portion is recognised immediately in the income and expenditure account.

**Financial instruments** include all contractual arrangements to deliver or receive cash. Therefore they include trade debtors and creditors and loans as well as more complex instruments such as derivatives. Forward exchange contracts provide certainty over the sterling amount of future expenses and income denominated in a foreign currency by fixing the exchange rate rather than waiting for the prevailing exchange rate at the time of the transaction or payment.

**Interest rate swaps** effectively swap a floating rate loan into a fixed rate loan, or vice versa. **Interest rate caps** protect against interest rates rising by setting an upper limit (cap) on the floating interest rate, while still allowing the benefit of falling interest rates. **Interest rate collars** are the same as interest rate caps except that there is also a lower limit set to the floating interest rate.

Depending on how exchange rates and interest rates move between the time the Group enters into the transaction and the year end, these derivatives can either be profitable (‘in the money’) or loss-making in their own right. However, the rationale in entering into these derivatives is not to profit from currency markets or interest rate fluctuations, but to provide stability to the BBC’s cash flows. The movements relating to these derivatives (ie where they are either in profit or loss-making) are taken to the Group’s statement of income and expenditure for the year.
I ANALYSIS OF INCOME, SURPLUS/(DEFICIT) AND NET ASSETS

1a Analysis of income, surplus/(deficit) and net assets by activity

<table>
<thead>
<tr>
<th>Note</th>
<th>UK Public Service Broadcasting Group £m</th>
<th>BBC World Service and BBC Monitoring £m</th>
<th>Commercial Businesses £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>3,628.2</td>
<td>286.2</td>
<td>1,089.1</td>
<td>5,003.5</td>
</tr>
<tr>
<td>Less: intra-Group income</td>
<td>(217.9)</td>
<td>(1.3)</td>
<td>(94.9)</td>
<td>(314.1)</td>
</tr>
<tr>
<td>Total external income</td>
<td>3,410.3</td>
<td>284.9</td>
<td>994.2</td>
<td>4,689.4</td>
</tr>
<tr>
<td>Less: share of joint ventures</td>
<td>–</td>
<td>–</td>
<td>(274.6)</td>
<td>(274.6)</td>
</tr>
<tr>
<td>Group income</td>
<td>3,410.3</td>
<td>284.9</td>
<td>719.6</td>
<td>4,414.8</td>
</tr>
</tbody>
</table>

Of which:
- Licence fee income 1b 3,368.8 – – 3,368.8
- Government grants 4.0 279.6 – 283.6
- Commercial 1c – – 719.6 719.6
- Other 37.5 5.3 – 42.8

(Deficit)/surplus before interest, taxation and non-cash pension costs

<table>
<thead>
<tr>
<th>Note</th>
<th>Total</th>
<th>(Deficit)/surplus</th>
<th>Interest payable</th>
<th>Net interest payable</th>
<th>Surplus before taxation and minority interest</th>
<th>Net assets (excluding pension asset)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>before interest</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>(108.0)</td>
<td>0.5</td>
<td>104.7</td>
<td>(2.8)</td>
<td>139.5</td>
<td>1,519.2</td>
</tr>
<tr>
<td>Defined benefit pension scheme</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– additional operating costs†‡</td>
<td>4b</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– other net finance income*</td>
<td>8b i i</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Net interest payable</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Surplus before taxation and minority interest</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Of which, Group share of operating surplus of associates and joint ventures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets (excluding pension asset)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– UK</td>
<td>734.2</td>
<td>72.0</td>
<td>22.0</td>
<td>828.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Rest of world</td>
<td>5.9</td>
<td>98.7</td>
<td>63.1</td>
<td>167.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>995.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net pension asset*</td>
<td>8b i</td>
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<td></td>
<td></td>
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<tr>
<td>Net assets</td>
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<tr>
<td>Net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which, Group share of net assets of associates and joint ventures</td>
<td>13a</td>
<td>2.1</td>
<td>–</td>
<td>67.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* In accordance with FRS 17 these items are not split between business classes because they are managed centrally across the Group and it is not possible to allocate them on a reasonable and consistent basis.
† The actual employer cash contribution to the defined benefit pension scheme is included in the surplus/(deficit) before interest, taxation and non-cash pension costs of each entity. The additional operating cost is the cost to the Group over and above these cash contributions.
‡ The extra employer cash contribution to the defined benefit pension scheme is included in the surplus/(deficit) before interest, taxation and non-cash pension costs of each entity. The additional operating cost is the cost to the Group over and above these cash contributions.
## Notes to the financial statements

<table>
<thead>
<tr>
<th></th>
<th>UK Public Service Broadcasting Group £m</th>
<th>BBC World Service and BBC Commercial Monitoring £m</th>
<th>Commercial Businesses £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>3,386.8</td>
<td>271.1</td>
<td>974.2</td>
<td>4,632.1</td>
</tr>
<tr>
<td>Less: intra-Group income</td>
<td>(115.0)</td>
<td>(1.5)</td>
<td>(99.8)</td>
<td>(216.3)</td>
</tr>
<tr>
<td>Total external income</td>
<td>3,271.8</td>
<td>269.6</td>
<td>874.4</td>
<td>4,415.8</td>
</tr>
<tr>
<td>Less: share of joint ventures</td>
<td>–</td>
<td>–</td>
<td>(238.5)</td>
<td>(238.5)</td>
</tr>
<tr>
<td><strong>Group income</strong></td>
<td>3,271.8</td>
<td>269.6</td>
<td>635.9</td>
<td>4,177.3</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licence fee income</td>
<td>3,242.9</td>
<td>–</td>
<td>–</td>
<td>3,242.9</td>
</tr>
<tr>
<td>Government grants</td>
<td>2.1</td>
<td>264.1</td>
<td>–</td>
<td>266.2</td>
</tr>
<tr>
<td>Commercial</td>
<td>635.9</td>
<td>–</td>
<td>635.9</td>
<td>635.9</td>
</tr>
<tr>
<td>Other</td>
<td>26.8</td>
<td>5.5</td>
<td>–</td>
<td>32.3</td>
</tr>
<tr>
<td><strong>(Deficit)/surplus before interest, taxation and non-cash pension costs</strong></td>
<td>(63.3)</td>
<td>10.8</td>
<td>104.4</td>
<td>51.9</td>
</tr>
<tr>
<td>Defined benefit pension scheme</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– additional operating costs*†</td>
<td>4b</td>
<td>–</td>
<td>–</td>
<td>(136.8)</td>
</tr>
<tr>
<td>– other net finance income*</td>
<td>8b ii</td>
<td></td>
<td></td>
<td>162.6</td>
</tr>
<tr>
<td><strong>Net interest receivable</strong></td>
<td></td>
<td></td>
<td></td>
<td>6.9</td>
</tr>
<tr>
<td><strong>Surplus before taxation and minority interest</strong></td>
<td></td>
<td></td>
<td></td>
<td>84.6</td>
</tr>
<tr>
<td><strong>Of which, Group share of operating surplus of associates and joint ventures</strong></td>
<td>–</td>
<td>–</td>
<td>40.7</td>
<td>40.7</td>
</tr>
<tr>
<td><strong>Net assets (excluding pension asset)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– UK</td>
<td>769.7</td>
<td>72.9</td>
<td>102.0</td>
<td>944.6</td>
</tr>
<tr>
<td>– Rest of world</td>
<td>5.1</td>
<td>96.8</td>
<td>17.7</td>
<td>119.6</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
<td></td>
<td>1,064.2</td>
</tr>
<tr>
<td>Of which, Group share of net assets of associates and joint ventures</td>
<td>13a</td>
<td>2.1</td>
<td>–</td>
<td>65.8</td>
</tr>
</tbody>
</table>

*In accordance with FRS 17 these items are not split between business classes because they are managed centrally across the Group and it is not possible to allocate them on a reasonable and consistent basis.
†The actual employer cash contribution to the defined benefit pension scheme is included in the surplus/(deficit) before interest, taxation and non-cash pension costs of each entity. The additional operating cost is the cost to the Group over and above these cash contributions.

### 1b Licence fee income

<table>
<thead>
<tr>
<th>Licence fee 2008 £m</th>
<th>Licences in force 2008 Number</th>
<th>Total income 2007 £m</th>
<th>Licence fee 2007 £m</th>
<th>Licences in force 2007 Number</th>
<th>Total income 2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colour</td>
<td>135.50</td>
<td>21.1</td>
<td>2,840.1</td>
<td>131.50</td>
<td>20.9</td>
</tr>
<tr>
<td>Monochrome*</td>
<td>45.50</td>
<td>–</td>
<td>1.4</td>
<td>44.00</td>
<td>–</td>
</tr>
<tr>
<td>Concessionary</td>
<td>7.50</td>
<td>0.2</td>
<td>1.4</td>
<td>5.00</td>
<td>0.2</td>
</tr>
<tr>
<td>Over 75s</td>
<td>–</td>
<td>4.0</td>
<td>508.4</td>
<td>–</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>25.3</td>
<td>3,351.3</td>
<td>25.1</td>
</tr>
<tr>
<td>Quarterly payment scheme premium</td>
<td></td>
<td></td>
<td>17.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total licence fee income</strong></td>
<td></td>
<td></td>
<td>3,368.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>41.5</td>
<td></td>
<td>28.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total external income</strong></td>
<td></td>
<td></td>
<td>3,410.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* There are 28,000 monochrome licences in force at 31 March 2008 (33,000 at 31 March 2007).
** Included within other income is £2.3million (2007: £1.4million) contributed by other broadcasters towards the costs of Digital UK Limited (see Note 2a).

During the year 3.5 million (2007: 3.4 million) colour licences were issued under the quarterly payment scheme at a premium of £5 each (2007: £5). Households in which one or more persons over the age of 75 reside, as their primary residence, are entitled to a free licence. The BBC is reimbursed for these free licences by the relevant Government department.
### 1c Analysis of Commercial Businesses’ income by activity

<table>
<thead>
<tr>
<th>Activity</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television (channels, sales, content and production)</td>
<td>405.0</td>
<td>367.5</td>
</tr>
<tr>
<td>Magazines, Home Entertainment and Lonely Planet</td>
<td>266.4</td>
<td>230.3</td>
</tr>
<tr>
<td>Digital Media</td>
<td>21.9</td>
<td>13.9</td>
</tr>
<tr>
<td>Provision of programme-making facilities and services</td>
<td>121.2</td>
<td>124.0</td>
</tr>
<tr>
<td>Less: intra-Group income</td>
<td>(94.9)</td>
<td>(99.8)</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>719.6</td>
<td>635.9</td>
</tr>
</tbody>
</table>

### 1d Geographical analysis of Commercial Businesses’ income by destination

<table>
<thead>
<tr>
<th>Destination</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>310.4</td>
<td>273.8</td>
</tr>
<tr>
<td>Americas</td>
<td>187.2</td>
<td>169.4</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>222.0</td>
<td>192.7</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>719.6</td>
<td>635.9</td>
</tr>
</tbody>
</table>

### 2 OPERATING EXPENDITURE

#### 2a Analysis of operating expenditure by activity

UK Public Service Broadcasting activities are funded by the licence fee. The Charter and Agreement between the BBC and Department for Culture, Media and Sport describes the BBC’s UK Public Services (including television, radio and online services) and also sets certain obligations on the BBC in relation to digital switchover; both activities are funded by the licence fee. However, part of the licence fee income has been specified as being for the purpose of digital switchover and as a result the total UK Public Service Broadcasting Group expenditure is shown below allocated between these categories.

<table>
<thead>
<tr>
<th>Expenditure on licence fee funded activities</th>
<th>Note</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Public Services</td>
<td>2b</td>
<td>3,487.1</td>
<td>3,315.7</td>
</tr>
<tr>
<td>Digital switchover (Digital UK Limited)*</td>
<td></td>
<td>21.2</td>
<td>11.6</td>
</tr>
<tr>
<td>Digital switchover (DSHS Limited)</td>
<td>2d</td>
<td>5.9</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total UK Public Service Broadcasting Group</strong></td>
<td></td>
<td>3,514.2</td>
<td>3,327.3</td>
</tr>
<tr>
<td>BBC World Service and BBC Monitoring**</td>
<td></td>
<td>285.3</td>
<td>258.8</td>
</tr>
<tr>
<td>Commercial Businesses</td>
<td>2c</td>
<td>675.6</td>
<td>630.5</td>
</tr>
<tr>
<td>Non-cash pension scheme operating costs***</td>
<td></td>
<td>1.9</td>
<td>136.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>4,477.0</td>
<td>4,353.4</td>
</tr>
</tbody>
</table>

* As set out in Note 29c the BBC controls 56% of the voting rights of the company Digital UK Limited (formerly Switchco Limited), and therefore consolidates its results with those of the BBC. As a result, these costs represent the full expenditure by Digital UK Limited, which is financed by contributions from the BBC and other broadcasters. The BBC contributed £16.9 million (2007: £10.2 million) being 100% of the communication expenditure (which is ring-fenced; see Note 2g) and 56% of all other costs incurred by Digital UK Limited. £2.3 million (2007: £1.4 million) was contributed by other broadcasters.

** BBC World Service and BBC Monitoring expenditure of £285.3 million (2007: £258.8 million) excludes £0.5 million (2007: £1.5 million) of expenditure on the provision of services to other BBC Group companies.

*** In accordance with FRS 17 the non-cash operating costs are not split between the business activities as it is not possible to do this on a reasonable and consistent basis.
2b UK Public Services expenditure

A new framework of service licences, issued by the BBC Trust to the BBC’s management, came into effect from 1 January 2007. The table below sets out the total expenditure for each group of service licences. Details of expenditure on each individual service can be found in Note 28.

<table>
<thead>
<tr>
<th>Services</th>
<th>Note</th>
<th>Content £m</th>
<th>Distribution £m</th>
<th>Support/Other £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>28</td>
<td>1,834.3</td>
<td>104.8</td>
<td>416.2</td>
<td>2,355.3</td>
</tr>
<tr>
<td>Radio</td>
<td>28</td>
<td>459.9</td>
<td>47.2</td>
<td>91.3</td>
<td>598.4</td>
</tr>
<tr>
<td>Online</td>
<td>28</td>
<td>113.9</td>
<td>15.4</td>
<td>52.7</td>
<td>182.0</td>
</tr>
<tr>
<td>Regulated spend</td>
<td></td>
<td>2,408.1</td>
<td>167.4</td>
<td>560.2</td>
<td>– 3,135.7</td>
</tr>
<tr>
<td>Other*</td>
<td>28</td>
<td>77.5</td>
<td>18.3</td>
<td>148.0</td>
<td>233.8</td>
</tr>
<tr>
<td>Exceptional restructuring costs</td>
<td>28</td>
<td>– 117.6</td>
<td>117.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Public Services spend</td>
<td></td>
<td>2,485.6</td>
<td>185.7</td>
<td>575.0</td>
<td>240.8</td>
</tr>
<tr>
<td>Digital UK Limited expenditure</td>
<td>2a</td>
<td>– 21.2</td>
<td>21.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital switchover ring-fenced expenditure</td>
<td>2d</td>
<td>– 5.9</td>
<td>5.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,485.6</td>
<td>185.7</td>
<td>575.0</td>
<td>2679.0</td>
</tr>
</tbody>
</table>

* Other spend is that not specifically regulated by the individual service licences and includes costs for licence fee collection, orchestras and performing groups and business development.

2c Commercial Businesses’ expenditure

The expenditure shown for Commercial Businesses relates only to external income and excludes expenditure relating to sales within the BBC.

<table>
<thead>
<tr>
<th>expenditure</th>
<th>Note</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td></td>
<td>351.0</td>
<td>300.4</td>
</tr>
<tr>
<td>Distribution costs</td>
<td></td>
<td>179.1</td>
<td>136.3</td>
</tr>
<tr>
<td>Exceptional distribution costs</td>
<td></td>
<td>– 46.0</td>
<td></td>
</tr>
<tr>
<td>Administrative and other costs</td>
<td></td>
<td>40.2</td>
<td>37.5</td>
</tr>
<tr>
<td>Amortisation of programme investment</td>
<td>12</td>
<td>101.8</td>
<td>107.1</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>4c</td>
<td>3.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>675.6</td>
<td>630.5</td>
</tr>
</tbody>
</table>
2d UK Public Services ring-fenced expenditure

The Department for Culture, Media and Sport has ring-fenced the following amounts within the new Charter and six-year licence fee settlement (2008–2013):

<table>
<thead>
<tr>
<th></th>
<th>Amount spent in previous years £m</th>
<th>Amount spent in 2007 £m</th>
<th>Amount spent in 2008 £m</th>
<th>Cumulative Total £m</th>
<th>Six-year ring-fenced funding £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Help for the elderly and disabled*</td>
<td>–</td>
<td>–</td>
<td>5.9</td>
<td>5.9</td>
<td>603.0</td>
</tr>
<tr>
<td>Digital UK Limited**</td>
<td>1.4</td>
<td>8.7</td>
<td>17.5</td>
<td>27.6</td>
<td>201.0</td>
</tr>
</tbody>
</table>

* The Secretary of State has agreed with the BBC that the £603million estimated cost of the Digital Switchover Help Scheme (operated by DSHS Limited) will be ring-fenced and set aside from the licence fee for the purpose of funding the Scheme over the six-year life of the licence fee settlement. This agreement specifies that in the event that the costs of the project exceed this limit due to higher than anticipated demand, this will not be at the expense of the BBC’s programmes, services or other resources.

** The Framework Agreement states that the BBC is committed to leading certain aspects of the digital switchover programme, through Digital UK Limited and the licence fee settlement includes a ring-fenced amount of up to £201million from the inception of Digital UK Limited until the end of the six-year life of the licence fee settlement for communication activities. The ring-fenced amount is only part of the BBC’s annual contribution to Digital UK Limited (see Note 2a).

As at 31 March 2008, the BBC is on target to remain within the ring-fenced amounts at the end of the six-year period.

