



PART TWO:

Annual Report and Accounts 2007/08

The **BBC** Executive's review and assessment

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“

...quality programming that informs us, educates us and more often than not, entertains us. These three tenets are as important today as when they were first uttered around 80 years ago.

”

WELCOME

When I wrote to you a year ago, our award-winning Gaza correspondent Alan Johnston was still missing. We didn't know if we would ever see him again. And then, what we'd all been hoping, working and praying for: Alan's tired but smiling face as he was led to freedom.

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

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

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

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

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

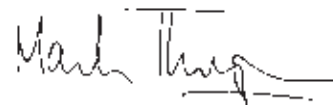
Radio is flourishing under Jenny Abramsky who leaves us this year having made an extraordinary impact over her 39 years here. It is a fitting tribute that BBC radio has never been stronger: Radio 4 has adapted – and won the plaudits of the entire industry; Radio 2 listeners grow by the day – with 8.1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

How the BBC adapts to the new digital and on-demand world will shape the future of the Corporation for the next ten years. At Christmas we launched BBC iPlayer, offering BBC television and radio output broadcast over the previous seven days. Audiences of all ages embraced it quickly, and by March it had already reached over 17 million monthly

downloads and streams. And it's still growing. There is no evidence that it is impacting our linear television and radio ratings which remain very strong.

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

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



Mark Thompson
Director-General
19 June 2008

About the BBC



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

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



Fritz F. Pleitgen
President of the European
Broadcasting Union

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

The BBC's public purposes are:

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

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

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

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

Citizenship

News and Current Affairs will remain in peaktime schedules, including BBC One

Creativity

We will develop new talent – and some of the best from the digital channels will get terrestrial outings

Global

Our content will offer the best of the UK to the world as well as bring the best of the world to the UK

Learning

Educational and interactive output will be offered to children in a safe environment

Community

Our local and nations' news and information will reflect the concerns and priorities of the area

Digital

We will offer services and content on digital platforms, to stimulate interest in digital adoption

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

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

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

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

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

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

On the following pages you will find the stories of some individuals' relationships with the BBC this year. Every one of them can be tracked back to 'inform, educate and entertain'.

ME1 PVW

ME2 PVW



MAIN

ME1 PGM

ME2 PGM



DSK PV





BBC: THE TRUSTED VOICE IN NEWS THE WORLD OVER

**Mishal Husain,
NEWS PRESENTER**

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

Global news is a crucial element of the BBC's newsgathering and reporting activities around the world. This year we've launched BBC Arabic TV – and are planning to launch BBC Persian TV later in 2008. Both services are part of a £30million Grant in Aid restructuring investment at the World Service. Other improvements include enhancements to new media services (including Spanish and Urdu), more FM distribution for our radio services, better international newsgathering facilities – all of which will enhance the BBC's reputation as a trusted voice in global news. In other areas, we launched a nightly newscast, BBC World News America, on BBC World News, and the international news site element of bbc.com



BBC &me

The children

“
Children's
programming
without ads?
Now that is
something
special!”

**Cormac (6) and Rory (4),
BRIGHTON**

Mum Louise says 'It's hard work being their age. Everywhere they look, they're bombarded with toys and sweets that apparently they can't live without. The lack of ads on the BBC is a real godsend, something I didn't fully appreciate when I worked there and before I became a full-time mum, oddly enough*. And it's also funny how my feelings towards the place have evolved over the years as my priorities have changed – from viewer to employee to parent. Today, we watch CBeebies and CBBC on Freeview and use the CBeebies website, mainly for Balamory karaoke though I also look at the Grownups messageboard to see what parents are currently discussing. It is great having dedicated channels, especially for pre-school when you're often at home all day. Programme quality is high and there's a wide range – not just cartoons. Justin Fletcher (aka Mr Tumble) is the best presenter on children's television. He is brilliant; not at all patronising. He's the mum's favourite on the messageboard! We all sit down and watch *The Sarah Jane Adventures* and *Jackanory* together. I really like us to be able to do this and all get something out of it, and now they're older we can do that.

* Louise left the BBC in early 2006.

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

BBC & me

THE 'STRICTLY'
FANS

“Anything that **BRINGS**
COMMUNITIES
together
is worth making a
song & dance
about”



**Ute Scholl & Anna Leatherdale,
ARGENTINE TANGO TEACHERS,
DEVON**

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

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

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

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

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

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





POST CARD

"Catering
for my family
and my community!"

Cathy Mary MacMillan,
DOUNE CARLOWAY ON THE ISLE OF LEWIS

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

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

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

For more on our corporate social responsibility work see
www.bbc.co.uk/outreach



BBC &me

**THE INDEPENDENT
PRODUCER**

//

BBC & INDEPENDENTS:

**PARTNERS
IN**

CREATIVITY //



**Claire Parker,
EXECUTIVE PRODUCER,
KUDOS FILM AND TV**

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

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

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

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

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

BBC & me
The band

**EDICINE SHOW
DIRECTION
LECTRIC CINEMA**

Monday 26th May

**Promoting
new
talent**

£6/5 (Thu-Sat) £5/
Nearest tube: Camden tow

**Kids in Glass Houses,
CARDIFF**

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

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

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

To listen to the best in music – live and recently broadcast – log on to Radioplayer via www.bbc.co.uk/music/listen/. For some of the best in unsigned music visit www.bbc.co.uk/music/introducing/

Tim Levell,
BLUE PETER EDITOR

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

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





“Helping my Journey

GUJARAT



CHHATTISGARH



become a
shared
experience”

**Qasim Ahmed,
LAW STUDENT,
GLOUCESTER**

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

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

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

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

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

BBC *&me*

THE BROADCAST ENGINEER



“ WE’RE READY FOR THE BIG SWITCH ”



Steve Longhurst,
BBC DISTRIBUTION MANAGER

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

The BBC is taking the lead in readying the UK for final terrestrial switch off, when all television in the UK switches to a digital signal. About 25,000 households in Cumbria were first to lose their terrestrial TV signals (in October 2007). The rest of the Border region will switch over in 2008, and the whole process will end in 2012 when Ulster, Tyne Tees and London get their turn. Between now and then, the BBC will have invested around £1 billion on facilitating digital roll-out for the UK. For more information on digital switchover and how it will affect you, see www.bbc.co.uk/digital





Around 2 million people in the UK have face to face contact with the BBC each year. We find out what the remaining 58 million or so like and expect through extensive market research and analysis...

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

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

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

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

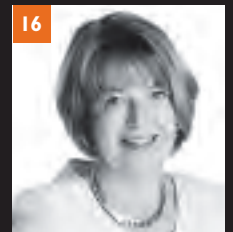
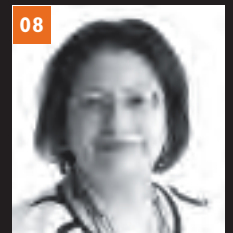
93% of the UK population watched BBC television, listened to BBC radio or used BBC online services on average every week last year.



The Executive Board manages the BBC. It is chaired by the Director-General and has a significant minority of non-executive Directors.

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

The Executive Board is responsible for the delivery of BBC services and day-to-day operations across the organisation against the plans that have been agreed with the BBC Trust. The BBC Trust holds the Executive Board to account.



01 MARK THOMPSON

Director-General since June 2004. Chair of the Executive Board and the BBC Direction Group, made up of all the BBC's divisional directors.

"The BBC News website keeps me going 24/7, but for my family the highlight of week – whether live or on BBC iPlayer – remains the amazing *Doctor Who*."

02 MARK BYFORD

Deputy Director-General. Board member since 1998. Chair of the Journalism Board. Chair Editorial Standards Board, Complaints Management Board, Learning Board and London 2012 Olympics Coordinating Group.

"Robert Preston's scoop on Northern Rock; John Simpson's vivid reports from Baghdad and Zimbabwe; brilliant coverage of the Federer/Nadal epic Wimbledon Men's Final; and the outstanding public service role of Local Radio during the floods."

03 JENNY ABRAMSKY CBE

Director of Audio & Music. Board member since April 1998.

"*Reunion* on Radio 4, with Sue MacGregor, on the Brighton Bomb had an extraordinary cast list: Patrick Magee, who planted the bomb, looked back on the day and its repercussions with Lord Hurd (then NI Secretary), conference producer Harvey Thomas, and Jo Berry, whose father Sir Anthony Berry was killed."

04 JANA BENNETT OBE

Director of Vision. Board member since April 2002. Non-executive Director of BBC Worldwide Limited.

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

05 TIM DAVIE

Director of Marketing, Communications & Audiences since April 2005. Trustee, BBC Children in Need. Director of Freesat (UK) Limited and a non-executive director of Digital UK.

"Mark Ronson at the *Electric Proms*. A standout gig from a recent great addition to the BBC's schedules."

06 ASHLEY HIGHFIELD

Director of BBC Future Media & Technology. Board member since October 2000.

"BBC iPlayer made all the difference to how I watched *The Apprentice* this year. I also love the look of bbc.co.uk's new homepage, and teen service bbc.co.uk/switch".

07 STEPHEN KELLY

Director of BBC People since October 2006. Trustee of the BBC Pension Scheme.

"Radio 4's *Today* programme in the morning, and *Chris Evans* on Radio 2 on the way home, are both staples for me."

08 ZARIN PATEL

Group Finance Director since January 2005. Trustee of the BBC Pension Scheme and non-executive Director of BBC Worldwide Limited.

"Being able to catch more of the stuff I like because it's available on BBC iPlayer or as downloadable podcasts is just great."

09 JOHN SMITH

Chief Executive of BBC Worldwide Limited. Board member since 1997.

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

10 CAROLINE THOMSON

Chief Operating Officer. Board member since May 2000. Trustee of the BBC Pension Scheme. Non-executive Director of Digital UK.

"I would make sure that I was home on Friday evenings when *The Choir – Boys Don't Sing* was on – greatly involving television."

11 MARCUS AGIUS

Appointed non-executive Director and Senior Independent Director in December 2006. Chairs the BBC Executive Board's Remuneration Committee. Chairman of Barclays PLC. Trustee of the Royal Botanic Gardens, Kew and Chairman of the Foundation and Friends of the Royal Botanic Gardens, Kew.

"Gardening is a passion, and every year I particularly enjoy all the coverage of the RHS Flower Show at Chelsea."

12 DR MIKE LYNCH OBE

Appointed non-executive Director in January 2007. Technology entrepreneur and founder and CEO of *Autonomy plc*. "*Coast* and *Andrew Marr's History of Britain* were unmissable, *In the Night Garden* was a huge hit with my kids, who've given up trying to explain it to me."

13 DAVID ROBBIE

Appointed non-executive Director in January 2007. Chairs the BBC Executive Board's Audit Committee. Group Finance Director at *Rexam PLC*. Trustee of the Almeida Theatre.

"*Cranford* and *Gavin and Stacey* were both essential quality viewing this year. And Radio 4's comedy is a constant source of joy, like Friday's *The News Quiz*."

