

BBC World Service

Annual Review 2011/12



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DIRECTOR'S OVERVIEW

It's been a year of great change for BBC World Service as it marks its 80th birthday. And much like the previous year, we have had to balance tough organisational challenges alongside ensuring that our audiences continue to receive the best impartial journalism from the coverage of the biggest global stories. I remain proud of the dedication and talent shown by BBC World Service teams in responding to these continuing challenges.

ORGANISATIONAL CHANGES

For 72 years, the World Service has called the iconic Bush House in London its home, but from early in 2012, BBC World Service teams began the migration to the new Broadcasting House. When the migration is complete, BBC World Service will be joined by colleagues from BBC News, BBC Vision, BBC Audio and Music and other divisions. BBC World Service will be at the heart of one of the largest multimedia, multi-lingual newsrooms in the world.

This change has been taking place as BBC World Service, which is funded by the Foreign and Commonwealth Office via a Grant-in-Aid until March 2014, continues to deliver the savings necessitated by the Government's 2010 Spending Review which saw funding cut by 16%.

The past year has been focused on managing the operational and staff issues around the restructure as a result of the funding cuts. Within the constraints of the financial settlements, we have also been consolidating the World Service's focus on the delivery of a strong multimedia operation that ensures that the best of our journalism reaches all of our audiences around the world despite the cutbacks in some radio operations and short wave delivery.

The platform on which BBC World Service has historically been strongest - short wave radio – remains under great pressure as FM radio, television and mobile phones offer compelling alternatives to audiences, even in less developed markets. And for the first time, television audiences this year overtook short wave in our global operations.

STRONG JOURNALISM

Despite the severe cuts to our funding and uncertainty about the future effects of a competitive market and changes in technology and funding, we have continued to deliver on strong journalism and 2011/12 has been dominated by some huge events. The Arab uprising extending to Libya and Syria, the global economic crisis, Afghanistan, the deaths of Muammar Gaddafi and Osama Bin Laden, famine in the Horn of Africa, South Sudan's independence and the ongoing tension with Sudan, and the mass murder in Norway, have been some of the stories challenging our journalists in often difficult and in some cases frightening conditions.

In the year under review, we lost Ahmed Omed Khpulwak, BBC Pashto reporter in Afghanistan who died in the line of duty, in the aftermath of an insurgent attack. Our reporters and their families and friends still remain a target for some regimes that are unfriendly to our reporting. BBC reporter Urunboy Usmonov is still fighting his conviction in Tajikistan, for complicity in the activities of banned Islamist organisation Hizb ut-Tahrir, a charge the BBC has vehemently challenged. BBC Persian staff, their families and friends have faced increased harassment and intimidation from the Iranian authorities and BBC Persian television signals continue to be jammed.

The BBC kept the world informed when famine was declared in the Horn of Africa and made sure that people in Somalia with access to media were helped, advised and empowered through BBC Somali and BBC Media Action (formerly BBC World Service Trust), 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 been at the heart of the story as events have unfolded across Syria, Libya, Egypt, Yemen and Bahrain, capturing the mood of the people, explaining the implications and bringing in a wide range of voices and opinions while maintaining our impartiality and editorial values. The big stories were primarily

DIRECTOR'S OVERVIEW

responsible for driving record audiences to BBC Persian and BBC Arabic's services on radio and television and by extension, to the wider BBC World Service. It is a creditable feat for the teams but does not take away from the pressures we're facing from operating in a crowded, competitive and well-funded Middle East media market. We are also aware that as a result of the funding cuts from the Foreign Office we have been unable to serve some of our audiences with the best impartial journalism, otherwise our overall reach would have been even higher.

OUR VISION

We have been pursuing our continued investment in new platforms. Our focus on video, online and mobile in many languages is beginning to offer an enhanced service to our audiences as well as to the rest of the BBC. To that end, BBC Russian has begun broadcasting a daily 10 minute television news bulletin which airs on Russian Internet Protocol Television (IPTV) Service partner, TV Dozhd.

This deal, the first for the BBC, is further evidence of how we have to adapt to survive in key markets as technology changes the international media landscape. There are advanced plans for further television bulletins for Africa in English and Swahili, and in Urdu, as well as continuing the existing bulletins in Turkish. We will soon begin a pilot programme to take advertisements on selected World Service websites following the Spending Review and the need to generate additional income to fund our journalism. Our pioneering video production unit staffed by producers from many languages is offering more video from around the world to enrich BBC News content on air and online.

Despite the constraints of our limited resources, we are investing in our global newsgathering, strengthening our network of language service reporters and stringers to supplement our renowned English language operation. Having a workforce drawn from 27 different language groups gives us an advantage that few other international news organisations can match. It also allows us to deliver on one of our core public purposes of addressing the shortfall in international news from a trusted, impartial global news provider.

The results of these changes are already being felt in our own reporting and content as well as the BBC's domestic news and programming operations. New programmes, such as *The Fifth Floor*, are exploiting our English and language expertise and are also an example of how we are modernising the tone and voice of BBC World Service programmes.

The move to Licence Fee funding in 2014, and co-siting with other parts of the BBC, will enable us to maximise the unique resources that the World Service can bring to UK audiences. With its uniquely global editorial agenda, the BBC brings distinctive expertise, perspective and content to the UK and to the largest worldwide audience of any international news provider.

THE FUTURE

We have many challenges ahead, not least increased competition and how new technology is changing the way our audiences consume news. 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

2011/12 was the first year of the 2010 Comprehensive Spending Review period with total Grant-in-Aid (GiA) funding falling by £10m. BBC World Service was focused on delivering the first tranche of savings from the strategic plan announced in January 2011. Around 450 posts were closed during the course of 2011 and a new transmission and distribution contract has been signed with Babcock which will allow the World Service to make savings through a phased reduction in short wave transmission in many parts of the world. The savings enabled World Service to reduce its annual operating expenditure (before restructuring costs, depreciation and pension deficit contribution) by £15m to £218m, around 7% down on last year.

The key savings initiatives were the closure of five language services, moving other services out of radio transmission to make them online only, reducing the amount of built programming on the English network and cutting support costs in marketing, finance and business development. At the beginning of 2011/12 additional Grant-in-Aid of £2.2m per year for three years was announced so that the proposed savings in the Arabic service could be reversed. The savings implemented in 2011/12 will allow World Service to manage the £11m reduction in Grant-in-Aid (revenue and capital) funding in 2012/13, but further savings will be required for 2013/14 to address the £4m GiA reduction in that year, inflation and the full year cost of accommodation in the new Broadcasting House.

Commercial income in 2011/12 was generated at the same level as in the previous year. World Service now has permission to put advertising on some language service websites and on the Berlin FM relay. We expect this to start in June 2012. Revenues from these initiatives alone will not be enough to hit the £1m increase in commercial revenues targeted for 2012/13, especially given the current conditions in the advertising market, but we are budgeting to hit the £1m target.