3 GROUP OPERATING DEFICIT
3a Group operating deficit excluding auditors’ remuneration

The operating deficit before interest and taxation is stated after charging/(crediting) the following items:

<table>
<thead>
<tr>
<th>Item</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments under operating leases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– land and buildings</td>
<td>72.8</td>
<td>64.2</td>
</tr>
<tr>
<td>– plant and machinery</td>
<td>13.1</td>
<td>3.3</td>
</tr>
<tr>
<td>– other</td>
<td>12.3</td>
<td>13.7</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– owned assets</td>
<td>107.6</td>
<td>106.8</td>
</tr>
<tr>
<td>– leased assets</td>
<td>2.8</td>
<td>6.4</td>
</tr>
<tr>
<td>Profit on disposal of tangible fixed assets*</td>
<td>–</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Amortisation of goodwill:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– subsidiaries</td>
<td>2.5</td>
<td>1.3</td>
</tr>
<tr>
<td>– joint ventures and associates</td>
<td>2.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Amortisation of investment in programmes for future sale</td>
<td>101.8</td>
<td>107.1</td>
</tr>
<tr>
<td>Provision for trade investments</td>
<td>1.5</td>
<td>–</td>
</tr>
<tr>
<td>Programme development</td>
<td>22.1</td>
<td>29.4</td>
</tr>
<tr>
<td>Research and development</td>
<td>16.1</td>
<td>14.6</td>
</tr>
<tr>
<td>Fair trading auditors’ remuneration (PricewaterhouseCoopers LLP)</td>
<td>0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>Net exchange differences</td>
<td>(2.8)</td>
<td>3.7</td>
</tr>
<tr>
<td>Impairment of trade debtors</td>
<td>3.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Fair value losses on embedded derivatives</td>
<td>0.2</td>
<td>2.1</td>
</tr>
<tr>
<td>Fair value gains on open forward foreign currency contracts</td>
<td>(6.2)</td>
<td>(0.3)</td>
</tr>
</tbody>
</table>

* The profit on disposal of tangible fixed assets represents adjustments to depreciation on disposals in the ordinary course of business. Exceptional profit on disposals is disclosed separately in Note 6.
3b Auditors’ remuneration
The BBC has reported its auditors’ remuneration in accordance with The Companies (Disclosure of Auditor Remuneration) Regulations 2005.


<table>
<thead>
<tr>
<th>Description</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees payable for the audit of the BBC’s annual accounts</td>
<td>0.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Fees payable to the BBC’s auditor and its associates for other services</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>– the audit of the BBC’s subsidiaries pursuant to legislation</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>– other services relating to taxation</td>
<td>–</td>
<td>0.1</td>
</tr>
<tr>
<td>– services relating to corporate finance transactions</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>– all other services</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2.0</td>
<td>2.3</td>
</tr>
</tbody>
</table>

4 EMPLOYEES AND REMUNERATION

4a Persons employed
The average number of persons employed in the year was:


<table>
<thead>
<tr>
<th>Description</th>
<th>2008 Number</th>
<th>2007 Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Public Service Broadcasting</td>
<td>17,677</td>
<td>17,914</td>
</tr>
<tr>
<td>BBC World Service and BBC Monitoring</td>
<td>2,219</td>
<td>2,214</td>
</tr>
<tr>
<td>Commercial Businesses</td>
<td>3,205</td>
<td>2,909</td>
</tr>
<tr>
<td><strong>Group total</strong></td>
<td>23,101</td>
<td>23,037</td>
</tr>
</tbody>
</table>

The decrease in Public Service Broadcasting headcount during 2008 is principally due to the Value for Money programme initiatives. The increase in Commercial Businesses headcount during 2008 is mainly due to the Lonely Planet acquisition.

Within the averages above, 2,845 (2007: 2,743) part-time employees have been included at their full-time equivalent of 1,595 (2007: 1,566).

In addition to the above, the Group employed an average full-time equivalent of 851 (2007: 872) persons on a casual basis and the BBC Orchestra and BBC Singers, employed on programme contracts, totalled 379 (2007: 380) full-time equivalents.

4b Staff costs


<table>
<thead>
<tr>
<th>Description</th>
<th>Note</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td></td>
<td>1,006.0</td>
<td>969.0</td>
</tr>
<tr>
<td>Social security costs</td>
<td></td>
<td>89.5</td>
<td>88.9</td>
</tr>
<tr>
<td>Pension costs</td>
<td>8b ii</td>
<td>173.2</td>
<td>204.9</td>
</tr>
<tr>
<td>– main scheme (defined benefit)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– other schemes</td>
<td>8b ii</td>
<td>1.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Redundancy costs</td>
<td>4c</td>
<td>111.7</td>
<td>21.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>1,381.6</td>
<td>1,285.0</td>
</tr>
</tbody>
</table>

Comprising:

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Public Service Broadcasting</td>
<td></td>
<td>1,097.8</td>
<td>915.6</td>
</tr>
<tr>
<td>BBC World Service and BBC Monitoring</td>
<td></td>
<td>93.7</td>
<td>78.9</td>
</tr>
<tr>
<td>Commercial Businesses</td>
<td></td>
<td>188.2</td>
<td>153.7</td>
</tr>
<tr>
<td>Main pension scheme additional operating cost (defined benefit)*</td>
<td>1a</td>
<td>1.9</td>
<td>136.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>1,381.6</td>
<td>1,285.0</td>
</tr>
</tbody>
</table>

* The actual employer cash contributions to the defined benefit pension scheme are borne by each business. The additional operating cost is the cost to the Group over and above these contributions. It is not possible to allocate this to each business on a reasonable and consistent basis.
### 4c Restructuring costs

<table>
<thead>
<tr>
<th></th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exceptional redundancy costs:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– UK Public Service Broadcasting</td>
<td>99.7</td>
<td>11.0</td>
</tr>
<tr>
<td>– BBC World Service and BBC Monitoring</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Other exceptional restructuring costs:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– UK Public Service Broadcasting</td>
<td>17.9</td>
<td>33.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>117.7</td>
<td>44.5</td>
</tr>
<tr>
<td><strong>Non-exceptional redundancy costs:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– UK Public Service Broadcasting</td>
<td>2.9</td>
<td>5.0</td>
</tr>
<tr>
<td>– BBC World Service and BBC Monitoring</td>
<td>5.5</td>
<td>1.1</td>
</tr>
<tr>
<td>– Commercial Businesses</td>
<td>3.5</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11.9</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>129.6</td>
<td>54.5</td>
</tr>
</tbody>
</table>

Exceptional restructuring costs relate to the Value for Money and Continuous Improvement programmes occurring within UK Public Service Broadcasting and the strategic review of BBC World Service. During 2007/08 £99.7million has been charged against the income and expenditure account, of which £99.3million has been provided for redundancies relating to the Continuous Improvement programme. These redundancies will occur over the five-year programme and have been discounted to reflect current prices; £0.4million has been paid during the year. The cost of the majority of post closures resulting from the Value for Money programme were provided for in previous years and £36.6million paid during 2008.

£20.0million of other exceptional restructuring costs were paid during 2008, representing one-off implementation costs, of this £6.9million was held on the balance sheet in 2007.

### 4d Remuneration of the BBC Trust members and the Executive Board

The total emoluments of the members of the Executive Board are disclosed on page 93 in the Remuneration Report. The details of emoluments of the members of the BBC Trust are disclosed in Part One of the Annual Report and Accounts.

### 5 LOSS ON SALE AND TERMINATION OF OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on the sale of Outside Broadcast</td>
<td>(1.3)</td>
<td>–</td>
</tr>
<tr>
<td>Profit on disposal of Books business</td>
<td>–</td>
<td>13.3</td>
</tr>
<tr>
<td>Profit on sale of Origin Publishing</td>
<td>–</td>
<td>0.2</td>
</tr>
<tr>
<td>BBC jam</td>
<td>(3.5)</td>
<td>(15.9)</td>
</tr>
<tr>
<td>Loss on termination of retail shops business</td>
<td>–</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Loss on termination of business learning operations</td>
<td>–</td>
<td>(0.9)</td>
</tr>
<tr>
<td><strong>Loss on sale and termination of operations</strong></td>
<td>(4.8)</td>
<td>(5.2)</td>
</tr>
</tbody>
</table>

After the balance sheet date, on the 1 April 2008, BBC Resources Limited sold its Outside Broadcast business for £19.3million consideration to SIS Outside Broadcast Limited, part of the Satellite Information Services Group. Outside Broadcast provides a range of mobile production units, communications and special camera solutions, based in Langley, Berkshire. The costs arising up to 31 March 2008 are recognised as an expense when incurred.

On 20 March 2007 the Executive Board, following a decision by the BBC Trust, suspended BBC jam, the BBC’s online interactive learning service for 5–16 year olds. The BBC Trust’s decision followed extensive discussions with Government and the European Commission about how to address allegations from some in the industry that BBC jam was damaging their interests. A provision of £1.5million for the costs of redundancy and terminating contracts with content suppliers remains at the end of the current year (see Note 17).
6 PROFIT ON DISPOSAL OF FIXED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disposal of Animal Planet LLC</td>
<td>-</td>
<td>45.8</td>
</tr>
<tr>
<td>Disposal of properties</td>
<td>2.0</td>
<td>9.9</td>
</tr>
<tr>
<td>Profit on disposal of fixed assets</td>
<td>2.0</td>
<td>55.7</td>
</tr>
</tbody>
</table>

Profits or losses on the disposal of tangible fixed assets in the ordinary course of business, that represent an adjustment to depreciation are recognised within operating deficit and disclosed in aggregate in Note 3a.

7 INTEREST

7a Interest receivable and similar items

<table>
<thead>
<tr>
<th></th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest receivable</td>
<td>11.6</td>
<td>11.8</td>
</tr>
<tr>
<td>Share of joint venture and associate interest receivable</td>
<td>2.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Fair value gains on interest rate swaps and caps</td>
<td>0.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Interest receivable and similar items</td>
<td>13.7</td>
<td>14.4</td>
</tr>
</tbody>
</table>

7b Interest payable and similar items

<table>
<thead>
<tr>
<th></th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest payable on bank and other loans</td>
<td>(12.4)</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Share of joint venture and associate interest payable</td>
<td>(1.6)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Finance charges payable in respect of finance leases</td>
<td>(0.7)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Fair value losses on interest rate swaps and caps</td>
<td>(3.6)</td>
<td>-</td>
</tr>
<tr>
<td>Interest payable and similar items</td>
<td>(18.3)</td>
<td>(7.5)</td>
</tr>
</tbody>
</table>

8 PENSIONS

8a Group pension schemes

The Group operates several pension schemes. The BBC Pension Scheme, to which most employees belong, and a small unfunded scheme (which is closed to new members) are contributory defined benefit schemes. Additionally the Group Personal Pension Scheme and several small schemes are defined contribution schemes.

Note 8b sets out the assets and liabilities and charges for each scheme. Note 8c provides further details on the BBC Pension Scheme.

8b Pension charges and balances within the financial statements

The BBC has adopted the amendment to FRS 17 and restated the asset market values of quoted securities held as defined benefit assets at bid prices as at 31 March 2007 as required by the FRS. The impact of the restatement is a reduction in the closing net pension asset at 31 March 2007 of the BBC Pension Scheme of £10.4million.
### 8b i Pension asset/(liability) included in the balance sheet

<table>
<thead>
<tr>
<th></th>
<th>BBC Pension Scheme 2008</th>
<th>Unfunded scheme 2008</th>
<th>Total 2008 as restated £m</th>
<th>Unfunded scheme 2007</th>
<th>Total 2007 as restated £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of scheme assets as previously reported</td>
<td>8,042.0</td>
<td>–</td>
<td>8,128.3</td>
<td>–</td>
<td>8,128.3</td>
</tr>
<tr>
<td>Restatement of asset values as required by FRS 17</td>
<td>–</td>
<td>–</td>
<td>(10.4)</td>
<td>–</td>
<td>(10.4)</td>
</tr>
<tr>
<td>Restated fair value of scheme assets</td>
<td>8,042.0</td>
<td>(5.1)</td>
<td>8,117.9</td>
<td>(5.2)</td>
<td>8,117.9</td>
</tr>
<tr>
<td>Actuarial value of scheme liabilities</td>
<td>(7,513.6)</td>
<td>–</td>
<td>(7,788.6)</td>
<td>(7,793.8)</td>
<td></td>
</tr>
<tr>
<td>Closing net pension asset/(liability)</td>
<td>528.4</td>
<td>(5.1)</td>
<td>523.3</td>
<td>(5.2)</td>
<td>324.1</td>
</tr>
</tbody>
</table>

### 8b ii Pension (charges)/income in statement of income and expenditure

<table>
<thead>
<tr>
<th></th>
<th>Defined benefit schemes</th>
<th>Defined contribution schemes</th>
<th>All schemes £m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BBC Pension Scheme £m</td>
<td>Unfunded scheme £m</td>
<td>£m</td>
</tr>
<tr>
<td>2008 Current service cost</td>
<td>(164.8)</td>
<td>–</td>
<td>(166.0)</td>
</tr>
<tr>
<td>Past service cost</td>
<td>(21.5)</td>
<td>–</td>
<td>(21.5)</td>
</tr>
<tr>
<td>Total operating charge*</td>
<td>(186.3)</td>
<td>–</td>
<td>(187.5)</td>
</tr>
<tr>
<td>Expected return on pension scheme assets</td>
<td>562.7</td>
<td>–</td>
<td>562.7</td>
</tr>
<tr>
<td>Interest on pension scheme liabilities</td>
<td>(413.6)</td>
<td>(0.3)</td>
<td>(413.9)</td>
</tr>
<tr>
<td>Net finance income/(cost)</td>
<td>149.1</td>
<td>(0.3)</td>
<td>148.8</td>
</tr>
<tr>
<td>Net cost in statement of income and expenditure</td>
<td>(37.2)</td>
<td>(0.3)</td>
<td>(38.7)</td>
</tr>
<tr>
<td>2007 Current service cost</td>
<td>(192.7)</td>
<td>–</td>
<td>(193.7)</td>
</tr>
<tr>
<td>Past service cost</td>
<td>(39.8)</td>
<td>–</td>
<td>(39.8)</td>
</tr>
<tr>
<td>Gain on settlements and curtailments</td>
<td>1.6</td>
<td>–</td>
<td>1.6</td>
</tr>
<tr>
<td>Total operating charge</td>
<td>(230.9)</td>
<td>–</td>
<td>(231.9)</td>
</tr>
<tr>
<td>Expected return on pension scheme assets</td>
<td>541.3</td>
<td>–</td>
<td>541.3</td>
</tr>
<tr>
<td>Interest on pension scheme liabilities</td>
<td>(378.4)</td>
<td>(0.3)</td>
<td>(378.7)</td>
</tr>
<tr>
<td>Net finance income/(cost)</td>
<td>162.9</td>
<td>(0.3)</td>
<td>162.6</td>
</tr>
<tr>
<td>Net cost in statement of income and expenditure</td>
<td>(68.0)</td>
<td>(0.3)</td>
<td>(69.3)</td>
</tr>
</tbody>
</table>

* Of the total operating charge of £186.3million for 2007/08, £13.1million was recognised as an expense in 2006/07 as part of exceptional redundancy costs in accordance with FRS 12. The remaining £173.2million was recognised in the current year.

The net cost in the statement of income and expenditure has decreased by £30.6million. This is primarily due to a decrease in staff costs which is consistent with the decrease seen in staff numbers when eliminating those connected with the acquisition of Lonely Planet.
8b iii Movement in surplus/(deficit) during the year

<table>
<thead>
<tr>
<th></th>
<th>BBC Pension Scheme 2008</th>
<th>Unfunded scheme 2008</th>
<th>Total 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Surplus/(deficit) in scheme at the start of the year as originally stated</td>
<td>339.7 (5.2)</td>
<td>334.5</td>
<td>170.2 (5.3)</td>
</tr>
<tr>
<td>Restatement as required by FRS 17</td>
<td>(10.4)</td>
<td>–</td>
<td>(10.4)</td>
</tr>
<tr>
<td>Surplus/(deficit) in scheme at the start of the year as restated</td>
<td>329.3 (5.2)</td>
<td>324.1</td>
<td>167.5 (5.3)</td>
</tr>
<tr>
<td>Movement in the year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current service cost</td>
<td>(164.8)</td>
<td>–</td>
<td>(164.8)</td>
</tr>
<tr>
<td>Contributions (from employer)*</td>
<td>184.0</td>
<td>0.4</td>
<td>184.4</td>
</tr>
<tr>
<td>Past service costs</td>
<td>(21.5)</td>
<td>–</td>
<td>(21.5)</td>
</tr>
<tr>
<td>Gain on settlements and curtailments</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net finance income/(cost)</td>
<td>149.1</td>
<td>(0.3)</td>
<td>148.8</td>
</tr>
<tr>
<td>Actuarial gain recognised in the statement of gains and losses**</td>
<td>52.3</td>
<td>–</td>
<td>52.3</td>
</tr>
<tr>
<td>Surplus/(deficit) in scheme at the end of the year</td>
<td>528.4 (5.1)</td>
<td>523.3</td>
<td>329.3 (5.2)</td>
</tr>
</tbody>
</table>

* The contribution shown for the unfunded scheme represents the pensions paid to members during the year.
** In 2007 the actuarial gain recognised in the statement of gains and losses includes the £7.7 million in respect of the adoption of the amendment to FRS 17.

The assumptions for pension scheme liabilities of the unfunded scheme are the same as the main scheme. As the scheme is unfunded there are no assets and hence no expected return on assets.

8c BBC Pension Scheme

The BBC Pension Scheme is the main pension scheme of the Group and covers the majority of employees. This scheme provides salary related benefits on a defined benefit basis funded from assets held in separate trustee-administered funds. The pension scheme trustees manage the scheme in the short, medium and long term. They make funding decisions based on valuations which take a longer-term view of the assets required to fund the scheme’s liabilities. Valuations of the scheme are performed by Watson Wyatt, consulting actuaries. Formal valuations are undertaken at least every three years.

8c i Scheme financial position

<table>
<thead>
<tr>
<th>FRS 17 valuation</th>
<th>2008 as restated £m</th>
<th>2007 as restated £m</th>
<th>2006 £m</th>
<th>2005 £m</th>
<th>2004 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheme assets*</td>
<td>8,042.0</td>
<td>8,179.7</td>
<td>7,843.4</td>
<td>6,341.7</td>
<td>5,880.0</td>
</tr>
<tr>
<td>Scheme liabilities</td>
<td>(7,513.6)</td>
<td>(7,788.6)</td>
<td>(7,675.9)</td>
<td>(6,763.8)</td>
<td>(6,311.6)</td>
</tr>
<tr>
<td>Surplus/(deficit)</td>
<td>528.4</td>
<td>329.3</td>
<td>167.5</td>
<td>(422.1)</td>
<td>(431.6)</td>
</tr>
<tr>
<td>Percentage by which scheme assets cover liabilities</td>
<td>107%</td>
<td>104%</td>
<td>102%</td>
<td>94%</td>
<td>93%</td>
</tr>
</tbody>
</table>

* Quoted equities included within the scheme assets have been valued using the current bid price except for 2005 and 2004 which have not been restated and are valued using the mid-market price, as allowed under the Amendment to FRS 17. The impact of the restatement was to reduce scheme assets by £2.7 million and £10.4 million at 31 March 2006 and 2007 respectively.

Key movements in the year are shown in Note 8b iii.