14 DR SAMIR SHAH OBE

Appointed non-executive Director in January 2007. Chief Executive of Juniper Communications Limited. Chair of the Runnymede Trust, trustee of the Victoria and Albert Museum and Special Professor in Post-Conflict Studies in the School of Modern Languages and Cultures, University of Nottingham.

"Trevor Eve in *Waking the Dead* and as *Hughie Green* – an actor at the top of his game. While on radio, Charles Wheeler remains peerless."

15 ROBERT WEBB QC

Appointed non-executive Director in January 2007. Chairs the BBC Executive Board's Fair Trading Committee.

Appointed QC in 1988. General Counsel for British Airways. Also non-executive director of the London Stock Exchange and of *Hakluyt & Co Ltd* and Board Member of *London First*. Honorary Fellow of UNICEF.

"My highlight has to be the Christmas *Doctor Who*, not only made in Wales, but with Kylie and some fabulous cameos."

16 VAL GOODING CBE

Appointed non-executive Director in January 2008. Chief Executive of BUPA. Also non-executive board member of Standard Chartered and J Sainsbury, Advisory Board Member of Warwick Business School, Trustee of the British Museum, non-executive director of the Lawn Tennis Association.

"Business coverage on Radio 5 live and the *Bottom Line* on Radio 4 are constant favourites. And I loved *Lark Rise to Candleford*."

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

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

There is no entitlement to any additional remuneration in the event of early termination other than in the case of termination for reason of redundancy.

Executive Directors may also hold non-remunerated posts outside the BBC.



AT A GLANCE

The BBC Trust assesses the performance of the BBC's management and its services, outlined on these pages. See Part One of the BBC Annual Report and Accounts for their review of 2007/08. You can find this online at bbc.co.uk/annualreport

Vision



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



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



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



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



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



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



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

Future Media & Technology



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



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



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

Audio & Music



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



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



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



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



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



BBC 5 live Sports Extra is a part-time network providing additional sports coverage through rights already owned by BBC Radio 5 live to deliver greater value to licence fee payers



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



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



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



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

Journalism

BBC NEWS

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

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

BBC WORLD SERVICE

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

BBC WORLD

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

BBC PARLIAMENT

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

BBC SPORT

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

Journalism – Nations & Regions

BBC English Regions

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

BBC Northern Ireland

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

BBC Cymru Wales

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

BBC Scotland

BBC Scotland produces a broad range of distinctive television and radio programmes for all age groups that properly reflect the diverse nature of Scotland, including the new BBC ALBA Gaelic language service

Review of services



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Future Media & Technology



This has been one of the most technologically influential years in media ever – and the BBC has been leading from the front. BBC iPlayer is heralding a quantum change in how and when we all – from the Radio 3 aficionado to the *EastEnders* groupie – can choose to take our ‘radio’ and our ‘telly’. Creativity, ingenuity and innovation don’t start and end with the content.



Ashley Highfield
Director of Future Media
& Technology



Much children's output, like favourite *Charlie and Lola*, have popular interactive elements.

BBCi's average weekly reach.

BBCi is very popular for big sporting events like Wimbledon, and live music like Glastonbury.

Once more we have seen continued growth for our online, interactive and on-demand services:

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

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

Audiences of all types – from teenager siblings with different tastes in music to their grandparents looking to pass half an hour before going out to their mid-week tango class – are becoming progressively more demanding as well as sophisticated in their content needs. It is also becoming more challenging for broadcasters to be able to provide that content to them how, when and where they want to view or listen to it. Markets and audience expectations are both evolving at great pace.

BBC iPlayer and Radio Player offer top-quality content for everyone, at a time and place convenient to them. Innovative and high-quality services like these have something for everyone and help the BBC to deliver genuine value to licence fee payers. This value

improves as more people adopt and use the services. New services safeguard our core mission to offer programmes and content that inform, educate and entertain, and complement our purposes at a time of rapid technological change.

The digital future seems likely to become increasingly non-linear – and the BBC will publicly test other non-linear services like BBC iPlayer in the years to come.



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

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

The appeal of BBCi extends beyond sports, and the red button is increasingly being used by audiences looking for interactive music and entertainment programming. Over 2.6 million people used us to watch Glastonbury interactive and over 1.5 million pressed red

for *Celebrity Fame Academy*. A similar number sang along to the *Eurovision Song Contest*. *The Proms* were a highlight for audiences, particularly the one showcasing former Eurovision hopeful Michael Ball.

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

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

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



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



44%



Websites support a lot of BBC programmes, and offer a richer experience than viewing or listening alone.

UK adult internet users who use bbc.co.uk

BBC iPlayer offers another chance to catch programmes you'd otherwise miss.

4.3 million hours of on-demand radio content that same month – with a further 3 million hours picked up globally.

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

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

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

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

In response to audience demand, we have beta-launched */programmes* (which is a one-stop shop for all programme

information), and */topics* pages (which brings together in one place a wealth of information around major events like the Iraq conflict, or people like Gordon Brown, or subjects like climate change). The stories and personalities that affect our audiences, interest them too. News, sport and weather accounted for around half of all page impressions over the year.

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



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

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

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

Big successes on BBC iPlayer come from all genres: entertainment, comedy, factual and

drama programming are all popular. The most streamed programme in the last financial year was an episode of BBC One's *The Apprentice*, while *Louis Theroux: Behind Bars* for BBC Two, in which the documentary maker investigated America's penal system, was second. Other top titles include *Gavin and Stacey*, *Ashes to Ashes*, *EastEnders* and *Torchwood*.

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

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

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

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

Vision



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



Jana Bennett
Director of Vision



Cranford was just one of our drama jewels this year.

The number of people in the UK who watch BBC One each week.

Landmark series covered areas as diverse as natural history, science and architecture.

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

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

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

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

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

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

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

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

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

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

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

The BBC iPlayer has played an important part in increasing the prominence and

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

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



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

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

These series were part of many drama titles with broad audience appeal. Others included *Waking the Dead*, *Hustle*, *Hotel Babylon*, *Spooks* and *The Street*. Younger viewers have been equally well served this year with *Doctor Who*,



Andrew Marr took viewers on a journey through modern Britain – winning awards in the process.

£1 MILLION

Money raised for *Children in Need* by *Strictly Come Dancing* phone votes.



A season of programmes explored the continuing impact of 1947's partition of India and Pakistan.

Robin Hood and *Waterloo Road* all returning and drawing in under 16s with their familiar characters and engaging storylines. *EastEnders* has been reinvigorated, and viewers have responded positively to the programme's rich investment in new writing talent.

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

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

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

We also took the opportunity to establish a more consistent, audience-focused schedule on Sunday evenings last year. *Antiques Roadshow* has now moved to its new peaktime slot, and is regularly followed by popular drama. For the first time we experimented with the *Strictly Come Dancing* results show on Sundays, with an average of

8.4 million tuning in each week to see who will be waltzing into the sunset. The show really has caught viewers' imaginations, as well as raising well over £1 million for *Children in Need*. Everyone is looking forward to series six later in the year.

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

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

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

This year *Panorama* established itself back on Monday night, bringing challenging and impactful stories such as Afghanistan to peaktime and achieving its highest audiences

in five years. In addition the channel produced a number of high-impact current affairs specials including *Iraq: No Plan No Peace*, *The Blair Years*, *Midwives Undercover* and *Taking on the Taliban: The Soldiers' Story*.

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

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

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



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

BBC Two has a reputation for making complex ideas accessible and compelling for viewers. Highlights from our schedule which did just this were *Andrew Marr's History of Modern Britain*, an epic account of events that



The hugely successful *Gavin and Stacey* was a showcase of some of the best of new UK talent.

600,000

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



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

have shaped our lives since the end of the Second World War and, covering a longer timescale, Dr Iain Stewart's *Earth: The Power of the Planet* told the story of our planet from its birth 4.6 billion years ago. *India & Pakistan 07* was an ambitious season marking the 60th anniversary of independence for both nations, including Michael Wood's distinguished landmark series *The Story of India* as well more personal series such as *India With Sanjeev Bhaskar*. The season had great success with Asian viewers, reaching over half of all UK Indians and Pakistanis.

New documentary strand *Wonderland* provided a showcase for exploring the diversity of life in today's Britain, while the *White Season* was a provocative collection of films that threw a spotlight on the white working-class in Britain today: programmes included *Last Orders* about the embattled Wibsey Working Men's Club in Bradford, plus *The Poles Are Coming*, *Rivers Of Blood*, and *All White in Barking*.

The season also included *White Girl*, a play written by Abi Morgan, featuring a remarkably mature central performance from young Holly Kenny. Other notable fiction on the channel this year included single dramas *Stuart: A Life Backwards* and Stephen Poliakoff's *Capturing Mary*, as well as popular series *The Tudors* and *Torchwood*. *10 Days to War* was an innovative sequence of short dramas marking the fifth anniversary of a British presence in Iraq, with leading UK actors including Kenneth Branagh, Juliet Stevenson and Art Malik taking part in the first collaboration of its kind between BBC Vision and BBC News.

In comedy *Never Mind the Buzzcocks* did well with younger viewers, as did other returning comedy titles *Lead Balloon* and *That Mitchell & Webb Look*. Developing new comedy is a time-consuming business, and always carries big risks, and although *Roman's Empire* and

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

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

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

BBC
three

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

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

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

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

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

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

Last year was also a big year for us in terms of our commitment to new media and technology. In February the channel was revamped, with a focus on merging our television and web elements into a unified offering. All programmes are now simulcast



Mr Tumble uses a simple sign language to communicate with his young viewers.

The growth in reach last year of BBC Four.

In the Night Garden is CBeebies' most popular programme ever.

on the web at bbc.co.uk/bbcthree, and we offer regular slots for user-generated content in peaktime. Alongside this innovation, BBC Three sought out content ideas that drew television and the web together, with *Lily Allen and Friends* receiving particularly positive feedback from young audiences.

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

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



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

Holding on to our original vision, we aimed to increase the authority and impact of our documentaries by moving towards more short-run series and away from single programmes. This resulted in a highlight of the year, *The Genius of Photography*, our first six-hour series, which explored our 170-year relationship with the craft of photography, and shared the stories behind images taken by the most iconic practitioners. Also in Arts, *Masterpieces of the East* and *The Art of Spain* each looked at particular environments which drove artistic creativity, and the art that grew out of them.

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

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

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

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

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

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



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

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

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

We took our young viewers out and about this year to a variety of interesting places like farms, beaches and castles with *Something Special*. The programme follows a simple, fun and informative format, focusing on aspects of the children's world about them. It uses Makaton



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A large proportion of children's output comes from outside London.

The number of years *Newsround* has brought news and covered issues aimed at young viewers.

MI High: the first CBBC show filmed in HD, bringing jaw-dropping stunts to life.

sign language to help children with special communication needs connect, but also has a broad appeal.

This was the first full year of CBeebies on the radio. Whilst reach was modest in the daily afternoon slot on BBC 7 streaming online and podcasting have been more effective at reaching our listeners.

