

BBC World Service

Annual Review 2010/11



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DIRECTOR'S OVERVIEW

It has been a tumultuous year for BBC World Service, with some of the largest organisational challenges it has ever faced happening at the same time as an intense concentration of major global stories. I pay tribute to the huge dedication of BBC World Service teams in meeting both sets of challenges.

ORGANISATIONAL CHANGES

We have been undertaking a restructure of BBC World Service, following the UK government's Spending Review. BBC World Service is funded by the Foreign and Commonwealth Office via a Grant-in-Aid until March 2014. As part of the Government's Spending Review in 2010 our funding was cut by 16%.

As a result of the restructure, five language services were closed: Albanian, Macedonian, Serbian, Portuguese for Africa and English for the Caribbean. We also stopped radio broadcasts in seven languages and a withdrawal from most short wave and medium wave radio distribution has started.

The platform on which BBC World Service has historically been strongest - short wave radio - is under great pressure as FM radio, television and mobile phones offer compelling alternatives to audiences, even in less developed markets. We expect that by March 2014 short wave broadcasts in languages other than English will be limited to a small number of lifeline services or where there is no alternative means of listening to BBC World Service. In BBC World Service English the schedule has been streamlined and some programmes have been decommissioned.

STRONG JOURNALISM

Despite the severe cuts to our funding and uncertainty about the future, we have continued to deliver strong journalism and made investments in it. 2010/11 was dominated by some huge events. The flooding in Pakistan, the ongoing military operation in Afghanistan, the repercussions from the oil spill in the Gulf of Mexico, the earthquake in Japan, the global economic crisis and the Arab uprising, have been some of the stories challenging our journalists in often difficult and in some cases frightening conditions. The BBC kept the world informed when floods hit Pakistan and also made sure that people in Pakistan with access to media were helped, advised and empowered with vital aid and humanitarian broadcasting.

Our joined-up efforts to cover the events in North Africa and the Middle East have paid off. Our journalists have captured the mood of the people and explained the implications of what has happened, bringing in a wide range of voices and opinions while maintaining our impartiality and editorial values. Our reporting from Cairo, for instance, was illuminated by the BBC Arabic team whose understanding of what was happening in Tahrir Square fed through into all of the BBC's reports.

The coverage of the devastating earthquake and the subsequent tsunami in Japan was impressive, with teams pulling together to provide compelling and comprehensive reports, as well as insightful analysis on the future of the nuclear industry. When the Chilean miners were first lost underground the BBC Spanish team, BBC Mundo, literally set up camp with the families of the missing men and put us in a uniquely strong position for the whole BBC to hear from those families throughout the unfolding events.

We have engaged more with our audiences - people from around the world have debated on issues that mattered and affected their lives on the BBC, on radio and online across BBC World Service. Despite the need to make significant savings, we have aimed to maintain the great quality of the English language programming. The strength and quality of radio in English is the cornerstone of BBC World Service. We have invested in some of our highest quality and best-known radio programmes, like World Have Your Say.

OUR VISION

We have made investments in new platforms, with focus on online and mobile in many languages. To support and enhance our editorial creativity, we have launched an investment fund to be used for innovative programming and projects that will make impact. Technology and social media have transformed the way we communicate with our audiences. We have created a pioneering video production unit staffed by producers from many languages, who will take the best stories from around the world and make videos in their native language and in English.

These exciting new ways of working are likely to become the model for how we produce our global news output when we move to our new central London home. Different parts of the operation are already working closely together offering a uniquely global editorial agenda and bringing the BBC's distinctive expertise, perspectives and content to the UK and to the largest worldwide audience of any international news provider.

Having a workforce drawn from 27 different language groups supplementing our renowned English language newsgathering operation, gives us an advantage that few other international news organisations can match. It is an advantage we are striving to maximise and make relevant to our audiences.

THE FUTURE

We have many challenges ahead, but we are determined that BBC World Service will retain its place as the world's most respected, most trusted broadcaster.

Peter Horrocks
Director, **BBC World Service**

FINANCIAL REVIEW

BBC World Service began 2010/11 with a plan for the financial year which included delivering £6m of savings, implementing the final year of the 2007 Comprehensive Spending Review funding settlement. The new Government's Spending Review announcement in October 2010 marked the point at which an expectation of tough financial challenges ahead crystallised into a four-year funding settlement for the years to 2014/15. The Spending Review also signalled the end of Grant-in-Aid funding for BBC World Service with the announcement that from 1 April 2014 BBC World Service will be paid for by the BBC licence fee.

Although various scenarios had been considered as part of planning for the Spending Review, the announcement of specific funding enabled BBC World Service to produce a strategic plan which will take BBC World Service into the licence fee. The plan requires substantial savings to be made across all areas of activity. These include changes to programme distribution, reductions in support functions, the closure of five language services, ending radio output in several other languages and the anticipated closure of approximately 650 staff posts, although this figure will be offset by the creation of some new posts through restructuring and any new investment. The first tranche of savings was announced in January 2011 and the corresponding restructuring costs of £19.9m were recognised in the accounts at that point. The implementation of the plan dominated the financial picture for the second half of the year and will remain a priority until the restructuring work is complete. The impact of the funding settlement was that the original plan to break even in 2010/11 was replaced by an operating deficit of £7.8m.

In addition to the deficit on operating activity, depreciation charges and write-offs on capital items exceeded capital Grant-in-Aid spent creating new assets. This generated a capital deficit in the Income and Expenditure Account of £9.0m. This deficit is set against our capital reserve. Further capital deficits are expected to arise in future years for the same reason. The combination of the operating and capital deficits results in a total income and expenditure account deficit for the year of £16.8m.

GRANT-IN-AID INCOME

Grant-in-Aid funding through the Foreign and Commonwealth Office (FCO) provides BBC World Service with a relatively high level of certainty over income. However, BBC World Service has not been immune to the economic factors affecting public sector finances and has seen its Grant-in-Aid income fall over recent years. The 2007 Comprehensive Spending Review agreed Grant-in-Aid income of £271m for 2010/11. This income was reduced by £7m prior to the start of the year and a further £1.5m was cut during the year as part of the new Government's "emergency budget" in June 2010. This £8.5m cut in income was tackled through a mix of previously planned savings initiatives and controls over expenditure implemented during the year. In March 2011 the FCO granted £3m to BBC World Service to assist with the restructuring costs arising from the 2010 Spending Review. Total Grant-in-Aid funding in the year was £265.5m of which £240.6m was for operating activity and £24.9m for capital.

OPERATING PERFORMANCE

Over the year, BBC World Service continued to serve its audiences through the provision of award-winning journalism on radio, on television, online and via mobile devices. Key events covered in the year included the football World Cup in South Africa, the rescue of the trapped miners in Chile, uprisings in the Middle East and the earthquake and tsunami in Japan. Our programmes reached a weekly global audience of 166 million.

The 2010/11 financial plan included the delivery of savings of £6m as part of the existing funding settlement. These covered efficiencies in language services and World Service English as well as savings in distribution and support costs. The in-year £1.5m reduction in Grant-in-Aid was met by cutting back new business development activity and through cost control across business units. However, meeting the challenge of the new funding settlement required the early adoption of savings measures. Controls over recruitment of staff into vacant posts, a tight annual pay review and a freeze on staff bonuses all contributed to making savings without radically affecting core programme output in the year. Furthermore, with sterling and the euro relatively stable over the period, a contingency held in anticipation of a weakening pound was not passed on to production areas. These savings also helped absorb the impact of rising inflation both in the UK and internationally and mitigate some of the impact of the £19.9m restructuring case.

CAPITAL

Capital Grant-in-Aid for the year was £24.9m. The largest single capital project was the BBC World Service's spend on technology fit-out and project costs in preparation for its move to the new Broadcasting House building in W1 in 2012. This will see the BBC's journalism operations move to a new purpose built central London hub, with BBC World Service sharing facilities and resources with BBC News and BBC Audio & Music. The BBC World Service share of capital spend in 2010/11 was £12m out of its agreed total commitment of £55m and forecast spend remains on budget.

Other projects in 2010/11 included refurbishing our international offices, continuing work at our Ascension Island short wave transmitter site, replacing FM transmitters in a number of locations, and technology projects for website and mobile content distribution. These capital investment projects enable BBC World Service to continue its newsgathering, production and programme distribution arrangements both in the UK and internationally.

BALANCE SHEET

Fixed assets on the balance sheet have a carrying value of £132.5m which reflects the substantial investment made in transmission and production facilities over many years. The provision for restructuring is £20.9m, a figure which reflects the scale of the changes at BBC World Service. Cash holdings at the end of the year were £11.1m. This is higher than in previous years as these funds are required to pay restructuring obligations over 2011/12. Other balance sheet assets and liabilities are in line with the revised plan.

LOOKING AHEAD

The BBC World Service four-year settlement under the 2010 Spending Review cut Grant-in-Aid by 16% (based on a revised, lower baseline). After taking account of cost pressures such as inflation and increasing pension costs, the underlying effect of this settlement is a cut to our operating budgets of around 25%. This has created significant challenges for BBC World Service. Plans announced to date cover the savings required to address the funding reduction for 2011/12 and most of the following year. Further savings will, however, be required to ensure that BBC World Service enters the licence fee with costs reduced to match the available funding. The plans will require careful management to ensure they are implemented successfully. Throughout this period, BBC World Service will, as always, continue to focus on the provision of high quality, independent and impartial news and information to audiences around the world.

Richard Thomas
Chief Operating Officer and Director of Finance, BBC World Service

INDEPENDENT AUDITOR'S REPORT TO THE EXECUTIVE BOARD OF THE BRITISH BROADCASTING CORPORATION ("BBC")

We have audited the group financial statements of BBC World Service for the year ended 31 March 2011 set out on pages 9 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the BBC Executive Board on terms that have been agreed. Our audit work has been undertaken so that we might state to the BBC Executive Board those matters we are required to state to them in an auditor's report and, in respect of the separate opinions 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 BBC World Service and the BBC Executive Board as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE BBC EXECUTIVE BOARD, BBC WORLD SERVICE BOARD AND AUDITOR

As explained more fully in the Board responsibilities statements set out on pages 36 to 37, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view.

Our responsibility, in accordance with the terms of our engagement letter, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the BBC World Service's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its deficit for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the EU;

OPINION ON OTHER MATTERS PRESCRIBED BY THE TERMS OF OUR ENGAGEMENT

In our opinion:

- the information given in the Director's overview on pages 3 to 4, the financial review on pages 5 to 6 and the governance reports on pages 35 to 48 is consistent with the group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION BY THE TERMS OF OUR ENGAGEMENT

- we have nothing to report in respect of the following:

Under the terms of our engagement we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

In addition to our audit of the financial statements, the BBC Executive Board have engaged us to review the Corporate Governance statement as if BBC World Service were required to comply with the Listing Rules of the Financial Services Authority in relation to these matters. Under the terms of our engagement we are required to review:

- the Director's statement, set out on pages 3 to 4, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 35 to 48 relating to BBC World Service's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

K Wightman, Senior Statutory Auditor
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

14 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Note	2011 £m	2010 £m
Grant-in-Aid		265.5	268.0
Other income		4.6	4.1
Total income	1c	270.1	272.1
Operating expenditure excluding exceptional restructuring costs		(267.0)	(280.6)
Exceptional restructuring costs	3	(19.9)	-
Total operating costs	2	(286.9)	(280.6)
Operating deficit before interest and taxation		(16.8)	(8.5)
Deficit before taxation		(16.8)	(8.5)
Taxation	4	-	-
Deficit for the financial year		(16.8)	(8.5)
Transfer from capital reserve		9.0	8.4
Transfer to operating reserve		(7.8)	(0.1)

There were no other recognised gains or losses other than the deficit stated above.