A deferred tax asset or liability will not arise for the Group because most of the Group’s public service activity is not subject to taxation.
8c ii Changes in present value of scheme liabilities

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

<table>
<thead>
<tr>
<th></th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening present value of scheme liabilities</td>
<td>7,788.6</td>
<td>7,675.9</td>
</tr>
<tr>
<td>Current service cost</td>
<td>164.8</td>
<td>192.7</td>
</tr>
<tr>
<td>Past service cost</td>
<td>21.5</td>
<td>39.8</td>
</tr>
<tr>
<td>Gains on curtailments</td>
<td>–</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Gains on settlements</td>
<td>–</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Interest on pension scheme liabilities</td>
<td>413.6</td>
<td>378.4</td>
</tr>
<tr>
<td>Experience losses arising on scheme liabilities</td>
<td>149.1</td>
<td>164.6</td>
</tr>
<tr>
<td>Changes in assumptions underlying scheme liabilities</td>
<td>(786.0)</td>
<td>(421.7)</td>
</tr>
<tr>
<td>Contributions by scheme participants</td>
<td>53.1</td>
<td>63.0</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(291.1)</td>
<td>(302.5)</td>
</tr>
<tr>
<td>Closing present value of scheme liabilities</td>
<td>7,513.6</td>
<td>7,788.6</td>
</tr>
</tbody>
</table>

8c iii Changes in the fair value of scheme assets

The BBC has adopted the amendment to FRS 17 and restated the asset market values of quoted securities held as defined benefit assets at bid prices as at 31 March 2006 and 31 March 2007 as required by the FRS. The impact of the restatement is a reduction in the opening fair value of the scheme assets of the BBC Pension Scheme of £2.7million.

The table below illustrates the movement on the scheme assets during the year. The key things which affect this are the additional year of contributions made, changes in the value of the pension scheme assets (including the investment return) and benefits paid during the year.

<table>
<thead>
<tr>
<th></th>
<th>2008 £m</th>
<th>2007 as restated £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening fair value of scheme assets as previously reported</td>
<td>8,128.3</td>
<td>7,846.1</td>
</tr>
<tr>
<td>Restatement of asset values as required by FRS 17</td>
<td>(10.4)</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Opening fair value of scheme assets as restated</td>
<td>8,117.9</td>
<td>7,843.4</td>
</tr>
<tr>
<td>Expected rate of return on scheme assets</td>
<td>562.7</td>
<td>541.3</td>
</tr>
<tr>
<td>Actuarial losses on scheme assets</td>
<td>(584.6)</td>
<td>(121.0)</td>
</tr>
<tr>
<td>Contributions by employer</td>
<td>184.0</td>
<td>93.7</td>
</tr>
<tr>
<td>Contributions by scheme participants</td>
<td>53.1</td>
<td>63.0</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(291.1)</td>
<td>(302.5)</td>
</tr>
<tr>
<td>Closing fair value of scheme assets</td>
<td>8,042.0</td>
<td>8,117.9</td>
</tr>
</tbody>
</table>
8c iv Scheme assets

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

<table>
<thead>
<tr>
<th>Type of asset</th>
<th>2008 (£m)</th>
<th>%</th>
<th>2007 as restated (£m)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>4,629</td>
<td>58</td>
<td>5,032</td>
<td>62</td>
</tr>
<tr>
<td>Bonds and gilts</td>
<td>1,705</td>
<td>21</td>
<td>1,575</td>
<td>19</td>
</tr>
<tr>
<td>Property</td>
<td>1,001</td>
<td>12</td>
<td>981</td>
<td>12</td>
</tr>
<tr>
<td>Alternatives*</td>
<td>455</td>
<td>6</td>
<td>295</td>
<td>4</td>
</tr>
<tr>
<td>Cash</td>
<td>252</td>
<td>3</td>
<td>235</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>8,042</strong></td>
<td></td>
<td><strong>8,118</strong></td>
<td></td>
</tr>
</tbody>
</table>

Actual return on pension scheme assets

(22)**

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

8c v Pension gains/(losses) in statement of total recognised gains and losses

<table>
<thead>
<tr>
<th>2008 (£m)</th>
<th>2007 as restated (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual return less expected return on pension scheme assets</td>
<td>(584.6)</td>
</tr>
<tr>
<td>Experience losses arising on scheme liabilities</td>
<td>(149.1)</td>
</tr>
<tr>
<td>Changes in assumptions underlying the present value of scheme liabilities</td>
<td>786.0</td>
</tr>
<tr>
<td>Net gain recognised in statement of recognised gains and losses</td>
<td>52.3</td>
</tr>
<tr>
<td>Cumulative loss recognised in statement of recognised gains and losses</td>
<td>(1,740.8)</td>
</tr>
</tbody>
</table>

These gains and losses arise from actual performance being different from that predicted – for example, changes in economic conditions or the demographic profile of BBC employees. Only defined benefit schemes give rise to gains and losses in the statement of recognised gains and losses.

8c vi History of experience gains and losses

<table>
<thead>
<tr>
<th>2008 as restated</th>
<th>2007 as restated</th>
<th>2006 as restated</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience adjustments on scheme assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount (£million)</td>
<td>(584.6)</td>
<td>(121.0)</td>
<td>1,246.5</td>
<td>198.7</td>
</tr>
<tr>
<td>Percentage of scheme assets</td>
<td>7.3%</td>
<td>1.5%</td>
<td>15.9%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Experience adjustments on scheme liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount (£million)</td>
<td>(149.1)</td>
<td>(164.6)</td>
<td>208.6</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Percentage of scheme liabilities</td>
<td>2.0%</td>
<td>2.1%</td>
<td>2.7%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total actuarial gain recognised in statement of recognised gains and losses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount (£million)</td>
<td>52.3</td>
<td>136.1</td>
<td>658.4</td>
<td>80.9</td>
</tr>
<tr>
<td>Percentage of scheme liabilities</td>
<td>0.7%</td>
<td>1.7%</td>
<td>8.6%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

The net actuarial gain is the sum of certain gains and losses arising because actual performance is different from predictions or because assumptions have changed. This year the actual return less expected return on pension scheme assets has been affected by falling market prices (particularly for equities). The net present value of the scheme liabilities has been impacted by the change in the discount rate which has risen from 5.4% to 6.9% (the rate of an AA rated corporate bond). However, before the effect of discounting is applied, changes in longevity assumptions had increased scheme liabilities.
8c vii Funding the scheme

As a result of the 2007 actuarial valuation by Watson Wyatt, it has been agreed between the BBC and the pension scheme Trustees that the employer contributions will increase to 19.35% from 1 July 2008. Employee contributions will rise from 6% to 6.75% from 1 April 2009 and to 7.5% from 1 April 2010, with employer contributions decreasing from 19.35% to 18.6% from 1 April 2009 and to 17.85% from 1 April 2010.

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

<table>
<thead>
<tr>
<th>Contribution rates</th>
<th>2010 %</th>
<th>2009 %</th>
<th>2008 %</th>
<th>2007 %</th>
<th>2006 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>18.6</td>
<td>18.8/19.35</td>
<td>18.8</td>
<td>7.5</td>
<td>6.0</td>
</tr>
<tr>
<td>Employee</td>
<td>6.75</td>
<td>6.0</td>
<td>6.0</td>
<td>5.5/6.0</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Underlying cost of scheme to BBC as % of pensionable salaries* 18.6 18.8/17.3 18.8 19.3/18.8 19.3

* Excludes the cost effectively paid for by the employee.

Contributions totalling £152million are expected to be paid in 2009.

8c viii Principal actuarial assumptions

The calculation of the scheme assets and liabilities, for FRS 17 purposes, requires a number of assumptions, both financial and demographic, to be made. The principal assumptions made by the actuaries at the balance sheet date were:

**Principal financial assumptions**

<table>
<thead>
<tr>
<th>FRS 17 valuation</th>
<th>2008 %</th>
<th>2007 %</th>
<th>2006 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of increase in salaries*</td>
<td>5.6</td>
<td>5.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Rate of increase in pension payments</td>
<td>3.6</td>
<td>3.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Inflation assumption</td>
<td>3.6</td>
<td>3.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Discount rate</td>
<td>6.9</td>
<td>5.4</td>
<td>5.0</td>
</tr>
</tbody>
</table>

* This is the assumption from 1 April 2010. The assumption to 1 April 2010 is 4.6% per annum.

The discount rate for the FRS 17 valuation is taken as the rate for an AA rated corporate bond.

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

**Principal demographic assumptions**

<table>
<thead>
<tr>
<th>Principal demographic assumptions</th>
<th>2008 Number of years</th>
<th>2007 Number of years</th>
<th>2006 Number of years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>26.6</td>
<td>23.5</td>
<td>23.5</td>
</tr>
<tr>
<td>Female</td>
<td>29.1</td>
<td>25.7</td>
<td>25.7</td>
</tr>
<tr>
<td>Future improvement every 10 years</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>
The longevity assumptions have been selected to reflect the characteristics and experience of the membership of the scheme. This has been done by adjusting standard mortality tables (PMAC07MC+0.5 and PFAC07MC+1) which reflect recent research into mortality experience in the UK.

The demographic assumptions used during the prior year were consistent with those used for the actuarial valuations of the scheme as at 1 April 2005. The current year assumptions are consistent with the actuarial valuation of the scheme as at 1 April 2007. The resulting increase is therefore due to increases in life expectancy.

<table>
<thead>
<tr>
<th>Expected long-term rate of return (per annum)*</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>9.3</td>
<td>7.8</td>
</tr>
<tr>
<td>Bonds and gilts</td>
<td>4.5</td>
<td>4.8</td>
</tr>
<tr>
<td>Property</td>
<td>6.9</td>
<td>6.3</td>
</tr>
<tr>
<td>Alternatives</td>
<td>9.3</td>
<td>7.8</td>
</tr>
<tr>
<td>Cash</td>
<td>5.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Total expected rate of return</td>
<td>7.9</td>
<td>7.0</td>
</tr>
</tbody>
</table>

* As at the beginning of each financial year.

### 8c ix Scheme membership analysis and maturity profile

<table>
<thead>
<tr>
<th></th>
<th>2008 Number</th>
<th>2007 Number</th>
<th>2006 Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributors</td>
<td>18,736</td>
<td>19,974</td>
<td>19,864</td>
</tr>
<tr>
<td>Pensioners</td>
<td>17,569</td>
<td>17,372</td>
<td>16,803</td>
</tr>
<tr>
<td>Dependants</td>
<td>3,798</td>
<td>3,744</td>
<td>3,676</td>
</tr>
<tr>
<td>Deferred pensioners</td>
<td>18,286</td>
<td>17,723</td>
<td>16,890</td>
</tr>
</tbody>
</table>

### 8c x Scheme cash flows (day-to-day liquidity)

In 2008 cash inflows of the pension scheme exceeded its cash outflows, largely as a result of the increase in the employer’s contribution rate from 7.5% to 18.8% from 1 April 2007.

In 2007 cash inflows of the pension scheme exceeded its cash outflows, largely as a result of the increase in the employer’s contribution rate from 6.0% to 7.5% from 1 April 2006 and the employee’s contribution rate from 5.5% to 6.0% from 1 September 2006. Offset against this, was a £16.8 million transfer to the Red Bee Media Pension Plan on 30 June 2006.

In 2006 cash outflows of the pension scheme exceeded its cash inflows, however, this includes an outgoing of £29.8 million due to transfers out relating to the sale of BBC Technology.

<table>
<thead>
<tr>
<th></th>
<th>2008 £m</th>
<th>2007 £m</th>
<th>2006 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions (employer and employee)</td>
<td>242.9</td>
<td>163.6</td>
<td>112.0</td>
</tr>
<tr>
<td>Investment income</td>
<td>225.1</td>
<td>206.4</td>
<td>189.0</td>
</tr>
<tr>
<td>Cash inflows</td>
<td>468.0</td>
<td>370.0</td>
<td>301.0</td>
</tr>
<tr>
<td>Payments of pensions and transfers out</td>
<td>(286.5)</td>
<td>(303.6)</td>
<td>(275.0)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(42.0)</td>
<td>(33.5)</td>
<td>(29.0)</td>
</tr>
<tr>
<td>Net cash inflow/(outflow)</td>
<td>139.5</td>
<td>32.9</td>
<td>(3.0)</td>
</tr>
</tbody>
</table>
8d UK Public Service Broadcasting pension charge

UK Public Service Broadcasting, in accordance with the group pension provision in FRS 17, accounts for the BBC Pension Scheme as if it were a defined contribution scheme. This is because it is not possible to identify the UK Public Service Broadcasting’s share of the underlying assets and liabilities of the Scheme on a reasonable and consistent basis. The expenditure for UK Public Service Broadcasting of £165.0 million (2007: £87.5 million) therefore represents the contributions payable in the year. No contributions were prepaid or accrued as at 31 March 2008 (2007: £20.1 million prepaid). The contributions are set based on the funding needs identified from the actuarial valuation and they may therefore vary from the underlying cost after taking into account factors such as the actuarial surplus.

9 TAXATION

9a Analysis of charges for the year

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

<table>
<thead>
<tr>
<th>Note</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK corporation tax</td>
<td>16.8</td>
<td>20.7</td>
</tr>
<tr>
<td>Deduct: double tax relief</td>
<td>(3.3)</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Adjustments in respect of prior years</td>
<td>11.5</td>
<td>17.4</td>
</tr>
<tr>
<td>Foreign tax</td>
<td>11.5</td>
<td>18.5</td>
</tr>
<tr>
<td>Share of associates and joint ventures tax</td>
<td>8.4</td>
<td>6.1</td>
</tr>
<tr>
<td></td>
<td>14.3</td>
<td>11.1</td>
</tr>
<tr>
<td>Total current tax</td>
<td>34.2</td>
<td>35.7</td>
</tr>
</tbody>
</table>

Deferred tax

<table>
<thead>
<tr>
<th>Note</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Origination and reversal of timing differences</td>
<td>6.4</td>
<td>(8.4)</td>
</tr>
<tr>
<td>Adjustments in respect of prior years</td>
<td>(3.3)</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Total deferred tax</td>
<td>3.1</td>
<td>(11.8)</td>
</tr>
</tbody>
</table>

Total charge for the year

37.3 | 23.9 |

9b Factors affecting the tax charge

The Group is only liable to taxation on those activities carried out with a view to making a profit and on rent, royalties and interest receivable. The BBC does not therefore receive relief for all its expenditure, and the tax assessed for the year consequently differs from the standard rate of corporation tax in the UK. The differences are explained below:

<table>
<thead>
<tr>
<th>Note</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus before tax</td>
<td>139.5</td>
<td>84.6</td>
</tr>
<tr>
<td>Surplus before tax multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%)</td>
<td>41.9</td>
<td>25.4</td>
</tr>
<tr>
<td>Effects of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public services taxable external income</td>
<td>4.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Disallowable costs of public services</td>
<td>30.7</td>
<td>11.4</td>
</tr>
<tr>
<td>Non-cash element of net Group pension charge</td>
<td>(44.1)</td>
<td>(7.7)</td>
</tr>
<tr>
<td>Commercial activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-taxable income</td>
<td>(2.9)</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Disallow ed expenditure</td>
<td>6.7</td>
<td>6.4</td>
</tr>
<tr>
<td>UK taxation on intra-Group overseas dividends</td>
<td>1.0</td>
<td>–</td>
</tr>
<tr>
<td>Capital allowances in excess of depreciation</td>
<td>(1.4)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Tax differential regarding overseas earnings</td>
<td>2.8</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Utilisation of losses brought forward</td>
<td>–</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Other timing differences</td>
<td>(5.0)</td>
<td>–</td>
</tr>
<tr>
<td>Adjustments in respect of prior years</td>
<td>–</td>
<td>1.1</td>
</tr>
<tr>
<td>Current tax charge for the year</td>
<td>34.2</td>
<td>35.7</td>
</tr>
</tbody>
</table>
9c Factors that may affect future tax charges
The Group anticipates that the future tax charge will not alter significantly since all licence fee income is free of tax.

9d Deferred tax analysis
In accordance with FRS 19 ‘Deferred Tax’, the company provides for all deferred tax liabilities in full less available deferred tax assets at 28% (2007: 30%).

<table>
<thead>
<tr>
<th>Movement in deferred tax (asset)/provision in the year</th>
<th>Note</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (asset)/provision at start of year</td>
<td></td>
<td>(9.6)</td>
<td>3.1</td>
</tr>
<tr>
<td>Exchange adjustment</td>
<td></td>
<td>1.8</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Deferred tax charge/(credit)</td>
<td>9a</td>
<td>3.1</td>
<td>(11.8)</td>
</tr>
<tr>
<td>Acquired on investment acquisition</td>
<td></td>
<td>(1.4)</td>
<td>–</td>
</tr>
<tr>
<td>Net asset at end of year</td>
<td></td>
<td>(6.1)</td>
<td>(9.6)</td>
</tr>
</tbody>
</table>

Analysis of deferred tax (asset)/provision

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accelerated capital allowances</td>
<td>8.8</td>
<td>11.1</td>
</tr>
<tr>
<td>Other timing differences</td>
<td>(0.1)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Deferred tax provision</td>
<td>17</td>
<td>8.7</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>15</td>
<td>(14.8)</td>
</tr>
<tr>
<td>Net deferred tax asset at end of year</td>
<td>(6.1)</td>
<td>(9.6)</td>
</tr>
</tbody>
</table>

10 INTANGIBLE FIXED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Goodwill £m</th>
<th>Other intangibles £m</th>
<th>Group Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2007</td>
<td>14.2</td>
<td>0.7</td>
<td>14.9</td>
</tr>
<tr>
<td>Additions*</td>
<td>73.7</td>
<td>–</td>
<td>73.7</td>
</tr>
<tr>
<td>Exchange adjustment</td>
<td>5.9</td>
<td>–</td>
<td>5.9</td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>93.8</td>
<td>0.7</td>
<td>94.5</td>
</tr>
</tbody>
</table>

Amortisation

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2007</td>
<td>4.0</td>
<td>0.7</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>2.5</td>
<td>–</td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>6.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Net book value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>87.3</td>
<td>–</td>
</tr>
<tr>
<td>At 31 March 2007</td>
<td>10.2</td>
<td>–</td>
</tr>
</tbody>
</table>

* Included in additions is £73.2m relating to the acquisition of Lonely Planet (see Note 19).
### II TANGIBLE FIXED ASSETS

#### IIa Group

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings £m</th>
<th>Plant and machinery £m</th>
<th>Furniture and fittings £m</th>
<th>Assets under construction £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost or valuation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2007</td>
<td>427.3</td>
<td>1,022.5</td>
<td>161.7</td>
<td>105.4</td>
<td>1,716.9</td>
</tr>
<tr>
<td>Additions*</td>
<td>8.2</td>
<td>87.8</td>
<td>17.6</td>
<td>48.9</td>
<td>162.5</td>
</tr>
<tr>
<td>Brought into service</td>
<td>4.9</td>
<td>68.2</td>
<td>6.9</td>
<td>(80.0)</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(1.1)</td>
<td>(91.8)</td>
<td>(23.7)</td>
<td>(3.1)</td>
<td>(119.7)</td>
</tr>
<tr>
<td><strong>At 31 March 2008</strong></td>
<td>439.3</td>
<td>1,086.7</td>
<td>162.5</td>
<td>71.2</td>
<td>1,759.7</td>
</tr>
</tbody>
</table>

#### Depreciation

|                       |                       |                        |                           |                             |          |
|-----------------------|-----------------------|------------------------|---------------------------|                             |          |
| At 1 April 2007       | 248.1                 | 675.8                  | 94.1                      | –                           | 1,008.0  |
| Charge for the year   | 13.5                  | 81.8                   | 15.1                      |                             | 110.4    |
| Disposals             | (0.8)                 | (83.0)                 | (22.8)                    |                             | (106.6)  |
| **At 31 March 2008**  | 260.8                 | 674.6                  | 76.4                      | –                           | 1,011.8  |

#### Net book value

|                       |                       |                        |                           |                             |          |
|-----------------------|-----------------------|------------------------|---------------------------|                             |          |
| At 31 March 2008      | 178.5                 | 412.1                  | 86.1                      | 71.2                        | 747.9    |
| At 31 March 2007      | 179.2                 | 346.7                  | 77.6                      | 105.4                       | 708.9    |

*Additions include £4.5million recognised on the acquisition of Lonely Planet (see Note 19).