CBeebies average 15-minute weekly reach to viewers aged 4+ last year was 7.7% or 4.3 million people (versus 6.6% or 3.7 million people the previous year). It was Bafta's Children's Channel of the Year in 2007.



The CBBC Channel is now almost the only source of new UK originated content for 6–12 year olds in news, factual, drama and entertainment. One of the key strengths of the channel is its mixed genre offering, without an over-reliance on animation.

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

In factual, *Extreme Animals* featured the wackiest, smartest, most spectacular and the most gross – naturally! – animals found in the BBC Natural History Unit's archive. The series was narrated by Reggie Yates

and Caroline Flack. RTS award-winning *Serious Andes* took a group of adventurous children to the top of Mount Cotopaxi and later this year we'll pick up the natural history theme again in *Serious Ocean*, which will take a group of children around the South African Cape.

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

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

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

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

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

Average 15-minute weekly reach to viewers aged 4+ was 5.6% or 3.1 million people (4.4% or 2.4 million people in 2006/07).

Audio & Music



In a world of multichannel, technological innovation, increasing mobility and choice, the BBC still makes a difference. It supports British talent in its broadest sense – writers, musicians, performers of course, but also journalists, engineers and others. It helped make first terrestrial and now digital radio possible in the UK. And it enables cultural and creative diversity to find its voice and thrive.



Jenny Abramsky
Director of Audio & Music



Record audiences tuned in to Chris Moyles on Radio 1 this year.

25%+

Radio 1's share of listening among 15–29s was over 25%, the best for seven years.



The Big Weekend in Preston was just one of many live BBC events.



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

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

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

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

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

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

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

Love him or not – and he does divide opinion – Chris Moyles played his part in this strong performance. His breakfast show yet again increased reach and share in the first quarter of 2008, with 7.7 million weekly listeners, up by nearly 700,000 on a year ago (aged 15+) – a new record high.

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

There is also a new focus on fewer, bigger, better ideas: for example, we celebrated our birthday with *Established 1967*. Each weeknight for two weeks, some of the biggest names in music past and present were invited to host their own show playing the tunes that inspired them. The line-up included Paul McCartney, the Arctic Monkeys, Debbie Harry and Paul Weller. We also asked 40

current acts to cover 40 tracks from each year of our history, starting with Kaiser Chiefs covering The Move's *Flowers In The Rain*, the first song ever played on the station.

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

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

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

Overall, Radio 1 accounted for over 10% of all radio listening in 2007/08 – and had an average 15-minute weekly reach of 21.5% (around 10.8 million people) – up slightly from the previous year's 21.4% and 10.5 million.



8.1 MILLION



Russell Brand was an instant hit on radio, and has one of our most popular podcasts.

The number of TOGs who listen to *Wake Up to Wogan*.

The Proms are a vital part of Radio 3's commitment to live music.



Radio 2's mix of music and speech makes us the UK's most popular radio station, with the average listener tuning in for around 12-and-a-half hours each week; and *Wake Up to Wogan* is still the most listened to breakfast show in the UK, reaching a record 8.1 million listeners in Q1 2008.

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

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

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

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

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

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

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

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



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

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

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



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Today is just one example of world class radio journalism in our schedules.

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

The late Humphrey Lyttleton chaired *I'm Sorry I Haven't a Clue* from 1972.



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

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

For the last year, average weekly 15-minute weekly reach was 3.7% (1.9 million) – on a par with 3.8% (1.9 million) in 2006/07. Average listening hours were just over six hours per week. Online live listening remained stable at 1.4 million hours (quarterly average).

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

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

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

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

World on the Move, which began in early 2008, is the biggest natural history project ever on radio, with an extensive online dimension and

working closely with BBC Vision's *Springwatch* and *Autumnwatch*. The 40-week series of live programmes is tracking the migration of animal species great and small, on all continents, and inviting listeners to contribute their own observations.

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

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

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

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

Radio 4 had an average 15-minute weekly reach to adults aged 15+ of 18.7% or 9.4 million people, similar to the 2006/07 figures (18.7% or 9.3 million people).



We have an enviable range of sports commentators across all disciplines, from football to cricket.

Proportion of IExtra listeners aged 15–29.

All BBC digital channels grew their audiences this year.



5 live offers a daily mix of news and an unrivalled coverage of UK and international sports across a variety of platforms. The service's continued reliance on its terrestrial AM frequency remains an issue, in terms of coverage and sound quality, although we are increasingly drawing in listeners through digital means – 31% of listeners now do so digitally (Q1 2008) – and we are putting out more content via mobile phones, podcasts and on digital TV with the red button (where *606 Interactive* can now be found). Live online listening reached a new high in Q1 2008 at 6.1 million total hours, up 25% on the same period in 2007.

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

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

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

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

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



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

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

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



This year we revamped our schedule, making it simpler and launching new flagship breakfast and early evening shows in October. But there was no change to the existing music policy, which has little crossover with

commercial stations with its unrivalled commitment to UK black music, including many artists largely ignored by other (legal) radio stations. This allows IExtra to draw in audiences often underserved elsewhere in the BBC: two-thirds are young adults aged 15–29, with nearly one in three from a minority ethnic group. It's a unique mix in the BBC.

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

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

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

IExtra had record audiences last year. Over the 12 months to March, our average 15-minute weekly reach to adults aged 15+ was 1.0% or 0.5 million people last year (0.8% or 0.4 million 2006/07).



853,000



A new variation on an old theme, *Electric Proms* are now established across the BBC portfolio.

BBC7 is the most popular BBC digital station with a peak reach of 853,000.

Specialist music programmes like *Future Friction* are important to the diversity of the BBC's overall offer.



The year got off to a difficult start for 6 Music, with some phone-in competitions revealed as having misled our audience. We apologised, and have since ensured that all relevant programme staff have completed the Safeguarding Trust course. We are confident the situation will not be repeated.

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

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

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

Over the year, BBC 6 Music has continued to attract in new listeners, with a new reach record of 520,000 in the first quarter of 2008 – meaning that over one in four of our listeners then were new to the channel, and its particular mix of old and new. Average 15-minute weekly reach to adults aged 15+ was 1.0% or 0.5 million people (0.9% or 0.4 million people in 2006/07). We were delighted to win Station of the Year in the Digital Music Awards.



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

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

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

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

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



BBC Asian Network is at the heart of Asian entertainment in the UK – both as a broadcaster and as main partner at the London Mela, through attendance at other festivals, and with our own University tour.

Music is important across all cultures within Asian life. To reflect this, we added new music programmes to the schedule this year: Adil Ray in the weekday drivetime slot and Sonny Ji's *The Bhangra Mixtape* on Saturday nights. New and emerging talent featured in *Future Friction*, with Bobby Friction going on to win a Sony Gold award in the Specialist Music category.

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

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

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

BBC Asian Network had an average 15-minute weekly reach to adults aged 15+ of 1.0% or 0.5 million people last year. This was consistent with 2006/07 (0.9% or 0.5 million). AM listening in the Midlands remains strong.

Journalism



It's a big goal, to be the best. But BBC News is the UK's most trusted local, national and international news provider, offering the best journalism in the world. We'll be under threat if we don't adapt to meet the changing needs of our audiences for greater convenience, personalisation and participation. The digital revolution defies us not to rest on our laurels.



Mark Byford
**Deputy Director General and
Chair of Journalism Board**



A wide range of interviewees ensures our news analysis offers a variety of views and remains impartial.



Relevant staff who attended Safeguarding Trust training course.



Current Affairs in peaktime hours is a commitment to our audiences.

JOURNALISM: NEWS

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

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

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

Leading domestic stories this year included:

- * On the economy and business, we broke the story of the Northern Rock crisis, and then covered its nationalisation, including extensive coverage on local radio in the North East, where most of the affected staff lived and worked, and the first interview with chief executive Adam Applegarth before his resignation. This was just one element of the Sub Prime loan problems in the USA hitting the UK and rocking global financial markets, and which was reported extensively across our local, national and global services.

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

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

- * The death of Benazir Bhutto at a political rally – covered extensively in our domestic and international services.
- * On the violence in Tibet, China's internal security laws meant that the BBC could not enter Tibet, so we took care to try to verify on-the-ground 'eyewitness' accounts.
- * Political unrest in Zimbabwe as the country faced a pivotal election. We managed to capture life in different parts of the country despite a ban on entering the country, including undercover reporting from inside the border.
- * During the ongoing unrest in Iraq and Afghanistan, we continued to offer an impartial picture of what was happening on the ground, from a variety of voices.
- * The American presidential primaries – the presidential elections will also be covered in depth in the year ahead.

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

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

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

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



233 MILLION



Many BBC journalists, like Lyse Doucet, work across radio and television, and increasingly online too.

BBC's global news audience.

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

BBC NEWS

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

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

Other developments have included *Question Time Extra*, which responds to viewers immediately after BBC One's *Question Time*. And *Blue Peter*'s Gethin Jones presented *E24*, an entertainment news pilot which proved an early success and had its initial run of nine weeks extended.

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

BBC PARLIAMENT

BBC Parliament is the only UK channel dedicated to the coverage of politics, featuring debates, committees and the work of the devolved chambers of the UK. The parliamentary story of the day is told in *The Record*.

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

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

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

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

BBC GLOBAL NEWS

BBC GLOBAL NEWS

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

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

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

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

Initially broadcasting 12 hours every day, BBC Arabic TV will be extended to a 24-hour rolling service during 2008. This will help the BBC to improve its reach and impact in the region by offering its news and information to 200 million people across the Arab world. This year we also got permission to launch BBC Persian TV, which will be available later in 2008. Both new channels operate under the auspices of BBC World Service.



Expert pundits offer audiences specialist knowledge and expertise.

38%

BBC Sport's reach among UK adults in an average week.



World class snooker is just one of many regular sporting fixtures in the schedules.

JOURNALISM: SPORT

BBC SPORT

BBC Sport gives audiences real choice in their sports action and news whenever and wherever they want. 38% of the adult audience used BBC Sport on television, on radio or online in a week.

Digital and online are key drivers in this. This year, bbc.co.uk/sport grew in popularity with over 6 million UK unique users. And in November, the *606* messageboards were kept busy as England's failure to qualify for Euro 2008 drove a record 3.9 million different users to its pages. We were also able to launch major sports events on BBC iPlayer, and with great success: nearly one in seven (13.5%) of all BBC iPlayer requests on one Sunday in February 2008 alone were for the previous evening's France v England international in rugby's Six Nations Championship.

The year also marked the rise of the blog. Editors' and contributors' comments sparked new levels of debate. For example, Tom Fordyce's and Ben Dir's blog account of their campervan journey through France during the Rugby World Cup broke all records, with around 10 million page views. Blogs are one of the ways in which BBC Sport provides a more joined-up offering across all platforms in our coverage of events like the Cricket World Cup and the Rugby World Cup.

Across all our services we have, this year, reported the main international news stories in depth. And we've offered analysis and opinion to support daily and breaking news.