CONSOLIDATED BALANCE SHEET

At 31 March 2011

	Note	2011 £m	2010 £m
ASSETS			
Non-current assets			
Intangible assets	5	4.1	5.9
Property, plant & equipment	5	128.4	135.5
Investments	15	-	-
		132.5	141.4
Current assets			
Programme related assets and other inventories	6	0.1	0.1
Trade and other receivables	7	12.0	11.0
Cash and cash equivalents	13	11.1	6.7
		23.2	17.8
LIABILITIES			
Current liabilities			
Trade and other payables	8	(11.4)	(13.6)
Borrowings	9a	(0.2)	(0.1)
Provisions	11	(17.2)	(3.8)
		(28.8)	(17.5)
Non-current liabilities			
Borrowings	9b	(0.1)	(0.4)
Provisions	11	(8.2)	(5.9)
		(8.3)	(6.3)
Net assets		118.6	135.4
Capital and reserves			
Capital reserve		128.5	137.5
Operating reserve		(9.9)	(2.1)
Total capital and reserves		118.6	135.4

The balance sheet comprises the consolidated results of BBC World Service and its subsidiaries. The full list of subsidiaries can be found in note 15 to the financial statements.

The financial statements were approved by the BBC Executive Board and the BBC World Service Board on 13 June 2011 and signed on their behalf by:

Mark Thompson, Director-General, BBC

Peter Horrocks, Director and Accounting Officer, BBC World Service

Richard Thomas, Chief Operating Officer and Director of Finance, BBC World Service

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Capital reserve £m	Operating reserve £m	Total £m
At 1 April 2010	137.5	(2.1)	135.4
Total comprehensive deficit for the year	-	(16.8)	(16.8)
Capital reserve transfer	(9.0)	9.0	-
At 31 March 2011	128.5	(9.9)	118.6

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2011

	Note	2011 £m	2010 £m
Operating activities			
Cash generated from operating activities	12	21.9	20.8
Tax paid	4	-	-
Net cash from operating activities		21.9	20.8
Investing activities			
Purchases of other intangible assets	5	-	(0.3)
Purchases of property, plant and equipment	5	(17.3)	(19.8)
Finance lease additions		0.2	0.3
Net cash used in investing activities		(17.1)	(19.8)
Financing activities			
Payments of obligations under finance leases		(0.4)	(0.4)
Net cash used in financing activities		(0.4)	(0.4)
Net increase in cash and cash equivalents		4.4	0.6
Cash and cash equivalents at the beginning of the year	13	6.7	6.1
Cash and cash equivalents at the end of the year	13	11.1	6.7

STATEMENT OF ACCOUNTING POLICIES

BBC World Service, funded principally by parliamentary Grant-in-Aid, is a division of the British Broadcasting Corporation, a body incorporated by Royal Charter.

BASIS OF PREPARATION AND CONSOLIDATION

The Financial Memorandum between BBC World Service and the Foreign and Commonwealth Office requires BBC World Service to produce an Annual Review which incorporates a set of financial statements. These financial statements are required to be prepared in accordance with the provisions of the BBC's Charter.

The consolidated financial statements for BBC World Service have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee of the IASB as adopted by the EU (IFRS).

The BBC World Service 2010/11 annual accounts have been drawn up on a going concern basis. BBC World Service is funded by the Foreign and Commonwealth Office through Grant-in-Aid, which has in recent years been awarded in three-year funding settlements. The current three-year settlement period runs until 31 March 2011. In its Spending Review announcements made in October 2010 the Government set out a Grant-in-Aid spending settlement for BBC World Service for the period 2011/12 to 2013/14. It was also announced that the BBC would be able to make available further funds as required to support the restructuring of BBC World Service to achieve its savings targets. The BBC has agreed to fund up to £20.0m over 3 years to support this restructuring. The Government also announced that from 1 April 2014 BBC World Service will become funded by the BBC's licence fee. Although the funding settlement requires substantial savings to be made, the BBC World Service Board is satisfied that the going concern assumption remains appropriate.

The financial statements are principally prepared on the historical cost basis. Areas where other bases are applied are identified in the accounting policies below.

BBC World Service has produced consolidated financial statements. The results are consolidated under acquisition accounting and intra-group transactions are eliminated on consolidation. All income and expenditure figures in the financial statements relate to transactions external to BBC World Service only.

BBC World Service Trust, a registered charity, is excluded from these consolidated financial statements, although BBC World Service is technically its parent entity. The trustees have a fiduciary duty to act in the best interests of the beneficiaries. Substantially all of the BBC World Service Trust's income is made up of grants, classified as restricted funds because their use is specified by donors. As a result, BBC World Service has no direct control over, or financial interest in, the assets of BBC World Service Trust.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

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

IAS 24 (Revised)	Related party disclosures
IFRIC 19	Extinguishing financial liabilities with equity instruments
Improvements to IFRSs (May 2010)	

Not yet endorsed by the EU:

IFRS 9	Financial instruments
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosures of interests in other entities
IFRS 13	Fair value measurement
IAS 28 (Revised 2011)	Associates and joint ventures

BBC World Service does not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

INCOME

Grant-in-Aid is recognised when received from the Foreign and Commonwealth Office. It is intended to meet estimated expenditure in the year but unexpended receipts for the year, within predetermined limits, are not liable to surrender. Grant-in-Aid is recognised as income in the financial year to which it relates.

Other income, or revenue, arises primarily from activities such as the provision of services. Revenue is recognised at the point the service has been delivered and the receipt of the income is probable. Where the delivery is over a period of time, the revenue is recognised on a straight line basis.

SEGMENTAL ANALYSIS

In accordance with IFRS 8 "Operating segments", the operating segments of BBC World Service are reported in a manner consistent with the internal reports provided to the chief operating decision maker. The chief operating decision maker has been identified as the BBC World Service Board.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign currency gains or losses arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from transactions settled during the year, are included in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of initial recognition.

EMPLOYEE BENEFITS

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

Defined benefit plans

The defined benefit schemes provide benefits based on pensionable pay. The assets of the BBC's main pension scheme, the BBC Pension Scheme, to which the majority of employees belong, are held separately from those of the BBC Group. The BBC Pension Scheme is a Group wide scheme and there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants. The contribution rates are set by the pension scheme trustees based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities. Valuations of the scheme are performed by Towers Watson, consulting actuaries, with formal valuations undertaken at least every three years. Therefore as required by IAS 19 "Employee benefits", BBC World Service accounts for the contributions payable to the scheme for the year.

Defined contribution plans

The amounts charged as expenditure for the defined contribution plans represent the contributions payable by BBC World Service for the accounting period in respect of these plans.

Termination benefits

Termination benefits are a component of restructuring provisions and are payable when employment is terminated before the normal retirement date. They are recognised as an expense when BBC World Service is demonstrably committed to termination being when there is a detailed formal plan to terminate employment without possibility of withdrawal.

Other employee benefits

Other short and long term employee benefits, including holiday pay and long service leave, are recognised as an expense over the period in which they accrue.

TAXATION

The tax charge for the period comprises tax currently payable. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in reserves, in which case it is recognised in reserves.

BBC World Service is not liable to corporation tax on any surplus Grant-in-Aid income received. 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.

Where applicable, deferred tax is provided for using the balance sheet liability method on any temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Any deferred tax asset is recognised only to the extent that it is probable that sufficient taxable surplus will be available to utilise the temporary difference. Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and BBC World Service has the right of set off within the BBC Group.

LEASES***Operating leases***

Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Finance leases

Payments made under finance leases are apportioned between financing costs and the reduction of the outstanding liability. The financing costs are allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

BORROWING COSTS

All finance income and other borrowing costs are recognised in the income and expenditure account in the period in which they are incurred.

INTANGIBLE FIXED ASSETS***Research and development expenditure – internally-generated intangible assets***

Expenditure on research activities is written-off in the income statement when incurred.

Expenditure on development activities is capitalised only if all of the following conditions are met:

- An identifiable asset is created;
- It is probable that the asset will generate future economic benefits; and
- The development costs of the asset can be measured reliably.

The assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets

Other intangible assets acquired separately by BBC World Service are stated at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, unless such lives are indefinite. The useful lives and amortisation methods for each major class of intangible asset are as follows:

- Other intangibles, including IT software – 2 to 4 years

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at the estimated current replacement cost of the assets, as adjusted for remaining service potential, as at 1 April 1996, or at cost if acquired subsequently, less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Assets held under finance leases are capitalised within property, plant and equipment and depreciation is provided as appropriate. On initial recognition the asset is measured at the lower of its fair value and the present value of the minimum lease payments.

Depreciation is provided to write off the cost or valuation, less estimated residual value, of each item of property, plant and equipment on a straight-line basis over its expected useful life. Depreciation commences from the date an asset is brought into service. The major categories of property, plant and equipment are depreciated as follows:

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
Other	- 3 to 25 years

Furniture and fittings

- 3 to 10 years

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date.

WORK IN PROGRESS

Work in progress, including programmes commissioned from independent producers, is stated at the lower of cost and net realisable value. The full stock value is written-off on first transmission.

ACQUIRED PROGRAMMES

The costs of acquired programmes are written-off on first transmission.

OTHER STOCKS

Raw materials are stated at the lower of cost and net realisable value.

TRADE AND OTHER RECEIVABLES

These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less an allowance for estimated impairment. The allowance is based on objective evidence that BBC World Service will not be able to recover all amounts due, through a review of all accounts and prior experience collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with maturities of less than or equal to three months.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

PROVISIONS

A provision is recognised in the balance sheet when BBC World Service has a present legal or constructive obligation arising from past events, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions 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.

RESERVES

Grant-in-Aid is used to fund both capital and revenue expenditure and a transfer is made each year to or from the capital reserve equal to the movement in the historic cost net book value of non-current tangible assets during the year.

The value of the capital reserve is equal to the net book value of non-current assets at historic cost less the dilapidations provision that has been charged against the capital reserve. The operating reserve is the accumulated surplus of the income and expenditure account to the balance sheet date.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the BBC World Service Board to exercise judgement in applying the BBC Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the consolidated financial statements are disclosed below:

Property, plant and equipment

Depreciation is charged to the income statement over the useful economic life of an asset, which requires an assessment to be made of the useful economic life and residual value of each asset.

Leases

In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by BBC World Service.

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by BBC World Service. This can be very complex, especially when there is a wide range of possible outcomes.

NOTES TO THE FINANCIAL STATEMENTS**1. SEGMENT REPORTING****1a. Reporting to the BBC World Service Board**

BBC World Service income primarily arises in the United Kingdom. Grant-in-Aid income from the Foreign and Commonwealth Office accounts for around 98% of the income of BBC World Service. This funding is granted by HM Government as part of its spending review cycles.

Given the relative certainty of Grant-in-Aid income in any one year, management reporting is focused on the costs of the business units which comprise BBC World Service. Grant-in-Aid income is accounted for centrally and is not allocated across the business. External income is attributable to business units. The business units are arranged into production areas and support functions. The production areas are determined by the languages in which BBC World Service broadcasts and the target audiences for those language services. Language services are grouped into regions. The majority of programming is created within the UK although output for some services is produced locally. English language programmes are produced for the World Service English department by other BBC departments using a "service level agreement" (SLA) model. In addition to programmes in English, the department also provides some central news services to the rest of BBC World Service.

In recent years BBC World Service has undertaken a number of exercises to centralise costs in order to better identify and achieve savings. Where possible, only direct, controllable costs remain in programme making areas. Central and support costs are not allocated to spending departments for operational or reporting purposes and consequently have not been re-allocated below.

1b. Assets and liabilities

Net assets and liabilities are not reported using the business unit structure. Reporting of assets is performed at the entity level and so no presentation of assets by region has been provided. Where issues arise relating to specific assets or liabilities these are reported to the BBC World Service Board by exception.

Non-current assets are not reported by operating segment. As with current assets and liabilities, issues may be reported by exception but reviews of non-current assets generally take place at the entity level. The geographical split of non-current assets is shown in note 1d.

1c. Reportable segments

	Income £m	Operating expenditure £m	Operating deficit before interest and taxation £m
Segmental Analysis 2011			
Production areas			
Africa	0.7	(11.9)	(11.2)
Arabic Service	-	(22.5)	(22.5)
Americas and Europe	3.2	(17.4)	(14.2)
Asia Pacific	0.4	(30.5)	(30.1)
World Service English	0.2	(47.4)	(47.2)
Programme Technical Operations	-	(10.8)	(10.8)
	4.5	(140.5)	(136.0)
Future media, transmission & distribution	-	(57.3)	(57.3)
Accommodation, support and central areas	0.1	(55.9)	(55.8)
Depreciation, amortisation & write offs	-	(33.2)	(33.2)
Net Operating Expenditure	4.6	(286.9)	(282.3)
Grant-in-Aid Funding	265.5	-	265.5
Operating deficit before interest and taxation	270.1	(286.9)	(16.8)

Notes:

- Assets and liabilities are primarily held centrally and are not allocated to business units.
- External income attributable to production areas arises outside the UK and is derived from co-production, business development and local distribution arrangements.
- Programme technical operations is now a separately identified business unit which was previously managed within the relevant output areas. The prior year analysis below has been restated to show comparative figures.
- Accommodation represents costs charged directly to BBC World Service relating to Bush House and Egton Wing, W1. Accommodation for international offices and for providers of programmes to BBC World Service under SLAs is included in the relevant business unit.
- Support and central areas include marketing, HR, finance, strategy, legal, central provisions (including restructuring costs) and the costs of the BBC World Service Board.