BBC World Service’s and BBC Monitoring’s plant and machinery and furniture and fittings are stated at the estimated current replacement cost of the assets, as at 1 April 1996, as adjusted for remaining service potential, or cost if acquired later, less accumulated depreciation.

There is no significant difference (£1.6million) between the net book value of these tangible fixed assets and their value as determined on an historical cost basis. The assets revalued in 1996 have a useful life remaining of two years.

#### IIb UK Public Service Broadcasting

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings £m</th>
<th>Plant and machinery £m</th>
<th>Furniture and fittings £m</th>
<th>Assets under construction £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2007</td>
<td>354.1</td>
<td>616.1</td>
<td>137.6</td>
<td>81.3</td>
<td>1,189.1</td>
</tr>
<tr>
<td>Additions</td>
<td>7.5</td>
<td>60.3</td>
<td>12.2</td>
<td>24.9</td>
<td>104.9</td>
</tr>
<tr>
<td>Brought into service</td>
<td>4.6</td>
<td>53.0</td>
<td>4.4</td>
<td>(62.0)</td>
<td>–</td>
</tr>
<tr>
<td>Disposals</td>
<td>(0.4)</td>
<td>(81.9)</td>
<td>(22.1)</td>
<td>2.2</td>
<td>(102.2)</td>
</tr>
<tr>
<td><strong>At 31 March 2008</strong></td>
<td>365.8</td>
<td>647.5</td>
<td>132.1</td>
<td>46.4</td>
<td>1,191.8</td>
</tr>
</tbody>
</table>

#### Depreciation

|                       |                       |                        |                           |                             |          |
|-----------------------|-----------------------|------------------------|---------------------------|                             |          |
| At 1 April 2007       | 203.1                 | 417.3                  | 71.9                      | –                           | 692.3    |
| Charge for the year   | 10.4                  | 49.6                   | 11.8                      |                             | 71.8     |
| Disposals             | (0.4)                 | (73.7)                 | (21.6)                    |                             | (95.7)   |
| **At 31 March 2008**  | 213.1                 | 393.2                  | 62.1                      | –                           | 668.4    |

#### Net book value

|                       |                       |                        |                           |                             |          |
|-----------------------|-----------------------|------------------------|---------------------------|                             |          |
| At 31 March 2008      | 152.7                 | 254.3                  | 70.0                      | 46.4                        | 523.4    |
| At 31 March 2007      | 151.0                 | 198.8                  | 65.7                      | 81.3                        | 496.8    |
**IIc Land and buildings at net book value**

<table>
<thead>
<tr>
<th></th>
<th>Group 2008 £m</th>
<th>Group 2007 £m</th>
<th>UK Public Service Broadcasting 2008 £m</th>
<th>UK Public Service Broadcasting 2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undepreciated land</td>
<td>16.5</td>
<td>16.8</td>
<td>16.5</td>
<td>16.5</td>
</tr>
<tr>
<td>Freehold buildings</td>
<td>98.5</td>
<td>96.6</td>
<td>88.7</td>
<td>87.8</td>
</tr>
<tr>
<td>Total freeholds</td>
<td>115.0</td>
<td>113.4</td>
<td>105.2</td>
<td>104.3</td>
</tr>
<tr>
<td>Long leaseholds</td>
<td>27.3</td>
<td>25.5</td>
<td>24.6</td>
<td>22.5</td>
</tr>
<tr>
<td>Short leaseholds</td>
<td>36.2</td>
<td>40.3</td>
<td>22.9</td>
<td>24.2</td>
</tr>
<tr>
<td>Total</td>
<td>178.5</td>
<td>179.2</td>
<td>152.7</td>
<td>151.0</td>
</tr>
</tbody>
</table>

**IId Finance leases**

Assets held under finance leases, capitalised and included in tangible fixed assets:

<table>
<thead>
<tr>
<th></th>
<th>Group 2008 £m</th>
<th>UK Public Service Broadcasting 2008 £m</th>
<th>UK Public Service Broadcasting 2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>22.5</td>
<td>20.4</td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>(0.7)</td>
<td>(0.5)</td>
<td></td>
</tr>
<tr>
<td>Acquired as part of acquisition</td>
<td>2.6</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>24.4</td>
<td>19.9</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>12.9</td>
<td>11.7</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>(0.7)</td>
<td>(0.5)</td>
<td></td>
</tr>
<tr>
<td>Charge for the year</td>
<td>2.8</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>15.0</td>
<td>13.1</td>
<td></td>
</tr>
</tbody>
</table>

Net book value

<table>
<thead>
<tr>
<th></th>
<th>Group £m</th>
<th>UK Public Service Broadcasting 2008 £m</th>
<th>UK Public Service Broadcasting 2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 March 2008</td>
<td>9.4</td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>At 31 March 2007</td>
<td>9.6</td>
<td>8.7</td>
<td></td>
</tr>
</tbody>
</table>

The finance leases relate to IT equipment, with the exception of those acquired during the year which relate to Plant and Machinery and Furniture and Fixtures.

**12 INVESTMENT IN PROGRAMMES FOR FUTURE SALE**

<table>
<thead>
<tr>
<th></th>
<th>Group £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>At 1 April 2007</td>
<td>239.9</td>
</tr>
<tr>
<td>Exchange adjustment</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Additions</td>
<td>88.2</td>
</tr>
<tr>
<td>Elimination in respect of programmes fully amortised</td>
<td>(153.6)</td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>173.9</td>
</tr>
<tr>
<td>Amortisation</td>
<td></td>
</tr>
<tr>
<td>At 1 April 2007</td>
<td>141.4</td>
</tr>
<tr>
<td>Exchange adjustment</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>101.8</td>
</tr>
<tr>
<td>Elimination in respect of programmes fully amortised</td>
<td>(153.6)</td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>88.8</td>
</tr>
</tbody>
</table>

Net book value

<table>
<thead>
<tr>
<th></th>
<th>Group £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 March 2008</td>
<td>85.1</td>
</tr>
<tr>
<td>At 31 March 2007</td>
<td>98.5</td>
</tr>
</tbody>
</table>

Investment by BBC Worldwide in programmes for future sale relates to programmes provided by the BBC and external producers. Additions include £75.1 million direct investment in BBC programmes (2007: £96.3 million).
### 13 OTHER INVESTMENTS (INCLUDING BBC WORLD SERVICE AND BBC MONITORING NET ASSETS)

Details of significant joint ventures and associates along with principal subsidiary undertakings, including their activities, are provided in Note 29.

#### 13a Movements in the year for the Group

<table>
<thead>
<tr>
<th></th>
<th>Interests in joint ventures £m</th>
<th>Interests in associates £m</th>
<th>Trade investments £m</th>
<th>Group Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2007</td>
<td>25.6</td>
<td>(3.2)</td>
<td>5.0</td>
<td>27.4</td>
</tr>
<tr>
<td>Additions 13b</td>
<td>3.9</td>
<td>0.5</td>
<td>–</td>
<td>4.4</td>
</tr>
<tr>
<td>Transfer to debtors</td>
<td>–</td>
<td>–</td>
<td>(0.8)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Provision</td>
<td>–</td>
<td>–</td>
<td>(1.5)</td>
<td>(1.5)</td>
</tr>
<tr>
<td><strong>At 31 March 2008</strong></td>
<td><strong>29.5</strong></td>
<td><strong>(2.7)</strong></td>
<td><strong>2.7</strong></td>
<td><strong>29.5</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>Interests in joint ventures £m</th>
<th>Interests in associates £m</th>
<th>Trade investments £m</th>
<th>Group Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goodwill</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 April 2007</td>
<td>20.9</td>
<td>2.8</td>
<td>–</td>
<td>23.7</td>
<td></td>
</tr>
<tr>
<td>Additions 13b</td>
<td>0.6</td>
<td>1.3</td>
<td>–</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Amortisation</td>
<td>(1.9)</td>
<td>(0.1)</td>
<td>–</td>
<td>(2.0)</td>
<td></td>
</tr>
<tr>
<td><strong>At 31 March 2008</strong></td>
<td><strong>19.6</strong></td>
<td><strong>4.0</strong></td>
<td>–</td>
<td><strong>23.6</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Share of post acquisition reserves</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2007</td>
<td>19.6</td>
<td>1.4</td>
<td>–</td>
<td>21.0</td>
</tr>
<tr>
<td>Exchange adjustment</td>
<td>–</td>
<td>(0.1)</td>
<td>–</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Share of profits/(losses) after taxation</td>
<td>43.0</td>
<td>(6.3)</td>
<td>–</td>
<td>36.7</td>
</tr>
<tr>
<td>Provision for unrealised profit</td>
<td>(0.9)</td>
<td>–</td>
<td>–</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>(49.0)</td>
<td>(0.2)</td>
<td>–</td>
<td>(49.2)</td>
</tr>
<tr>
<td>Adjustment to reflect effective obligation</td>
<td>3.8</td>
<td>7.7</td>
<td>–</td>
<td>11.5</td>
</tr>
<tr>
<td><strong>At 31 March 2008</strong></td>
<td><strong>16.5</strong></td>
<td><strong>2.5</strong></td>
<td>–</td>
<td><strong>19.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Loans receivable from joint ventures and associates</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2007</td>
<td>0.8</td>
<td>–</td>
<td>–</td>
<td>0.8</td>
</tr>
<tr>
<td>Additions</td>
<td>0.7</td>
<td>–</td>
<td>–</td>
<td>0.7</td>
</tr>
<tr>
<td>Provision</td>
<td>(1.5)</td>
<td>–</td>
<td>–</td>
<td>(1.5)</td>
</tr>
<tr>
<td><strong>At 31 March 2008</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Net book value</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 March 2008</td>
<td>65.6</td>
<td>3.8</td>
<td>2.7</td>
<td>72.1</td>
</tr>
<tr>
<td>At 31 March 2007</td>
<td>66.9</td>
<td>1.0</td>
<td>5.0</td>
<td>72.9</td>
</tr>
</tbody>
</table>

Under the terms of the agreements with the other investors in certain of the Group’s joint ventures and associates the Group has no obligation to fund losses incurred by those entities or to make good their net liabilities. As a result no share of any relevant losses is included in the financial statements. The share of net liabilities not recognised comprised:

- Joint ventures: £25.3million (2007: £32.3million)
13b Additions to joint ventures, associates and trade investments
The additions in joint ventures during the year relate to the acquisition of shareholdings in independent production company, Freehand Productions Pty Limited, and the set up of UK VoD LLP, a joint venture between BBC Worldwide Limited, Channel Four Television Corporation and ITV plc. The additions in associates during the year relate to the acquisition of minority shareholdings in Left Bank Pictures Limited and Cliffhanger Productions Limited.

13c Group share of joint ventures’ and associates’ assets and surplus

<table>
<thead>
<tr>
<th></th>
<th>Group share of joint ventures</th>
<th>Group share of associates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>178.1</td>
<td>161.0</td>
<td>46.7</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>39.3</td>
<td>35.4</td>
</tr>
<tr>
<td>Total assets</td>
<td>217.4</td>
<td>196.4</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(110.0)</td>
<td>(79.5)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(41.8)</td>
<td>(50.0)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(151.8)</td>
<td>(129.5)</td>
</tr>
<tr>
<td>Total net book value</td>
<td>65.6</td>
<td>66.9</td>
</tr>
</tbody>
</table>

Income: 274.6, 238.5, 48.8, 41.9
Expenditure: (229.7), (209.6), (47.5), (41.0)
Surplus for the year: 44.9, 28.9, 1.3, 0.9

13d Movements in the year for UK Public Service Broadcasting

<table>
<thead>
<tr>
<th></th>
<th>Interest in BBC World Service and BBC Monitoring net assets £m</th>
<th>Interests in subsidiaries £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2007</td>
<td>169.7</td>
<td>125.3</td>
<td>295.0</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>1.0</td>
<td>–</td>
<td>1.0</td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>170.7</td>
<td>125.3</td>
<td>296.0</td>
</tr>
</tbody>
</table>

14 STOCKS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>2.0</td>
<td>1.7</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Work in progress</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– originated programmes</td>
<td>281.5</td>
<td>305.3</td>
<td>281.5</td>
<td>305.3</td>
</tr>
<tr>
<td>– other</td>
<td>5.9</td>
<td>1.5</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Finished goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– acquired programmes and films</td>
<td>108.7</td>
<td>94.5</td>
<td>108.7</td>
<td>94.6</td>
</tr>
<tr>
<td>– originated programmes</td>
<td>79.8</td>
<td>63.5</td>
<td>79.8</td>
<td>63.5</td>
</tr>
<tr>
<td>– other</td>
<td>22.2</td>
<td>10.4</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>500.1</td>
<td>476.9</td>
<td>470.2</td>
<td>463.5</td>
</tr>
</tbody>
</table>
15 DEBTORS

Receivable within one year

<table>
<thead>
<tr>
<th>Note</th>
<th>Group 2008 £m</th>
<th>Group 2007 £m</th>
<th>UK Public Service Broadcasting 2008 £m</th>
<th>UK Public Service Broadcasting 2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>138.7</td>
<td>124.8</td>
<td>17.2</td>
<td>17.5</td>
</tr>
<tr>
<td>Department for Culture, Media and Sport – licence fee debtors</td>
<td>368.4</td>
<td>353.9</td>
<td>368.4</td>
<td>353.9</td>
</tr>
<tr>
<td>Amounts owed by subsidiaries</td>
<td>–</td>
<td>–</td>
<td>71.7</td>
<td>47.5</td>
</tr>
<tr>
<td>Amounts owed by associates and joint ventures</td>
<td>33.1</td>
<td>22.1</td>
<td>0.2</td>
<td>2.3</td>
</tr>
<tr>
<td>VAT recoverable</td>
<td>26.2</td>
<td>22.1</td>
<td>23.6</td>
<td>20.2</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>3.0</td>
<td>3.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other debtors</td>
<td>13.1</td>
<td>17.8</td>
<td>10.2</td>
<td>10.0</td>
</tr>
<tr>
<td>Prepayments</td>
<td>209.8</td>
<td>148.0</td>
<td>164.0</td>
<td>118.4</td>
</tr>
<tr>
<td></td>
<td>792.3</td>
<td>691.7</td>
<td>655.3</td>
<td>569.8</td>
</tr>
</tbody>
</table>

Derivative financial assets

<table>
<thead>
<tr>
<th>Note</th>
<th>23c</th>
<th>2.6</th>
<th>5.2</th>
<th>–</th>
<th>–</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>794.9</td>
<td>696.9</td>
<td>655.3</td>
<td>569.8</td>
<td></td>
</tr>
</tbody>
</table>

Receivable after more than one year

<table>
<thead>
<tr>
<th>Note</th>
<th>Group 2008 £m</th>
<th>Group 2007 £m</th>
<th>UK Public Service Broadcasting 2008 £m</th>
<th>UK Public Service Broadcasting 2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax asset</td>
<td>9d</td>
<td>11.8</td>
<td>17.6</td>
<td>–</td>
</tr>
<tr>
<td>Other debtors</td>
<td>6.2</td>
<td>6.3</td>
<td>0.2</td>
<td>–</td>
</tr>
<tr>
<td>Prepayments</td>
<td>29.5</td>
<td>49.5</td>
<td>20.9</td>
<td>38.9</td>
</tr>
<tr>
<td></td>
<td>47.5</td>
<td>73.4</td>
<td>21.1</td>
<td>38.9</td>
</tr>
</tbody>
</table>

Derivative financial assets

<table>
<thead>
<tr>
<th>Note</th>
<th>23c</th>
<th>2.6</th>
<th>1.0</th>
<th>–</th>
<th>–</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50.1</td>
<td>74.4</td>
<td>21.1</td>
<td>38.9</td>
<td></td>
</tr>
</tbody>
</table>

Total long-term debtors

| Total | 845.0 | 771.3 | 676.4 | 608.7 |

16 CREDITORS

16a Prompt payment policy

It is the BBC’s policy to comply with the Better Payment Practice Code in relation to the payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of their contracts. The BBC monitors compliance against the terms of this code. Payments for programme acquisitions are made in accordance with contractual terms. The Group’s number of creditor days outstanding in respect of other trade creditors at 31 March 2008 was 39 days (2007: 38 days).

Residual creditors and associated costs have been excluded for the purpose of this calculation, as they relate to payments to artists and contributors other than trade creditors.