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

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

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

Yet again, reach to our international-facing news sites was at record levels during the year – with a record 808 million page impressions in March, up from last year's peak of 763 million. We had 42.5 million unique online users during March 2008, an increase of 10% on 38.5 million a year ago.

BBC Monitoring systematically monitored more than 3,000 radio, TV, press, internet and news agency sources in around 100 languages, to provide an authoritative view of world events for stakeholders.

The BBC World Service Trust uses media and communications to reduce poverty and promote human rights. The Trust is funded by charitable donations from a variety of sources, including government aid programmes, international charitable foundations and the United Nations. It does not receive any money from the licence fee. Last year it worked alongside local and national media in more than 40 countries in Africa, Asia, the Middle East and Europe, with a diverse range of stakeholders like Al Mirbad, an independent local radio station in Basra and which is currently the only source of information about basic services in the city, and the Bill and Melinda Gates Foundation in India.

The BBC World Service Annual Review is available at bbc.co.uk/worldservice/us/annual_review



Match of the Day brings live football action and analysis to fans.

39

Number of BBC local radio stations in England.



Inside Out regional investigations and heritage with a twist in peaktime on BBC One across England.

On television we continued to consolidate journalism within our sports coverage with further series of *Inside Sport* on BBC One presented by Gabby Logan. The programme gets behind the sporting headlines and brings an insight into the key sporting debates, and this year included a range of interviews with big sporting names such as Sven-Goran Eriksson, Dwain Chambers and Christine Ohuruogo. There was also a special programme from Beijing as the city prepared to host the Olympics.

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

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

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

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

JOURNALISM: NATIONS & REGIONS

B B C English Regions

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

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

Sport remains particularly important to our listeners although budgets for soccer commentary rights remain under pressure. Leeds United recently withdrew commentary rights from BBC Radio Leeds after 40 years, choosing instead to give them to a DAB-only radio station owned by the club. Local radio sports staff now publish their stories online, which has enhanced the service in recent months.



50



Stephen Fry fronted a series on HIV and AIDS, part of a BBC Learning awareness raising campaign.

Number of years we've offered a national television news bulletin in Scotland.

Science programmes like *Parallel Worlds* and *Parallel Lives* explore unusual stories, others look at knowledge breakthroughs.

All the stations offer religious programming on Sunday mornings. BBC Radio Solent gave extensive coverage to a contemporary Passion play and celebration witnessed by thousands of people in Winchester.

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

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

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

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

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

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

BBC Scotland

Last year, we delivered a rich mix of genres to both network and Scottish audiences. On TV, factual programmes as diverse as Stephen Fry's *HIV and Me*, an exploration of quantum physics, *Parallel Worlds*, *Parallel Lives*, and a controversial study of boys in care, *Boys Behind Bars*, won awards. Our national news programme, *Reporting Scotland*, celebrated 50 years on air, while the move to broadband was reflected in new rights to cover The Scottish Premier League football and in increased audiences on the web for coverage of live events, such as *T in the Park*.

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

Scotland's music was celebrated across TV, radio and online, in concerts by the BBC Scottish Symphony Orchestra and in partnership projects with the National Theatre, among others. The celebration incorporated The Highland Year of Culture, with opportunities for the audience to contribute their own films. Our Gaelic digital service was approved for launch in 2008, complementing our existing Radio nan Gàidheal service.



Coal House mixed reality TV with history so successfully a second series was commissioned.

30th



Anniversary of popular Welsh language soap *Pobol y Cwm*.

Doctor Who, *Torchwood* and *The Sarah Jane Adventures* offer something for viewers of all ages.

Radio Scotland offered the biggest mix of programmes and more live music than all other Scottish stations including, with TV and online, *Celtic Connections*, the World Pipe Band Championships and the National Mod. This year Radio Scotland commissioned 12 new plays, and BBC Scotland delivered around 75 hours more drama to other radio networks.

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

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

BBC Cymru Wales

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

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

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

Our music contribution once more included coverage of BBC Cardiff *Singer of the World*. We also provided continuous coverage of the National Eisteddfod on S4C during August. Soap *Pobol y Cwm* and Radio Cymru both turned 30 this year.

The non-availability of both BBC Radio Wales and Radio Cymru on DAB digital radio across large parts of Wales continues to be a cause for concern, as well as an inconvenience for many listeners.

The average weekly reach figures for Radio Wales were down to 17.9%, from 18.3% (437,000 and 449,000 respectively). Radio Cymru reach among the same age group – all adults aged 15+ in Wales – was also down slightly at 6.2%/151,000, versus 6.5%/160,000 in 2006/07. Wales Today remains the most popular Welsh news programme with 3-minute weekly reach of 26% this year (713,000 viewers), and Newyddion remains a cornerstone of S4C's schedule.



6,000



Over 12% of Network Television's eligible spend will be in Scotland, Wales and Northern Ireland by 2012.

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

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

BBC Northern Ireland

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

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

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

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

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

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

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

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

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

Commercial activities



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



John Smith
Chief Executive of
BBC Worldwide Limited



£117.7 MILLION



Beautiful cinematography is just one element of our first Chinese co production, *Wild China*.

It was BBC Worldwide's most profitable year yet.

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

BBC WORLDWIDE

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

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

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

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

Across our online businesses, revenues were up 174% on 2006/07 (and share of Group turnover from online business rose from 1.1% to 2.7%). In November we launched bbc.com, through which people from around the world can access the BBC's highly popular website bbc.co.uk, but with the addition of advertising that is only visible to users outside the UK. Plans are also well developed to establish an internet-based commercial media player joint venture with ITV and Channel 4, subject to approvals.

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

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

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

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

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

BBC RESOURCES

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

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

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

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

For more information on BBC Resources see www.bbcreources.com

Engaging with audiences



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



Tim Davie
**Director of Marketing,
Communications & Audiences**



Regulated use of premium phonelines lets viewers take part in programmes, and can raise money for charity.



Calls, letters and emails to BBC Information last year.



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

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

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

BBC INFORMATION

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

RESPONDING TO COMPLAINTS

In 2007/08 we dealt with approximately 124,000 unsolicited complaints. 93% of complaints were answered within ten working days. There is evidence to suggest that lobby

activity from a number of Turkish websites drove the highest volume of complaints on a single issue – over 11,500 complaints were answered on the topic of the BBC not referring to the PKK as a 'terrorist' organisation. Other notable issues were the removal of the complementary medicine section on bbc.co.uk, the cutting short of live performances on *Live Earth*, and the BBC losing the rights to broadcast *Neighbours*. *EastEnders* was the programme attracting the most complaints over the course of the year: 5,500, more than double that of any other programme. Production teams take feedback of all kinds seriously.

BBC INFORMATION: ACTION LINE

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

STUDIO AUDIENCES

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

STUDIO TOURS

Television Centre had 53,356 tour visitors last year, of whom 57% were under 18. The visitors most enjoyed the interactive elements – such as a quiz (with prizes!) for the grown-ups and a chance to play *Raven* for the kids – and looking around working studios. The tours picked up two awards: Runner-Up

at the National Group Travel Awards – Best Company/Venue Offering Guided Tours 2007, and Best Tourism Experience in London Silver Award 2007. 95% of visitors asked said that they would recommend the tour to a friend and 70% regarded the BBC more favourably as a result of coming on a tour. See www.bbc.co.uk/tours

OTHER OUTREACH ACTIVITIES

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

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

The BBC offers a variety of experiences each year. No two years are the same.



We subtitled over 46,000 hours of programming.

PROGRAMME FACTS & FIGURES

Mostly, however, people connect with the BBC through our programmes and services. Charts 1–4 show how we've performed with audiences over the last year. (Sources: BARB and Rajar)

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

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

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

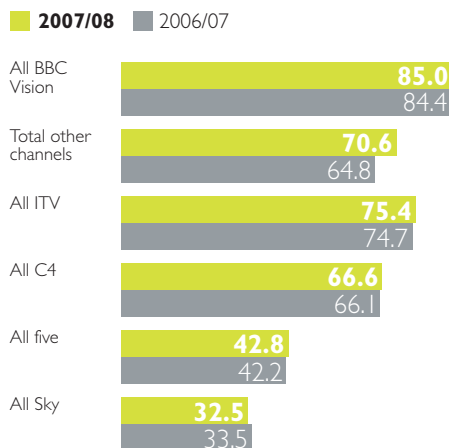


Chart 2: BBC Audio & Music reach versus main UK competitors, %

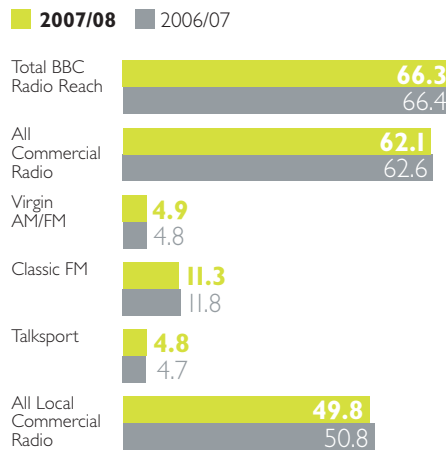


Chart 3: BBC Vision share by service, %

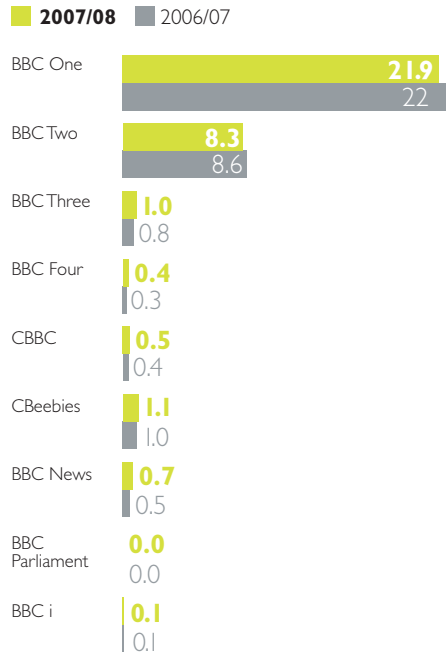
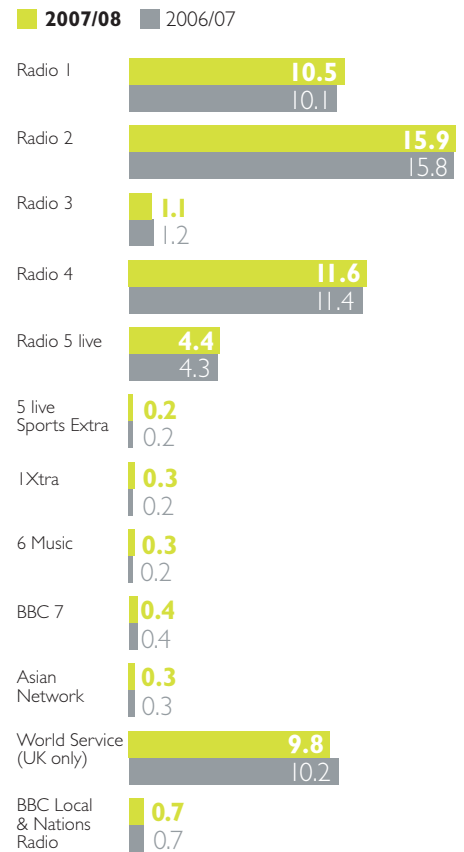
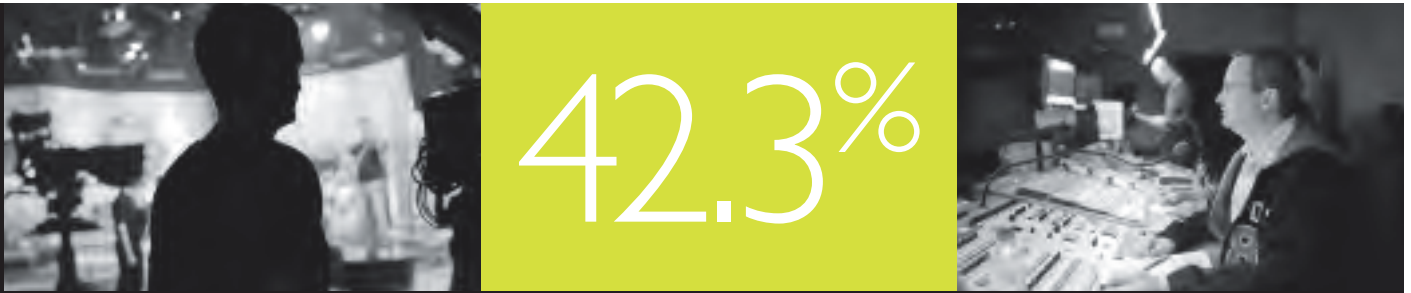