OPERATING PERFORMANCE

World Service recorded an operating surplus (before interest and tax) of £8m. This compares to an operating deficit in 2010/11 of nearly £17m. The major reason behind the deficit in the previous year was the restructuring costs of £20m being recognised in the accounts when the first tranche of savings were announced in January 2011. Current year cash income has been used to pay these restructuring costs in 2011/12 and this has contributed to the operating surplus. Actual restructuring costs were lower than provided for because of several factors: many more staff were redeployed within the BBC or left without redundancy than expected, the additional funding allowed some planned savings to be reversed and some plans were changed during the consultation period. This led to a release of £5m of the prior year restructuring provision, which has been classified as an exceptional item – consistent with the treatment of the original provision, in the accounts. The 2011/12 charge for BBC World Service' share of the BBC pension scheme deficit was £11.9m.

There was a deficit on capital activity as 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 £0.7m. This deficit is set against our capital reserve. The equivalent figure in 2010/11 was £9m and this difference is the other significant factor behind the movement between the large operating deficit in 2010/11 and the surplus this year. Further capital deficits are expected to arise in future years because the reduction in capital funding will come before the reduction in depreciation because of reduced funding is seen in the accounts.

GRANT-IN-AID INCOME

The 2010 Comprehensive Spending Review agreed Grant-in-Aid income of £253m for 2011/12. This income was increased by £2.2m at the start of the year to mitigate some of the proposed reductions in service. Total Grant-in-Aid funding in the year was £255m of which £233m was for operating activity and £22m for capital. The 2010 Spending Review 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.

CAPITAL

Capital Grant-in-Aid for the year was £22m. The largest single capital project was the BBC World Service's spend on technology fit-out and project costs for its move to the new Broadcasting House building in W1. The move is currently proceeding on time and is within budget. This move began in early 2012 and will continue over the summer. World Service will share the new facility with the rest of the BBC's London based journalism operations in BBC News and as a result will share a newsroom, studios and office space which will deliver editorial benefits through greater sharing of material and collaboration as well as efficiency savings. World Service will be vacating Bush House by the end of 2012 when the lease is terminated.

Other projects in 2011/12 included refurbishing our international offices, installing 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 in the UK and internationally.

BALANCE SHEET

Fixed assets on the balance sheet have a carrying value of £132m which reflects the substantial investment made in transmission and production facilities over many years and more recently in the new Broadcasting House building in W1. The valuation of assets used in overseas transmission sites reflects their continuing use in the business. If the Board decides that one or more of these sites is no longer required, provision will need to be made for the cost of decommissioning the site if the site or assets cannot be transferred to another owner.

The provision for restructuring is £6m, reflecting costs charged for redundancies either on posts closed where the redundancy has not yet been paid out or where the announcement has been made but the process is not yet completed. Cash holdings at the end of the year totalled £9m. The cash balance is lower than at the last year-end, but is required to meet existing restructuring commitments and to service working capital requirements in international bureaux.

LOOKING AHEAD

The reduction in funding following the 2010 Spending Review has created significant challenges for BBC World Service. The strategic plan includes further savings to ensure that BBC World Service can deal with inflation, its share of the BBC pension deficit, increased accommodation costs and the need to invest in its output in the face of increasing global competition while its funding is reduced. Savings in 2012/13 are predominantly the full-year effect of previous savings plus additional savings in BBC World Service English and further reductions in distribution. Key initiatives in 2012 will include integrating World Service with BBC News in New Broadcasting House, closer collaboration with Newsgathering on overseas deployments and in international bureaux, continuing to reduce support costs. We also intend to make small investments in TV output and online as audiences continue to move to video away from audio as their preferred source for news.

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 2012 set out on pages 9 to 35. 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 reporting on Corporate Governance, those matters that we have agreed to state to them in our report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the BBC 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 and BBC World Service Board and auditor

As explained more fully in the Board responsibilities Statements set out on page 37, the Boards 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 Report 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 2012 and of its surplus 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 36 to 49 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 the 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 Directors' statement, set out on page 38 in relation to going concern; and
- the part of the Corporate Governance Statement on page 40 relating to the BBC World Service's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

J C Bennett

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London E14 5GL

11 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Note	2012 £m	2011 £m
Grant-in-Aid		255.2	265.5
Other income		4.6	4.6
Total income	1c	259.8	270.1
Operating expenditure excluding exceptional restructuring costs		(256.7)	(267.0)
Exceptional restructuring costs		5.0	(19.9)
Total operating costs	2	(251.7)	(286.9)
Operating Surplus/(deficit) before interest and taxation		8.1	(16.8)
Net financing income		0.1	-
Surplus/(deficit) before taxation		8.2	(16.8)
Taxation	4	-	-
Surplus/(deficit) for the financial year		8.2	(16.8)

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

CONSOLIDATED BALANCE SHEET

At 31 March 2012

	Note	2012 £m	2011 £m
ASSETS			
Non-current assets			
Intangible assets	5	2.6	4.1
Property, plant & equipment	5	129.4	128.4
Investments	15	-	-
		132.0	132.5
Current assets			
Programme related assets and other inventories	6	-	0.1
Trade and other receivables	7	7.6	12.0
Cash and cash equivalents	13	9.1	11.1
		16.7	23.2
LIABILITIES			
Current liabilities			
Trade and other payables	8	(14.7)	(11.4)
Borrowings	9a	(0.1)	(0.2)
Provisions	11	(5.6)	(17.2)
		(20.4)	(28.8)
Non-current liabilities			
Borrowings	9b	-	(0.1)
Provisions	11	(1.5)	(8.2)
		(1.5)	(8.3)
Net assets		126.8	118.6
Capital and reserves			
Capital reserve		127.8	128.5
Operating reserve		(1.0)	(9.9)
Total capital and reserves		126.8	118.6

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 11th June 2012 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 2012

	Capital reserve £m	Operating reserve £m	Total £m
At 1 April 2011	128.5	(9.9)	118.6
Total comprehensive deficit for the year	-	8.2	8.2
Capital reserve transfer	(0.7)	0.7	-
At 31 March 2012	127.8	(1.0)	126.8

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2012

	Note	2012 £m	2011 £m
Operating activities			
Cash generated from operating activities	12	20.8	21.9
Tax paid	4	-	-
Net cash from operating activities		20.8	21.9
Investing activities			
Purchases of property, plant and equipment	5	(22.7)	(17.3)
Finance lease additions		-	0.2
Net cash used in investing activities		(22.7)	(17.1)
Financing activities			
Net finance income		0.1	-
Payments of obligations under finance leases		(0.2)	(0.4)
Net cash used in financing activities		(0.1)	(0.4)
Net increase in cash and cash equivalents		(2.0)	4.4
Cash and cash equivalents at the beginning of the year	13	11.1	6.7
Cash and cash equivalents at the end of the year	13	9.1	11.1

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

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).

GOING CONCERN

The BBC World Service 2011/12 annual accounts have been drawn up on a going concern basis (refer to page 38 for more detail). 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 2014.