	Income £m	Operating expenditure £m	Operating deficit before interest and taxation £m
Segmental Analysis 2010			
Production areas			
Africa	0.4	(13.0)	(12.6)
Arabic Service	-	(22.6)	(22.6)
Americas and Europe	3.3	(18.7)	(15.4)
Asia Pacific	0.1	(30.7)	(30.6)
World Service English	0.1	(50.0)	(49.9)
Programme Technical Operations	-	(10.6)	(10.6)
	3.9	(145.6)	(141.7)
Future media, transmission & distribution	-	(57.9)	(57.9)
Accommodation, support and central areas	0.2	(42.4)	(42.2)
Depreciation, amortisation & write offs	-	(34.7)	(34.7)
Net Operating Expenditure	4.1	(280.6)	(276.5)
Grant-in-Aid Funding	268.0	-	268.0
Operating deficit before interest and taxation	272.1	(280.6)	(8.5)

1d. Geographical split of non-current assets

The geographical split of non-current assets is:

	United Kingdom	Rest of the world	Total
	£m	£m	£m
2011			
Total non current assets	38.6	93.9	132.5
Other net (liabilities)/assets	(15.6)	1.7	(13.9)
Net assets	23.0	95.6	118.6
2010			
Total non current assets	41.8	99.6	141.4
Other net (liabilities)/assets	(7.9)	1.9	(6.0)
Net assets	33.9	101.5	135.4

2. TOTAL OPERATING COSTS

	2011 £m	2010 £m
Intangible fixed assets and property, plant and equipment		
Depreciation and amortisation		
- owned assets	26.0	27.9
- leased assets	0.2	0.4
	26.2	28.3
Other operating costs		
Payments under operating leases		
- land and buildings	12.5	11.8
Audit and non-audit fees paid to KPMG LLP	0.1	0.1
Staff costs	101.6	90.9
Other	146.5	149.5
	260.7	252.3
Total	286.9	280.6

“Other” costs include direct costs of programme production, costs of programmes produced under SLA arrangements with other divisions of the BBC, transmission costs and all other costs with the exception of those disclosed separately above.

BBC World Service has reported its auditor’s remuneration in accordance with The Companies (Disclosure of auditor remuneration and liability limitation agreements) Regulations 2008.

3. EMPLOYEES AND REMUNERATION**3a. Persons employed**

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

	2011	2010
	Number	Number
Total BBC World Service	2,021	2,017

Within the averages above, 141 (2010: 146) part-time employees have been included at their full-time equivalent of 96 (2010: 78) and 16 (2010: 26) persons on guaranteed minimum contracts have been included at their full-time equivalent of 3 (2010: 7).

In addition to this, BBC World Service employed an average of 17 persons on a casual basis (2010: 28). Their payroll costs are included in note 3b.

3b. Staff costs

	2011	2010
	£m	£m
Salaries and wages	63.4	67.5
Social security costs	6.8	6.7
Pension costs	10.7	10.7
Restructuring costs	0.8	6.0
Subtotal	81.7	90.9
Exceptional restructuring costs	19.9	-
Total	101.6	90.9

A salary sacrifice arrangement was introduced on 1 June 2008 for Old and New Benefit pension scheme members. The contributions paid via the salary sacrifice arrangement have been treated as employer contributions, and a reduction in salary.

Staff costs in 2011 incorporate the effects of the standard BBC pay award and the implementation of recruitment controls as a result of the reduction in Grant-in-Aid funding in the year and planned for future years. Restructuring costs associated with savings required under the 2010 Spending Review settlement have been categorised as "exceptional costs" due to the high number of post closures expected and the total value of payments. Other restructuring costs associated with generating savings as part of the ongoing business activity of BBC World Service have not been categorised as "exceptional costs".

3c. Key management

Within the overall structure of the BBC, BBC World Service forms part of Global News. The key management of BBC World Service for the purposes of IAS 24 "Related Party Disclosures" comprises the BBC World Service Board. Increasingly BBC World Service Board members have roles which extend across BBC Global News and as such a proportion of their costs are charged to other entities within BBC Global News. Throughout 2009/10 the key management of BBC World Service also included Richard Sambrook, Director of Global News who, apart from the period 1 April 2009 to 14 April 2009 did not sit on the BBC World Service Board. A proportion of his costs are included in the key management remuneration for 2009/10.

The total remuneration of the key management of BBC World Service is shown below. This represents the proportions of the remuneration of the BBC World Service Board members which are attributable to Grant-in-Aid funded activity.

	2011 £000	2010 £000
Short term employee benefits	1,269	1,639
Termination benefits	542	590
Subtotal	1,811	2,229
Post employment benefits	200	276
Total	2,011	2,505

As set out in note 3b above, the BBC operates a salary sacrifice scheme for members of the BBC Pension Scheme. Total salary sacrifice by the key management of BBC World Service was £100,000 (2010: £92,000).

The aggregate of remuneration for Peter Horrocks, Director, BBC World Service, charged to Grant-in-Aid in the year to 31 March 2011 was £183,000 (2010: £215,000). As a member of the BBC Pension Scheme, his total accrued annual pension at 31 March 2011 was £117,000.

The highest paid member of the BBC World Service Board in the year received remuneration of £383,000. This included a termination payment of £313,000. In the year to 31 March 2010 the highest paid Director received remuneration of £481,000 including a termination payment of £360,000.

All 11 of the full-time members of the BBC World Service Board at 31 March 2011 have retirement benefits accruing under the BBC Pension Scheme (2010: 12 of 13 permanent members).

4. TAX

4a. Recognised in the consolidated income statement

The charge for the year, based on a rate of corporation tax of 28% (2010: 28%), comprised:

	2011 £m	2010 £m
Current tax		
UK corporation tax	-	-
Total current tax charge	-	-
Total deferred tax	-	-
Total taxation expense in the consolidated income statement	-	-

The BBC World Service tax charge is based primarily on interest receivable. Taxation in the year to 31 March 2011 was immaterial. Grant-in-Aid, the principal component of BBC World Service's income, is not subject to tax.

Any deferred tax asset is recognised only to the extent that it is probable that sufficient taxable surplus will be available to utilise the temporary difference. Given that Grant-in-Aid is not subject to tax, it is not anticipated that any deferred tax assets would be utilised by BBC World Service and hence no deferred tax assets have been recognised.

4b. Reconciliation of taxation expense

	2011 £m	2010 £m
Deficit before tax	(16.8)	(8.5)
Deficit before tax multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	(4.7)	(2.4)
Adjustment relating to Grant-in-Aid funded activities	4.7	2.4
Total taxation expense in the consolidated income statement	-	-

4c. Factors that may affect future tax charges

BBC World Service anticipates a similar tax charge in future years as Grant-in-Aid, the principal component of BBC World Service's income, is not subject to tax.

5. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

5a. Property, plant & equipment and intangible assets at 31 March

	Property, plant and equipment				Total £m	Intangible Assets
	Land and buildings	Plant and machinery	Furniture and fittings	Assets under construction		Software
	£m	£m	£m	£m		£m
Cost or valuation						
At 1 April 2009	56.7	233.1	18.3	13.9	322.0	19.7
Additions	-	4.5	0.3	15.0	19.8	0.3
Brought into service	-	5.5	0.3	(8.1)	(2.3)	2.3
Disposals	-	(2.2)	(0.1)	-	(2.3)	(0.1)
At 1 April 2010	56.7	240.9	18.8	20.8	337.2	22.2
Additions	-	4.0	0.1	13.2	17.3	-
Brought into service	-	11.9	0.4	(12.3)	-	-
Disposals	-	(1.3)	(0.2)	-	(1.5)	(0.1)
At 31 March 2011	56.7	255.5	19.1	21.7	353.0	22.1
Depreciation						
At 1 April 2009	41.7	127.5	8.6	-	177.8	14.3
Charge for the year	2.4	21.4	2.4	-	26.2	2.1
Elimination in respect of disposals	-	(2.2)	(0.1)	-	(2.3)	(0.1)
At 1 April 2010	44.1	146.7	10.9	-	201.7	16.3
Charge for the year	2.2	19.8	2.4	-	24.4	1.8
Elimination in respect of disposals	-	(1.1)	(0.4)	-	(1.5)	(0.1)
At 31 March 2011	46.3	165.4	12.9	-	224.6	18.0
Net book value						
At 31 March 2011	10.4	90.1	6.2	21.7	128.4	4.1
At 31 March 2010	12.6	94.2	7.9	20.8	135.5	5.9
At 31 March 2009	15.0	105.6	9.7	13.9	144.2	5.4

All fixed assets are held directly by BBC World Service as at 31 March 2011 except for £0.6m (2010: £0.4m) held by BBC do Brasil Limitada, its subsidiary.

Land and buildings at net book value comprise:	2011	2010
	£m	£m
Freeholds	0.9	1.3
Short leaseholds	9.5	11.3
Total	10.4	12.6

The members of the BBC World Service Board are satisfied that there has been no impairment in the carrying values of freehold properties at the balance sheet date.

Land and buildings include freehold land at a cost of £0.1m (2010: £0.1m) which is not depreciated.

5b. Property, plant and equipment held under finance leases

Assets held under finance leases, capitalised and included in plant and machinery within non-current assets are as follows:

	2011	2010
	£m	£m
Finance Leases		
Cost	0.9	1.3
Accumulated depreciation	(0.6)	(0.8)
Net book value	0.3	0.5

The finance leases relate to IT equipment used in the UK that was originally leased to BBC World Service under operating leases. As at 1 April 2005, the contract was varied to allow the assets to be used by BBC World Service for substantially their entire economic lives. As a result, these assets have been capitalised and included in non-current assets.

5c. Intangible assets

Intangible assets are software systems purchased and developed by BBC World Service, predominantly for programme editing, scheduling and transmission purposes.

6. PROGRAMME RELATED ASSETS AND OTHER INVENTORIES

	2011	2010
	£m	£m
Work in progress - programmes and other	0.1	0.1
Total programme related assets and other inventories	0.1	0.1

7. TRADE AND OTHER RECEIVABLES

	2011	2010
	£m	£m
Receivable within one year		
Trade receivables	2.0	1.6
Amounts owed by BBC Group	5.7	4.1
Amounts owed by other BBC subsidiaries	0.4	0.8
VAT recoverable	0.9	0.9
Other receivables	0.4	0.2
Prepayments	2.6	3.4
Total	12.0	11.0

8. TRADE AND OTHER PAYABLES**8a. Supplier 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 contract. BBC World Service monitors compliance against the terms of this code. BBC World Service's creditor days outstanding at 31 March 2011 was 13 (2010: 16).

8b. Amounts falling due within one year

	2011	2010
	£m	£m
Trade payables		
Programme payables	0.3	-
Other trade payables	1.9	2.9
	2.2	2.9
Other payables		
Salaries and wages	6.1	7.0
Fixed asset payables	0.1	1.1
Accruals and deferred income	3.0	2.6
	9.2	10.7
Total	11.4	13.6

9. BORROWINGS**9a. Amounts falling due within one year**

	2011	2010
	£m	£m
Obligations under finance leases	0.2	0.1
Total	0.2	0.1

9b. Amounts falling due after more than one year but not later than 5 years

	2011	2010
	£m	£m
Obligations under finance leases	0.1	0.4
Total	0.1	0.4

There are no borrowings which fall due in more than five years from the balance sheet date.

9c. Finance lease obligations

Finance lease obligations relate to IT equipment leased to BBC World Service. The terms of the contract allow the assets to be used by BBC World Service for substantially their entire economic lives. As a result, these assets have been capitalised and included in tangible fixed assets.