Licence fee debtors

are amounts due from the Department for Culture, Media and Sport. Although licence fee income represents the value of licences issued (recognised when a licence is issued to the licence fee payer), the cash in relation to these licences is paid to the BBC by the Department for Culture, Media and Sport, rather than being received directly from the licence fee payer. As a result the debtor at the year end represents licences issued for which cash has not yet been paid over to the BBC.
### 16b Amounts falling due within one year

<table>
<thead>
<tr>
<th>Note</th>
<th>Bank and other loans</th>
<th>Trade creditors</th>
<th>Other creditors</th>
<th>Accruals and deferred income</th>
<th>Derivative financial liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Group</strong> 2008 £m</td>
<td><strong>Group</strong> 2007 £m</td>
<td><strong>UK Public Service Broadcasting 2008 £m</strong></td>
<td><strong>UK Public Service Broadcasting 2007 £m</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21.23</td>
<td>21.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loan</td>
<td>58.6</td>
<td>65.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured loan notes</td>
<td>0.7</td>
<td>0.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>59.3</td>
<td>65.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programme creditors</td>
<td>68.4</td>
<td>70.9</td>
<td>68.0</td>
<td>70.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programme acquisitions</td>
<td>47.3</td>
<td>27.8</td>
<td>47.1</td>
<td>27.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>68.9</td>
<td>65.0</td>
<td>42.3</td>
<td>38.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residual copyright payments</td>
<td>35.1</td>
<td>27.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other trade creditors</td>
<td>211.3</td>
<td>198.8</td>
<td>135.7</td>
<td>137.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>431.0</td>
<td>390.4</td>
<td>293.1</td>
<td>273.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owed to subsidiaries</td>
<td>–</td>
<td>–</td>
<td>37.2</td>
<td>36.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation tax</td>
<td>12.7</td>
<td>16.6</td>
<td>4.3</td>
<td>6.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other taxation and social security</td>
<td>28.1</td>
<td>28.2</td>
<td>25.8</td>
<td>25.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>23b</td>
<td>5.8</td>
<td>5.2</td>
<td>4.3</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>46.4</td>
<td>16.6</td>
<td>12.1</td>
<td>7.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>93.0</td>
<td>66.6</td>
<td>83.7</td>
<td>81.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>405.6</td>
<td>416.8</td>
<td>311.3</td>
<td>324.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licence savings stamps deposits and direct debit instalments</td>
<td>73.5</td>
<td>72.2</td>
<td>73.5</td>
<td>72.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>479.1</td>
<td>489.0</td>
<td>384.8</td>
<td>396.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>23c</td>
<td>2.3</td>
<td>3.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,064.7</td>
<td>1,015.6</td>
<td>761.6</td>
<td>751.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 16c Amounts falling due after more than one year

<table>
<thead>
<tr>
<th>Note</th>
<th>Bank and other loans</th>
<th>Other creditors</th>
<th>Accruals and deferred income</th>
<th>Derivative financial liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Group</strong> 2008 £m</td>
<td><strong>Group</strong> 2007 £m</td>
<td><strong>UK Public Service Broadcasting 2008 £m</strong></td>
<td><strong>UK Public Service Broadcasting 2007 £m</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21.23</td>
<td>21.23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loan</td>
<td>140.1</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owed to subsidiaries</td>
<td>–</td>
<td>–</td>
<td>9.5</td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>23b</td>
<td>22.3</td>
<td>25.5</td>
<td>2.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Other</td>
<td>9.6</td>
<td>11.3</td>
<td>9.7</td>
<td>11.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31.9</td>
<td>36.8</td>
<td>21.9</td>
<td>26.9</td>
<td></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>23c</td>
<td>0.6</td>
<td>3.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>172.6</td>
<td>60.4</td>
<td>21.9</td>
<td>26.9</td>
<td></td>
</tr>
</tbody>
</table>
17 PROVISIONS FOR LIABILITIES

<table>
<thead>
<tr>
<th>Group</th>
<th>At 1 April 2007 £m</th>
<th>Charge for the year £m</th>
<th>Utilised during the year £m</th>
<th>Released during the year £m</th>
<th>At 31 March 2008 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licence fee</td>
<td>19.9</td>
<td>20.7</td>
<td>(18.8)</td>
<td>(1.2)</td>
<td>20.6</td>
</tr>
<tr>
<td>Restructuring</td>
<td>57.5</td>
<td>118.1</td>
<td>(49.2)</td>
<td>(6.4)</td>
<td>120.0</td>
</tr>
<tr>
<td>Litigation and insurance</td>
<td>17.2</td>
<td>2.9</td>
<td>(1.5)</td>
<td>(4.8)</td>
<td>13.8</td>
</tr>
<tr>
<td>Property</td>
<td>14.1</td>
<td>3.6</td>
<td>(1.0)</td>
<td>(0.3)</td>
<td>16.4</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>11.0</td>
<td>1.5</td>
<td>(3.8)</td>
<td></td>
<td>8.7</td>
</tr>
<tr>
<td>BBC jam suspension</td>
<td>14.4</td>
<td>3.5</td>
<td>(16.4)</td>
<td></td>
<td>1.5</td>
</tr>
<tr>
<td>Other</td>
<td>9.1</td>
<td>-</td>
<td>(7.0)</td>
<td>(0.8)</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>143.2</td>
<td>150.3</td>
<td>(93.9)</td>
<td>(17.3)</td>
<td>182.3</td>
</tr>
</tbody>
</table>

Licence fee provisions are made for the expected level of refunds (money repayable on the unexpired portion of a licence where the licence is no longer required) and revocations (where no money is received in relation to a licence sold).

The restructuring provision includes a net charge (charge for the year less released) for the year of £99.8 million (2007: £11.2 million) of exceptional redundancy costs relating to the change programme occurring within the BBC and non-exceptional redundancy costs of £11.9 million (2007: £10.0 million) as per Note 4c.

Property provisions relate to the cost of returning leasehold properties to their original condition at the end of the lease.

Other provisions consist of a number of balances arising across the BBC in the normal course of business.

<table>
<thead>
<tr>
<th>UK Public Service Broadcasting</th>
<th>At 1 April 2007 £m</th>
<th>Charge for the year £m</th>
<th>Utilised during the year £m</th>
<th>Released during the year £m</th>
<th>At 31 March 2008 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licence fee</td>
<td>19.9</td>
<td>20.7</td>
<td>(18.8)</td>
<td>(1.2)</td>
<td>20.6</td>
</tr>
<tr>
<td>Restructuring</td>
<td>52.5</td>
<td>108.5</td>
<td>(42.4)</td>
<td>(5.9)</td>
<td>112.7</td>
</tr>
<tr>
<td>Litigation and insurance</td>
<td>11.7</td>
<td>2.3</td>
<td>(0.6)</td>
<td>(1.2)</td>
<td>12.2</td>
</tr>
<tr>
<td>Property</td>
<td>10.6</td>
<td>2.7</td>
<td>(1.0)</td>
<td>(0.3)</td>
<td>12.0</td>
</tr>
<tr>
<td>BBC jam suspension</td>
<td>14.4</td>
<td>3.5</td>
<td>(16.4)</td>
<td></td>
<td>1.5</td>
</tr>
<tr>
<td>Other</td>
<td>6.6</td>
<td>-</td>
<td>(5.6)</td>
<td></td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td>115.7</td>
<td>137.7</td>
<td>(84.8)</td>
<td>(8.6)</td>
<td>160.0</td>
</tr>
</tbody>
</table>
## 18 RESERVES

<table>
<thead>
<tr>
<th>Group</th>
<th>Operating reserve excluding pension reserve as restated £m</th>
<th>Pension reserve as restated £m</th>
<th>Total operating reserve as restated £m</th>
<th>Capital reserve £m</th>
<th>Other reserves* £m</th>
<th>Revaluation reserve £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2007 as previously stated</td>
<td>279.3</td>
<td>334.5</td>
<td>613.8</td>
<td>782.5</td>
<td>–</td>
<td>2.4</td>
<td>1,398.7</td>
</tr>
<tr>
<td>Prior year adjustment**</td>
<td>–</td>
<td>(10.4)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(10.4)</td>
</tr>
<tr>
<td>At 1 April 2007 as restated</td>
<td>279.3</td>
<td>324.1</td>
<td>603.4</td>
<td>782.5</td>
<td>–</td>
<td>2.4</td>
<td>1,388.3</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(1.0)</td>
<td>–</td>
<td>(1.0)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Surplus for the financial year</td>
<td>101.7</td>
<td>–</td>
<td>101.7</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>101.7</td>
</tr>
<tr>
<td>Actuarial gain on defined benefit pension schemes</td>
<td>–</td>
<td>52.3</td>
<td>52.3</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>52.3</td>
</tr>
<tr>
<td>Revaluation reserve transfer</td>
<td>0.8</td>
<td>–</td>
<td>0.8</td>
<td>–</td>
<td>–</td>
<td>(0.8)</td>
<td>–</td>
</tr>
<tr>
<td>Pension reserve transfer</td>
<td>(146.9)</td>
<td>146.9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Recognised on acquisition</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(28.8)</td>
<td>–</td>
<td>(28.8)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>2.2</td>
<td>–</td>
<td>2.2</td>
<td>–</td>
<td>(2.2)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Capital reserve transfer</td>
<td>(29.8)</td>
<td>–</td>
<td>(29.8)</td>
<td>29.8</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>206.3</td>
<td>523.3</td>
<td>729.6</td>
<td>812.3</td>
<td>(31.0)</td>
<td>1.6</td>
<td>1,512.5</td>
</tr>
</tbody>
</table>

Represented by:
- General Group reserves
- BBC World Service and BBC Monitoring reserves

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

** The 2007 figures have been restated for the adoption of the Amendment to FRS 17 (see Statement of accounting policies).

### UK Public Service Broadcasting

<table>
<thead>
<tr>
<th></th>
<th>Operating reserve £m</th>
<th>Capital reserve £m</th>
<th>Revaluation reserve £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 April 2007</td>
<td>278.7</td>
<td>782.5</td>
<td>2.4</td>
<td>1,063.6</td>
</tr>
<tr>
<td>Deficit for the financial year</td>
<td>(34.4)</td>
<td>–</td>
<td>–</td>
<td>(34.4)</td>
</tr>
<tr>
<td>Revaluation reserve transfer</td>
<td>0.8</td>
<td>–</td>
<td>(0.8)</td>
<td>–</td>
</tr>
<tr>
<td>Capital reserve transfer</td>
<td>(29.8)</td>
<td>29.8</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At 31 March 2008</td>
<td>215.3</td>
<td>812.3</td>
<td>1.6</td>
<td>1,029.2</td>
</tr>
</tbody>
</table>

Represented by:
- UK Public Service Broadcasting reserves
- BBC World Service and BBC Monitoring reserves

Total | 215.3 | 812.3 | 1.6 | 1,029.2 |

Under FRS 10 ‘Goodwill and Intangible Assets’ any newly arising goodwill must be capitalised and amortised over its useful life. As is permitted by the standard, goodwill arising in periods prior to 1999 of £6.8million (2007: £6.8million) remains offset against the operating reserve.

The cumulative exchange differences at 31 March 2008 were £219.6million (2007: £219.6million), of which £21.96million arose during the year (2007: £21.7million). In accordance with FRS 23 ‘The Effects of Changes in Foreign Exchange Rates’, any differences relating to years prior to 2006 have not been separated out and remain within the operating reserve.
### Acquisition of Business

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

The total adjustments required to the book values of the assets and liabilities of Lonely Planet to present the net assets of those companies at fair values were £0.7 million. These are set out below:

<table>
<thead>
<tr>
<th></th>
<th>Book value* £m</th>
<th>Fair value and accounting policy alignments** £m</th>
<th>Fair value*** £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>4.5</td>
<td>–</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock</td>
<td>14.8</td>
<td>(0.8)</td>
<td>14.0</td>
</tr>
<tr>
<td>Debtors</td>
<td>8.5</td>
<td>–</td>
<td>8.5</td>
</tr>
<tr>
<td>Cash</td>
<td>5.9</td>
<td>–</td>
<td>5.9</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Current</td>
<td>1.0</td>
<td>–</td>
<td>1.0</td>
</tr>
<tr>
<td>– Deferred</td>
<td>1.7</td>
<td>(0.3)</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>36.4</td>
<td>(1.1)</td>
<td>35.3</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>(14.8)</td>
<td>1.8</td>
<td>(13.0)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>21.6</td>
<td>0.7</td>
<td>22.3</td>
</tr>
<tr>
<td>Minority interest (25%)</td>
<td></td>
<td></td>
<td>(5.6)</td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
<td></td>
<td></td>
<td>16.7</td>
</tr>
<tr>
<td><strong>Goodwill</strong></td>
<td></td>
<td></td>
<td>73.2</td>
</tr>
<tr>
<td><strong>Purchase consideration and costs of acquisition</strong></td>
<td></td>
<td></td>
<td>89.9</td>
</tr>
</tbody>
</table>

* The book values of the assets and liabilities have been taken from the management accounts of Lonely Planet at 1 October 2007 (the date of acquisition) at the actual exchange rates used to settle the consideration on that date.

** The adjustments between book value and fair value reflect the restatement of assets and liabilities from Lonely Planet’s AIFRS-based accounting policies and estimates to the Group’s UK GAAP-based accounting policies.

*** Certain fair values calculated have been deemed provisional at the balance sheet date.

Goodwill is amortised over its estimated useful economic life of 20 years.
In its last financial year to 30 June 2007, Lonely Planet made a profit after tax of £1.1 million. For the period since that date to the date of acquisition, Lonely Planet’s Australian IFRS-based management accounts show:

<table>
<thead>
<tr>
<th></th>
<th>1 July 2007 – 30 September 2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>10.6</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Loss before taxation</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Taxation</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Loss attributable to shareholders</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Exchange adjustments</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>0.3</td>
</tr>
<tr>
<td>Income tax recognised directly in equity</td>
<td>0.1</td>
</tr>
<tr>
<td>Total recognised losses for the period</td>
<td>(0.5)</td>
</tr>
</tbody>
</table>

Included within the group consolidated results for the year ended 31 March 2008 for Lonely Planet, is a loss of £2.1 million.

In accordance with FRS 25 ‘Financial Instruments: Disclosure and Presentation’, an AUS$67.3 million (£28.8 million) liability was recognised on the date of acquisition in respect of a put option of up to 25% of the share capital of Lonely Planet, which is exercisable by the minority shareholders for a period of up to 25 months from the acquisition date. This amount was recognised within reserves (see Note 18) and not as part of the cost of investment as the minority shareholders are deemed to have retained the risks and rewards of ownership for this 25% shareholding. As a result, 100% of Lonely Planet’s results are consolidated and the minority interests of 25% are deducted from the Group’s results and net assets position.

Changes to the fair value of the put option liability in the remaining 19 months’ exercise period, other than in relation to foreign exchange rates, will be recorded in the Income and Expenditure account within interest.

### 20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS

<table>
<thead>
<tr>
<th></th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in cash in year</td>
<td>(66.7)</td>
<td>(15.5)</td>
</tr>
<tr>
<td>Net cash (outflow)/inflow from financing</td>
<td>(93.0)</td>
<td>0.9</td>
</tr>
<tr>
<td>Change in net debt resulting from cash flows</td>
<td>(159.7)</td>
<td>(14.6)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(6.7)</td>
<td>–</td>
</tr>
<tr>
<td>Non-cash increase in loan notes</td>
<td>(4.3)</td>
<td>–</td>
</tr>
<tr>
<td>Non-cash increase in finance leases</td>
<td>(6.9)</td>
<td>(6.9)</td>
</tr>
<tr>
<td>Change in net debt</td>
<td>(177.6)</td>
<td>(21.5)</td>
</tr>
<tr>
<td>Net funds at the beginning of the year</td>
<td>28.1</td>
<td>49.6</td>
</tr>
<tr>
<td>Net (debt)/funds at the end of the year</td>
<td>(149.5)</td>
<td>28.1</td>
</tr>
</tbody>
</table>
21 ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

<table>
<thead>
<tr>
<th></th>
<th>At 1 April 2007 £m</th>
<th>Cash flows £m</th>
<th>Acquisition (excluding cash) £m</th>
<th>Non-cash changes £m</th>
<th>Exchange £m</th>
<th>At 31 March 2008 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>144.7</td>
<td>(66.7)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>78.0</td>
</tr>
<tr>
<td><strong>Gross funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>144.7</td>
<td>(66.7)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>78.0</td>
</tr>
<tr>
<td><strong>Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans from third parties</td>
<td>(85.4)</td>
<td>(106.8)</td>
<td>–</td>
<td>–</td>
<td>(6.5)</td>
<td>(198.7)</td>
</tr>
<tr>
<td>Unsecured loan notes</td>
<td>(0.5)</td>
<td>4.1</td>
<td>(4.3)</td>
<td>–</td>
<td>–</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Finance leases</td>
<td>(30.7)</td>
<td>9.7</td>
<td>(2.5)</td>
<td>(4.4)</td>
<td>(0.2)</td>
<td>(28.1)</td>
</tr>
<tr>
<td><strong>Net funds/(debt)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>28.1</td>
<td>(159.7)</td>
<td>(6.8)</td>
<td>(4.4)</td>
<td>(6.7)</td>
<td>(149.5)</td>
</tr>
</tbody>
</table>

Made up of:
- Public Service (including BBC World Service and BBC Monitoring)
- Commercial Businesses
- Centre House Productions Limited

The debt and repayments on finance leases held by Centre House Productions Limited are offset directly by cash held on matching deposits, and the income from them, such that there is no long-term cash effect.

22 RECONCILIATION OF NET FUNDS/(DEBT) TO THE DEPARTMENT OF CULTURE, MEDIA AND SPORT (DCMS) BORROWING CEILINGS

<table>
<thead>
<tr>
<th></th>
<th>Public Services</th>
<th>Commercial Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Note</td>
<td>£m</td>
</tr>
<tr>
<td><strong>2008</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net funds/(debt)</td>
<td>21</td>
<td>(16.7)</td>
</tr>
<tr>
<td>Borrowing ceiling</td>
<td>(200.0)</td>
<td>(25.0)</td>
</tr>
</tbody>
</table>

* £25million may only be used in respect of borrowing to fund current expenditure on meeting the responsibilities placed on the BBC by any scheme agreed under clause 39 of the Framework Agreement (targeted help schemes), including costs incurred by the BBC for the scheme’s overheads and financing costs.

The Public Service borrowing ceiling is set by the Secretary of State in accordance with the Framework Agreement between the BBC and DCMS.

The £350million borrowing ceiling for BBC Commercial Holdings Limited has three financial covenants which are required to be met at 31 March each year. As at 31 March 2008 and 31 March 2007 BBC Commercial Holdings Group was in compliance with each of these covenants.

As at 31 March 2008, and throughout the financial year, the BBC was in compliance with the borrowing ceilings.

<table>
<thead>
<tr>
<th></th>
<th>Public Services</th>
<th>Commercial Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Note</td>
<td>£m</td>
</tr>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net funds/(debt)</td>
<td>21</td>
<td>102.0</td>
</tr>
<tr>
<td>Borrowing ceiling</td>
<td>(200.0)</td>
<td>(350.0)</td>
</tr>
</tbody>
</table>

As at 31 March 2007 the BBC was in compliance with the borrowing ceilings.
23 FINANCIAL INSTRUMENTS

23a Financial risk management

The Group’s financial risk management operations are carried out by a Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the Executive Board. Group Treasury’s activity is routinely reported and is subject to review by internal and external auditors.

Group Treasury uses financial instruments to raise finance and to manage financial risk arising from the BBC’s operations in accordance with its objectives which are:

- To ensure the business of the BBC, both Public Services and Commercial, is funded in the most efficient manner and remains compliant with borrowing ceilings.
- To protect the value of the BBC’s assets, liabilities and cash flows from the effects of adverse interest rates and foreign exchange fluctuations.
- To maximise the return on surplus funds, whilst ensuring sufficient cash is retained to meet foreseeable liquidity requirements.