In its Comprehensive 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.

BASIS OF CONSOLIDATION

The financial statements are principally prepared on the historical cost basis. Areas where other bases are applied are identified in the accounting policies below. The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

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.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees).

BBC Media Action, 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 BBC Media Action'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 Media Action.

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the following revised Standards have been adopted and have been applied since April 2011:

IAS 24 (2009)	<i>Related party disclosures</i>
IFRIC 14 (2009)	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to IFRSs (May 2010)	

There were no material impacts on the financial statements of the Group following the introduction of these revised 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.

Endorsed by the EU:

IFRS 7 (Revised)	<i>Financial instruments: disclosure</i>
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Not yet endorsed by the EU:

IFRS 9	<i>Financial instruments</i>
IFRS 10	<i>Consolidated financial statements</i>
IFRS 11	<i>Joint arrangements</i>
IFRS 12	<i>Disclosures of interests in other entities</i>
IFRS 13	<i>Fair value measurement</i>
IAS 1 (Revised)	<i>Financial Statement presentation</i>
IAS 12 (Revised)	<i>Income Taxes</i>
IAS 19 (Revised)	<i>Employee Benefits</i>
IAS 27 (Revised 2011)	<i>Separate financial statements</i>
IAS 28 (Revised 2011)	<i>Associates and joint ventures</i>
IAS 32 (Revised)	<i>Financial instruments: presentation</i>

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

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, 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

The group has voluntarily analysed its financial performance in accordance with IFRS 8 "Operating segments". The identified 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 BBC 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.

FINANCING INCOME AND EXPENSES

Financing expenses comprise interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

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 cost less accumulated depreciation and any accumulated impairment losses. [Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 April 2009, the date of transition to Adopted IFRSs, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.]

Cost includes expenditure that is directly attributable to the acquisition of the asset. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

BBC World Service recognises decommissioning liabilities as part of the initial cost of the asset, discounted to present value. The group reassesses whether there has been a change in this liability based on the facts and circumstances at each balance sheet date.

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.

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. BBC World Service voluntarily discloses a capital and revenue reserve, with the capital reserve representing the amount spent on capital assets less accumulated depreciation and any impairment losses. 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 with the latest funding agreed until 2014.

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.

During 2011/12 Business Development costs were accounted for within separate profit centres and captured under Future Media, Transmission & Distribution. The equivalent 2011 costs have been reclassified to allow for comparability.

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. BBC World Service has voluntarily shown the geographical split of non-current assets in note 1d.

1c. Reportable segments

	Income £m	Operating expenditure £m	Operating deficit before interest and taxation £m
Segmental Analysis 2012			
Production areas			
Africa	0.1	(9.5)	(9.4)
Arabic Service	-	(20.9)	(20.9)
Americas and Europe	3.3	(11.6)	(8.3)
Asia Pacific	0.3	(29.4)	(29.1)
World Service English	0.8	(45.7)	(44.9)
Programme Technical Operations	-	(9.6)	(9.6)
	4.5	(126.7)	(122.2)
Future Media, Transmission & Distribution	-	(61.9)	(61.9)
Accommodation, support and central areas	0.1	(37.9)	(37.8)
Depreciation, amortisation & write offs	-	(25.2)	(25.2)
	4.6	(251.7)	(247.1)
Grant-in-Aid Funding	255.2	-	255.2
Total operating deficit before interest and taxation	259.8	(251.7)	8.1

Notes:

1. Assets and liabilities are primarily held centrally and are not allocated to business units.
2. External income attributable to production areas arises outside the UK and is derived from co-production, business development and local distribution arrangements.
3. 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.
4. 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 2011			
Production areas			
Africa	0.7	(11.0)	(10.3)
Arabic Service	-	(22.5)	(22.5)
Americas and Europe	3.2	(16.6)	(13.4)
Asia Pacific	0.4	(29.7)	(29.3)
World Service English	0.2	(47.4)	(47.2)
Programme Technical Operations	-	(10.8)	(10.8)
	4.5	(138.0)	(133.5)
Future Media, Transmission & Distribution	-	(59.8)	(59.8)
Accommodation, support and central areas	0.1	(55.9)	(55.8)
Depreciation, amortisation & write offs	-	(33.2)	(33.2)
	4.6	(286.9)	(282.3)
Grant-in-Aid Funding	265.5	-	265.5
Total operating deficit before interest and taxation	270.1	(286.9)	(16.8)

1d. Geographical split of non-current assets

The geographical split of non-current assets is:

	United Kingdom	Rest of the world	Total
2012	£m	£m	£m
Total non current assets	54.0	78.0	132.0
Other net (liabilities)/assets	(6.3)	1.1	(5.2)
Net assets	47.7	79.1	126.8
	United Kingdom	Rest of the world	Total
2011	£m	£m	£m
Land and buildings	38.6	93.9	132.5
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

2. TOTAL OPERATING COSTS

	2012 £m	2011 £m
Intangible fixed assets and property, plant and equipment		
Depreciation and amortisation		
- owned assets	23.0	26.0
- leased assets	0.2	0.2
	23.2	26.2
Other operating costs		
Payments under operating leases		
- land and buildings	11.8	12.5
Audit fees paid to KPMG LLP	0.1	0.1
Staff costs	79.7	101.6
Other	136.9	146.5
	228.5	260.7
Total	251.7	286.9

“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 (including Directors) employed (full-time equivalent) in the year was:

	2012 Number	2011 Number
Total BBC World Service	1,716	2,021

Within the averages above, 105 (2011: 141) part-time employees have been included at their full-time equivalent of 77 (2011: 96) and 10 (2011: 16) persons on guaranteed minimum contracts have been included at their full-time equivalent of 3 (2011: 3).

In addition to this, BBC World Service employed an average of 89 persons on a casual basis (2011: 17) at a cost of £1.4m (2011: £0.9m).

3b. Staff costs

	2012 £m	2011 £m
Salaries and wages	56.4	63.4
Social security costs	6.8	6.8
Pension costs	19.7	10.7
Restructuring costs	1.8	0.8
Subtotal	84.7	81.7
Exceptional restructuring costs	(5.0)	19.9
Total	79.7	101.6

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 2011/12 (including Directors remunerations) 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 Comprehensive Spending Review settlement were categorised as "exceptional costs" in 2010/11 due to the high number of post closures expected and the total value of payments. £5m was released back into the I&E during 2011/12 as fewer redundancies were required due to additional funding within the Arabic Service and a significant number of employees being redeployed, particularly programme technical operators. This release has been shown as an exceptional item in 2011/12 for consistency. 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 2011/12 Peter Horrocks' time was divided between BBC World Service, BBC World News and BBC.com.

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.

	2012 £000	2011 £000
Short term employee benefits	928	1,269
Termination benefits	-	542
Subtotal	928	1,811
Post employment benefits	131	200
Total	1,059	2,011

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 £74,000 (2011: £100,000).