Notes 9a and 9b above show the obligations under finance leases falling due under the terms of the contract. The disclosures relate to the principal. The interest components relating to the leased assets are immaterial for the purposes of these financial statements and hence a separate finance lease obligations table has not been included. None of the obligations due under finance leases fall due after five years.

10. FINANCIAL INSTRUMENTS

The Group follows the requirements of FRS 29 (IFRS 7) "Financial Instruments: Disclosure" where applicable.

10a. Financial risk management

BBC World Service manages its financial risk using a number of routes.

Liquidity risk:

BBC World Service is primarily funded by means of Grant-in-Aid received from the Foreign and Commonwealth Office (FCO). BBC World Service submits monthly cash draw down requests to the FCO in order to secure sufficient funds to meet its obligations as they fall due. This method enables BBC World Service to manage its cash risk. Under this process, BBC World Service generally maintains a positive cash balance and, as a result, has no requirement for borrowings.

Credit risk:

BBC World Service receives a small amount of income from third parties under programme making and distribution arrangements. This external income arises outside the UK and amounts due at year end are reflected in trade receivables. Any amounts which are considered to be impaired are provided for in line with the BBC policy. The credit risk associated with these trade receivables is considered to be low.

Market risk:

BBC World Service is an international organisation and undertakes some transactions in currencies other than sterling. Due to movements in exchange rates over time, the amount BBC World Service 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. Working through the BBC's Group Treasury function, BBC World Service enters into forward currency arrangements, for expected expenditure in US Dollars and Euros to manage this currency risk. These allow BBC World Service to settle transactions at known exchange rates, thereby eliminating much of this uncertainty. As a result of this relative certainty in exchange rates BBC World Service has no significant underlying sensitivity to currency fluctuations and hence no sensitivity analysis is presented. These forward currency requirements are managed by the BBC's Group Treasury department as part of their management of the BBC's overall currency risk. The forward contracts are not specifically attributable to BBC World Service and hence are not reflected in the accounts of BBC World Service. BBC World Service does not undertake speculative treasury transactions.

Other risks:

As referred to above, BBC World Service does not have any requirement for external borrowings so is not exposed to interest rate risk. Due to the funding agreement with the FCO, BBC World Service does not hold excessive cash throughout the year and so is not subject to other price risks, such as market price risk.

10b. Fair values of financial instruments

The following table shows the fair value and carrying value of BBC World Service'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.

	Amounts due in less than one year £m	Amounts due between one and five years £m	Amounts due after more than five years £m	Total £m
2011 – Carrying value and fair value				
Loans and receivables				
Trade receivables	2.0	-	-	2.0
Cash at bank and in hand	11.1	-	-	11.1
Financial liabilities measured at amortised cost				
Trade payables	(0.6)	-	-	(0.6)
Obligations under finance leases	(0.2)	(0.1)	-	(0.3)
2010 – Carrying value and fair value				
Loans and receivables				
Trade receivables	1.6	-	-	1.6
Cash at bank and in hand	6.7	-	-	6.7
Financial liabilities measured at amortised cost				
Trade payables	(2.1)	-	-	(2.1)
Obligations under finance leases	(0.1)	(0.4)	-	(0.5)

10c. Derivative financial instruments

In accordance with IAS 39 "Financial Instruments", BBC World Service 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. The fair value of embedded derivatives held by BBC World Service is not material.

At 31 March 2011 there were no differences (2010: no differences) between the carrying value and the fair value of the financial instruments of BBC World Service.

11. PROVISIONS

	Dilapidations £m	Restructuring £m	Other £m	Total £m
At 1 April 2010	3.8	5.2	0.7	9.7
Utilised during the year	-	(3.3)	(0.1)	(3.4)
Released during the year	-	(0.7)	(0.1)	(0.8)
Charge for the year	0.2	19.7	-	19.9
At 31 March 2011	4.0	20.9	0.5	25.4
Included in current liabilities	-	16.7	0.5	17.2
Included in non current liabilities	4.0	4.2	-	8.2
Total	4.0	20.9	0.5	25.4
At 1 April 2009	3.7	5.1	0.7	9.5
Utilised during the year	-	(4.3)	(0.1)	(4.4)
Released during the year	-	(0.6)	(0.1)	(0.7)
Charge for the year	0.1	5.0	0.2	5.3
At 31 March 2010	3.8	5.2	0.7	9.7
Included in current liabilities	-	3.1	0.7	3.8
Included in non current liabilities	3.8	2.1	-	5.9
Total	3.8	5.2	0.7	9.7

The dilapidations provision represents a liability to restore Bush House to its original condition on the future move of BBC World Service to Broadcasting House in London, W1. Notice of termination of the contract has been given to the landlord and the liability falls due on 25 December 2012 (as at 31 March 2010 it was expected to fall due 25 December 2013). The charge increases each year index linked to RPI subject to a collar of 2% and a cap of 4%. The dilapidations provision will be funded from capital Grant-in-Aid when it crystallises, therefore the £0.2m charge applied to this provision is included in the capital reserve transfer.

In the normal course of business, restructuring provisions are generally expected to crystallise within six to twelve months after their recognition. However, this can vary from case to case and depends on a number of factors. The restructuring provisions included in non-current liabilities relate to the re-organisation of technical support services provided to BBC World Service where the full transformation is expected to take place once BBC World Service relocates to the W1 site in 2012/13 and to the restructuring costs associated with the 2010 Spending Review settlement which are expected to be paid in 2012/13 and 2013/14.

In the normal course of business, BBC World Service has a number of potential liabilities arising from litigation. When an outflow of resources is considered unlikely or possible, no provision is made. In cases where it is considered probable that an outflow of resources will arise BBC World Service provides for its best estimate of probable damages and costs. These are reflected in other provisions.

12. RECONCILIATION OF OPERATING DEFICIT TO CASH GENERATED FROM OPERATIONS

	2011 £m	2010 £m
Operating deficit	(16.8)	(8.5)
Depreciation, amortisation and impairment	26.2	28.3
Increase in receivables	(1.0)	(1.3)
(Decrease)/increase in payables	(2.2)	2.1
Increase in provisions	15.7	0.2
Cash generated from operations	21.9	20.8

13. CHANGES IN NET FUNDS

	At 1 April 2010 £m	Cash flow £m	Non-cash changes £m	At 31 March 2011 £m
Net cash				
Cash in hand and at bank	6.7	4.4	-	11.1
Debt				
Finance leases	(0.5)	0.4	(0.2)	(0.3)
Net funds	6.2	4.8	(0.2)	10.8

14. LONG TERM COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

14a. Contracts placed for future expenditure

	2011 £m	2010 £m
Fixed asset additions	1.6	1.8
Programme acquisitions and sports rights	0.2	0.2
Other commitments	21.6	31.1
Total	23.4	33.1

Commitments relating to future expenditure show the minimum payments expected under contracts with third parties. Commitments disclosed in other commitments include the contract between BBC World Service contract and Babcock International Group Plc (which acquired VT Communications Limited in 2010) for the provision of transmission services. The contract runs until March 2012.

14b. Operating leases – minimum lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Land & buildings 2011 £m	Land & buildings 2010 £m
Not later than one year	9.8	10.2
Later than one year and not later than five years	8.0	24.9
Later than five years	2.9	3.3
Total	20.7	38.4

15. RELATED PARTY DISCLOSURES

15a. Ultimate controlling party

BBC World Service is a division of the British Broadcasting Corporation, a body incorporated by Royal Charter. The largest group in which the results of BBC World Service are consolidated is that headed by the BBC. The consolidated accounts of this group may be obtained from the Head of the BBC Executive Unit, White City Building, 201 Wood Lane, London W12 7TS.

15b. Investments

BBC World Service holds the following interests in companies, at cost:

	Holding of issued ordinary shares %	Activity
Subsidiaries		
BBC Bangladesh Limited (incorporated in Bangladesh)	100	Produces and distributes programmes
BBC Croatia d.o.o. (incorporated in Croatia)	100	Operated the Zagreb office (now closed)
BBC do Brasil Limitada (incorporated in Brazil)	100	Produces and distributes programmes
BBC East Asia Relay Company Limited (incorporated in Hong Kong)	100	Holds FM transmission licence
BBC Kiev LLC (incorporated in Ukraine)	100	Holds broadcasting licence
BBC Morocco SA (incorporated in Morocco)	100	Dormant
BBC Pakistan Private Limited (incorporated in Pakistan)	100	Produces and distributes programmes
BBC R (incorporated in Russia)	100	Produces and distributes programmes
BBC Radiocom (Bulgaria) EOOD (incorporated in Bulgaria)	100	In liquidation
BBC Radiocom (Praha) s.r.o. (incorporated in the Czech Republic)	100	Operated the now closed Prague office and holds local broadcast licences
BBC Radiocom (Romania) SRL (incorporated in Romania)	100	Operated the now closed Bucharest office and holds local broadcast licences
BBC Radiocom Deutschland GmbH (incorporated in Germany)	100	In liquidation
BBC Ukraine LLC (incorporated in Ukraine)	100	Holds broadcasting licence
BBC World Service Hong Kong Limited (incorporated in Hong Kong)	100	Operating subsidiary for Hong Kong bureau
BBC World Service India Private Limited (incorporated in India)	100	Produces and distributes programmes
BBC World Service Trust *	n/a	International facing charity
Associates		
Multimedia Ventures Limited (incorporated in Great Britain)	50	Dormant
Media Applications Technologies Limited (incorporated in Great Britain) **	15	Reviews software and disseminates applications

* BBC World Service Trust is a charitable company limited by guarantee, of which the BBC is the sole member.

** Media Applications Technologies Limited made a loss in the period to 31 March 2011 and the investment of £250,000 has been impaired down to zero in the accounts of BBC World Service.

Although BBC World Service is technically the parent of the BBC World Service Trust, the Trust is exempt from consolidation. This is because the trustees have a fiduciary duty to act in the best interests of the beneficiaries and as substantially all of the income is made up of grants, which are classified as restricted funds because their use is specified by donors, BBC World Service has no direct control over, or financial interest in, the assets.

The results and balances of the other companies listed above are presented in the consolidated financial statements and the notes to these financial statements.

The related party transactions of BBC World Service have been presented in accordance with IAS 24 "Related Party Disclosures".

15c. Transactions with related parties excluding key management personnel

Transactions with related parties in the year were as follows:

	BBC group		Other BBC subsidiaries		BBC World Service Trust		BBC pension scheme	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Rendering of services	-	-	(1.5)	(1.2)	(0.8)	(1.6)	-	-
Receiving of services	148.4	153.6	1.3	0.7	0.2	0.2	-	-
Pension contributions	-	-	-	-	-	-	10.6	10.7
Total	148.4	153.6	(0.2)	(0.5)	(0.6)	(1.4)	10.6	10.7

Contributions to the pension scheme are made on behalf of the BBC World Service via BBC group.

Amounts owed by and owed to related parties were as follows:

	Amounts owed by related parties		Amounts owed to related parties	
	2011 £m	2010 £m	2011 £m	2010 £m
Parent company	6.4	4.4	(0.7)	(0.3)
Other BBC subsidiaries	0.7	0.8	(0.3)	-
Total	7.1	5.2	(1.0)	(0.3)

Transactions with related parties are generally settled either within the month in which the transaction takes place or within 30 days of the end of that month.

Transactions with the parent company comprise payments made for the provision of programmes and services and the payroll costs of BBC World Service staff in the UK as the payroll is operated by the BBC group. Transactions with other BBC subsidiaries are composed of transactions for the provision of programmes and services.

BBC World Service made grants of £0.2m (2010: £0.2m) during the year to the BBC World Service Trust, towards education projects and general management and administration costs.

BBC World Service Trust also procures some services from BBC World Service for the delivery of its projects. These are primarily the services of BBC World Service staff. The financial results of the BBC World Service Trust are not consolidated with those of BBC World Service. As a result, transactions with the BBC World Service Trust are not eliminated on consolidation and are shown above.

During the year there were no disclosable transactions with associates.

15d. Transactions with key management personnel

During the year there were no disclosable transactions with key management personnel other than the remuneration disclosed in note 3c and in the remuneration report on page 46.