The Group’s financial instruments, other than those used for treasury risk management purposes, comprise cash and liquid resources, borrowings and various items such as trade debtors and creditors that arise directly from its operations. The Group finances its operations from these financial instruments. The Group does not undertake speculative treasury transactions.

Market risk

Currency risk

The Group is principally a domestic organisation with the majority of transactions, assets and liabilities arising in the UK and is sterling based. However, the Group undertakes some transactions in currencies other than sterling. Due to movements in exchange rates over time, the amount the Group expects to receive or pay when it enters into a transaction may differ from the amount that it actually receives or pays when it settles the transaction.

The Group enters into forward currency contracts, for all significant contracts, to manage this currency risk. These allow the Group to settle transactions at known exchange rates, thereby eliminating much of this uncertainty. As a result of this certainty in exchange rates the Group has no significant underlying sensitivity to currency fluctuations and hence no sensitivity analysis is presented.

The Group’s largest overseas operation is BBC Worldwide America, which operates in the USA and whose revenues and expenses are denominated exclusively in US dollars. However, due to the relative size of BBC Worldwide America and the stability of the US dollar, the BBC does not consider this to be a significant exposure to currency fluctuations for the Group.

Interest rate risk

The Group’s main exposure to interest rate fluctuations arises on external borrowings. Since March 2003 the Group has been borrowing at floating rates of interest and then using interest rate swaps, caps and collars to generate the desired interest profile and to manage the Group’s exposure to interest rate fluctuations. Interest rate swaps, caps and collars are taken out based on projected borrowing requirements, therefore differences will occur between the notional amount of the swaps, caps and collars and the actual borrowing requirements. As a result of this management of interest rates the Group has no significant underlying sensitivity to interest rate fluctuations and hence no sensitivity analysis is presented.

Other price risk of financial assets

The Group invests surplus cash in money market funds and money market deposits, therefore it is not subject to other price risks, such as market price risk.
Credit risk
Trade receivables
The majority of the Group’s financial assets are trade receivables (£507.1 million). The largest element is the licence fee debtor (£368.4 million) which is received directly from DCMS (not directly from the licence fee payer) and therefore no significant credit risk attaches to this debtor. The amount of income that the BBC receives from DCMS is directly related to the amount of licence fee collected from households in the UK.

Of the remaining £138.7 million receivables, £34.1 million is past due and not impaired. £5.2 million has been provided for during the year against the £7.8 million trade receivables which are considered impaired. However, the Group does not consider this to be a significant impairment of financial assets.

Investments
The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a minimum credit rating of A-, with a higher minimum rating up to AA- required depending upon the duration and amount. Given these high credit ratings, the BBC does not expect any counterparty to fail to meet its obligations.

Guarantees
The Group enters into financial guarantees for intra-group purposes only, therefore the credit risk exposure, as a result of this, is not considered significant.

Liquidity risk
The BBC is subject to ceilings on its borrowings set by the Secretary of State in accordance with the Agreement between the BBC and DCMS (see Note 22). The BBC’s Group Treasury manages the Group’s borrowings in order to comply with these ceilings together with the terms of any individual debt instruments. The BBC holds its surplus liquidity in readily convertible financial instruments with highly rated financial institutions.

23b Fair values of financial instruments
The following table shows the fair value and carrying value of the Group’s financial instruments, in categories according to how the financial instrument is measured. It also shows the maturity profile for each category of financial asset and liability.

<table>
<thead>
<tr>
<th>Amounts due in less than one year</th>
<th>Amounts due between two and five years</th>
<th>Amounts due after more than five years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>2008 – Carrying value and fair value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through income and expenditure Derivative financial instruments</td>
<td>2.6</td>
<td>2.6</td>
<td>£5.2</td>
</tr>
<tr>
<td>Loans and receivables Trade debtors</td>
<td>504.6</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other debtors</td>
<td>0.3</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>78.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Available-for-sale financial assets Other investments (non-current)</td>
<td>–</td>
<td>–</td>
<td>2.7</td>
</tr>
<tr>
<td>Financial liabilities at fair value through income and expenditure Derivative financial instruments</td>
<td>(2.3)</td>
<td>(0.5)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Financial liabilities measured at amortised cost Loans</td>
<td>(59.3)</td>
<td>(140.1)</td>
<td>–</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>(327.6)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other creditors</td>
<td>(31.0)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Programme acquisitions</td>
<td>(47.3)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Obligations under finance leases</td>
<td>(5.8)</td>
<td>(3.0)</td>
<td>(19.3)</td>
</tr>
</tbody>
</table>
FINANCE ++ FINANCIAL STATEMENTS

Notes to the financial statements

<table>
<thead>
<tr>
<th>Amounts due in less than one year</th>
<th>Amounts due between two and five years</th>
<th>Amounts due after more than five years</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying value and fair value</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through income and expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>5.2</td>
<td>1.0</td>
<td>–</td>
</tr>
</tbody>
</table>

Loans and receivables

<table>
<thead>
<tr>
<th>Loans</th>
<th>Trade debtors</th>
<th>Other debtors</th>
<th>Cash at bank and in hand</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>474.4</td>
<td>–</td>
<td>–</td>
<td>474.4</td>
</tr>
<tr>
<td></td>
<td>0.2</td>
<td>–</td>
<td>–</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>144.7</td>
<td>–</td>
<td>–</td>
<td>144.7</td>
</tr>
</tbody>
</table>

Available for sale financial assets

<table>
<thead>
<tr>
<th>Loans</th>
<th>(non-current)</th>
<th>Other investments (non-current)</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>–</td>
<td>5.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Financial liabilities at fair value through income and expenditure

<table>
<thead>
<tr>
<th>Loans</th>
<th>Trade creditors</th>
<th>Programme acquisitions</th>
<th>Obligations under finance leases</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>(65.9)</td>
<td>(20.0)</td>
<td>–</td>
<td>(27.8)</td>
<td>(85.9)</td>
</tr>
<tr>
<td>(294.3)</td>
<td>–</td>
<td>–</td>
<td>(27.8)</td>
<td>(294.3)</td>
</tr>
<tr>
<td>(27.8)</td>
<td>–</td>
<td>–</td>
<td>(5.2)</td>
<td>(27.8)</td>
</tr>
<tr>
<td>(5.2)</td>
<td>(4.5)</td>
<td>(21.0)</td>
<td>(30.7)</td>
<td></td>
</tr>
</tbody>
</table>

As at 31 March 2008 there are no differences (2007: no differences) between the fair value and carrying value of any of the Group’s financial instruments. The fair value of forward currency contracts, interest rate swaps, caps and collars and embedded derivatives are based on market prices and exchange rates at the balance sheet date. These are recorded in the statement of income and expenditure (see Notes 3 and 7). The remaining financial instruments are carried at cost or amortised cost in accordance with FRS 26 ‘Financial Instruments: Recognition and Measurement’, which approximates to fair value.

The finance leases include £18.0million (2007: £21.0million) relating to Centre House Productions Limited. Centre House Productions Limited enters into finance leases as a means of financing drama productions which result in lower production costs for the BBC. These finance leases are matched by defeasance deposits which may only be used to settle the finance lease liabilities and therefore do not represent separate assets and liabilities. Consequently they are netted off the finance lease creditor to show the net unmatched liability at the year end. These defeasance deposits, £219.0million at 31 March 2008 (2007: £235.8million), are structured such that the principal on deposit and interest earned will be sufficient to cover the rental obligations on the finance leases until the end of the lease. Accordingly it is not included as borrowing for the purposes of compliance with the BBC’s borrowing ceilings.

BBC Worldwide Limited has guaranteed bank loans in respect of its joint venture, Worldwide Media Limited, which were rupees 155million (£2.0million) on 31 March 2008 (2007: rupees 366 million, £4.3million). The fair value has been assessed as not significant.
### 23c Derivative financial instruments

<table>
<thead>
<tr>
<th></th>
<th>Assets £m</th>
<th>Liabilities £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2008</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign currency contracts</td>
<td>2.2</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Interest rate swaps, caps and collars</td>
<td>0.3</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Embedded derivatives</td>
<td>0.1</td>
<td>(0.3)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2.6</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Less than one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign currency contracts</td>
<td>2.6</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Embedded derivatives</td>
<td>–</td>
<td>(0.1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2.6</td>
<td>(2.3)</td>
</tr>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign currency contracts</td>
<td>1.0</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Embedded derivatives</td>
<td>–</td>
<td>(0.1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1.0</td>
<td>(3.6)</td>
</tr>
<tr>
<td>Less than one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward foreign currency contracts</td>
<td>2.5</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Interest rate swaps, caps and collars</td>
<td>2.7</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5.2</td>
<td>(3.7)</td>
</tr>
</tbody>
</table>

At 31 March 2008 the Group had entered into a net commitment to purchase foreign currencies amounting to £17.9million (2007: £65.8million) that mature in the period through to 2013 in order to fix the sterling cost of commitments through this period (mainly euros and US dollars). After taking into account the effects of these forward foreign exchange contracts, the Group had no significant currency exposure.

Interest rate risk is managed by the use of interest rate swaps, caps and collars. Sterling fixed rate borrowings are achieved by entering into interest rate swap transactions; all outstanding swaps mature by March 2014. The impact of a change in interest rates can also be limited by entering into interest rate cap and collar transactions; all outstanding caps and collars mature by April 2012. In total, £80.0million (2007: £246.0million) of swaps and £128.2million (2007: £nil) of caps and collars were entered. This is £8.8million (2007: £161.0million) higher than the current level of borrowings of £199.4million (2007: £85.0million).

In accordance with FRS 26, the Group has reviewed contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. Any such embedded derivatives have been recognised at fair value.

### 23d Hedges of net investments in foreign operations

The Group has Australian dollar (AUS$) denominated borrowings which it has designated as a hedge of a net investment in foreign operations (Lonely Planet), in order to hedge against the risks associated with exchange rate movements between sterling and the AUS$. The fair value of the AUS$ borrowings at 31 March 2008 was £90.3million (2007: £nil) and the fair value of the investment at 31 March 2008 was £93.7million (2007: £nil). There is an immaterial amount of hedge ineffectiveness related to this hedge.
## 23e Borrowing facilities

<table>
<thead>
<tr>
<th>Facility</th>
<th>Interest rate</th>
<th>Total available at 31 March 2008 £m</th>
<th>Amount drawn down at 31 March 2008 £m</th>
<th>Total available at 31 March 2007 £m</th>
<th>Amount drawn down at 31 March 2007 £m</th>
<th>Expiry or review date</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Public Service Broadcasting</td>
<td>LIBOR-based loan or overdraft Loan – margin of 0.175% Bank base rates plus 1%</td>
<td>50</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>June 2008</td>
</tr>
<tr>
<td></td>
<td>Overdraft – bank base rates plus 1%</td>
<td>–</td>
<td>100</td>
<td>–</td>
<td>expired</td>
<td>May 2007</td>
</tr>
<tr>
<td></td>
<td>LIBOR-based loan or overdraft Loan – margin of 0.2% Bank base rates plus 1%</td>
<td>24</td>
<td>–</td>
<td>24</td>
<td>–</td>
<td>June 2008</td>
</tr>
<tr>
<td></td>
<td>Overdraft – bank base rates plus 1%</td>
<td>5</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>January 2009*</td>
</tr>
<tr>
<td></td>
<td>Uncommitted money market lines (short-term borrowings) Margin of between 0.125% and 0.5% above LIBOR</td>
<td>24</td>
<td>–</td>
<td>24</td>
<td>–</td>
<td>June 2008</td>
</tr>
<tr>
<td></td>
<td>Overdraft – bank base rates plus 1%</td>
<td>5</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>January 2009*</td>
</tr>
<tr>
<td></td>
<td>US Dollar overdraft</td>
<td>3</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>Currency overdraft</td>
<td>5</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>BBC Commercial Holdings Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Multicurrency, revolving credit facility agreement for loans and letters of credit LIBOR*** plus 0.275% rising to LIBOR*** plus 0.325% when the facility is more than 50% utilised. Letter of credit fee is the same as the bank lending margin, but does not include LIBOR</td>
<td>350***</td>
<td>145</td>
<td>–</td>
<td>–</td>
<td>June 2012</td>
</tr>
<tr>
<td></td>
<td>Multicurrency, revolving credit facility agreement for loans and letters of credit LIBOR plus 0.375% rising to LIBOR plus 0.45% when the facility is more than 50% utilised. Letter of credit fee is the same as the bank lending margin, but does not include LIBOR</td>
<td>–</td>
<td>–</td>
<td>350</td>
<td>40</td>
<td>expired</td>
</tr>
<tr>
<td></td>
<td>Loan with European Investment Bank (secured by letters of credit)***</td>
<td></td>
<td>–</td>
<td>25</td>
<td>25</td>
<td>expired</td>
</tr>
<tr>
<td></td>
<td>Overdraft or money market lines Money market line – margin of 0.45%</td>
<td>20</td>
<td>4</td>
<td>20</td>
<td>–</td>
<td>January 2009</td>
</tr>
<tr>
<td></td>
<td>Overdraft – bank base rates plus 1%</td>
<td>–</td>
<td>–</td>
<td>20</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>BBC Worldwide Limited</td>
<td></td>
<td></td>
<td>50</td>
<td>50</td>
<td>20 £20m</td>
</tr>
<tr>
<td></td>
<td>Loan with European Investment Bank (50% secured by letters of credit)***</td>
<td></td>
<td></td>
<td>50</td>
<td>50</td>
<td>December</td>
</tr>
<tr>
<td></td>
<td>European Investment Bank’s own funding cost</td>
<td></td>
<td></td>
<td>50</td>
<td>50</td>
<td>20 £30m May</td>
</tr>
</tbody>
</table>

* The BBC overdraft facility has a temporary limit of £45 million until 30 June 2008, thereafter reverting to £5 million.

** The base rate used will vary according to the currency drawn. At 31 March 2008 £90.3 million was drawn in AUS$ and consequently linked to BBSW rather than LIBOR. All other amounts drawn are in sterling and consequently linked to LIBOR.

***Of this amount, up to £100 million is available to issue letters of credit in favour of the European Investment Bank to support its lending under facilities to the Group. At 31 March 2008, in addition to the drawings of £146 million (2007: £40.0 million), £25.6 million (2007: £35.9 million) was utilised by way of letters of credit issued.

There have been no defaults or breaches of loan covenants during the year (2007: none).
24 COMMITMENTS

24a Contracts placed for future expenditure

<table>
<thead>
<tr>
<th></th>
<th>Group 2008 £m</th>
<th>UK Public Service Broadcasting 2008 £m</th>
<th>Group 2007 £m</th>
<th>UK Public Service Broadcasting 2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed asset additions</td>
<td>65.2</td>
<td>44.0</td>
<td>50.0</td>
<td>40.4</td>
</tr>
<tr>
<td>Programme acquisitions and sports rights</td>
<td>1,333.7</td>
<td>939.0</td>
<td>994.1</td>
<td>894.0</td>
</tr>
<tr>
<td>Independent programmes</td>
<td>112.3</td>
<td>101.5</td>
<td>112.1</td>
<td>90.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,511.2</strong></td>
<td><strong>1,414.6</strong></td>
<td><strong>1,156.2</strong></td>
<td><strong>1,080.9</strong></td>
</tr>
</tbody>
</table>

24b Operating leases

Operating lease commitments payable in the following year, analysed according to the period in which the lease expires:

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings 2008 £m</th>
<th>Land and buildings 2007 £m</th>
<th>Other 2008 £m</th>
<th>Other 2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>2.1</td>
<td>3.0</td>
<td>1.2</td>
<td>2.4</td>
</tr>
<tr>
<td>In two to five years</td>
<td>21.4</td>
<td>15.5</td>
<td>9.0</td>
<td>13.0</td>
</tr>
<tr>
<td>After five years</td>
<td>92.2</td>
<td>58.6</td>
<td>7.8</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115.7</strong></td>
<td><strong>77.1</strong></td>
<td><strong>18.0</strong></td>
<td><strong>19.2</strong></td>
</tr>
<tr>
<td>UK Public Service Broadcasting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>1.6</td>
<td>2.1</td>
<td>0.4</td>
<td>0.8</td>
</tr>
<tr>
<td>In two to five years</td>
<td>11.9</td>
<td>12.6</td>
<td>3.3</td>
<td>7.4</td>
</tr>
<tr>
<td>After five years</td>
<td>91.3</td>
<td>57.5</td>
<td>7.8</td>
<td>3.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>104.8</strong></td>
<td><strong>72.2</strong></td>
<td><strong>11.5</strong></td>
<td><strong>12.0</strong></td>
</tr>
</tbody>
</table>

* The comparative data for other operating lease commitments has been revised from £57.5million to £19.2million as a result of a review of leasing arrangements.

24c Other financial commitments

In the ordinary course of business the BBC enters into a large number of contracts with artists and writers and with providers of other services including licence fee collection, IT maintenance and support and channel distribution.

25 CONTINGENT ASSETS AND LIABILITIES

At 31 March 2008 the Group had contingent liabilities estimated to be £1.3million (2007: £1.3million) in respect of guarantees and indemnities.

The Group has a number of contingent liabilities arising from litigation. The BBC makes specific provision (see Note 17) for its best estimate of any damages and costs which may be awarded. Provision is only made to the extent that the Group considers it probable that there will be an outflow of economic benefits and the amount can be reliably estimated.

26 POST BALANCE SHEET EVENTS

On 1 April 2008, a property which had a net book value of £2.1million was sold for £18million.

Also on 1 April 2008, BBC Resources Limited sold its Outside Broadcasts business to SIS Outside Broadcasts Limited, part of the SIS Group for a consideration of £19.3million.
27 RELATED PARTY TRANSACTIONS
The related party transactions of the Group have been presented in accordance with FRS 8 ‘Related party disclosures’. In accordance with FRS 8 the BBC has not disclosed transactions between Group entities that have been eliminated on consolidation.

In all transactions, the terms of trade were negotiated on an arm’s length basis.