Chart 4: BBC Audio & Music share by service, %





BBC's combined share of television and radio audiences.

The BBC is committed to making its programmes as accessible as possible to all audience groups. In 2007/08 we exceeded all our access targets. See charts 5–7.

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

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

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

Chart 5: Programmes Subtitled, by service, %*

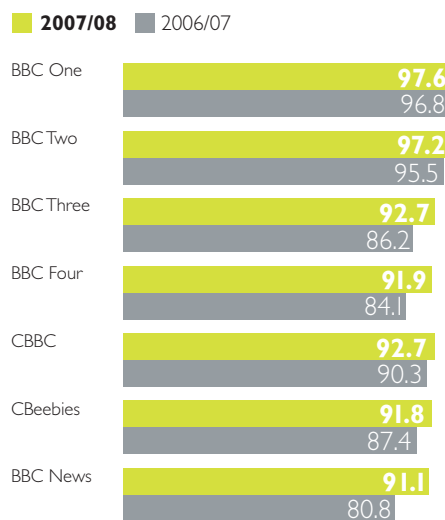
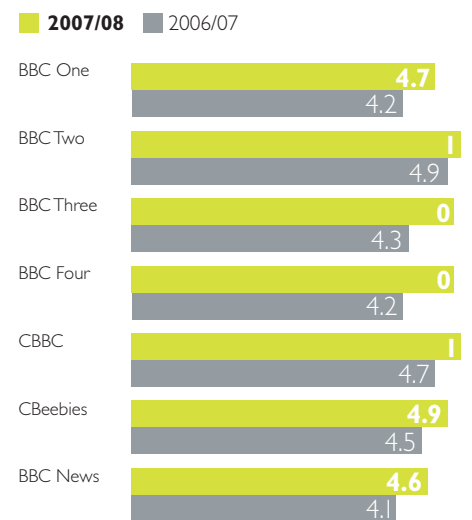


Chart 7: Programmes Signed, by service, %*



* Based on 52 weeks, not full year.

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



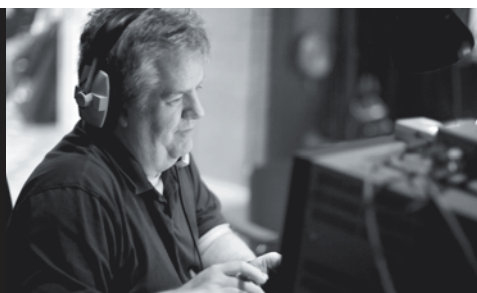
BBC People



The BBC is a dynamic place to work, where people never stop learning and can stretch their creativity, imagination and expertise to create content and services that our audiences love and value.



Stephen Kelly
Director BBC People



30 MILLION



Number of hits to our employment website.

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

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

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



	07/08	06/07
England (excluding London)	24	24
London (regional only)	57	56
Scotland	8	8
Wales	8	8
Northern Ireland	4	4

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

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

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

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

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

Table 1: Senior managers’ headcount by salary band

Salary band	Total
Under £70,000	72
£70,000-£99,999	329
£100,000-£129,999	171
£130,000-£159,999	89
£160,000-£189,999	44
£190,000-£219,999	15
£220,000-£249,999	11
£250,000+	13
Total	744

(Note: 5 managers were excluded in error in the original published table.)



Investment in training this year.

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

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

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

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

TRAINING AND DEVELOPMENT

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

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

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

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

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

DIVERSITY

Variety of experience and outlook is vital to creativity – opposite points of view come together in a collaborative whole. And so it is important that the BBC employs people with different experiences, backgrounds and opinions. It helps us to meet our public purpose of reflecting the UK in its diverse communities.

This year we announced a three-year programme of investment and activity to further diversify the BBC workforce at all levels. Initiatives include a new journalism trainee scheme, launched in January. In addition, up to 50 places will be available for the next three years on Extend, our work placement scheme for people with disabilities, now in its 11th year.

Around half the BBC's workforce are women. As at 31 March 2008, 10.9% of UK staff were black and minority ethnic (BME) people (including 5.1% at senior manager level); and 4.7% had declared they have a disability.

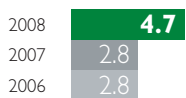


Proportion of black and minority ethnic senior managers at BBC.

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



Chart 9: Disabled staff, % of total



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

OCCUPATIONAL RISK MANAGEMENT

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

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

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

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

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

And this year:

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

There were no fatalities.

Enforcement

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

H&S Training

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

We are a member of the Joint Industry Grading Scheme for UK-based Stunt and Special Effects professionals. We work with other broadcasters and Skillset to implement a safety passport scheme to deliver transferable safety training to the media sector.

Operations



The BBC – both as an organisation and in the shape of the individuals who carry out countless tasks every day in its name – recognises that it has an obligation to behave in a proper manner. We must take care that we do not use our privileged position deliberately or inadvertently to unfairly disadvantage others with whom we compete or do business.



Caroline Thomson
Chief Operating Officer



90%



Over 90% of the BBC's electricity comes from low carbon sources.

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

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

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

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

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

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

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

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

FAIR TRADING POLICY & COMPLIANCE

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

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

A revised Fair Trading regime came into effect on 1 July 2007 and included updated procedures requiring referral to the central Fair Trading department for Fair Trading advice. Previously such matters were dealt

with by locally trained staff in the first instance. During this period of transition the BBC has applied a combination of both procedures. Having reviewed the situation the BBC is satisfied that this approach has worked effectively to ensure overall that its Fair Trading obligations have been met for the period 1 July 2007 to 31 March 2008. The BBC has now moved to fully implement the updated procedures for the coming period.

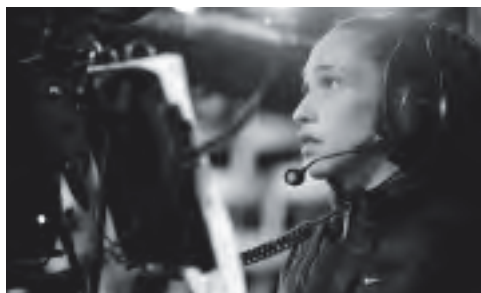
Following a report by PricewaterhouseCoopers LLP (PwC), commissioned by the BBC Trust, on the economic aspects of Premium Rate Services (PRS) the BBC Trust concluded that there were instances of lack of formal contracts between the BBC's public service and one of its commercial subsidiaries for the supply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

Annual Fair Trading audit

The BBC Trust commissions independent auditors PwC to undertake an annual Fair Trading audit to determine whether BBC management has established and applied a system of internal controls which provide reasonable assurance that it has complied with the Fair Trading Policy. Details of the audit and opinion can be found at www.bbc.co.uk/bbctrust/research/index.html

ISO accreditation

The management of the BBC's fair trading arrangements have been accredited with the ISO 9001:2000 quality standard. Performance against this standard is regularly tested by the British Standards Institute. The most recent



80%



The BBC's online publication scheme had nearly 2.4 million hits during the year (up 80% from 2006/07).

assessment in December 2007 confirmed that the procedures are continuing to operate effectively.

Four Commercial Criteria

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

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

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

Fair Trading complaints

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

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

Executive report on BBC World Service Trading Protocols

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

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

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

COMPLIANCE

Freedom of information

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

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

Over the year, the top six areas for requests received were:

- * Money spent on taxis and flights
- * Costs expended in collecting the licence fee
- * Staff pay and expenses
- * Future Technology
- * Details of BBC properties and property services
- * BBC staff demographics (gender and minority ethnic splits)

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

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

Data protection

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

Costs of compliance

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

CORPORATE SOCIAL RESPONSIBILITY

We strive to make Corporate Responsibility integral to everything we do.

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

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



793



Hours of formal education across the four mixed genre television channels.

received a tree token, which went towards the planting of 20,000 trees.

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

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

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

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

You can read more about these initiatives and how we strive to be corporately responsible at www.bbc.co.uk/outreach

LEGAL DEPARTMENT

The Group General Counsel prepares a compliance report which is presented quarterly to the Executive Board, and every six months to the BBC Trust. It is designed to highlight and capture the BBC's compliance with all principal laws and regulations which affect the BBC group's business.

The Group General Counsel provides a commentary on potential issues of non-compliance and establishes an action plan designed to correct any issues as and when they arise. Areas covered by the report range from compliance with general laws such as the Companies Acts and competition law, as well as laws and regulations specific to broadcasting and the media.

The issues raised by the various editorial breaches in 2007 and the actions taken by

Table 2: Hours of output by genre

	BBC One		BBC Two		BBC Three		BBC Four		BBC HD*	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Factual	2,021	1,931	1,757	1,577	1,333	1,300	969	958	159	0
Education (formal)	6	5	785	1,374	0	0	2	10	0	0
News and weather	2,400	2,463	559	558	32	32	6	6	0	0
Current affairs	206	212	260	283	126	114	194	212	0	0
Entertainment	481	435	681	662	1,170	966	274	321	72	0
Sport	603	707	951	921	25	24	0	0	20	0
Children's	496	479	1,619	1,462	0	0	0	0	10	0
Drama	1,114	1,088	322	226	329	390	340	358	213	0
Film	690	662	819	701	184	227	204	202	40	0
Music and arts	109	82	315	324	71	75	1,251	1,132	122	0
Religion	105	116	30	27	5	2	15	36	8	0
Continuity	235	245	295	295	110	108	78	75	7	0
Total network hours (excluding opt outs)	8,466	8,425	8,392	8,410	3,384	3,238	3,332	3,310	652	0

* BBC HD was launched 1 December 2007.