The aggregate of remuneration for Peter Horrocks, Director, BBC World Service, charged to Grant-in-Aid in the year to 31 March 2012 was £121,000 (2011: £183,000). His time allocation with BBC World Service has decreased from 75% to 50%, due to time spent on BBC.com. As a member of the BBC Pension Scheme, his total accrued annual pension at 31 March 2012 was £153,000.

The highest paid member of the BBC World Service Board in the year received remuneration of £138,000. In the year to 31 March 2011 the highest paid Director received remuneration of £383,000 including a termination payment of £313,000.

All 11 of the full-time members of the BBC World Service Board at 31 March 2012 have retirement benefits accruing under the BBC Pension Scheme (2011: 11 permanent members).

4. TAX

4a. Recognised in the consolidated income statement

The charge for the year, based on a rate of corporation tax of 26% (2011: 28%), comprised:

	2012 £m	2011 £m
Current tax		
UK corporation tax	-	-
Total current tax charge	-	-

The BBC World Service tax charge is based primarily on interest receivable. Taxation in the year to 31 March 2012 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

	2012 £m	2011 £m
Surplus / (Deficit) before tax	8.2	(16.8)
Surplus before tax multiplied by the standard rate of corporation tax in the UK of 26% (2011: 28%)	2.1	(4.7)
Adjustment relating to Grant-in-Aid funded activities	(2.1)	4.7
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 2012

	Property, plant and equipment				Total £m	Intangible Assets
	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m		Software £m
Cost or valuation						
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 1 April 2011	56.7	255.5	19.1	21.7	353.0	22.1
Additions	-	2.1	-	20.6	22.7	-
Brought into service	-	3.4	0.1	(3.5)	-	-
Disposals	-	(0.9)	(0.1)	-	(1.0)	(0.1)
At 31 March 2012	56.7	260.1	19.1	38.8	374.7	22.0
Depreciation						
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 1 April 2011	46.3	165.4	12.9	-	224.6	18.0
Charge for the year	2.0	18.2	1.5	-	21.7	1.5
Elimination in respect of disposals	-	(0.9)	(0.1)	-	(1.0)	(0.1)
At 31 March 2012	48.3	182.7	14.3	-	245.3	19.4
Net book value						
At 31 March 2012	8.4	77.4	4.8	38.8	129.4	2.6
At 31 March 2011	10.4	90.1	6.2	21.7	128.3	4.1

Land and buildings at net book value comprise:	2012	2011
	£m	£m
Freeholds	0.4	0.9
Short leaseholds	8.0	9.5
Total	8.4	10.4

Land and buildings include freehold land at a cost of £0.1m (2011: £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:

	2012	2011
	£m	£m
Finance Leases		
Cost	0.5	0.9
Accumulated depreciation	(0.4)	(0.6)
Net book value	0.1	0.3

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

	2012	2011
	£m	£m
Work in progress - programmes and other	-	0.1
Total programme related assets and other inventories	-	0.1

7. TRADE AND OTHER RECEIVABLES

	2012	2011
	£m	£m
Receivable within one year		
Trade receivables	1.9	2.0
Amounts owed by BBC Group	-	5.7
Amounts owed by other BBC subsidiaries	0.7	0.4
VAT recoverable	0.8	0.9
Other receivables	0.5	0.4
Prepayments	3.7	2.6
Total	7.6	12.0

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 2012 was 16 (2011: 13).

8b. Amounts falling due within one year

	2012 £m	2011 £m
Trade payables		
Programme payables	0.2	0.3
Amounts owed to BBC Group	0.2	-
Other trade payables	2.6	1.9
	3.0	2.2
Other payables		
Salaries and wages	4.2	6.1
Fixed asset payables	0.3	0.1
Corporation tax	-	-
Accruals and deferred income	7.3	3.0
	11.8	9.2
Total	14.7	11.4

There has been a transfer of £4.2m from provisions to accruals at 31 March 2012 relating to the Bush House dilapidations charge as it falls due for payment in September 2012 (refer Note 11 for more details).

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

	2012 £m	2011 £m
Obligations under finance leases	0.1	0.2
Total	0.1	0.2

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

	2012 £m	2011 £m
Obligations under finance leases	-	0.1
Total	-	0.1

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**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. Within 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
2012 – Carrying value and fair value				
Loans and receivables				
Trade receivables	1.9	-	-	1.9
Cash at bank and in hand	9.1	-	-	9.1
Financial liabilities measured at amortised cost				
Trade payables	(0.7)	-	-	(0.7)
Obligations under finance leases	(0.1)	-	-	(0.1)
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)

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 2012 there were no differences (2011: 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 2011	4.0	20.9	0.5	25.4
Utilised during the year	-	(11.8)	-	(11.8)
Released during the year	-	(5.0)	(0.5)	(5.5)
Charge for the year	0.1	1.8	1.2	3.1
Reclassification to accruals	(4.1)			(4.1)
At 31 March 2012	-	5.9	1.2	7.1
Included in current liabilities	-	4.8	0.8	5.6
Included in non current liabilities	-	1.1	0.4	1.5
Total	-	5.9	1.2	7.1
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

The dilapidations provision represents a liability to restore Bush House to its original condition once BBC World Service has completed its move to Broadcasting House London, W1 in November 2012. The dilapidations charge has been agreed at £4.2m and due for payment in September 2012 hence the transfer of this provision to the accruals section of the Balance Sheet.

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. The significant portion of the 2010 Comprehensive Spending Review (CSR) restructuring case was utilised during the year (£11m of the total £11.8m shown above). Approximately £5m of the CSR case was released back into the I&E during the year due to significant redeployments and additional funding made available for the Arabic service. Approximately £2m of the year one CSR case and £1m of the year two CSR case is expected to be paid out during 2012/13.

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. A £0.4m potential employee tax liability has been provided for this year for international offices.

BBC World Service has assets in various locations overseas which are used in short wave transmission of our output. If these sites are taken out of use because of the reduction in short wave radio listening for instance, the BBC will be liable for the cost of decommissioning these sites if no other user takes them over. World Service continues to revise its estimate of the decommissioning liability each year, reflecting the impact of any decision to close the sites.

12. RECONCILIATION OF SURPLUS / (DEFICIT) TO CASH GENERATED FROM OPERATIONS

	2012 £m	2011 £m
Surplus / (deficit)	8.2	(16.8)
Net finance income	(0.1)	-
Depreciation, amortisation and impairment	23.2	26.2
Decrease / (increase) in stocks	0.1	-
Decrease / (increase) in receivables	4.4	(1.0)
(Decrease) / increase in payables	3.3	(2.2)
(Decrease) / increase in provisions	(18.3)	15.7
Cash generated from operations	20.8	21.9

13. CHANGES IN NET FUNDS

	At 1 April 2011 £m	Cash flow £m	Non-cash changes £m	At 31 March 2012 £m
Net cash				
Cash in hand and at bank	11.1	(2.0)	-	9.1
Debt				
Finance leases	(0.3)	0.2	-	(0.1)
Net funds	10.8	(1.8)	-	9.0

14. LONG TERM COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET

14a. Contracts placed for future expenditure

	2012 £m	2011 £m
Fixed asset additions	1.1	1.6
Programme acquisitions and sports rights	0.2	0.2
Other commitments	24.6	21.6
Total	25.9	23.4

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 and Babcock International Group Plc for the provision of transmission services. A new contract was signed in January 2012, taking effect from 1 April 2012.