27a Transactions with joint ventures and associated undertakings

<table>
<thead>
<tr>
<th>Income from joint ventures and associated undertakings</th>
<th>Nature of services provided</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>UKTV</td>
<td>Sale of programmes and management fees</td>
<td>41.3</td>
<td>38.1</td>
</tr>
<tr>
<td>JV Programmes LLC</td>
<td>Sale of programmes</td>
<td>31.9</td>
<td>38.9</td>
</tr>
<tr>
<td>2 entertain Limited</td>
<td>Licensing of programmes and other commissions</td>
<td>17.9</td>
<td>9.2</td>
</tr>
<tr>
<td>Daunus Limited</td>
<td>Reimbursement of Broadcasting House development costs</td>
<td>5.1</td>
<td>9.9</td>
</tr>
<tr>
<td>BBC Haymarket Exhibitions Limited</td>
<td>Management fees</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Frontline Limited</td>
<td>Management fees</td>
<td>0.3</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>Various</td>
<td>5.7</td>
<td>6.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dividends from joint ventures and associated undertakings</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>UKTV</td>
<td>6.7</td>
<td>4.5</td>
</tr>
<tr>
<td>2 entertain Limited</td>
<td>42.3</td>
<td>17.6</td>
</tr>
<tr>
<td>Frontline Limited</td>
<td>0.2</td>
<td>0.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Charges payable to joint ventures and associated undertakings</th>
<th>Nature of services received</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insight Property Partnership and the White City Development Partnership</td>
<td>Property services</td>
<td>–</td>
<td>22.9</td>
</tr>
<tr>
<td>Daunus Limited</td>
<td>Rent</td>
<td>17.3</td>
<td>16.6</td>
</tr>
<tr>
<td>Frontline Limited</td>
<td>Distribution of BBC Worldwide’s magazines</td>
<td>2.2</td>
<td>2.1</td>
</tr>
<tr>
<td>Woodlane Partnership</td>
<td>Property services</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>JV Programmes LLC</td>
<td>Marketing services</td>
<td>1.4</td>
<td>1.7</td>
</tr>
<tr>
<td>2 entertain Limited</td>
<td>Commissions on distribution of children’s DVDs</td>
<td>1.1</td>
<td>0.1</td>
</tr>
<tr>
<td>DTV Services Limited</td>
<td>Marketing services</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Parliamentary Broadcast Unit Limited</td>
<td>Purchase of broadcast licences</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Freesat UK Limited</td>
<td>Written off in respect of funding contribution</td>
<td>3.4</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>Various</td>
<td>4.0</td>
<td>–</td>
</tr>
</tbody>
</table>

Note 29 provides details of the other partners in the BBC’s joint ventures.

Amounts owed by/to joint ventures and associated undertakings at the year end are disclosed within Notes 15 and 16.
27b Other transactions

The BBC’s related parties, as defined by FRS 8, the nature of the relationship and the extent of the transactions with them are summarised below. In the normal course of business the BBC transacts with other parties which are related to it by virtue of its senior employees being married or closely related to employees of the BBC or individuals who own or are employed at other media, production and broadcasting companies. The BBC has set procedures for dealing with situations to avoid any conflict of interest. Where transactions have arisen between connected parties, the BBC Trustee or employee is not a party to the approval process.

27b i Trustees

During the year, Diane Coyle and Richard Tait had close family members who were employed by the BBC. Their remuneration was based on the BBC’s standard terms and conditions applicable to other staff employed in similar capacities.

27b ii Members of the Executive Board and other senior management

Menna Richards is Controller of BBC Wales. Her sister has a controlling interest in Torpedo Limited. The BBC made payments on contracts to the value of £320,774 (2007: £360,551) with Torpedo Limited for the provision of independent radio and television programmes in the year. These amounts had been paid in full by 31 March 2008 (2007: paid in full). Also the BBC entered into artists’ contracts worth £53,263 (2007: £54,867) with her husband Patrick Hannan, with £1,032 outstanding at 31 March 2008 (2007: paid in full).

Juniper Communications Limited is co-owned by BBC non-executive Director Samir Shah (70%), his wife Belkis Shah (20%) and the husband of Jana Bennett (Director, BBC Vision) Richard Clemmow (10%). During the year Juniper Communications Limited had transactions with the BBC to the value of £946,693 (2007: £623,881). These amounts had been paid in full by 31 March 2008 (2007: £68,000 outstanding at 31 March 2007).

During the year, Jenny Abramsky (Director, Audio & Music), Anne Gilchrist (Creative Director, CBBC), Jane Tranter (Controller, Fiction), Janice Hadlow (Controller BBC Four) and Mark Tugwell (Director of Outside Broadcasts) had close family members who were employed by the BBC. Their remuneration was based on the BBC’s standard terms and conditions applicable to other staff employed in similar capacities.

27b iii Governors

Under the Royal Charter which came into force on 1 January 2007, the Board of Governors was replaced by the BBC Trust. Therefore there are no transactions in the current year relating to Governors. Prior year comparatives are as follows:

Deborah Bull is sole Director of Deborah Bull Limited. Deborah Bull Limited received payments totalling £5,258 for the period to 31 December 2006 for contributions to various BBC programmes. No amounts were outstanding at 31 March 2007.

Michael Grade was non-executive Chairman of Pinewood Shepperton up to 27 November 2006 and during this period the BBC paid £2,217,956 to Pinewood Shepperton for the use of studios and related facilities. No amounts were outstanding at 31 March 2007.
28 UK PUBLIC SERVICES EXPENDITURE BY SERVICE

The following tables show the BBC's Public Service Broadcasting expenditure analysed both by service licence and by type of expenditure.

Service licences are used by the BBC Trust to monitor that each BBC service creates public value by delivering the BBC's Public Purposes. In the year there were 27 service licences in operation, including the BBC High Definition (HDTV) licence which is new for 2008. BBC jam, which had its own licence, was suspended in March 2007.

The new service licence framework came into effect from 1 January 2007 and this year has marked the first full year of its operation. During the year the accounting for service licences has been reviewed and enhanced, and updated service licence baseline budgets have been agreed with the BBC Trust.

Our financial reporting includes analysis of the cost of each of the BBC's service licences, defined as direct programme costs and other programme related expenditure. Each licence has a 10% tolerance either way from the funding level agreed with the BBC Trust to allow the BBC flexibility in its commissioning decisions.

In the course of 2007/08, ten service licences have exceeded this tolerance level, as follows:

- bbc.co.uk, reflecting additional investment in the creation of online content as a result of the initial implementation of the Delivering Creative Future strategy and the move to commissioning of more non-linear content,
- HDTV, where significant savings have been achieved in contractual negotiations,
- Radio 5 live, due to significant savings from refining the allocation of newsgathering costs and the relatively low level of significant sporting events in the year; and
- Seven further services (Radio 1Xtra, BBC 6 Music and the five Nations’ radio licences) where the licence budgets were exceeded due to the refinement of the methodology for accounting for central production costs resulting in changed allocations.
<table>
<thead>
<tr>
<th>2008 Service</th>
<th>Content (£m)</th>
<th>Distribution (£m)</th>
<th>Infrastructure/ support (£m)</th>
<th>Other items (£m)</th>
<th>Total (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Notes</strong></td>
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<tr>
<td><strong>Television</strong></td>
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<td></td>
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</tr>
<tr>
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<td>1,418.2</td>
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<tr>
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<td>29.5</td>
<td>98.7</td>
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<td>567.9</td>
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<td>96.5</td>
<td>3.1</td>
<td>25.6</td>
<td>–</td>
<td>125.2</td>
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<td>2.0</td>
<td>15.1</td>
<td>–</td>
<td>64.8</td>
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<td>0.7</td>
<td>–</td>
<td>6.7</td>
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<td>10.3</td>
<td>–</td>
<td>48.7</td>
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<td>2.3</td>
<td>4.7</td>
<td>–</td>
<td>23.3</td>
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<td><strong>Notes</strong></td>
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<td></td>
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<tr>
<td><strong>Radio</strong></td>
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<td></td>
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<td>7.4</td>
<td>–</td>
<td>43.1</td>
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<td>4.5</td>
<td>7.3</td>
<td>–</td>
<td>51.3</td>
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<td>v</td>
<td>37.4</td>
<td>4.7</td>
<td>7.3</td>
<td>49.4</td>
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<tr>
<td>BBC Radio 4</td>
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<td>14.3</td>
<td>–</td>
<td>105.5</td>
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<td>10.5</td>
<td>–</td>
<td>72.3</td>
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<td>BBC Radio 5 Ive Sports Extra</td>
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<td>0.3</td>
<td>0.5</td>
<td>–</td>
<td>3.3</td>
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<td>iXtra</td>
<td>6.7</td>
<td>0.6</td>
<td>2.0</td>
<td>–</td>
<td>9.3</td>
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<tr>
<td>BBC 6 Music</td>
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<td>1.4</td>
<td>–</td>
<td>7.5</td>
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<td>BBC 7</td>
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<td>0.4</td>
<td>1.4</td>
<td>–</td>
<td>7.3</td>
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<td>BBC Asian Network</td>
<td>10.1</td>
<td>0.8</td>
<td>2.1</td>
<td>–</td>
<td>13.0</td>
</tr>
<tr>
<td>BBC Local Radio</td>
<td>vi</td>
<td>109.0</td>
<td>6.0</td>
<td>21.5</td>
<td>136.5</td>
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<td>BBC Radio Scotland</td>
<td>29.5</td>
<td>2.9</td>
<td>6.1</td>
<td>–</td>
<td>38.5</td>
</tr>
<tr>
<td><strong>Notes</strong></td>
<td>v</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BBC Radio nan Gàidheal</td>
<td>4.7</td>
<td>1.2</td>
<td>1.0</td>
<td>–</td>
<td>6.9</td>
</tr>
<tr>
<td>BBC Radio Wales</td>
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<td>1.3</td>
<td>2.6</td>
<td>–</td>
<td>17.5</td>
</tr>
<tr>
<td>BBC Radio Cymru</td>
<td>12.7</td>
<td>1.7</td>
<td>2.4</td>
<td>–</td>
<td>16.8</td>
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<tr>
<td>BBC Radio Ulster/BBC Radio Foyle</td>
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<td>1.5</td>
<td>3.5</td>
<td>–</td>
<td>20.2</td>
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<tr>
<td><strong>Radio</strong></td>
<td>459.9</td>
<td>47.2</td>
<td>91.3</td>
<td>–</td>
<td>598.4</td>
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<td>bbc.co.uk</td>
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<td>52.7</td>
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<td><strong>Online</strong></td>
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<td>Online</td>
<td>113.9</td>
<td>15.4</td>
<td>52.7</td>
<td>–</td>
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<tr>
<td><strong>Spend regulated by service</strong></td>
<td>2,408.1</td>
<td>167.4</td>
<td>560.2</td>
<td>–</td>
<td>3,135.7</td>
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<td>Licence fee collection costs</td>
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<td>–</td>
<td>123.2</td>
<td>123.2</td>
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<td>Orchestras and performing groups</td>
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<td>16.2</td>
<td>–</td>
<td>3.1</td>
<td>19.3</td>
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<td>S4C</td>
<td>vi</td>
<td>27.5</td>
<td>–</td>
<td>5.2</td>
<td>32.7</td>
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<td>BBC jam</td>
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<td>–</td>
<td>0.5</td>
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<td>Development spend</td>
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<td>31.3</td>
<td>–</td>
<td>6.0</td>
<td>37.3</td>
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<td>DAB digital radio</td>
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<td>9.6</td>
<td>–</td>
<td>–</td>
<td>9.6</td>
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<tr>
<td>Digital text</td>
<td>–</td>
<td>8.7</td>
<td>–</td>
<td>–</td>
<td>8.7</td>
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<td><strong>Other</strong></td>
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<td>14.8</td>
<td>123.2</td>
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<td><strong>Exceptional restructuring costs</strong></td>
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<td>–</td>
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<td>–</td>
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<td>Total UK Public Services expenditure</td>
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<td>3,487.1</td>
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<tr>
<td>Digital UK Limited expenditure</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>21.2</td>
</tr>
<tr>
<td>Digital switchover ring-fenced expenditure</td>
<td>x</td>
<td>–</td>
<td>–</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Total</td>
<td>2,485.6</td>
<td>185.7</td>
<td>575.0</td>
<td>267.9</td>
<td>3,514.2</td>
</tr>
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</table>
## 2007 Service

<table>
<thead>
<tr>
<th>Service</th>
<th>Content £m</th>
<th>Distribution £m</th>
<th>Infrastructure/support £m</th>
<th>Other items £m</th>
<th>Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBC One</td>
<td>1,143.4</td>
<td>45.0</td>
<td>223.3</td>
<td>–</td>
<td>1,411.7</td>
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<tr>
<td>BBC Two</td>
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<td>26.2</td>
<td>92.7</td>
<td>–</td>
<td>552.0</td>
</tr>
<tr>
<td>BBC Three</td>
<td>92.9</td>
<td>2.4</td>
<td>23.7</td>
<td>–</td>
<td>119.0</td>
</tr>
<tr>
<td>BBC Four</td>
<td>49.8</td>
<td>2.0</td>
<td>15.2</td>
<td>–</td>
<td>67.0</td>
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<tr>
<td>CBBC</td>
<td>39.1</td>
<td>2.2</td>
<td>11.0</td>
<td>–</td>
<td>52.3</td>
</tr>
<tr>
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<td>4.4</td>
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<td>BBC News</td>
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<td>–</td>
<td>55.0</td>
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<td>BBC Parliament</td>
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<td>0.4</td>
<td>–</td>
<td>5.9</td>
</tr>
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<td>BBCi</td>
<td>19.6</td>
<td>11.6</td>
<td>4.5</td>
<td>–</td>
<td>35.7</td>
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<tr>
<td><strong>Television</strong></td>
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<td><strong>99.1</strong></td>
<td><strong>383.1</strong></td>
<td><strong>–</strong></td>
<td><strong>2,319.1</strong></td>
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<td>3.9</td>
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<td>–</td>
<td>42.8</td>
</tr>
<tr>
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<td>38.1</td>
<td>4.2</td>
<td>7.8</td>
<td>–</td>
<td>50.1</td>
</tr>
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<td>BBC Radio 3</td>
<td>33.9</td>
<td>4.2</td>
<td>6.6</td>
<td>–</td>
<td>44.7</td>
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<tr>
<td>BBC Radio 4</td>
<td>81.0</td>
<td>9.3</td>
<td>14.7</td>
<td>–</td>
<td>105.0</td>
</tr>
<tr>
<td>BBC Radio 5 live</td>
<td>56.3</td>
<td>6.0</td>
<td>10.9</td>
<td>–</td>
<td>73.2</td>
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<td>0.3</td>
<td>0.5</td>
<td>–</td>
<td>3.2</td>
</tr>
<tr>
<td>iXtra</td>
<td>6.4</td>
<td>0.5</td>
<td>2.1</td>
<td>–</td>
<td>9.0</td>
</tr>
<tr>
<td>BBC 6 Music</td>
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<td>BBC 7</td>
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<tr>
<td>BBC Asian Network</td>
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<td>0.7</td>
<td>2.0</td>
<td>–</td>
<td>11.6</td>
</tr>
<tr>
<td>BBC Local Radio</td>
<td>103.5</td>
<td>4.7</td>
<td>21.1</td>
<td>–</td>
<td>129.3</td>
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<td>BBC Radio Scotland</td>
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<td>2.8</td>
<td>4.3</td>
<td>–</td>
<td>29.7</td>
</tr>
<tr>
<td>BBC Radio nan Gàidheal</td>
<td>3.2</td>
<td>1.1</td>
<td>0.6</td>
<td>–</td>
<td>4.9</td>
</tr>
<tr>
<td>BBC Radio Wales</td>
<td>11.7</td>
<td>1.2</td>
<td>2.4</td>
<td>–</td>
<td>15.3</td>
</tr>
<tr>
<td>BBC Radio Cymru</td>
<td>10.7</td>
<td>1.6</td>
<td>2.3</td>
<td>–</td>
<td>14.6</td>
</tr>
<tr>
<td>BBC Radio Ulster/BBC Radio Foyle</td>
<td>12.6</td>
<td>1.1</td>
<td>2.2</td>
<td>–</td>
<td>15.9</td>
</tr>
<tr>
<td><strong>Radio</strong></td>
<td><strong>432.6</strong></td>
<td><strong>42.6</strong></td>
<td><strong>88.4</strong></td>
<td><strong>–</strong></td>
<td><strong>563.6</strong></td>
</tr>
<tr>
<td>bbc.co.uk</td>
<td>83.2</td>
<td>8.8</td>
<td>24.0</td>
<td>–</td>
<td>116.0</td>
</tr>
<tr>
<td>BBC jam</td>
<td>31.8</td>
<td>–</td>
<td>5.9</td>
<td>–</td>
<td>37.7</td>
</tr>
<tr>
<td><strong>Online</strong></td>
<td><strong>115.0</strong></td>
<td><strong>8.8</strong></td>
<td><strong>29.9</strong></td>
<td><strong>–</strong></td>
<td><strong>153.7</strong></td>
</tr>
<tr>
<td><strong>Spend regulated by service licence</strong></td>
<td><strong>2,384.5</strong></td>
<td><strong>150.5</strong></td>
<td><strong>501.4</strong></td>
<td><strong>–</strong></td>
<td><strong>3,036.4</strong></td>
</tr>
</tbody>
</table>

Licence fee collection costs            –          –          –          134.1       134.1
Orchestras and performing groups         18.8       3.3          –          22.1
S4C                                          20.8       3.8          –          24.6
Development spend                          32.0       5.6          –          37.6
DAB digital radio                          –          8.7          0.2          –          8.9
Digital text                               –          5.5          2.2          –          7.7
Other                                       71.6       14.2         15.1         134.1       235.0
Exceptional restructuring costs             –          –          –          44.3         44.3
Total UK Public Services expenditure       2,456.1     164.7        516.5        178.4       3,315.7
Digital UK Limited expenditure             –          –          –          11.6        11.6
Digital switchover ring-fenced expenditure –          –          –          –          –
Total                                       2,456.1     164.7        516.5        190.0       3,327.3
<table>
<thead>
<tr>
<th>Infrastructure/support costs</th>
<th>Note</th>
<th>2008 £m</th>
<th>2007 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing, press and publicity</td>
<td></td>
<td>41.6</td>
<td>45.4</td>
</tr>
<tr>
<td>On-air trails</td>
<td></td>
<td>22.1</td>
<td>22.2</td>
</tr>
<tr>
<td>Market research and consumer services</td>
<td></td>
<td>14.6</td>
<td>14.3</td>
</tr>
<tr>
<td>Libraries, learning support and community events</td>
<td></td>
<td>55.5</td>
<td>49.9</td>
</tr>
<tr>
<td>Additional pension payment</td>
<td>xi</td>
<td>20.0</td>
<td>–</td>
</tr>
<tr>
<td>Overheads (excluding restructuring)</td>
<td>iii</td>
<td>421.2</td>
<td>367.6</td>
</tr>
<tr>
<td>Other change costs</td>
<td></td>
<td>–</td>
<td>17.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>$75.0</strong></td>
<td><strong>516.5</strong></td>
</tr>
</tbody>
</table>

(i) Content costs are made up of the direct costs of making programmes. These include newsgathering costs of £98.9million (2007: £86.9million) which are allocated across all relevant services.