Hours of original local and nations' radio last year.

management to ensure that issues had been learned were one example of matters covered this year.

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

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

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

FACTS & FIGURES

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

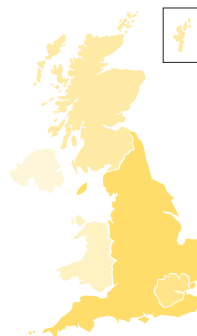
The Editorial Policy team is also consulted by, and offers advice to, programme teams during the production of potentially contentious programming, including output that involves secret filming. It is crucial we get this right, given the quantity and variety of programmes we make.

Where do we invest the licence fee?

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

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

Map 2: Source of first transmission television hours



	07/08	06/07
England (excluding London)	5,732	5,559
London (regional only)	327	313
Scotland	1,089	1,078
Wales	873	922
Northern Ireland	690	675

Map 3: BBC television spend by nation, £Ms



	07/08	06/07
England	339	325
Scotland	97	80
Wales	60	61
Northern Ireland	38	32

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

Map 4: Source of first transmission radio hours

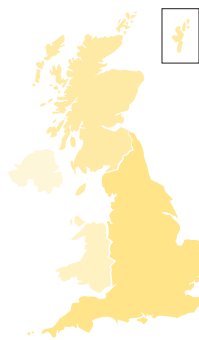


	07/08	06/07
England (excluding London)	255,080	251,733
London (regional only)	72,910	72,261
Scotland	13,588	13,799
Wales	16,572	16,473
Northern Ireland	9,328	8,954



Average cost per hour of BBC news and weather

Map 5: BBC radio spend by nation, £Ms



	07/08	06/07
England	136	126
Scotland	35	27
Wales	27	23
Northern Ireland	15	13

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

Table 3: Network radio hours of output by genre

	BBC Analogue Channels		BBC Digital Channels		BBC Total	
	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Music	23,270	23,409	17,454	17,634	40,724	41,043
News and weather	10,033	9,561	3,642	3,628	13,675	13,189
Sport	2,773	2,847	1,744	1,786	4,517	4,633
Factual	1,560	1,712	498	0	2,058	1,712
Current affairs	1,589	1,691	1,186	1,233	2,775	2,924
Drama	1,185	1,137	3,475	3,558	4,660	4,695
Arts	927	900	628	755	1,555	1,655
Entertainment	528	568	3,651	3,375	4,179	3,943
Religion	543	513	571	565	1,114	1,078
Schools	168	168	0	0	168	168
Children's	24	42	1,349	1,460	1,373	1,502
Presentation	730	670	1,170	1,068	1,900	1,738
National Opts	258	220	0	0	258	220
Total hours	43,588	43,438	35,368	35,062	78,956	78,500

Where do we invest the licence fee?

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

Digital switchover is now here – we have restated last year's numbers to account for the new way of presenting this information, and Table 4 shows the average cost per hour by programme type across both our analogue and digital television channels.



With big audiences, it costs less than 1p per user hour to offer Radio 2.

Table 4: Cost per hour of television programmes by genre

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

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

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

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

* BBC HD was accepted onto BARB measurement system in May 2008 – audience figures will be available from the end of 2008/09.



39%

Percentage of qualifying television hours from independent producers (minimum target: 25%).

As well as being regulated by the BBC Trust, the BBC is also answerable to Ofcom for a number of programme production quotas, outlined in Table 6, and we are further obliged under European Community legislation to make sure that the majority of our qualifying programmes (which, for the BBC, excludes mainly news, sport and events) are European origin and that at least 10% of it is made by independent producers.

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

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

Table 6: External programme production quotas

	Quota	Actual
Independent production quota		
Hours of qualifying programmes across all channels	25%	39%
Hours of qualifying programmes on BBC One	25%	33%
Hours of qualifying programmes on BBC Two	25%	44%
Regional programme-making		
Spend on qualifying programmes	30%	33%
Hours of qualifying programmes	25%	32%
Network news and Current Affairs programmes		
Hours of News on BBC One	1,380	1,606
Hours of News on BBC One in peak	275	279
Hours of Current Affairs on BBC One and BBC Two	365	461
Hours of Current Affairs on BBC One and BBC Two in peak	105	112
Levels of original production*		
BBC One	70%	85%
BBC One in peak	90%	99%
BBC Two	70%	83%
BBC Two in peak	80%	95%
BBC Three	80%	81%
BBC Three in peak	70%	70%
BBC Four	70% approx	75%
BBC Four in peak	50%	64%
CBeebies	80% approx	79%
CBBC Channel	70%	75%
BBC News	90%	97%
BBC Parliament	90%	98%
Regional programming (BBC One and BBC Two only)		
Hours of regional programming	6,580	7,226
Hours of programmes made in the relevant area	95%	99.5%
Hours of BBC One news	3,920	4,769
Hours of BBC One news in peak	2,010	2,290
Hours of non-news programming in peak	1,030	1,145
All non-news programmes adjacent to peak	355	403

* Original productions include all BBC-commissioned programmes including repeats. For BBC Three and BBC Four they exclude repeats of programmes first shown on another channel.

Statements of Programme Policy commitments 2007/08

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

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

BBC VISION

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

BBC One

Priorities

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

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

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

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

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

	Commitment	Actual
Hours of arts and music	45	109
Hours of current affairs programmes	90	206
... including in peaktime	48.5	50
Hours of new factual programmes	650	974
Hours of religious programming (as part of 112 hours with BBC Two)	80	105
Hours of sports programmes	260	603
Hours of children's programmes (joint commitment with BBC Two)	500	2,115

BBC Two

Priorities

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

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

	Commitment	Actual
New hours of factual programmes	500	804
Hours of children's programmes (joint commitment with BBC One)	500	2,115
Hours of hours of arts and music programming	200	315
Hours of news	100	559
Hours of current affairs	240	260
Hours of sport	430	951
Hours of religious programming (as part of 112 hours with BBC One)	20	30

BBC Three**Priorities**

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

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

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

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

	Commitment	Actual
Hours of new music and arts	50	54
% of output with interactive support	20%	✓
Hours of new factual, knowledge-building programmes	50	94
Hours of new current affairs programmes	15	18
% of hours broadcast from news, current affairs, education, music and the arts	c.15%	26%

BBC Four**Priorities**

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

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

	Commitment	Actual
Number of new international film titles premiered	20	23
Number of new international documentaries	30	46

CBeebies**Priorities**

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

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

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

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

	Commitment	Actual
Investment in new UK programming	75%	87%
Programme hours	4,500	4,696
New UK programming	25%	32%

CBBC

Priorities

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

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

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

	Commitment	Actual
Daily live news bulletins	3	✓
Hours of news	85	89
Hours of factual and schools programming	1,000	1,006
Hours of drama	650	1,213
Hours of live presentation	150	216

RADIO

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

BBC Radio 1

Priorities

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

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

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

	Commitment	Actual
Hours of news, sport and current affairs	310	332
% of schedule devoted to specialist music or speech-based programmes	40%	43%
% of 'new' music in daytime output	45%	52%
% of music in daytime output from UK acts	40%	52%
Live events and festivals broadcast	c.25	29
New sessions and <i>Live Lounge</i> performances	250	368
New documentaries	40	42
Hours of original opt outs from Scotland, Wales and Northern Ireland	200	258

1 Pre-release or less than one month since release.

BBC Radio 2**Priorities**

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

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

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

	Commitment	Actual
Hours of specialist music programmes	1,100	1,109
Hours of musical theatre and film music	60	76
Hours of arts programming	100	102
% of speech output	c.33%	51%
Hours of religious output	170	186
Hours of news and original current affairs programming, including regular news bulletins	800	866

BBC Radio 3**Priorities**

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

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

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

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

	Commitment	Actual
% of live or specially recorded music	50%	55.4%
Live or specially recorded performances	500	518
New musical works	30	51
Documentaries on arts and cultural topics	30	41
% of budget spent outside the M25	40%	41.1%

BBC Radio 4

Priorities

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

Widen appeal through:

* **narrative history** *The Making of Music* told the story of Western music from Gregorian Chant to Philip Glass in a 60-part series presented by James Naughtie, with complementary programming on Radio 3.

* **seasons** Examples include: *India & Pakistan*, marking the 60th anniversary of Partition; *The Falklands 25 Years On*; *The Six Day War*; *The Sex Lives of Us*, exploring contemporary sexual attitudes 50 years after Wolfenden; and *Uncovering Pakistan*, going deeper into the contemporary reality of Pakistan in the weeks before the elections.

* **current events** We responded quickly with special programmes on issues of national or international importance such as Tony Blair's departure, the summer floods, the US credit crisis, Northern Rock, a Nick Robinson special on party funding, and the crisis in Pakistan.

	Commitment	Actual
Hours of news and current affairs	2,500	3,169
Hours of original drama and readings	730	732
% of new <i>Afternoon Plays</i> that are first or second commissions	25%	33%
Hours of original comedy	180	211
Hours of original documentaries	200	249
Hours of original religious programming	200	223

BBC Radio 5 live

Priorities

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

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

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

	Commitment	Actual
Hours of news coverage	6,000 (c.70%)	6,718 (76%)
Hours of documentaries	50	56

BBC Radio 5 live Sports Extra

Priorities

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

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

IXtra**Priorities**

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

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

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

	Commitment	Actual
% of new music	70%	72%
% of music from the UK	40%	44%
Live music events	50	66
% of output dedicated to news, documentaries and social action	~10%	10%
% of speech-based output	~20%	21%

BBC 6 Music**Priorities**

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

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

	Commitment	Actual
Hours of archive concert performances	400	588
% music over four years old	50%	52%
% of music that is concert tracks and sessions from the BBC's archive	15%	15%
New sessions	275	471
Hours of documentaries and essays	550	590

BBC 7**Priorities**

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

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

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

	Commitment	Actual
Hours of comedy	2,800	3,500
Hours of drama	2,800	3,601
Hours of original new comedy	10	40
Hours of original new drama	20	30
Hours of children's programming	1,400	1,464

BBC Asian Network

Priorities

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

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

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

	Commitment	Actual
Proportion of speech : music	50:50	49:51
% music from UK artists	40%	50%
Hours of language programmes per day	3-5	3.6

BBC FUTURE MEDIA & TECHNOLOGY

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

bbc.co.uk

Priorities

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

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

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

	Commitment	Actual
% (by value) of eligible content and services from external suppliers	25%	31%

BBCi

Priorities

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

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

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

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

BBC NEWS

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

BBC News

Priorities

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

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

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

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

* 'relevant programme' excludes news.