14b. Operating leases – minimum lease commitments

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

	Land & buildings 2012 £m	Land & buildings 2011 £m
Not later than one year	9.8	9.8
Later than one year and not later than five years	0.4	8.0
Later than five years	-	2.9
Total	10.2	20.7

From 2014, BBC World Service will be funded through the Licence Fee as part of the BBC Group. As a consequence, there are Service Level Agreements in place relating to property and other services that represent BBC World Service's share of the overall cost. Due to the nature of the agreement, these amounts have not been included in the above.

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 content and licenses online content
BBC Croatia d.o.o. (incorporated in Croatia)	100	In liquidation
BBC do Brasil Limitada (incorporated in Brazil)	100	Produces content and licenses online content
BBC East Asia Relay Company Limited (incorporated in Hong Kong)	100	Dormant
BBC Kyiv 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 content and licenses online content
BBC R (incorporated in Russia)	100	Produces content and licenses online content
BBC Radiocom (Bulgaria) EOOD (incorporated in Bulgaria)	0	Liquidated
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)	0	Sold in July 2011
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 content and licenses online content
BBC Media Action *	n/a	International facing charity
Associates		
Multimedia Ventures Limited (incorporated in Great Britain)	50	Dormant
Media Applications Technologies Limited (incorporated in Great Britain)	13	Reviews software and disseminates applications

* Although BBC World Service is technically the parent of BBC Media Action, it 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 Media Action		BBC pension scheme	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Rendering of services	-	-	(1.6)	(1.5)	(0.5)	(0.8)	-	-
Receiving of services	150.8	148.4	2.0	1.3	0.2	0.2	-	-
Pension contributions	-	-	-	-	-	-	19.5	10.6
Total	150.8	148.4	0.4	(0.2)	(0.3)	(0.6)	19.5	10.6

Contributions to the pension scheme are made on behalf of 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	
	2012 £m	2011 £m	2012 £m	2011 £m
Parent company	0.1	4.4	(0.8)	(0.3)
Other BBC subsidiaries	0.5	0.8	(0.2)	-
Total	0.6	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 (2011: £0.2m) during the year to the BBC Media Action, towards education projects and general management and administration costs.

BBC Media Action 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 BBC Media Action are not consolidated with those of BBC World Service. As a result, transactions with the BBC Media Action are not eliminated on consolidation and are shown above.

During the year there were no disclosable transactions with associates. BBC World Service also enters into various transactions with Government and local authorities on an arm's length basis. These transactions include council tax agreements and corporation tax payments.

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 47.

16. BBC PENSION PLANS

16a 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, that are closed to new entrants, to the BBC Pension Scheme, Old Benefits and New Benefits, Career Average Benefits 2006 (CAB 2006) and the Career Average Benefits 2011 (CAB 2011) section.

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 £19.7m in the year (2011: £10.6m). No contributions were prepaid or accrued at 31 March 2012 (2011: £nil).

The actuarial valuation was updated for IAS 19 purposes to 31 March 2012 by Towers Watson, consulting actuaries. This valuation identified a deficit of £1,172.0million in the scheme at 31 March 2012 (2011: £920.5million). Additional disclosure about the scheme and its financial position under IAS 19 is presented below:

16b Pension liability included in the balance sheet

The pension liability included in the Group balance sheet comprises both the BBC Pension Scheme and the Unfunded Scheme as analysed below:

	Pension liability	
	2012	2011
	£m	£m
BBC Pension Scheme	(1,172.0)	(920.5)
Unfunded Scheme	(6.6)	(6.3)
Total	(1,178.6)	(926.8)

16c BBC Pension Scheme

The BBC Pension Scheme was the main pension plan of the Group and although it covers the majority of current employees but is now closed to new entrants. 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

IAS 19 valuation	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Scheme assets*	9,198.5	8,835.8	8,154.8	6454.0	8,042.0
Scheme liabilities	(10,370.5)	(9,756.3)	(9,795.7)	(6,592.6)	(7,513.6)
(Deficit)/surplus	(1,172.0)	(920.5)	(1,640.9)	(138.6)	528.4

* Excluding Additional Voluntary Contribution (AVC) funds

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), interest charged on existing liabilities, any gains or losses relating to participants leaving the pension scheme, changes in assumptions made and benefits paid out during the year.

	2012 £m	2011 £m
Opening present value of plan liabilities	9,756.3	9,795.7
Current service cost	160.0	192.8
Past service cost/(income)	4.8	19.3
Gains on curtailments	(45.0)	(250.4)
Interest on pension plan liabilities	527.2	529.6
Experience losses/(gains) arising on plan liabilities	113.3	(71.7)
Changes in assumptions underlying plan liabilities	189.3	(138.9)
Contributions by plan participants	1.8	7.1
Benefits and expenses paid	(337.2)	(327.2)
Closing present value of plan liabilities	10,370.5	9,756.3

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 employee contributions to the scheme are paid via a salary sacrifice arrangement. These have been treated as employer contributions.

	2012 £m	2011 £m
Opening fair value of plan assets	8,835.8	8,154.8
Expected rate of return on plan assets	643.3	603.4
Actuarial (losses)/gains on plan assets	(157.8)	93.1
Contributions by employer	212.6	304.6
Contributions by plan participants	1.8	7.1
Benefits and expenses paid	(337.2)	(327.2)
Closing present value of plan liabilities	9,198.5	8,835.8

* Excluding AVC funds

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 42.5%, private markets 16.0%, absolute returns 8.5%, return seeking bonds 13.0% and liability matching bonds 20.0%. For more information on the Scheme see <http://www.bbc.co.uk/mypension/>

Type of asset	2012		2011	
	£m	%	£m	%
Equities	4,101	45	4,480	51
Bonds	2,366	25	1,938	22
Property	1,077	12	1,080	12
Alternatives*	1,494	16	1,324	15
Cash	161	2	14	-
Total assets	9,199		8,836	100
Actual return on pension plan assets**	486		697	

* 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 £1,131million. Consequently a recovery plan was agreed between the BBC and the pension scheme Trustees where additional contributions totalling £905million will be paid by the BBC over an 11 year period commencing in 2011. It was also agreed that employer contributions would decrease from 18.15%

to 15.5% on 1 April 2011 and then to 14.5% from 1 January 2012. Employee contributions for Old and New Benefit members are 7.5%, 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				
	2013 %	2012 %	2011* %	2010* %	2009* %
Contribution rates					
Employer**	14.5	14.5/15.5	18.15	18.9	19.1/19.65
Employee (Old and New Benefits)	7.5	7.5	7.5	6.75	6.0
Employee (Career Average Benefits 2006)	4.0	4.0	4.0	4.0	4.0
Employee (Career Average Benefits 2011)	6.0	6.0	-	-	-
Underlying cost of scheme to BBC as % of pensionable salaries	14.5	14.5/15.5	18.15	18.9	19.1/19.65

* Restated to include BBC AVC Plus contributions.