(ii) The cost of distribution represents the transmission and carriage of the BBC’s UK Public Services (television, radio and interactive) on digital and analogue broadcast platforms – this includes analogue television, Digital Terrestrial Television (DTT), satellite, cable, broadband, analogue radio and DAB digital radio. Of the distribution costs, £81.8million relates to analogue services (2007: £74.8million) and £103.9million to digital services (2007: £89.9million).

(iii) Overheads represent expenditure on the BBC’s central non-content functions, for example the Director-General’s office, BBC People, BBC Finance, Policy and Legal departments. Spend incorporates accommodation and staff costs relating to those functions. The proportion of these costs which are directly attributable to programme-making are included within total programme spend, whilst costs of services provided across the BBC as a whole or managed at a corporate level (for example marketing, press and publicity) are shown as overhead spend.

(iv) Included within BBC News (formerly known as BBC News 24), content costs are production costs of £25.7million, newsgathering costs of £19.5million and other costs of £0.5million (2007: production costs of £24.3million, newsgathering costs of £18.1million and other costs of £0.5million).

(v) The cost of transmission of the Proms is now included in Radio 3 whereas last year it was included in the costs for Orchestras and Performing Groups.

(vi) The service licence for BBC Local Radio covers all of the individual stations in England.

(vii) The BBC is required to provide Welsh language programming to S4C (the Welsh language channel). The increased spend on S4C is additional funding for the S4C strategic partnership agreement as part of the 2007 licence fee settlement.

(viii) Development spend is not regulated by service licences and as such is separately identified. 2008 numbers include costs on the development of new on-demand technology applications and investment in digital media systems.

(ix) Exceptional restructuring costs relate to the Value for Money and Continuous Improvement programmes occurring within UK Public Service Broadcasting (see Note 4c).

(x) Under the terms of the current licence fee settlement, a proportion of licence fee income is set aside to help pay for wider industry costs relating to digital switchover. This includes a marketing and awareness campaign run by Digital UK Limited and the Digital Switchover Help Scheme administered by DSHS Limited. See Notes 2b and 2d for details of this expenditure.

(xi) See Note 8 for a full explanation of pension costs.
### 29 INTERESTS IN JOINT VENTURES, ASSOCIATES AND SUBSIDIARIES

#### 29a Significant joint ventures and their activities

The Group has a 50% equity interest in the following joint ventures which are all incorporated in Great Britain and registered in England and Wales, unless otherwise stated:

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>Activity</th>
<th>Accounting date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 entertain Limited*</td>
<td>Video/DVD</td>
<td>31 January 2008</td>
</tr>
<tr>
<td>UK Gold Holdings Limited</td>
<td>Channels</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>UK Gold Services Limited</td>
<td>Channels</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>UK Channel Management Limited</td>
<td>Channels</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>UKTV New Ventures Limited</td>
<td>Channels</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>UKTV Interactive Limited</td>
<td>Channels</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>JV Programmes LLC**</td>
<td>Channels</td>
<td>31 December 2007</td>
</tr>
<tr>
<td>BBC Haymarket Exhibitions Limited</td>
<td>Publishing</td>
<td>31 December 2007</td>
</tr>
<tr>
<td>Dovetail Services (UK) Holdings Limited</td>
<td>Magazines</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>Ragdoll Worldwide Holdings Limited</td>
<td>Intellectual property rights</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>Ragdoll Developments Limited</td>
<td>Intellectual property rights</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>UK VoD LLP****</td>
<td>Development</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>Freehand International Pty Limited^</td>
<td>Independent Production</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>DTV Services Limited^^</td>
<td>Marketing</td>
<td>31 August 2007</td>
</tr>
<tr>
<td>Insight Property Partnership</td>
<td>Property</td>
<td>31 March 2008</td>
</tr>
<tr>
<td>Daunus Limited^^^</td>
<td>Property</td>
<td>30 November 2007</td>
</tr>
<tr>
<td>Freesat (UK) Limited</td>
<td>Provision of free-to-air satellite television service</td>
<td>31 March 2008</td>
</tr>
</tbody>
</table>

* 60% equity interest.
** Incorporated in the USA.
*** Incorporated in India.
**** 33% equity interest. UK VoD LLP has a December year end, since it was set up in February 2008, results were equity accounted for the year to 31 March 2008.
^ Incorporated in Australia and 25% equity interest.
^^ 20% equity holding.
^^^ 100% holding of ‘A’ class shares, representing 10% of the total issued shares of Daunus Limited. The rest of the shares in Daunus Limited are held by the other partners. The BBC holds its investment in Daunus Limited through a subsidiary, BBC Property Development Limited.
### 29b Significant associates and their activities

The Group holds (directly and indirectly) interests in the significant associates listed below which, except where otherwise stated, are incorporated in Great Britain and registered in England and Wales. A full list of associates is available on request from the General Counsel and Secretary, BBC, Media Centre, 201 Wood Lane, London W12 7TQ.

<table>
<thead>
<tr>
<th>Commercial associates:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discovery associates:</td>
</tr>
<tr>
<td>People and Arts (Latin America) LLC (incorporated in the USA)</td>
</tr>
<tr>
<td>Animal Planet (Asia) LLC (incorporated in the USA)</td>
</tr>
<tr>
<td>The Animal Planet Europe Partnership</td>
</tr>
<tr>
<td>Animal Planet (Latin America) LLC (incorporated in the USA)</td>
</tr>
<tr>
<td>Animal Planet Japan KK (incorporated in Japan)</td>
</tr>
<tr>
<td>JV Network LLC (incorporated in the USA)</td>
</tr>
<tr>
<td>Animal Planet Japan LLP (incorporated in the USA)</td>
</tr>
<tr>
<td>Animal Planet Canada Company ULC (incorporated in Canada)</td>
</tr>
<tr>
<td>Other commercial associates:</td>
</tr>
<tr>
<td>Frontline Limited</td>
</tr>
<tr>
<td>OPL Holdings Limited</td>
</tr>
<tr>
<td>Origin Publishing Limited</td>
</tr>
<tr>
<td>UKTV Pty Limited (incorporated in Australia)</td>
</tr>
<tr>
<td>Jasper Broadcasting Inc (incorporated in Canada)</td>
</tr>
<tr>
<td>Jasper Junior Broadcasting Inc (incorporated in Canada)</td>
</tr>
<tr>
<td>Children's Character Books Limited</td>
</tr>
<tr>
<td>Woodlands Books Limited</td>
</tr>
<tr>
<td>Educational Publishers LLP</td>
</tr>
<tr>
<td>3sixtymedia Limited</td>
</tr>
<tr>
<td>Left Bank Pictures Limited</td>
</tr>
<tr>
<td>Cliffhanger Productions Limited</td>
</tr>
</tbody>
</table>

### Associates incorporated to act on behalf of UK Public Service Broadcasting:

| Parliamentary Broadcasting Unit Limited | 50 | Content provider |
| Broadcasters Audience Research Board Limited (BARB) | * | Audience research |
| The Commonwealth Broadcasting Association | * | Broadcasting forum |
| Radio Joint Audience Research Limited (RAJAR) | 50 | Audience research |
| White City Development Partnership | ** | Property |

* Broadcasters Audience Research Board Limited and The Commonwealth Broadcasting Association are companies limited by guarantee, of which the BBC is a joint member with other broadcasters.

** 50% partnership share.
### Subsidiary undertakings

The principal subsidiary undertakings of the BBC at 31 March 2008 are listed below. All are wholly owned and incorporated in Great Britain and registered in England and Wales, unless otherwise stated. A full list of subsidiaries is available on request from the General Counsel and Secretary, BBC, Media Centre, 201 Wood Lane, London W12 7TQ.

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Subsidiaries:</strong></td>
<td></td>
</tr>
<tr>
<td>BBC Commercial Holdings Limited</td>
<td>* Directly owned. Holding company</td>
</tr>
<tr>
<td>BBC Worldwide Limited</td>
<td>** Indirectly owned. Publishing, channels and programme distribution</td>
</tr>
<tr>
<td>BBC World Limited</td>
<td>** Indirectly owned. Channels</td>
</tr>
<tr>
<td>BBC Ventures Group Limited</td>
<td>** Indirectly owned. Holding company</td>
</tr>
<tr>
<td>BBC Resources Limited</td>
<td>** Indirectly owned. Programme making facilities and services</td>
</tr>
<tr>
<td>Lonely Planet Pty Limited</td>
<td>** Indirectly owned. Travel guides publisher (incorporated in Australia)</td>
</tr>
</tbody>
</table>

| Subsidiaries incorporated to act on behalf of UK Public Service Broadcasting: | |
| BBC Free to View Limited | * Directly owned. Holding company for digital licence |
| BBC Property Limited | * Directly owned. Property |
| BBC Property Development Limited | * Directly owned. Property |
| BBC Property Investments Limited | * Directly owned. Property |
| Centre House Productions Limited | * Directly owned. Production financing |
| Digital UK Limited*** | * Directly owned. Digital switchover |
| DSHS Limited | * Directly owned. Digital switchover |
| BBC Free to View (Satellite) Limited | * Directly owned. Provision of a free to air satellite television service |

* Directly owned.
** Indirectly owned.
*** The BBC controls 56% of the voting rights of Digital UK Limited (previously known as Switchco Limited). Its results have been consolidated into the Group accounts. Digital UK Limited is a company limited by guarantee of which the BBC is a joint member. The other members and their shareholdings in Digital UK Limited are: ITV plc 11%, Channel Four Television Corporation 11%, Channel Five Broadcasting Limited 8.75%, National Grid Wireless 6.25%, SON Limited 3.5%, S4C 2.25% and Teletext Limited 1.25%.
The BBC’s Charter and Agreement requires the BBC to prepare its audited statement of accounts in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

Although not mandatory, until 2005 the BBC chose to follow the accounting and disclosure provisions of the Companies Act 1985 and the Financial Services Authority Listing Rules to ensure that its financial statements were prepared on a basis consistent with those of UK companies quoted on an EU-regulated market. Following changes in company law, if it had continued to report in this way, the BBC would have prepared its consolidated financial statements in accordance with EU-adopted International Financial Reporting Standards (IFRS) from 1 April 2005. However, reporting under IFRS would be inconsistent with the BBC’s Charter and Agreement. Nevertheless, the BBC has continued to review the impact that adoption of IFRS would have on the Group accounts and has presented a summary of the impact that adopting IFRS would have had on the financial statements, including an adjustment of £18.5 million to bring the prior year into line with developing interpretations of IFRS.

As at 31 March 2008 the BBC calculated that if it had adopted IFRS its net assets would be reduced by £198 million to £1,322 million (2007: net assets would have reduced by £181 million to £1,207 million).

<table>
<thead>
<tr>
<th></th>
<th>2008 as restated £m</th>
<th>2007 as restated £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets as reported under UK accounting standards</td>
<td>1,519.2</td>
<td>1,388.3</td>
</tr>
<tr>
<td>Lease reclassification</td>
<td>(196.5)</td>
<td>(175.9)</td>
</tr>
<tr>
<td>Goodwill adjustments</td>
<td>10.9</td>
<td>6.7</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>(16.5)</td>
<td>(11.9)</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>0.3</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Other</td>
<td>4.3</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Net assets as they would be reported under IFRS</strong></td>
<td><strong>1,321.7</strong></td>
<td><strong>1,206.9</strong></td>
</tr>
</tbody>
</table>

Some of the IFRS accounting changes, principally the reclassification of certain operating leases as finance leases, would have an effect on the calculation of Public Service Broadcasting borrowings as defined by the DCMS borrowing ceiling. The Public Service Borrowing ceiling of £200 million is set by the Secretary of State in accordance with the Agreement between the BBC and DCMS and is determined by reference to UK GAAP not IFRS. Public Service borrowings under IFRS would have been £761 million, compared with net funds of £17 million under UK GAAP (2007: Public Service borrowings under IFRS would have been £640 million, compared with net funds of £102 million under UK GAAP). The Agreement definition of borrowings is based on UK accounting standards effective in July 2006.

For the year ended 31 March 2008 the BBC calculated that if it had adopted IFRS the surplus for the year would be reduced by £21 million to a surplus of £81 million (2007: the surplus for the year would have been reduced by £46 million to a surplus of £15 million).

<table>
<thead>
<tr>
<th></th>
<th>2008 as restated £m</th>
<th>2007 as restated £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus as reported under UK accounting standards</td>
<td>101.7</td>
<td>60.7</td>
</tr>
<tr>
<td>Lease reclassification</td>
<td>(20.7)</td>
<td>(30.2)</td>
</tr>
<tr>
<td>Goodwill adjustments</td>
<td>(0.1)</td>
<td>3.6</td>
</tr>
<tr>
<td>Other</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Surplus as it would be reported under IFRS</strong></td>
<td><strong>81.2</strong></td>
<td><strong>14.5</strong></td>
</tr>
</tbody>
</table>

A more detailed reconciliation between the BBC’s results and financial position under UK accounting standards and what would have been reported if IFRS had been adopted, along with further details of the adjustments, including the IFRS accounting policies and significant assumptions made in implementing those policies (such as the date of transition to the IFRS accounting policies) are available on the BBC’s website at bbc.co.uk/annualreport/executive.
GETTING IN TOUCH WITH THE BBC

BBC Information
If you have a question or comment about BBC programmes or services, you can contact BBC Information.
Write to:
BBC Information
PO Box 1922
Glasgow G2 3WT
Telephone: 03700 100 222*
(24 hours a day, seven days a week)
Textphone: 03700 100 212
Fax: 0141 307 5770
Website: bbc.co.uk/info

For information about how to receive
the BBC’s digital services
Telephone: 03700 10 10 10*
Website: bbc.co.uk/digital

For general television and radio
reception advice
Write to:
BBC Reception Advice
PO Box 1922
Glasgow G2 3WT
Telephone: 03700 100 123*
Textphone: 03700 100 212
Website: bbc.co.uk/reception

To share your views on our
television programmes
Write to:
Points of View
BBC Birmingham
Birmingham B1 1RF
Telephone: 0370 908 3199
(operational when programme
is on air)
Email: pov@bbc.co.uk
Website: bbc.co.uk/pov

To share your views on our radio
programmes
Write to:
Feedback
BBC
PO Box 2100
London W1A 1QT
Telephone: 03700 100 400*
(24 hours a day, seven days a week)
Fax: 020 7436 2800
Email: feedback@bbc.co.uk
Website: bbc.co.uk/radio/feedback

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If you think a BBC programme or
website has fallen below the BBC’s
eritorial standards
Write to:
BBC Complaints
PO Box 1922
Glasgow G2 3WT
Telephone: 03700 100 222
Textphone: 03700 100 212
Website: bbc.co.uk/complaints

Or you can contact the Office of
Communications (Ofcom), an
independent regulatory body, one of
whose responsibilities is to consider
complaints about standards, fairness
and privacy in broadcasting.
Write to:
Ofcom
Riverside House
2A Southwark Bridge Road
London SE1 9HA
Telephone: 0300 123 3000
Fax: 020 7981 3333
Email: contact@ofcom.org.uk
Website: www.ofcom.org.uk

BBC Audience Councils
The Audience Councils in England, Northern Ireland, Scotland and Wales help the BBC Trust to understand the needs, interests and concerns of audiences throughout the UK, and to identify ways in which the BBC can better serve its audiences. If you want to contact the Audience Councils you can write to them at the addresses below:

Head of Governance and Accountability Scotland
BBC Audience Council Scotland
Zone G.11
40 Pacific Quay
Glasgow G51 1DA

Head of Governance and Accountability Wales
BBC Audience Council Wales
Room E5108
BBC Broadcasting House
Llandaff
Cardiff CF5 2YQ

Head of Governance and Accountability Northern Ireland
BBC Audience Council
Northern Ireland
BBC Broadcasting House
Ormeau Avenue
Belfast BT2 8HQ

Head of Governance and Accountability England
BBC Audience Council England
BBC Birmingham
The Mailbox
Birmingham B1 1RF

Free tickets
For free tickets to BBC radio
and television shows
Write to:
BBC Studio Audiences
PO Box 3000
BBC Television Centre
London W12 7RJ
Telephone: 0370 901 1227
Textphone: 0141 307 5701
Fax: 0141 307 5701
Email: tv.ticket/unit@bbcc.co.uk
Website: bbc.co.uk/tickets

To find out about getting
work experience at the BBC
Write to:
BBC Work Experience
PO Box 4930
London W12 6YE
Telephone: 0370 333 1330*
(9.30am–5.30pm Monday–Friday)
Email: careers@bbchrdirect.co.uk
Website: www.bbc.co.uk/jobs/workexperience

Visiting the BBC
The BBC runs tours of BBC Television
Centre in London. For more
information and to book
Telephone: 0370 603 0304*
Textphone: 0370 903 0304
Email: bbctours@bbcc.co.uk
Website: bbc.co.uk/tours

To find out about job vacancies
at the BBC
Write to:
BBC Recruitment
PO Box 4930
London W12 6YE
Telephone: 0370 333 1330*
(9.30am–5.30pm Monday–Friday)
Email: careers@bbchrdirect.co.uk
Website: bbc.co.uk/jobs

For queries about your TV Licence,
general enquiries or direct debit
payments
Telephone: 0844 800 5870
Fax: 0844 800 5816
Email: tvlicensing@bbcc.co.uk
Website: www.tvlicensing.co.uk

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Accounts is available in public
libraries throughout the UK and
online at www.bbc.co.uk/annualreport
It is also available in Welsh, in an audio
version and in Braille. Annual Reviews
for BBC Scotland, BBC Wales, BBC
Northern Ireland, BBC English Regions
and the BBC World Service are
also published.

The BBC also publishes online its
Statements of Programme Policy
which sets out the BBC’s
commitments and plans for the year
ahead. This is available on the BBC’s
website at bbc.co.uk/info/
statements2008.

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02 geographic numbers.
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The cover illustrates just some of the people and activities that help deliver great programmes and content to our audiences every day.

Row 1 L–R:
Lisha Gilbert, freelance camera operator, does some studio work for independent talkback THAMES
Andrew Hawes gives a live football commentary on BBC Southern Counties Radio
Chris Evans staging his daily Radio 2 drivetime programme in his own inimitable fashion

Row 2 L–R:
Political Editor Nick Robinson watches Prime Minister’s Question Time as he prepares for a live broadcast
Principal Cello Susan Monks rehearses with the rest of the BBC Symphony Orchestra and the Symphony Chorus.
Gabby Logan presents Inside Sport, a weekly round-up of sports news on BBC One and BBC World News, and which is also distributed by BBC Worldwide

Row 3 L–R:
Julia Bradbury runs through her script for BBC One’s Watchdog
Trevor Nelson with Zena kickstart the day for their 1Xtra audience with a mix of music, celebrity gossip and interviews
EastEnders’ 1st Assistant Director Philip Lewis considers the options for a scene in Walford’s Albert Square

Row 4:
Adrian Chiles, hot foot from The One Show on BBC One, rehearses for The Apprentice: You’re Fired! on BBC Two

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