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

BBC Parliament

Priorities

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

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

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

	Commitment	Actual
Weekly hours of coverage of the Westminster Parliament (normal week)	70	70
Weekly hours of Select Committees	10	13
Hours of proceedings of the Scottish Parliament	100	145
Hours of proceedings of the Welsh Assembly	100	81†
Hours of programming from Brussels and Strasbourg	100	101

† Elections held 3 May and delays in forming a new Welsh Assembly Government meant there were only six weeks of regular Assembly sessions in the five months between April and Aug 2007.

BBC NATIONS & REGIONS

Services from BBC Nations & Regions have no statutory commitments but work with BBC television and radio networks and interactive services to provide content for audiences throughout the UK. In 2006/07, Radio Scotland, Radio Wales, Radio Cymru and Radio Ulster/Foyle each made a voluntary commitment to commission at least 10% of eligible hours from independent producers. The levels achieved were: Radio Scotland (17%), Radio Wales (10%), Radio Cymru (10%) and Radio Ulster/Foyle (9%*), with a combined value of around £3million.

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

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

Priorities

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

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

	Commitment	Actual
Hours of local radio output	230,000	250,742
% of repeats	<2.5%	✓
Speech content of BBC Local Radio in core hours (6am–6pm)	60%	64%
Speech content of BBC Local Radio at breakfast peak	100%	100%

BBC Radio Scotland

Priorities

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

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

	Commitment	Actual
Hours of mixed genre programming	7,000	7,228
Hours of radio news and current affairs	2,200	2,455
Hours of arts coverage on radio (including narrative repeats of daily arts show)	200	385
Weekly specialist music strand	✓	✓

BBC Radio nan Gàidheal

Priorities

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

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

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

BBC One Scotland

Priorities

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

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

	Commitment	Actual
Hours of opt out content on BBC One Scotland	450	517

BBC Two Scotland**Priorities**

Content around Scotland's Highland Year of Culture 2007 Programmes included documentary *The Glencoe Massacre*, a six-part run of *Highland Clans*, *MacMusical* and *Highland Empire*. The year ended with *Highland Lives*, a series of short video diaries.

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

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

BBC Radio Wales**Priorities**

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

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

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

	Commitment	Actual
Hours of news and current affairs on BBC Radio Wales	1,500	1,661
Hours on BBC Radio Wales, excluding news and current affairs (excluding opt outs)	5,300	5,408

BBC Radio Cymru**Priorities**

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

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

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

	Commitment	Actual
Hours of news and current affairs on BBC Radio Cymru	1,000	1,057
Hours on BBC Radio Cymru, excluding news and current affairs (excluding opt outs)	6,200	6,302

BBC One Wales**Priorities**

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

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

BBC Two Wales

Priorities

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

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

BBC Radio Ulster/Foyle

Priorities

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

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

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

	Commitment	Actual
Originated hours of local radio	8,400	9,121
Hours of news and current affairs on BBC Radio Foyle	380	510
Hours of news and current affairs on BBC Radio Ulster	1,550	1,800
Hours of new comedy on BBC Radio Ulster	20	20
Hours of Ulster Scots radio programmes	40	40
Nightly specialist music programme	✓	✓

BBC One Northern Ireland

Priorities

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

	Commitment	Actual
Hours of non-news opt out content on BBC One NI	100	165

BBC Two Northern Ireland

Priorities

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

Reflect minority and specialist interests *Blas Ceoil* is a new ten-part music series. *Imeall Geall* started in January, and a second series of *Dander with Drennan*, an Ulster Scots strand, was commissioned.

Financial overview



We work across the BBC to deliver the best possible value from every pound of licence fee and commercial income. Creative risk does not mean financial recklessness and we aim to carry out our business of making great programmes as simply and efficiently as possible, delivering something of value to all of our audiences.



Zarin Patel
Group Finance Director

Licence fee collection/evasion, %	BBC Worldwide profit before interest and tax, £Ms	Efficiency savings, £Ms	Licence fee spent across UK nations/regions, £Ms
05/06 9.6	05/06 89	05/06 106	05/06 835
06/07 9.2	06/07 111	06/07 228	06/07 864
07/08 8.7	07/08 118	07/08 347	07/08 960

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

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

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

We are continuing to invest heavily in programmes and services from right across the UK's nations and regions.

OBJECTIVES AND STRATEGY

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

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

FINANCIAL PERFORMANCE

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

Licence fee income

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

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

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

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

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

Commercial businesses' performance

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

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

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

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

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

Efficiency and effectiveness

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

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

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

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

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

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

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

Digital switchover

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

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

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

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

Service licences

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

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

Pension scheme valuation

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

As life expectancy increases, final salary schemes are becoming increasingly expensive, and this has driven the slight increase in overall contribution rates to 25.35% (2007: 24.8%). Our final salary scheme forms an

important part of our overall remuneration package to staff. Licence fee payers should not, however, be asked to support it at any price, which is why we launched a Career Average Benefits section for new members from November 2006, and why from April 2009 we will be asking our staff to help meet the cost of longer life expectancy through two phased increases to the employee contribution rate.

Resources

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

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

Risks and uncertainties

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

- * **Loss of relevance to audiences** should the quality and distinctiveness of our programmes decline, or should we fail to keep up with the industry in making programmes easily available. To address this risk we conduct extensive audience research, and are exploring new ways to enable audiences to access our programmes whenever it suits them.
- * Incidents which cause **harm to our staff or audiences**. Safety and security are of critical importance, and we carry out detailed risk assessments in advance of filming activities, overseas assignments, and events involving the public.
- * **Disruption to output** due to loss of transmission or industrial action. To guard against this we regularly test business continuity plans, and we also liaise closely with unions over staffing issues.
- * **Loss of key talent and major rights**, particularly as competition intensifies among broadcasters for star performers, programmes, and sports rights. We have developed co-ordinated strategies for developing and paying for talent, and for building a portfolio of programme and

sports rights which seeks to offer something for everyone.

- * **Breach of editorial standards**, damaging the audience's trust in us. In response to the breaches identified this year, we have set up a new Editorial Standards Board, chaired by the Deputy Director-General, to oversee compliance with editorial policy.
- * Sustained high inflation and energy price rises **reduce our spending power in real terms**. To mitigate this we regularly review our spending plans to see what we can afford and what represents best value for money. BBC Worldwide is also exposed to the risk of a wider economic downturn, but is relatively well protected due to the diverse range of businesses and global markets in which it operates; whilst a decline in the advertising market would impact on sales, other revenue streams would provide protection.

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

STATUTORY RESULTS FOR THE YEAR ENDED 31 MARCH 2008

Income and expenditure

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

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

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

Balance sheet

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

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

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

Cash flow statement

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

Treasury policies

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

Critical accounting policies

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

- * Our valuation of the pension scheme for FRS 17 accounting purposes includes assumptions on life expectancy, future investment returns, inflation and salary growth, as stated in Note 8c viii. We consult with the scheme actuaries to ensure that they fall within an acceptable range based on market practice, but different assumptions would result in a change to the level of surplus.
- * Provisions represent our best estimate of future liabilities, including those relating to future redundancy costs. These, for example, involve assumptions on the number of people involved and their level of remuneration, and whilst we base these on past experience the provision would change if we used different assumptions.

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

International Financial Reporting Standards

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

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



Zarin Patel

Group Finance Director
19 June 2008

Governance and financial statements



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



Zarin Patel
Group Finance Director

BBC CORPORATE GOVERNANCE FRAMEWORK

The composition, operations and functions of the Executive Board are defined in the Royal Charter (the Charter). In discharging its functions the Charter requires the Executive Board to have regard to generally accepted principles of good corporate governance. So, although the BBC is not a listed company, it has opted to follow the relevant provisions of the Financial Services Authority's Listing Rules

and the 2006 Financial Reporting Council Combined Code on Corporate Governance (the 2006 FRC Code), in order to be consistent with companies quoted on an EU regulated market.

The Executive Board has complied with the requirements of the Charter, creating appropriate and effective governance arrangements for the BBC. This has also secured substantial compliance with the 2006

FRC Code although in a number of areas the 2006 FRC Code is not appropriate to the circumstances of the BBC. Compliance with the Charter has resulted in a small number of areas where compliance with the 2006 FRC Code has not been achieved, although the Executive Board believes that this does not compromise the quality of the governance arrangements in place, as shown here.

Principle of the 2006 FRC Code

BBC Position

Explanation

A.2 – There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsible for the running of the company's business. No one individual should have unfettered powers of decision.

The Chairman of the Executive Board is the Director-General, the chief executive officer of the BBC.

The Charter specifies that the Director-General may be the Executive Chairman of the Executive Board.

The role of the BBC Trust in approving high-level strategy means that no single individual has unfettered powers.

A.3 – The board should include a balance of executive and non-executive directors (and in particular independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking.

The Executive Board comprises 16 directors, of which ten are executive Directors and six are non-executive Directors. All non-executive Directors are considered independent for the purposes of the 2006 FRC Code.

The Charter specifies that non-executive Directors must not be less than one-third and not equal to or more than one half of the members of the Executive Board.

As a result, the Executive Board does not comply with the provision (A.3.2) that at least half the board, excluding the Chairman, should be independent.

The Executive Board includes a balance of executive and non-executive Directors and no individual or small group of individuals can dominate decision taking.

In addition, provisions in the 2006 FRC Code that relate to interaction with shareholders do not apply to the BBC, although in some circumstances it is possible to consider, by analogy, the way in which the Trust engages with licence fee payers. This is set out in Part One of the Annual Report and Accounts.

EXECUTIVE BOARD**Role of the Executive Board**

The Executive Board is responsible for all aspects of operational management of the BBC (except the BBC Trust Unit), including:

- * Delivering the BBC's services in accordance with purpose remits, service licences and other strategies;
- * Directing the BBC's editorial and creative output;
- * Ensuring compliance with all legal and regulatory requirements (including initial handling of complaints about the BBC), except where these areas specifically relate to the BBC Trust or the BBC Trust Unit;
- * Ensuring compliance with all the requirements which the BBC Trust places on the Executive Board;
- * Making proposals to the BBC Trust for anything which the BBC Trust is required to approve;

- * Appointing, and holding to account, the management of the BBC and its subsidiaries;
- * Conducting the BBC's operational financial affairs to ensure value for money;
- * Accounting to the BBC Trust for its own performance and the performance of the BBC and its subsidiaries;
- * Complying with any decision from the BBC Trust in relation to the exercise of its functions.