16. BBC PENSION PLANS

16a. BBC group pension plans

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

The BBC Pension Scheme provides benefits on a defined benefit basis funded from assets held in separate trustee-administered funds; there are four sections to the BBC Pension Scheme, Old Benefits and New Benefits (which is now closed to new entrants), Career Average Benefits 2006 (CAB 2006 which is now closed to new entrants) and the Career Average Benefits 2011 (CAB 2011) section. As a consequence of the level of net pension deficit reported in 2009/10 and the 2010 actuarial valuation, changes have been made to future benefits available to Old, New and CAB 2006 scheme members, from 1 April 2011, future increases in pensionable salary will be limited to a maximum of 1% per annum. This has resulted in a curtailment gain of £250.4m. Old, New and CAB 2006 current members can choose to opt out of their current section of membership and join CAB 2011 for future pension benefits with pension benefits earned to date being deferred in the Scheme. These deferred pension benefits would increase each year broadly in line with inflation. The pension scheme trustees manage the plan in the short, medium and long term. They make funding decisions based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities

BBC World Service, following the provisions within IAS 19 "Employee benefits" for accounting in respect of Group schemes, accounts for its participation in the scheme as if it were a defined contribution scheme. This is because there is no contractual agreement or stated policy for charging the net defined benefit cost to scheme participants. The pension cost for this scheme therefore represents contributions payable by the Group to the scheme and the costs amounted to £10.6m in the year (2010: £10.7m). No contributions were prepaid or accrued at 31 March 2011 (2010: £nil). The actuarial valuation was updated for IAS 19 purposes to 31 March 2011 by Towers Watson, consulting actuaries. This valuation identified a deficit of £920.5m in the scheme at 31 March 2011 (2010: £1,640.9m). Additional disclosure about the scheme and its financial position under IAS 19 is presented below:

16b. Pension liability included in the balance sheet of the BBC Group

	Pension liability	
	2011	2010
	£m	£m
BBC Pension Scheme	(920.5)	(1,640.9)
Unfunded Scheme	(6.3)	(6.2)
Total	(926.8)	(1,647.1)

16c. BBC Pension Scheme

The BBC Pension Scheme is the main pension plan of the Group and covers the majority of employees. This plan provides pensionable salary related benefits on a defined benefit basis funded from assets held in separate trustee-administered funds.

16c(i). Scheme financial position

	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
IAS 19 valuation					
Scheme assets	8,835.8	8,154.8	6,454.0	8,042.0	8,117.9
Scheme liabilities	(9,756.3)	(9,795.7)	(6,592.6)	(7,513.6)	(7,788.6)
(Deficit)/surplus	(920.5)	(1,640.9)	(138.6)	528.4	329.3

16c(ii) Changes in the present value of plan liabilities

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

	2011	2010
	£m	£m
Changes in the present value of plan liabilities		
Opening present value of plan liabilities	9,795.7	6,592.6
Current service cost	192.8	128.2
Past service cost/(income)	19.3	(301.5)
Gains on curtailments	(250.4)	-
Interest on pension plan liabilities	529.6	463.4
Experience gains arising on plan liabilities	(71.7)	(33.2)
Changes in assumptions underlying plan liabilities	(138.9)	3,266.1
Contributions by plan participants	7.1	7.2
Benefits paid	(327.2)	(327.1)
Closing present value of plan liabilities	9,756.3	9,795.7

16c(iii) Changes in the fair value of plan assets

The table below illustrates the movement on the plan assets during the year. The key things which affect this are the additional year of contributions made, changes in the value of the pension plan assets (including the investment return) and benefits paid during the year. The contributions to the scheme are paid via a salary sacrifice arrangement. These have been treated as employer contributions.

	2011	2010
	£m	£m
Changes in fair value		
Opening fair value of plan assets	8,154.8	6,454.0
Expected rate of return on plan assets	603.4	443.4
Actuarial gains on plan assets	93.1	1,363.0
Contributions by employer	304.6	214.3
Contributions by plan participants	7.1	7.2
Benefits paid	(327.2)	(327.1)
Closing present value of plan assets	8,835.8	8,154.8

16c(iv) Plan assets

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

Type of asset	2011		2010	
	£m	%	£m	%
Equities	4,480	51	4,573	56
Bonds	1,938	22	1,825	22
Property	1,080	12	787	10
Alternatives*	1,324	15	719	9
Cash	14	-	251	3
Total assets	8,836	100	8,155	100
Actual return on pension plan assets**	697		1,806	

* Alternatives include private equity, debt and currency.

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

16c(v) Funding the Scheme

The 2010 actuarial valuation by Towers Watson of the pension scheme showed a funding shortfall of £1,131m. Consequently a recovery plan has been agreed between the BBC and the pension scheme Trustees where additional contributions totalling £905m will be paid by the BBC over the next 11 years. The first contribution of £110m was paid on 28 March 2011. It was also agreed that employer contributions would decrease from 17.85% to 15.2% on the 1 April 2011 and then to 14.2% from 1 January 2012. Employee contributions for Old and New Benefit members rose from 6.75% to 7.5% from 1 April 2010. Employee contributions for the Career Average Benefit 2006 members are 4% and for the Career Average Benefit 2011 members are 6%.

The next formal actuarial valuation is expected to be performed as at 1 April 2013.

	Projection		Actual		
	2012	2011	2010	2009	2008
Contribution rates	%	%	%	%	%
Employer	14.2/ 15.2	17.85	18.6	18.8/ 19.35	18.8
Employee (Old and New Benefits)	7.5	7.5	6.75	6.0	6.0
Employee (Career Average Benefits 2006)**	4.0	4.0	4.0	4.0	4.0
Employee (Career Average Benefits 2011)***	6.0	-	-	-	-
Underlying cost of scheme to BBC as % of pensionable salaries*	14.2/ 15.2	17.85	18.6	18.8/ 19.35	18.8

* Excludes the cost effectively paid for by the employee and the salary sacrifice element.

** The Career Average Benefit 2006 section started on 1 November 2006.

*** The Career Average Benefit 2011 section started on 1 April 2011.

On the basis assumed above, the BBC Group expects to make contributions to the scheme totalling £152.6m in 2012.

16c (vi) Principal actuarial assumptions

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

	2011	2010
Principal financial assumptions	%	%
Rate of increase in salaries	1.0	3.7
Rate of increase in pension payments:		
Old Benefits	3.7	3.7
New Benefits	3.5	3.5
Career Average Benefits	2.4	2.4
Inflation assumption (RPI)	3.7	3.7
Inflation assumption (CPI)*	2.9	-
Expected take up rate**	40.0	-
Discount rate	5.5	5.5

* The CPI rate is only relevant to the CAB 2011 section. All other sections continue to use the RPI rate, adjusted for the change in statutory revaluation. This has been treated as a change in assumptions.

** Following the changes to various pension plans in the current financial year, it is expected that a proportion of members will transfer out of the current sections into either the CAB 2011 or defined contribution plans.

As a consequence of the level of net pension deficit reported in 2009/10 and the 2010 actuarial valuation, changes have been made to future benefits available to scheme members. From 1 April 2011, future increases in pensionable salary will be limited to a maximum of 1% per annum. Old, New and CAB 2006 members can choose to opt out of their current section of membership and join CAB 2011 for future pension benefits with pension benefits earned to date being deferred in the Scheme. These deferred pension benefits would increase each year broadly in line with inflation.

Scheme members may opt to make this change at any time between 1 April 2011 to 31 December 2011. In calculating the present value of scheme liabilities as at 31 March 2011, the BBC has made an assumption as to the expected level of member changes during this time window. Based on the best available information as at 31 March 2011, the BBC assumes that 40% of the Old, New and CAB 2006 members will leave their current sections. A sensitivity analysis surrounding this assumption is shown in the table below.

The sensitivities of the scheme's liabilities to changes in the principal assumptions are set out below:

	movement	Impact on scheme liabilities %	Impact on scheme liabilities £m
Discount rate	decrease 0.1%	2.0	194
Discount rate	increase 0.1%	1.6	157
Mortality rates	increase/decrease 1 year	3.0	295
Proportion of members expected to transfer schemes	increase/decrease 10%	0.4	47

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

	2011 Number of years	2010 Number of years
Principal demographic assumptions		
Retiring today		
Male	27.8	27.0
Female	28.4	29.7
Retiring in 20 years		
Male	30.2	29.0
Female	30.1	31.8

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 ("S1" series of tables, published by the CMI) which reflect recent research into mortality experience in the UK with a long-term rate of improvement of 1.5% per annum for males and 1.0% per annum for females.

16c(vii) Group Personal Pension Scheme and other schemes

The BBC also operates its own defined contribution pension schemes, including those operated in the USA and Australia. The pension cost represents contributions payable by BBC World Service to the funds and this amounted to £0.03m in the year (2010: £0.03m).

THE BBC WORLD SERVICE CORPORATE GOVERNANCE FRAMEWORK

BBC World Service is funded by a Parliamentary Grant-in-Aid, administered by the Foreign and Commonwealth Office (FCO) of the British government. Operationally BBC World Service is part of the BBC. The FCO, in close consultation with BBC World Service, is involved in the process of deciding which languages are broadcast, but production and editorial control rests entirely with the BBC.

The relationship between BBC World Service and the FCO is governed by two documents: the Broadcasting Agreement which sets out the aims and objectives of BBC World Service and provisions for performance assessment; and the Financial Memorandum which sets out the financial arrangements. The BBC World Service Board is operationally responsible for complying with these two documents.

Within the BBC ultimate responsibility for BBC World Service is vested in the BBC Trust, which is the sovereign body of the Corporation. The BBC Trust and the BBC Executive Board ensure that BBC World Service operates responsibly and maintains high standards of editorial integrity and content. The respective responsibilities of the BBC Trust and the BBC Executive Board relating to the operation of BBC World Service are outlined in a protocol published by the BBC Trust.

This and the following pages contain reports on BBC World Service's policies, procedures and compliance on governance matters, namely:

- BBC World Service Responsibility Statement;
- BBC Executive Board Report on BBC World Service Trading Protocols;
- Statement on Internal Control;
- Our People;
- The BBC World Service Board; and,
- Compliance and Accountability.

BBC WORLD SERVICE RESPONSIBILITY STATEMENT***Statement of Board responsibilities in respect of the Annual Review***

The Charter requires the BBC to prepare an audited annual report and statement of accounts. The statement of accounts incorporates the financial results of the BBC World Service. The Financial Memorandum with the Foreign and Commonwealth Office (FCO) requires the BBC World Service to prepare its own accounts and produce an Annual Review. The BBC Executive Board responsibilities are detailed in Part One of the Annual Review.

The BBC Executive Board and the BBC World Service Board have accepted their responsibility for the preparation of an operating and financial review, statements of compliance with applicable codes and regulations and the statement of accounts which are intended by them to give a true and fair view of the state of affairs of the BBC World Service and its subsidiaries (the "Group") and of the income and expenditure for that period. The BBC Executive Board and the BBC World Service Board have prepared the accounts in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The BBC Executive Board and the BBC World Service Board must not approve the statement of accounts (or "financial statements") unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and of the surplus or deficit for that period.

In preparing the financial statements the BBC Executive Board and BBC World Service Board have:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that are reasonable and prudent.
- Stated whether they have been prepared in accordance with IFRS as adopted by the EU.
- Prepared the financial statements on the going concern basis as they believe that the BBC World Service will continue in business.

The BBC Executive Board and BBC World Service Board are responsible for keeping proper accounting records that are sufficient to show and explain the BBC World Service's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Financial Memorandum. The Boards also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the BBC World Service and to prevent and detect fraud and other irregularities.

The BBC Executive Board and BBC World Service Board are responsible for the maintenance and integrity of the BBC's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The BBC World Service Board members who held office at the date of approval of the Annual Review confirm that, to the best of each of their knowledge and belief:

- The financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and surplus of the Group; and
- The operating and financial review includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Statement of Disclosure of Information

The BBC Executive Board and BBC World Service Board members who held office at the date of approval of this Annual Review confirm that, so far as they are each aware:

- There is no relevant audit information of which the BBC World Service's auditors are unaware; and,
- That each BBC Executive Board member and BBC World Service Board member has taken all the steps that they ought to have taken as a BBC Executive Board or BBC World Service Board member to make themselves aware of any relevant audit information and to establish that the BBC World Service's auditors are aware of that information.