** Includes an allowance for BBC AVC matching contributions of 0.1% (2011: 0.3%), but excludes the cost effectively paid for by the employee and the salary sacrifice element.

On the basis of pension assumptions made, the BBC Group expects to make contributions to the scheme totalling £136.8million in 2012-2013.

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:

Principal financial assumptions	2012 %	2011 %
Rate of increase in salaries	1.0	1.0
Rate of increase in pension payments:		
Old Benefits	3.5	3.7
New Benefits	3.3	3.5
Career Average Benefits (2006)	2.4	2.4
Career Average Benefits (2011)	2.4	2.7
Inflation assumption (RPI)	3.5	3.7
Inflation assumption (CPI)	2.5	2.9
Expected take up rate*	-	40.0
Discount rate	5.2	5.5

* Assumptions required in the previous financial year to reflect the proportion of members that were assumed to transfer into either the CAB 2011 or defined contribution plans following the changes made to the pension plans. As members have transferred during 2011/12, no assumption is required in the current year.

The sensitivities regarding the principal assumptions used to measure the scheme's liabilities are set out below:

		Impact on scheme liabilities %	Impact on scheme liabilities £m
Discount rate	decrease 0.1%	2.0%	(205)
Discount rate	increase 0.1%	1.6%	166
	increase/decrease		
Retail price inflation rate	0.1%	1.8%	187/(186)
	increase/decrease 1		
Mortality rates	year	3.0%	315/(316)

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

	2012 Number of years	2011 Number of years
Principal demographic assumptions		
Retiring today		
Male	27.9	27.8
Female	28.5	28.4
Retiring in 20 years		
Male	30.3	30.2
Female	30.2	30.1

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.

Group LifePlan 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 the funds and this amounted to £0.03m in the year (2011: £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 BBC World Service. The Financial Memorandum with the Foreign and Commonwealth Office (FCO) requires 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 BBC 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 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 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 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 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 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 6 to 7. This, together with the Director's overview on pages 4 to 5, provides an assessment of BBC World Service's performance and current position. BBC World Service's approach to risk management is outlined on pages 41 to 45. 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 2011/12 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 2011/12 financial year was set in the 2010 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 the 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 11 June 2012 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) has 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 the information included in the summary of transactions for the year ended 31 March 2012 has been accurately extracted from the books and records of BBC World Service and the Suppliers and Subsidiaries, and have performed procedures to support 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.

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. Based on reports from 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 2012 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 47.

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 47. 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 2012 the interests of BBC World Service were represented on the BBC Executive Board by the Deputy Director-General. From 1 April 2012, 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, while 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 2012 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 BBC Global News Audit Committee, which is delegated to take responsibility for risk management and other audit related matters for BBC World Service Board. It also incorporates risk management for other operations which comprise BBC Global News. The BBC Global News Audit Committee is separate from the BBC Executive Audit Committee.

In its consideration of risks at BBC World Service, the BBC Global News Audit Committee forms a key part of the risk management process. The Committee has 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 News Group Board 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, 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 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 strengthened with the completion of a project to deliver and test enhanced continuity facilities in a number of key international offices. Continuity plans have been successfully invoked on a number of occasions to respond to incidents both in the UK and internationally. A new business continuity strategy has been developed for the move of BBC World Service to New Broadcasting House and implementation is now underway.

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 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), Dr Mike Lynch, Val Gooding (appointed 25 May 2011 and whose term of office concluded 31 December 2011) and Dame Fiona Reynolds (appointed 1 January 2012). The Board is satisfied that Simon Burke has 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. The Chairman of the Committee reports back to the Board after each meeting on any area within its remit where action or improvement is required. The Committee Chairman also produces a formal report to the Board 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 UK Corporate Governance 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. KPMG is not considered for work which might compromise its 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 Fair Trading Policies and Framework. These are given effect through the BBC's Fair Trading Guidelines (which include the BBC World Service Trading Protocols) which can be found at www.bbc.co.uk/aboutthebbc/insidethebbc/howwework/policiesandguidelines/fairtrading.html.

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

The BBC Executive commissions independent auditors, currently Deloitte LLP, to undertake an annual fair trading audit to determine whether it has established and applied a system of internal controls which provide reasonable assurance that it has complied with its Fair Trading obligations. 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 1,700 people of whom 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

The year 2011/12 has been the busiest in terms of journalism training that BBCWorld Service has ever experienced in its 80 year history. As the organisation has gone through seismic change, migrating to W1 and adopting a host of new broadcast technologies in the process, training has been essential in helping the move go as smoothly and painlessly as possible.

It's been quite a challenge. The move to W1 required hundreds of staff get to grips with new audio editing software, new video editing software, new digital studios, a Windows 7 upgrade, new clip studios, the Multi-Platform Area and its associated gallery - to name but a few. Almost all of these technologies were broadcast critical. All this had to be achieved in a tight inflexible migration window of just four months.

In terms of numbers, at the time of writing (May 2012):

- A team of 15 journalism trainers have been involved in delivering W1 training, devising workflows, testing the technology, drawing up and delivery the courses;
- 64 producers have been trained as VCS (audio) super users over 203 individual training events;
- 50 Quantel (video) Super Users have been trained over 200 days of training in London and at Quantel headquarters in Newbury;
- 1,357 days of training have taken place, training 526 individuals;
- 116 separate courses have been held;
- Training has provided floor walking and desk side support for the launch of 15 language services in W1;
- Training has also been centrally involved in proving technology, troubleshooting technical issues, as well as piloting and preparing teams for launches, be they audio, video, TV or online.

By the end of the migration, these figures will be in the region of:

- 2,300 days of training;
- 800 individuals;
- 167 separate courses.

In addition to W1, journalism training has been deeply involved in preparing launches of TV output from BBC World Service language teams, training reporters overseas and in London. Considerable time, effort and resources have been devoted to the Small Camera Project which aims to increase the organisation's

ability to gather video in the field and publish it to website or TV outlets across the BBC. As part of this project, over 200 BBC World Service reporters and producers in London and around the world have been trained in how to capture quality video and either publish it or deliver to bureau / London. This has considerably enriched newsgathering capability and made tremendous use of our unrivalled global networks of reporters.

Finally, intensive investment has been made (£70,000) to increase the amount of English language coaching for BBC World Service staff who require it.

BBC World Service has also invested heavily in Leadership and Management training in 2011/12, both to increase capability as we move forward from the 2011 CSR restructure, and to prepare leaders and managers for the move to W1. The BBC World Service HR team have played a key role in the design of the pan-BBC Leadership Essentials programme relaunched in 2012, in terms of ensuring relevance of content to a BBC World Service management population, and accessibility for managers based outside the UK. BBC World Service has set aside funding of £60,000 to secure 36 places for managers on the programme in 2012.