Going Concern

A review of the financial position of BBC World Service is included on pages 5 to 6. This, together with the Director's overview on pages 3 to 4, provides an assessment of BBC World Service's performance and current position. The BBC World Service's approach to risk management is outlined on pages 39 to 43. This includes regularly reviewing the risks faced by the business including the impact of the current economic climate and the changes to BBC World Service funding arrangements.

BBC World Service's 2010/11 annual accounts have been drawn up on a going concern basis. BBC World Service is funded by the FCO through Grant-in-Aid, which has in recent years been awarded in three-year funding settlements. Funding for the 2010/11 financial year was set in the 2007 Comprehensive Spending Review and then subject to various agreed adjustments. Grant-in-Aid funding for the period 2011/12 to 2013/14 was announced by the Government in October 2010. It will form the final three years of Grant-in-Aid funding after which time BBC World Service will be funded from the BBC's licence fee. The Government also announced that the BBC could make available licence fee funds to support the restructuring of BBC World Service and as a result, the BBC has agreed to fund up to £20m over three years to support this restructuring.

As a result of these funding changes and their continuation of financial support for BBC World Service, the BBC Executive Board and BBC World Service Board are satisfied that the going concern basis remains appropriate to these financial statements.

This statement was approved by the BBC Executive Board and the BBC World Service Board on 13th June 2011 and signed on their behalf by:

Mark Thompson, Director General, BBC

Peter Horrocks, Director, BBC World Service

BBC EXECUTIVE BOARD REPORT ON BBC WORLD SERVICE TRADING PROTOCOLS

BBC World Service is responsible for commissioning and scheduling its own programmes and for making programmes for its language services, but purchases English language programme making and technical and support services from other parts of the BBC ('the Suppliers'). BBC World Service also receives services from and supplies services to the BBC's commercial subsidiaries ('the Subsidiaries').

It was agreed by a joint Foreign and Commonwealth Office (FCO)/BBC World Service Working Group that the BBC would draw up guidelines to govern the trading relationship between BBC World Service and other parts of the BBC in order to ensure that BBC World Service maintains its distinctive voice and to preserve the clear separation between Grant-in-Aid and licence fee income. Each of the Suppliers then drew up detailed agreements with BBC World Service.

KPMG LLP (the BBC's external auditors) have received a summary of the value of transactions and the related cash flows which have taken place during the year between BBC World Service and the Suppliers and Subsidiaries. KPMG LLP have reported to the BBC's Executive that, in their opinion, the information included in the summary of transactions for the year ended 31 March 2011 has been accurately extracted from the books and records of BBC World Service and the Suppliers and Subsidiaries, and has been properly prepared on the basis of cost allocation and apportionment methods set out in the agreements between BBC World Service and the Suppliers and Subsidiaries and, on this basis, there has been no material cross-subsidy between Grant-in-Aid and licence fee funds or between Grant-in-Aid and the BBC's commercial subsidiaries.

BBC Executive Board statement on BBC World Service Trading Protocols

The BBC Executive Board is responsible for monitoring and reviewing compliance with the Trading Protocols. Following reports by the Controller, Fair Trading and BBC Compliance Officer and by internal and external auditors, the BBC Executive Board is satisfied that the BBC has complied with the Trading Protocols and that there has been no material cross-subsidy between Grant-in-Aid and licence fee funds or between Grant-in-Aid and the BBC's commercial subsidiaries.

STATEMENT ON INTERNAL CONTROL

The BBC has an obligation under its Charter to apply the highest standards of corporate governance. BBC World Service recognises the importance of, and is committed to, applying these standards. As a result, BBC World Service voluntarily complies with the 2008 Financial Reporting Council Combined Code on Corporate Governance ("the Combined Code") to the extent that it is applicable.

BBC World Service has achieved substantial compliance throughout the year ended 31 March 2011 with the 2008 FRC Code. Those areas where compliance has not been achieved are noted below:

i) those requirements relating to non-executive directors, remuneration and audit committees

The BBC Executive Board considers that BBC World Service should comply with the Combined Code in a manner which is common practice for an entity whose parent is complying with it. Hence the BBC Executive Board does not require BBC World Service to have separate non-executive directors or remuneration and audit committees from those established by the BBC, or to disclose the remuneration of the individual members of the BBC World Service Board, except to the extent that this is required by the Companies Act 2006. Although not a requirement under the Combined Code, BBC World Service does have its own audit committee which forms part of its risk management process. Also, in addition to following the Companies Act 2006 requirements on remuneration, a voluntary disclosure of the remuneration of BBC World Service Board members is made on page 46.

ii) those requirements relating to shareholders

BBC World Service is not accountable to external shareholders. Rather, through the stewardship of the BBC Trust, it is accountable to the Foreign and Commonwealth Office, to Parliament and to taxpayers.

Our structure*BBC World Service Board*

The structure of the BBC World Service Board is shown on page 46. As explained above, BBC World Service does not have non-executive directors. The BBC World Service Board meets every month. Other members of management attend as required. A formal schedule of matters is reserved for Board decisions. This includes:

- considering management structure and senior management responsibilities;
- agreeing membership and terms of reference of Board committees and task forces and receiving minutes, reviewing decisions taken and deciding action on recommendations;
- agreeing contracts with major suppliers;
- deciding significant staff and industrial relations issues;
- agreeing business strategy;
- approving the financial statements; and,
- approving annual budgets, subject to final approval by the BBC Executive Board.

BBC World Service Board members have access to the advice and services of the Head of Business Affairs, BBC Global News, who is responsible for ensuring that Board procedures are followed.

BBC Executive Board

The operations of the BBC are managed by the BBC Executive Board, made up of BBC executive directors and chaired by the Director-General. The Board also contains a significant minority of non-executive directors, nominated by the Board and approved by the BBC Trust. In the year to 31 March 2011 the interests of BBC World Service were represented on the BBC Executive Board by the Deputy Director-General. From 1 April 2011, the interests of BBC World Service are represented on the BBC Executive Board by the Director, BBC News.

The functions of the BBC Executive Board and the BBC Trust are clearly defined. Operational responsibility rests with the BBC Executive Board, and the BBC Trust, as the body responsible for the strategic direction of the BBC, scrutinises the performance of the Board in delivering the BBC's services and activities. The BBC Trust's oversight of BBC World Service is represented by its general duty to act in the public interest and to exercise rigorous stewardship of public money. More information on how the BBC Executive Board is run can be found in the BBC Annual Report and Accounts.

In practice, the BBC Executive Board delegates some of its responsibility to other managerial groups. Any delegation from the BBC 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 in the year:

- Executive Fair Trading Committee
- Executive Audit Committee
- Remuneration Committee
- Nomination Committee

The main responsibilities of these committees are explained in the BBC Annual Report and Accounts as is the attendance record of BBC Executive Board members.

Internal controls and audit

The responsibilities in relation to internal control are clearly defined. The BBC Trust is ultimately responsible for the proper use of public money whilst the BBC Executive Board and BBC World Service Board are responsible for executing this requirement. The BBC 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.

The processes for reviewing, managing and reporting on risks within BBC World Service are set out below:

Control environment

The key aspects of the control environment operating throughout the year are described below:

i) risk identification and management

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 2011 and up to the date of approval of this Annual Review. The overall management of risk within BBC World Service is considered to be most effectively managed through the engagement of the BBC World Service Board and the joint BBC Global News Audit Committees which, from January 2011, incorporated the risk management remit of the BBC World Service Audit Committee as well as the other operations which comprise BBC Global News. The BBC Global News Audit Committees are separate from the BBC Executive Audit Committee.

In its consideration of risks at BBC World Service, the BBC Global News Audit Committees form a key part of the risk management process. The Committees have reviewed the risks associated with the achievement of BBC World Service's objectives for the year. The risks identified, and the actions planned in response, are maintained in a risk register. The risk register is subject to regular review and assessment throughout the year and feeds into the consideration of risk exposure at BBC World Service Board, BBC Journalism Group Board (replaced by BBC News Group Board in April 2011) and BBC Executive Board level.

ii) business unit controls

The BBC World Service Board has defined the system of controls and procedures with which each business unit within BBC World Service is required to comply. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Although no system of internal control can provide absolute assurance against material misstatement or loss, the BBC World Service's controls are designed to provide reasonable assurance that assets are safeguarded, transactions are appropriately authorised and material errors or irregularities are either prevented or detected on a timely basis.

Key controls over major business risks include formal authorisation processes, regular financial reporting, the annual performance review process, and exception reporting of financial and non-financial matters. Internal audit reviews by BBC Business Assurance monitor the operation of controls.

iii) financial reporting and business performance

BBC World Service has a comprehensive budgeting system with an annual budget approved by the BBC Executive Board, prepared in line with the BBC World Service's funding settlements with the FCO. Monthly financial information is reported against budget figures, with corrective action being taken by the BBC World Service Board as appropriate. All capital expenditure over certain upper thresholds must be approved by a BBC investment approval committee and, in some cases, by the FCO.

iv) business and broadcast continuity

BBC World Service business continuity plans have been further strengthened in the past year with the implementation of a project to deliver enhanced continuity facilities to a number of key international offices. Continuity plans have been tested and successfully invoked on a number of occasions to respond to incidents both in the UK and internationally. Specific continuity plans were also developed for a number of special events including the Commonwealth Games in Delhi and the football World Cup in South Africa. Work is currently underway to ensure effective continuity arrangements are in place prior to the BBC World Service move out of Bush House in 2012.

v) controls over outsourced functions

The outsourcing of key services presents a significant change to the BBC's risk profile and as a consequence, that of BBC World Service. Risk is not necessarily outsourced with these services. To address this, the BBC has processes in place to manage the risks associated with the outsourcing of key business services (e.g. finance transaction processing, HR services, technology systems and support) and to ensure continuity of ongoing business operations.

vi) whistle-blowing

The BBC has a "whistle-blowing" or "protected disclosure" policy. This policy facilitates the confidential communication via a number of routes of any incident in which there is a suspicion that there has been a breach of the BBC's codes. The BBC fosters an environment where all staff should feel free to report concerns and suspicions to line management. However as there may be sensitivities regarding actual or suspected incidents, we also provide the alternative of a "whistle-blowing" hotline. This is administered by an independent external company to ensure anonymity. Each incident or suspicion reported via any route is investigated in a confidential manner, a response is communicated and action taken as appropriate. The BBC Executive Audit Committee ensures that there are suitable arrangements in place for the proportionate and independent investigation of matters reported, and for appropriate follow up action.

vii) fraud awareness

Although incidents of fraud are rare, BBC World Service takes its responsibilities to minimise the risk of fraud, and the consequential loss to the taxpayer, very seriously. The BBC has implemented a clear fraud policy which clarifies responsibilities for ensuring that the appropriate controls are in place to minimise the risk of fraudulent activity and to ensure that all suspected incidents of fraud are thoroughly investigated. The policy is managed by the BBC Anti-Fraud Group which reports to the BBC Executive Audit Committee.

From time to time BBC World Service undertakes anti-fraud workshops to identify key fraud risks and to promote fraud awareness across the business. This applies to staff working in international offices as well as in the UK. During the year an anti-fraud online learning course was introduced to supplement the resources available to staff. Potential risks of fraudulent activity, and the actions planned in response, are maintained in a risk register and reviewed and assessed throughout the year as described in the section above on risk identification and management.

Internal Audit

BBC World Service is within the remit of the BBC's Business Assurance function which is led by the Director of Risk and Assurance. Business Assurance comprises Internal Audit, Risk Management and Investigation Services. The authority and independence of Internal Audit is assured by the Director of Risk and Assurance's independent and direct access to the BBC Executive Audit Committee and to the BBC Director-General.

Internal Audit undertakes regular testing of control systems and core business processes, evaluating their adequacy and effectiveness and ensuring their consistent application across the BBC. The work plan is based on a continuing assessment of key risks and is agreed annually with the BBC Executive Audit Committee. It covers financial, operational and compliance controls, including 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 identified are reported promptly to appropriate levels of management. The findings, and the status of corrective actions taken to address them, are reported to the BBC Executive Audit Committee.

BBC Executive Audit Committee

The BBC Executive Audit Committee has its authority delegated to it by the BBC Executive Board. The current members of the BBC Executive Audit Committee are non-executive directors Simon Burke (Chairman, appointed 1 January 2011), Dr Mike Lynch and Val Gooding (appointed 25 May 2011). Until 31 December 2010, members included non-executive directors David Robbie (Chairman) and Dr Samir Shah, whose terms of office concluded at that date. The Board is satisfied that both Simon Burke, and David Robbie before him, have significant, recent and relevant financial experience. The Committee augments the broad range of skills of its members with advice as necessary from internal and external professionals, on relevant matters including developments in financial reporting and company law. Meetings are also attended by the Director-General, the Chief Financial Officer, the Director of Risk and Assurance, and representatives from Internal Audit, Risk Management and the external auditors.

During the year, the BBC 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 BBC Executive Audit Committee met four times during the financial year. The Committee meets at least annually with the external auditors without any member of management present. The Chairman of the BBC Executive Audit Committee meets with the Director of Risk and Assurance, alone or with the external auditors, but without management, and also meets privately with the external audit lead partner.

Minutes of each Committee meeting are available to the BBC 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 Board. The Committee Chairman formally reports to the Board at least once a year.

The BBC Executive Audit Committee has fulfilled its responsibilities for the year. In doing so it has:

- reviewed the effectiveness of the system of internal controls, including controls over financial reporting;
- sought assurance from management that control issues highlighted by internal and external auditors are being addressed;
- considered reports from management on processes for managing significant risks;
- reviewed the BBC's group financial statements and those of BBC World Service, including accounting policies, compliance with legal and regulatory requirements, and the findings of the external auditors;
- overseen the BBC's relationship with the external auditors, including their engagement, the scope of and approach to their work, their fees, their performance and their independence, including the approval and compliance with the policy on non-audit work;
- approved the work plan of Internal Audit;
- reviewed the fraud detection processes and whistle-blowing arrangements;
- considered post investment reviews for major investments; and,
- monitored the implementation actions required as a result of reviews carried out by the National Audit Office.

Independence of external auditors

BBC World Service, as part of the BBC, complies with the Combined Code guidance on maintaining an appropriate relationship with external auditors. The BBC re-appointed KPMG LLP as external auditors during 2008 for a period of three years starting with 2008/09, after a formal tender process. In accordance with the contract terms, the BBC Executive Audit Committee has since approved a two year extension to this period. The Committee is satisfied that KPMG has adequate safeguards in place to avoid the possibility of its audit objectivity and independence being compromised, including appropriate rotation of its team, as well as an appropriate quality assurance programme.

The BBC Executive Audit Committee has set a clear policy which defines the threshold above which proposed non-audit work to be carried out by KPMG must be approved in advance by the Committee, and also defines when it must be submitted to competitive tender. This is to safeguard and support the external auditors' ability to remain impartial and objective. In all cases, KPMG is not considered for work which might compromise their ability to give independent opinion on the BBC's financial statements.

Recruitment from KPMG into any senior management position in the BBC requires the prior approval of the BBC Executive Audit Committee.

Fair trading

The BBC must work to ensure that it meets its fair trading obligations as set out in the BBC's Charter, Agreement and the BBC Trust's Statement of Policy on Fair Trading. These are encapsulated in the BBC's Fair Trading Guidelines which can be found at bbc.co.uk/aboutthebbc/policies/fairtrading/. These Guidelines, which include the BBC World Service Trading Protocols, were updated on 1 April 2009, following a public consultation.

Compliance with the Fair Trading Guidelines was overseen during the year through formal sub-committees of the BBC Trust and the BBC Executive Board.

The BBC Trust commissions independent auditors, currently Deloitte LLP, 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. More information about the BBC Trust's role with regard to fair trading can be found at bbc.co.uk/bbctrust/our_work/protocols_policy/competitive_impact.shtml

OUR PEOPLE

BBC World Service employs approximately 2,000 people of which around a quarter are based outside the UK, spread across 45 countries. The diversity of our staff and our presence in so many key locations around the world contributes to making BBC World Service the leading voice in international broadcasting. We operate a number of schemes to ensure we recruit, retain and develop the right people for the right roles.

Training and development

Training and development remains a key priority for BBC World Service. During 2010/11, £1.5m was spent on staff development inside and outside the UK.

Over the past year the relationship between HR, the Global News Training and Development Manager and CoJo International (part of the BBC's College of Journalism and formerly World Service Training) has been strengthened and intensified to great effect. Although the funding available to CoJo International has decreased over successive years, BBC World Service and the wider Global News division is now receiving more relevant training as a result of this three-way relationship. All courses offered to Global News journalists are geared towards what editors need and the ambitions, priorities and objectives of Global News, of which BBC World Service forms a part. In addition to this, the links between CoJo International and the wider central College of Journalism have become more solid and productive, with Global News benefiting considerably (within the accepted funding guidelines).

In the coming year, there are three main priorities for the training department - a successful move to W1, the development of a constant dialogue between programme editorial staff and the content platform editors to provide an evolving, ambitious and relevant training offer, and developing training's central role in the Global News objective to become the world's leading digital news provider

Internal communication

Communicating the implications of the 2010 Spending Review settlement to World Service staff has been a key priority over the year. HR and the Internal Communications team worked closely together to ensure that the announcement of job losses and structural change was handled with sensitivity and that all staff, in the UK and internationally, had an opportunity to watch the Director, World Service deliver the proposed changes live and on demand after the event. In addition, an internal website dedicated to the impact of the Spending Review was created to ensure that staff could access material easily and at their convenience.

Prior to the Director's announcement in January, all senior managers were given advice on how to communicate difficult messages to their teams. The communication regarding the implementation of the Spending Review settlement is ongoing.

BBC World Service utilises a number of channels to communicate to staff, including a regularly updated intranet site, targeted email communication and a weekly editorial highlights newsletter. All staff in London are invited to learn more about BBC World Service and other parts of the BBC through Creative Network briefing sessions. In addition, pan-BBC initiatives, such as Delivering Quality First, are communicated across BBC World Service and staff are given an opportunity to participate in these events and initiatives.

Senior managers at BBC World Service attend a monthly leadership briefing with the Director, World Service. These leadership briefings include presentations by guest speakers both internal and external to the BBC. Managers are encouraged to cascade information to their teams and to hold regular team meetings where staff are given the opportunity to contribute their views. Staff are also given opportunities to feed back outside of the regular team meetings. Emails and other forms of feedback are responded to and, where necessary, action is taken.

Diversity

Proportion of ethnic minorities

The composition of the workforce of BBC World Service reflects the multilingual nature of its broadcasting and therefore exceeds the BBC's targets, including that for senior managers.

	At 31 March 2011 %	At 31 March 2010 %	BBC group target %
All staff working in the UK	51	49	12.5
Senior managers working in the UK	11	16	7.0

Gender representation

BBC World Service closely monitors gender representation within the workforce. At the end of March 2011, women represented 40.3% of the workforce (2010: 40.4%).

People with disabilities

Of the staff employed by BBC World Service, 2.0% declare themselves to have a disability (2010: 2.3%). This continues to remain a priority for BBC World Service and steps are being taken to increase this towards the BBC target of 5.5%.

Senior employees

Details of the number of senior employees earning more than £50,000 per annum are set out below. Senior employees are defined as staff on the BBC's "senior manager" grades. Earnings represent base pay for the year to 31 March 2011 for staff employed at that date. Where staff are part time, the full time equivalent salary is given. Staff on maternity or unpaid leave are excluded.

Salary band	2011	2010
£60,000-£69,999	3	5
£70,000-£79,999	8	8
£80,000-£89,999	7	7
£90,000-£99,999	2	1
Total	20	21

BBC World Service Board members are excluded from the table. Details of their remuneration and the associated remuneration policy are contained on pages 45-47.

Occupational risk management

The management of occupational risk has continued to be a high priority for BBC World Service in the past year. A number of improvements have been made including the introduction of a new training programme for all journalists and the development of an online risk assessment tool.

Health and safety risks have been managed as an integral part of the overall risk management strategy and processes at BBC World Service. Large numbers of staff work internationally and ensuring their safety and security remains a key area of focus. A rolling programme to review risk management in international offices has continued and additional health and safety training has been provided for international staff.

Advising, training and equipping staff deployed to hostile environments, including war zones and areas affected by natural disasters, remains a vital area of work. BBC World Service continues to be supported in this by the BBC's specialist High Risk Team. The arrangements associated with these deployments have been implemented on a significant scale this year following events in the Middle East and Japan.

All activities, including those to ensure compliance with new or changing legislation and strengthen our management of risk, are contained within a divisional action plan.

THE BBC WORLD SERVICE BOARD

The members of the BBC World Service Board who served during the year are detailed on page 46.

Remuneration policy

The remuneration policy for the BBC World Service Board is in line with the rest of the BBC. The remuneration arrangements for the members of the BBC World Service Board include the following components:

Base pay

Base pay is reviewed in August each year, taking into account external market levels and internal comparisons as well as the individual's responsibilities and performance.

Benefits

In addition to salary, the main contractual benefits provided to members of the BBC World Service Board are a car allowance, private health insurance, pension, life assurance and a bonus scheme.

Pensions

Members of the BBC World Service Board are eligible to participate in the BBC Pension Scheme.

Annual bonus

Although members of the BBC World Service Board are entitled to be considered for a bonus payment, in line with BBC policy, no bonuses were paid to the BBC World Service Board relating to the 2010/11 financial year and nor were any paid relating to 2009/10.

Remuneration in the year

The remuneration of the permanently appointed members of the BBC World Service Board is set out below. As several of the Board members have responsibilities across BBC Global News these remuneration totals contain only those costs borne by BBC World Service. Remuneration costs are allocated in proportion to the amount of time spent on BBC World Service matters. The proportion of costs to be allocated to BBC World Service is assessed separately for each Board member. These allocations are assessed on an annual basis.

BBC World Service Board Remuneration

	Note	Base pay	Allowances and benefits	Compensation for loss of office	Total	Share of costs allocated to GIA	Total
		£000	£000	£000	£000	2011 %	2010 £000
Members serving at 31 March 2011							
	1-4						
Behrouz Afagh		105	9	-	114	100%	114
Nikki Clarke		90	10	-	100	100%	99
Jim Egan		93	2	-	95	65%	99
Peter Horrocks		176	7	-	183	75%	215
Liliane Landor		122	9	-	131	100%	27
James Montgomery	5	33	2	-	35	32%	-
Sanjay Nazerali		23	1	-	24	15%	86
Lindsey North	6	65	5	-	70	75%	78
Richard Porter	7	11	2	-	13	50%	-
Richard Thomas		134	8	-	142	95%	142
Richard Thurston		78	4	-	82	80%	2
Sub-total		930	59	-	989		862
BBC World Service Board members leaving during 2010/11							
Mariita Eager	8	23	3	-	26	100%	24
Craig Oliver	9	55	5	-	60	50%	-
Hugh Saxby	10	35	3	229	267	100%	82
Jerry Timmins	11	60	10	313	383	100%	131
Gwyneth Williams	12	58	4	-	62	100%	146
		231	25	542	798		383
BBC World Service Board members leaving during 2009/10							
Richard Burdon		-	-	-	-	80%	69
Mike Cronk	13	-	24	-	24	100%	481
John Renner		-	-	-	-	100%	308
		-	24	-	24		858
TOTAL		1,161	108	542	1,811		2,103

Notes:

1. Remuneration shows the proportion of each BBC World Service Board member's costs attributable to Grant-in-Aid funded (GIA) activity in the year to 31 March 2011 together with their comparative totals for the prior year. The total remuneration for BBC World Service Board for 2010/11 and its comparative for 2009/10 is shown in note 3c to the financial statements. In note 3c, key management for 2009/10 also includes a share of the costs of Richard Sambrook, the then Director of Global News who did not sit on the BBC World Service Board.
2. Because a number of Board members have roles which cover other parts of the BBC, a proportion of their costs are charged to those areas. The proportion charged to Grant-in-Aid is listed above.
3. Compensation for loss of office has been fully charged to Grant-in-Aid.
4. Allowances and benefits include, where applicable, car allowance, health insurance and any adjustments relating to buying or selling leave.
5. James Montgomery joined the BBC World Service Board in May 2010.
6. Lindsey North's contracted employment is for 4 days per week.
7. Richard Porter, Acting Controller, World Service English has been a member of the BBC World Service Board since February 2011, following the departure of the then Controller of World Service English, Craig Oliver.
8. Mariita Eager resigned from the BBC World Service Board in June 2010.
9. Craig Oliver joined the BBC World Service Board in May 2010 and left BBC World Service in February 2011.
10. Hugh Saxby left BBC World Service in August 2010.
11. Jerry Timmins left BBC World Service in September 2010.
12. Gwyneth Williams left BBC World Service in August 2010, taking over as Controller of BBC Radio 4.
13. Mike Cronk, who left BBC World Service on 31st March 2010, was paid for outstanding accrued leave in May 2010.