In addition to this, the BBC World Service HR Team have designed and delivered four 'Management Fundamentals' two-day programmes, which are aimed at emerging managers at the team leader level, and 34 delegates have taken part.

Finally, some bespoke development initiatives have been commissioned for Language Service Heads in preparation for the move to W1. This includes specific public speaking coaching for individuals who will be showcasing the work of their language services across the W1 campus; a day looking at personal brand and what it means in the context of W1, and a specific strategy event focussing on how Language Service Heads translate strategy into everyday output.

Internal communications

Helping teams through change as a result of the Comprehensive Spending Review has been a key priority for Internal Communications. Internal Communications worked closely with HR to communicate all processes in place to help staff facing redundancy and career changes. This included regular communication by email, setting up a dedicated intranet site, and equipping managers with the skills needed to help their staff through this change.

Internal Communications utilises a number of channels to communicate with staff, including targeted email communication, a weekly editorial highlights newsletter, a Global News intranet site, staff sessions with the Director, Global News and regular Creative Network meetings where a range of speakers talk about matters of interest. In addition, senior managers receive a monthly managers' brief for them to use in team meetings and the leadership team is invited to a monthly leadership breakfast on a range of strategic subjects, covering BBC World Service, Global News, the wider BBC and industry matters.

With the ongoing move to a new home in W1 for all BBC World Service staff, Internal Communications ensured that W1 matters were covered in detail, including regular slots at the leadership briefing, information in the managers' brief, the opportunity for staff to discuss the move and their views during staff sessions with Peter Horrocks. All teams were given briefing sessions to prepare them for the move by the W1 Change team.

Senior managers at BBC World Service attend a monthly leadership briefing with the Director, BBC 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 2012 %	At 31 March 2011 %	BBC group target %
All staff working in the UK	43.6	51	12.5
Senior managers working in the UK	8.9	11	7.0

Gender representation

BBC World Service closely monitors gender representation within the workforce. At the end of March 2012, women represented 41.5% of the workforce (2011: 40.3%).

People with disabilities

Of the staff employed by the BBC World Service 2% declare themselves to have a disability (2011:2.0%). The BBC World Service will continue to work towards achieving the BBC target of 5.5 per cent.

Senior employees

Details of the number of senior employees earning more than £60,000 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 2012 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	2012	2011
£60,000-£69,999	2	3
£70,000-£79,999	9	8
£80,000-£89,999	10	7
£90,000-£99,999	1	2
Total	22	20

BBC World Service Board members are excluded from the table. Details of their remuneration and the associated remuneration policy are shown on pages 48.

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 completion of a new training programme for journalists in the UK and internationally. A programme of managers' assurance visits designed to monitor the effectiveness of risk management arrangements has been introduced.

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 a new programme of electrical safety testing has commenced.

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. The year was marred with the sad death of a reporter in Afghanistan and serious injury to another reporter in Libya.

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 below.

Remuneration policy

The remuneration policy for the BBC World Service Board is in line with the rest of the BBC. 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 2011/12 financial year and nor were any paid relating to 2010/11.

Remuneration in the year

The remuneration of permanently appointed members of the BBC World Service Board is set out below. As several 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. Allocations are assessed on an annual basis.

BBC World Service Board Remuneration

	Note	Base pay £000	Allowances and benefits £000	Compen- sation for loss of office £000	Total 2011-12 £000	Share of costs allocated to GIA 2011-12 %	Total 2010-11 £000
Members serving at 31 March 2011	1-3						
Behrouz Afagh		105	8	-	113	100%	114
Nikki Clarke		91	7	-	98	100%	100
Jim Egan		97	3	-	100	68%	95
Peter Horrocks		117	4	-	121	50%	183
Liliane Landor		125	8	-	133	100%	131
James Montgomery		48	1	-	49	40%	35
Sanjay Nazerali		17	1	-	18	11%	24
Lindsey North	4	46	3	-	49	53%	70
Richard Porter		44	4	-	48	40%	13
Richard Thomas		131	7	-	138	93%	142
Richard Thurston		58	3	-	61	59%	82
TOTAL		879	49	0	928		989

Notes:

- 1 Remuneration shows the proportion of each BBC World Service (WS) Board member's costs attributable to Grant-in-Aid funded activity in the year to 31 March 2012 together with their comparative totals for the previous year. The total remuneration for BBC World Service Board for 2011/12 and its comparative for 2010/11 is shown in note 3c to the financial statements.
- 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 Allowances and benefits include, where applicable, car allowance, health insurance and any adjustments relating to buying or selling leave.
- 4 Lindsey North's contracted employment is for 4 days per week.

BBC World Service employer contributions to the BBC Pension Scheme for BBC World Service Board members in the year were £131,000 (2011: £200,000). 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 2012 was £74,000 (2011: £100,000).

For the purposes IAS 24 "Related Party Disclosures" the key management of BBC World Service in 2011/12 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 36 requests for information relating to BBC World Service were lodged under the terms of the Act during the year ended 31 March 2012. The corresponding figures for 2011 and 2010 were 43 and 27 respectively. Requests for information came from a range of journalists and members of the public and covered areas such as BBC Persian, BBC Hindi, policy information, expenses information, office locations, journalism and journalist details, and staffing matters, some of which was out of scope of the Act. 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 no requests under the UK Data Protection Act 1998 in 2011/12. During this period 93% of divisional staff had current training in the Data Protection Act, comprising completion of a data protection online training module. A programme of face-to-face data protection training sessions is also underway for key identified staff.

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.

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.

During the year, 71 complaints were logged on a range of editorial issues, including allegations of bias, factual errors, poor use of language. Of these 4 were upheld in part by management – these related to factual inaccuracy, bias and moderation standards on comments blogs. The lessons learnt were discussed with the programme makers.

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.

BBC World Service Annual Review, 2011/12: Performance Measurement

BBC World Service is funded through Grant-in-Aid from the Foreign and Commonwealth Office, allocated as part of the Government’s Comprehensive Spending Review (CSR) process. It reports performance against a number of measures agreed annually. 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

BBC World Service to enhance its position as the best-known and most respected voice in international radio and online broadcasting.

Target 1:

BBC World Service to reach an estimated weekly global audience of at least **166 million** adults across all platforms.

Target (million)	Actual (million)
166	180 (+14m)

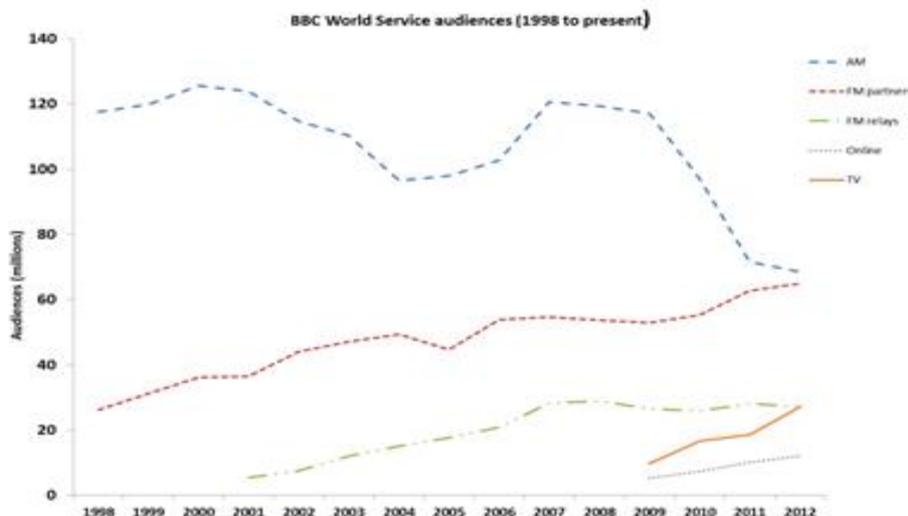
Radio and TV estimates added or updated in 23 countries which account for 44% of estimated audience in 2011. Online estimate updated in all countries using average weekly Unique Users for February 2012.

Note 1: Performance data from Egypt was collected during the year; but given the size of the market and the uncertainty of the situation another update will be carried in the coming months. These figures have therefore not been included in the 2012 Global Audience Estimate.

Note 2: Data from Ivory Coast is also excluded as the survey was completed during the post-election crisis, when there was a heightened need for news.

This target was met.

BBC World Service is adapting to changing consumer preferences and delivering news across a wider range of platforms than in the past. The chart below demonstrates shifts in audience composition as short wave transmissions reduce, and online, television and FM grow - and BBC World Service is continuing to adapt its offer to maintain global impact.



Key changes to the Global Audience Estimate have included:

- **India:** overall BBC World Service audience has increased to 8.2 million, driven by Hindi audiences on FM.
- **Iran:** BBC World Service reaches 6.9 million weekly (12.2%) across all platforms in Iran. BBC Persian TV saw an increase in reach of 3 million.
- **Somaliland & Puntland:** new coverage. 60% listen weekly - BBC World Service's highest percentage reach in any measured country in the world. Audience measurement in Somalia itself is not possible.

A number of countries saw increases related to ongoing uprisings and protests in the Middle East:

- **Iraq :** total BBC World Service reach increased by 11% and by 13% in Arabic, driven mainly by Arabic TV which reaches 26% of Iraqis.
- **Jordan:** BBC Arabic now reaches 26% of Jordanians weekly.
- **Morocco:** BBC World Service reach is up 4% year-on-year, primarily driven by BBC Arabic TV.
- **Saudi Arabia:** BBC World Service reach has increased by 0.6 million, mainly TV driven. However the radio audience has declined, mainly due to preference for TV news and limited distribution of BBC radio in Saudi Arabia.

In some places audiences declined:

- **Bangladesh:** an overall decline of 1.8 million, including 1.1 million on short wave radio.
- **Nigeria:** overall audience declined by 0.2 million for BBC World Service on any platform across the whole country.
- **Sri Lanka:** a drop in audiences to the BBC to 0.35 million, down from 1.2 million (last survey 2005). At that time the BBC was available on short wave radio only and the country was in a state of civil war. Three-quarters of listeners now access the BBC on FM via partner SLBC.

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	27

Estimates added or updated in 11 countries.

This target was met.

Television audiences continue to increase, up almost 50% on last year's total (18.6 million).

- BBC Arabic TV gained audiences during the Arab uprisings (*see Target 1, note 1*).
- BBC Persian TV has doubled its audience to 6 million, despite its signals being persistently jammed.

Awareness, Reach, Objectivity, Relevance, Value and 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
Algeria	ü	ü	ü	ü	n/a	n/a
Bangladesh	ü	ü	ü	ü	n/a	n/a
Malawi	ü	ü	n/a	n/a	ü	ü
Nigeria	ü	ü	ü	ü	ü	ü
Somaliland	ü	x	ü	x	n/a	n/a

Active Internationals	Awareness	Reach	Objectivity	Relevance	Value	Loyalty
Algeria	ü	ü	ü	ü	n/a	n/a
Bangladesh	<i>Data purchase: Active Internationals not available in survey</i>					
Malawi			ü			ü
Nigeria	ü	ü	n/a	n/a	ü	ü
Somaliland	ü	x	ü	ü	ü	ü

Base: all respondents

Base: people who have ever used that station/ channel

ü BBC rated higher x Competitor rated higher n/a Question not asked

- BBC World Service continued to achieve high ratings, scoring equal to or higher than its closest international competitor in 91% of indicators measured. In Somaliland, where BBC scored higher for Awareness and Objectivity, the competitor had better reach and was considered more relevant.
- Reputation data were collected in Egypt and Ivory Coast but are not shown as these markets were not included in the Global Estimate (see Target 1, note 1). A survey was also carried out in India, but comparison with a suitable international competitor was not possible.

BBC Arabic

BBC World Service to deliver a high quality multimedia news service in Arabic for and about the Middle East, including a 24-hour television service.

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	BBC Arabic television	BBC Arabic overall	BBC Arabic overall
Target (million)	Actual (million)	Target (million)	Actual (million)
17	21	25	25

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

This target was met.

PERFORMANCE MEASUREMENT - CONTINUED

- While the overall figure for BBC Arabic increased by 4 million across all platforms, BBC Arabic television was up by 7 million – an increase of 50%. This also demonstrates however that the radio audience is declining.
- These figures exclude the audience growth observed in Egypt this year, which suggests that at key points this year the audience to BBC Arabic TV has been significantly larger.

Target 5:

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

General	Awareness	Reach	Objectivity	Relevance	Value	Loyalty
Algeria	ó	ü	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

This target was met where reputation data was available.

- Data for most Arab markets was purchased and did not contain all the reputation indicators.
- Data was collected for Egypt, and indicated higher rating than competitor for reach, objectivity and relevance; however these are not shown here as they are not included in the global estimate (see Target 1, note 1).

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 6:

13 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)
13	12

This target was not met.

- Online audiences increased, and BBC World Service online reach grew by nearly 20% this year to 12 million weekly users. However this is down on last year’s 40% increase, and the rate of growth was lower than anticipated, particularly for some of the larger websites. BBC World Service faces increasing competitive pressures and establishing key drivers of usage and engagement for priority sites, particularly during low news periods, will be a priority for its digital services in 2012/13.

Target 7:

1 million 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)
1	1.1

This target was met.

- BBC World Service achieved record reach in February 2012, a particularly strong news month. The increase was driven largely by the coverage of events in the Middle East.
- BBC World Service mobile sites showed an increase in unique users of 175% over the past year. Although, still a small audience, this was the highest rate of growth for any of the BBC World Service platforms measured.