BBC World Service employer contributions to the BBC Pension Scheme for BBC World Service Board members in the year were £200,000 (2010: £257,000). In addition, the BBC operates a salary sacrifice scheme for members of the BBC Pension Scheme. Under this arrangement the terms and conditions of employment of participating members are altered such that employee pension contributions made via salary sacrifice are treated as employer contributions, with a corresponding reduction in base salary. The base pay for the BBC World Service Board shown above has not been adjusted to reflect the impact of the salary sacrifice scheme. Total salary sacrifice of BBC World Service Board in 2011 was £100,000 (2010: £85,000).

For the purposes IAS 24 "Related Party Disclosures" the key management of BBC World Service in 2010/11 is defined as the BBC World Service Board.

COMPLIANCE AND ACCOUNTABILITY

Freedom of Information

Like other public bodies, BBC World Service is subject to the UK Freedom of Information Act 2000. A total of 43 requests for information were lodged under the terms of the Act during the year ended 31 March 2011. The corresponding figures for 2010 and 2009 were 27 and 24 respectively. Requests for information came from a range of academics, journalists and members of the public and covered areas such as the future of BBC World Service, website data, programme information, journalism details, policy information and staffing matters. All were responded to within the deadlines laid down in the Act or, if not, a written explanation was supplied in accordance with the requirements of the Act.

Data Protection

BBC World Service received two requests under the UK Data Protection Act 1998 in 2010/11. During this period around 90% of BBC World Service staff had current training in the Data Protection Act, comprising either face-to-face training sessions and/or completion of a data protection online training module.

Complaints

BBC World Service wants to be open, responsive and accountable to its audiences. The handling of complaints correctly demonstrates its commitment to these principles. BBC World Service follows the same complaints policy as the rest of the BBC. BBC World Service receives a lot of feedback, both negative and positive, but considers something as a complaint if it is a specific criticism of BBC editorial judgement or controls that expects a response and, implicitly or explicitly, would like things to be changed. Complaints are logged and managed by Audience Champions or programme editors. Depending on the nature of the complaint, replies come either from the relevant department or a senior BBC World Service editor.

During the year, 51 complaints were logged on a range of editorial issues, including the allegations of bias, factual errors, poor use of language. Of these 6 were upheld and 8 upheld in part by management, and the lessons were discussed with the programme makers.

Complaints alleging a serious breach of BBC editorial standards may be escalated to the BBC's Editorial Complaints Unit (ECU), which investigates complaints independently of editorial teams. Finally, an appeal may be made to the Editorial Standards Committee (ESC) of the BBC Trust.

The BBC received a complaint from the Band Aid Trust about an edition of the BBC World Service documentary series *Assignment*. This programme consisted of an investigation into claims that aid intended for famine relief in Ethiopia following the famine of 1984/85 had been subjected to large-scale and systematic diversion by the Tigrayan People's Liberation Front and its relief agency to buy arms. The Band Aid Trust complained that the programme and the coverage it generated by it had given the inaccurate and unfair impression that money raised under the Band Aid banner had been diverted, and that the impression was damaging to the Trustees and to the good repute of the Trust. The BBC's ECU investigated and concluded that while the programme included evidence that some famine relief was diverted it gave the misleading impression that money raised by Band Aid and Live Aid was subject to diversion for which it presented no evidence. The BBC broadcast an apology for the misleading and unfair impression that it created.

The ESC also considered an appeal by a complainant alleging offence concerning the BBC Online Forum on Africa Have Your Say debate page and the associated programme, asking the question, "Should Homosexuals face execution?", in relation to a controversial Anti-Homosexuality Bill proposed in Uganda.

The complainant said the programme and the accompanying online discussion was unacceptable, offensive and potentially criminal, inviting comments that could incite hatred. The complainant also said that the apologies given by the BBC were unsatisfactory. The BBC had accepted that this question was too stark and apologised for any offence caused. The ESC decision was that the BBC World Service had apologised promptly. The complaint was in part resolved and in part not upheld.

Two other complaints were dealt with by the ECU (one on a series on asbestos, and the other on the Politics UK programme). These were not upheld.

BBC World Service is represented on the BBC's Complaints Management Board which takes regular reports and promotes the learning points arising from them.

Donations and gifts

BBC World Service does not make political donations or gifts.

The Financial Memorandum with the FCO does permit BBC World Service to make gifts of equipment subject to no single item exceeding £50,000. Government accounting guidelines on gifts must be followed. However, no gifts of equipment, services or cash were made during the year.

PERFORMANCE MEASUREMENT

BBC World Service is funded through Grant-in-Aid from the Foreign and Commonwealth Office, allocated as part of the Government's Spending Review process. It reports performance against a number of measures agreed annually as part of the accountability process. These support BBC World Service's aim to be the best known and most respected voice in international news, thereby bringing benefit to the UK, the BBC and to audiences around the world.

GLOBAL AUDIENCE ESTIMATE

Target 1

BBC World Service to reach an estimated weekly global audience of at least 180 million adults across all platforms.

Target (million)	Actual (million)
180.0	166.0

Radio and TV estimates added or updated in 12 countries which account for 47% of estimated audience in 2010; including Afghanistan, Egypt, Jordan, Lebanon, Russia, Pakistan, Kyrgyzstan, Zambia, Canada, Iraq, USA, Nigeria, Kenya, Bangladesh and India. Online estimate updated in 174 countries using average weekly Unique Users for February 2010.

Overall numbers are down. The 2010 Spending Review settlement meant that cuts have been made to services, languages and platforms. Where services have closed, wholly or in part, or it is planned that they will do so shortly, their audiences have not been counted in this year's global estimate. This has resulted in a loss of 16.8m weekly, mainly radio listeners.

There have however been increases in some other countries, meaning that overall the global audience estimate for World Service has decreased by 14.1m.

Had audiences affected by service cuts not been removed, the overall audience estimate would have increased this year to around 184m.

Key increases included:

- Nigeria: Hausa audiences (only North measured), recovered from a decrease in 2010; up 3.1m to 24.9m.
- USA: new carriage for BBC World Service content via partners helped increase audiences to 9.9m, up 2.6m.
- Canada: increased to 1.7m for any BBC World Service content online and on radio in English (no previous radio estimate).
- Iraq: estimate increased from 3.8m to 4.2m mainly due to increases for BBC Arabic television.
- Bangladesh: broadcasts via the partners network replaced declining short wave audiences and also drove FM audience growth; overall weekly reach up by 300,000.

Apart from the service cuts, there were a number of countries where audiences declined:

- Afghanistan: Overall listening to BBC radio was down 3.6m to 6.2m, although Pashto audiences held up better. BBC remains a significant mass broadcaster in Afghanistan, with more than 40% consuming BBC content weekly.
- Pakistan: Urdu short wave audiences have decreased from 5.1m to 1.3m since the last survey in 2008, although Pashto audiences on medium wave increased. There is fierce and increasing competition for audiences in Pakistan across all platforms.

Target 2

BBC World Service to reach 25 million viewers to its non-English television services weekly: Arabic, Persian, Turkish and Bengali.

Target (million)	Actual (million)
25.0	18.6

Estimates added or updated in seven countries, including three Arabic markets.

- No surveys possible in Iran due to difficult political climate.
- No update for BBC Turkish television.

AWARENESS, REACH, OBJECTIVITY, RELEVANCE, VALUE, LOYALTY

Target 3:

BBC World Service to rate higher than its closest international competitor for Awareness, Reach, Objectivity, Relevance, Value and Loyalty. Comparison to be made for general population and for key target groups.

General	Awareness	Reach	Objectivity	Relevance	Value	Loyalty
Bangladesh	ü	ü	ü	ü	ü	ü
India	No comparison with suitable international competitor possible					
Pakistan	ü	ü	ü	ü	x	x
Nigeria	ü	ü	ü	ü	x	x
Lebanon	ü	x	ü	ü	n/a	n/a
Iraq	x	x	x	x	ü	ü
Afghanistan	ü	ü	ü	ü	n/a	n/a
Kenya (Nairobi)	ü	ü	ü	ü	ü	ü
Egypt (Cairo)	x	ó	ü	ü	ü	ü
Active internationals	Awareness	Reach	Objectivity	Relevance	Value	Loyalty
Bangladesh	ü	ü	ü	ü	ü	ü
India	No comparison with suitable international competitor possible					
Pakistan	ü	x	ü	ü	x	x
Nigeria	ü	x	ü	ü	ü	ó
Lebanon	ü	x	ü	ü	n/a	n/a
Iraq	x	x	x	x	n/a	n/a
Kenya (Nairobi)	ü	ü	ü	ü	ü	ü
Egypt (Cairo)	ü	ó	x	x	ó	ó

Base: all respondents

Base: people who have ever used that station/channel

ü BBC rated higher

x Competitor rated higher

ó Results about equal

n/a Question not asked

Lebanon: Loyalty and Value questions not asked for BBC.

India: Reputation questions asked for national rather than international competitor. Selected states and cities only covered.

Afghanistan: Joint survey with BBC World Service Trust so some questions omitted, including two defining "Active Internationals".

- BBC World Service continued to achieve high ratings, scoring equal to or higher than the closest international competitor in 78% of indicators.

BBC ARABIC

Target 4:

BBC Arabic television to reach at least 17 million weekly viewers, as part of an overall BBC multimedia reach in Arabic of over 25 million weekly users.

BBC Arabic television Target (million)	BBC Arabic television Actual (million)	BBC Arabic overall Target (million)	BBC Arabic overall Actual (million)
17.0	13.5	25.0	21.6

Radio and/or TV estimates added or updated in four primarily Arabic speaking countries

- While the target was not met, the weekly audience estimate for BBC Arabic TV increased from 11.5m to 13.5m.
- This was due to increased reach in Iraq and newly measured audiences in Pakistan and Jordan.
- In the fiercely competitive markets of Lebanon and Cairo, the weekly audience for BBC Arabic TV decreased.

Target 5:

BBC Arabic television to have highest ratings of any international television channel in the Arab world for key reputational indicators.

BBC Arabic TV	Awareness	Reach	Objectivity	Relevance	Value	Loyalty
Iraq	x	x	x	x	ü	ü
Lebanon	ü	x	ü	ü	n/a	n/a

Base: all respondents Base: people who have ever used that station/channel
 ü BBC rated higher x Competitor rated higher Ó Results about equal n/a Question not asked

Measured in key markets including Egypt, Lebanon and Iraq. Egypt results not shown above as reputation questions were asked for radio competitor only

- While the audience in Iraq may question our objectivity and relevance we remain an important news provider who they value and continue to use.

BBC PERSIAN

Target 6:

BBC Persian television to reach at least 4 million weekly viewers in Iran

DIGITAL MEDIA

BBC World Service to increase the impact of the BBC's online offer through high-quality on-demand multimedia services in key languages.

Target 8:

10 million weekly users for Grant-in-Aid funded areas of the BBC website.

Weekly users: Grant in Aid funded Target (million)	Weekly users: Grant in Aid funded Actual (million)
10.0	10.1

35 million monthly video views for Grant-in-Aid funded areas of the BBC website.

Monthly video views Grant-in-Aid funded Target (million)	Monthly video views Grant-in-Aid funded Actual (million)
35.0	38.8

0.25m weekly users for BBC World Service mobile sites.

Weekly users BBC World Service mobile sites Target (million)	Weekly users BBC World Service mobile sites Actual (million)
0.25	0.45

- All targets were met as BBC World Service achieved record reach in February 2011, a particularly strong news month including coverage of the Arab uprising and the Japanese tsunami.
- BBC Arabic audience contributed significantly to growth across newer platforms. Over the past year, reach of BBC World Service mobile sites reach increased 494% to 453,000 unique users, primarily driven by Arabic. Total audio requests on BBC World Service sites increased 44% to 18.5m, and total video requests increased 56% to 38.8m, mainly due to high usage of Arabic content.
- In total BBC Global News online (BBC World Service and bbc.com) reached 31.0m weekly unique users in February, up 6.6m on the same period last year.