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

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

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

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

Information and professional development

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

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

Performance evaluation

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

Table 7: Executive Board and Committee attendance

	Executive Board		Audit Committee		Fair Trading Committee	Nominations Committee*		Remuneration Committee	
	Ordinary	Extra-ordinary	Member	Attendee		Member	Attendee	Member	Attendee
Number of meetings for the period	11	4	5		4	1		3	
Mark Thompson	11	4		5		1			3**
Mark Byford	11	4					1		
Jenny Abramsky	11	4							
Jana Bennett	10	4							
Tim Davie	11	3							
Ashley Highfield	10	3							
Stephen Kelly	11	3					1		3
Zarin Patel	11	3		5	4				
John Smith	10	4							
Caroline Thomson	11	3			3				
Marcus Agius Chairman of the Remuneration Committee	11	2		1	4	1		3	
Val Gooding	2***	1							
Dr Mike Lynch	10	4	4			1		2	
David Robbie Chairman of the Executive Audit Committee	10	2	5						
Dr Samir Shah	11	2	5		3				
Robert Webb Chairman of the Fair Trading Committee	10	0			4			2	

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

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

*** Val Gooding was appointed as a non-executive Director from 1 January 2008; there were three ordinary meetings and one extraordinary meeting held during January to March 2008.

performance day attended by the Executive Board and the BBC Trust. The Chairman of the BBC Trust also meets separately with the non-executive Directors annually.

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

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

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

REPORT OF THE SENIOR INDEPENDENT DIRECTOR

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

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

Nominations Committee

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

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

ACCOUNTABILITY AND INTERNAL CONTROL

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

the BBC and also because each was thought to possess skills and experience which would be relevant and helpful to the Executive Board's deliberations.

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

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

Marcus Agius

Senior Independent Director
19 June 2008

Risk identification, management and ownership

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

- * The Director of each BBC business group has a clear responsibility for identification and management of risks facing their business. Each business group maintains a register of identified key business risks which may have an impact on the accomplishment of its strategic objectives or achievement of its core business purposes, together with identified current controls and actions planned in response. Risk registers are subject to regular review and assessment throughout the year, and feed into consideration of risk exposure at both local and BBC Executive Board level.
- * The Executive Board receives regular reports on the BBC's risk exposure, focusing particularly on the risk themes currently deemed critical to the success of the BBC, including identification of controls currently in place, further actions planned to manage those risks effectively and highlighting any issues for their attention.
- * Specialist functions oversee the pan-BBC management of certain major areas of risk, ensuring appropriate frameworks and arrangements are in place to provide for consistency across the business, and ensuring appropriate executive sponsorship and management ownership of these. Such specialist functions include the Business Continuity Unit and Occupational Risk Management.
- * The responsibility to minimise the risk of fraud and the consequential loss to the licence fee payer is taken very seriously. A clear fraud policy clarifies responsibilities for the controls in place to minimise the risk of fraudulent activity and all suspected incidents of fraud are investigated.
- * An internal risk management function, led by the Head of Risk, works with management and the Executive Board to ensure the continued operation and appropriate development of processes to identify, evaluate and manage the significant risks facing the BBC, and to ensure there is

appropriate ownership of all risks. An annual report on the process is submitted to the Executive Audit Committee.

Internal control

The Executive Board, supported by senior management teams, is responsible for establishing and maintaining the BBC's system of internal control, for reviewing its effectiveness and for ensuring necessary actions are taken to remedy significant failings or weaknesses identified. Our system of control is designed to manage rather than eliminate the risk of failure to achieve business objectives: although no system of internal control can provide absolute assurance against material misstatement or loss, the BBC'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 elements of our system of internal control include:

- * Comprehensive financial and other reporting processes, within business groups and up to the Executive Board, including monthly management reporting, business reviews, an annual budget cycle with regular interim forecasts, long-term planning, performance review and exception reporting.
- * Formalised authorisation processes, with the maintenance of proper records whenever these are necessary, covering all financial transactions, all programme commissioning and production, all major project expenditure, and all contracts, with clearly defined criteria when Executive Board approval is required.
- * Processes to ensure compliance with all applicable laws and regulations, including Ofcom requirements.
- * Processes to manage risks associated with the outsourcing of key business services (eg licence fee collection, finance transaction processing, HR services, technology systems and support) and to ensure continuity of ongoing business operations.
- * Formalised policies and procedures concerning all material business processes, to ensure the flow of timely, relevant and reliable information across the business.
- * Processes to ensure the professionalism and competence of staff, including recruitment policies, performance appraisal systems, and training programmes to develop and maintain required skills and knowledge.

The Executive Board, in reliance upon the detailed work of the Executive Audit

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

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

Internal audit

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

Executive Audit Committee

The members of the Executive Audit Committee, all appointed in January 2007, are non-executive Directors David Robbie (Chairman), Dr Mike Lynch and Dr Samir Shah. The Executive Board is satisfied that David Robbie has significant, recent and relevant financial experience. The committee augments the broad range of skills of its

three members, gained from considerable experience in senior roles with other major organisations, with advice as necessary from internal and external professionals, including on relevant developments in financial reporting and related company law.

REPORT OF THE CHAIRMAN OF THE EXECUTIVE AUDIT COMMITTEE

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

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

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

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

David Robbie

Chairman of the Executive Audit Committee
19 June 2008

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

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

- * Reviewed the effectiveness of the system of internal controls, in particular by considering the findings of the internal and external auditors and seeking assurance from management that control issues highlighted are being addressed, and by considering reports from management on processes for managing significant risks to the organisation, including subsidiary companies
- * Reviewed the BBC's financial statements, including accounting policies, compliance with legal and regulatory requirements, and the findings of the external and internal auditors
- * Overseen the BBC's relationship with the external auditors, including their engagement, the scope of and approach to their work, their fees, their effectiveness and their independence, including the approval and observance of the policy relating to their engagement in non-audit work
- * Approved the work plan of Internal Audit
- * Reviewed the processes in place for the detection of fraud and for whistle-blowing.

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

Minutes of each Executive Audit Committee meeting, once approved, are available to the Executive Board and to the BBC Trust. Recommendations of the committee on any area within its remit where action or improvement is needed are reported back

to the Executive Board by whatever route is deemed most appropriate to the nature and circumstances of the issue. The committee Chairman formally reports to the Executive Board at least once a year on all matters within the committee's duties and responsibilities.

Independence of external auditors

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

To ensure that the provision of non-audit and accounting services from KPMG LLP does not compromise their independence and

objectivity, the Executive Audit Committee has set a clear policy which defines the threshold above which proposed work must be approved in advance by the committee, and also defines when the planned work must be submitted to competitive tender. This policy has been reviewed and updated by the committee during the year. In all cases, KPMG LLP are not considered for work which might compromise their ability to independently opine on the BBC's financial statements.

Whistle-blowing

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

REPORT OF THE CHAIRMAN OF THE EXECUTIVE REMUNERATION COMMITTEE

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

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

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

Whilst we have managed to attract our Executive Directors, the ERC is nonetheless aware that the competitiveness of the BBC's

overall remuneration package in the external marketplace continues to decline, in part due to the increasing levels of short- and long-term incentive practice in the wider media sector. We review this each year and consider whether the remuneration strategy and underlying policies remain appropriate.

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

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

Marcus Agius

Chairman of the Remuneration Committee
19 June 2008

EXECUTIVE BOARD REMUNERATION REPORT

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

Remuneration Committees: constitution and operation

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

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

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

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

Non-executive Directors: remuneration policy

The non-executive Directors receive a fee, determined by the BBC Trust, reflecting the complexity of the role and the time required

to execute the role effectively. The fee levels are set with reference to rates paid by other UK corporations, but at a level such that the non-executive Directors would not be financially dependent on the BBC. The fee levels are reviewed every other year, the next review being effective from 1 January 2009.

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

Executive Directors: remuneration policy

The Executive remuneration policy enables the BBC to provide:

* **Base pay:** In determining base pay the ERC takes into account the base pay of the BBC's principal competitors and the other organisations with which it competes for talent; the affordability of the BBC to reward executives; and the performance of the executive. Whilst it is accepted that the BBC must be competitive the BBC should

not lead the market on executive pay in the media sector and therefore base salaries will typically be positioned around the median of the market.

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

Table 8: Defined benefit schemes

	Age as at 31 March 2008	Annual values		Transfer values ²		Increase/ (decrease) in transfer value less members' contributions over year £000s
		Total accrued pension at 31 March 2008 £000s	Increase in accrued pension £000s	Transfer value of accrued pension at 31 March 2008 £000s	Transfer value of accrued pension at 31 March 2007 £000s	
Executive Directors¹						
Jana Bennett	52	11	2	164	126	31
Mark Byford	49	193	21	2,763	2,489	246
Tim Davie	40	6	2	37	27	3
Ashley Highfield	42	14	2	99	96	(4)
Stephen Kelly ³	42	3	2	20	7	6
Zarin Patel	47	18	2	170	159	4
John Smith	50	194	21	3,167	2,637	504
Mark Thompson	50	7	2	91	64	20
Caroline Thomson	53	62	4	1,308	1,130	170

¹ Jenny Abramsky has not accrued any benefits under the Pension Scheme since October 2006 when she started to draw benefits under the Scheme.

² The transfer value of accrued pension benefits represents the estimated cost to the Pension Scheme of providing the pension benefits accrued to date. The value is affected by many factors, including age, pensionable salary, pensionable service and investment market conditions at the date of calculation (in accordance with Actuarial Guidance Note GN 11). It is not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration. The effect of the investment market conditions on the transfer value varies according to the member's age – for older members the calculation reflects the yields on index-linked gilts, whilst for younger members the dividend yield on the FTSE All-Share Index is the more significant determinant.

³ Stephen Kelly is a New Benefits member with less than two years' service, and so would not be entitled to a deferred pension on leaving the Scheme on this date. However, to be consistent with the other members, his accrued benefits have been calculated and valued.

Table 9: Remuneration received

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

	Fee/base pay £000	Annual bonus £000	Expenses/ benefits £000	Other remuneration ⁵ £000	Total remuneration 2007/08 £000	Total remuneration 2006/07 ⁶ £000
Executive Directors						
Jenny Abramsky	327	19	12	61	419	329
Jana Bennett	406	23	19	88	536	433
Mark Byford	459	41	13	–	513	437
Stephen Dando ¹	–	–	–	–	–	25
Tim Davie	314	17	17	65	413	406
Ashley Highfield	350	34	11	71	466	359
Stephen Kelly ²	320	33	16	62	431	268
Zarin Patel	329	31	15	65	440	386
John Smith ³	380	88	18	–	486	460
Mark Thompson ⁴	647	–	9	160	816	788
Caroline Thomson	328	32	15	65	440	361
Total Executive Directors	3,860	318	145	637	4,960	4,252
Non-executive Directors⁷						
Marcus Agius	50	–	–	–	50	17
Val Gooding	9	–	–	–	9	–
Mike Lynch	35	–	–	–	35	9
David Robbie	40	–	–	–	40	10
Samir Shah	35	–	–	–	35	9
Robert Webb	40	–	–	–	40	10
Total Non-executive Directors	209	–	–	–	209	55
Total Executive Board	4,069	318	145	637	5,169	4,307
Total Trustees⁸	579	–	63	–	642	209
Total Governors⁹	–	–	–	–	–	295
Total	4,648	318	208	637	5,811	4,811

1 Stephen Dando resigned 23 April 2006.

2 Stephen Kelly joined on 1 October 2006 and therefore 2007/08 is the first full year reporting.

3 John Smith's base pay, bonus and benefits have been fully funded by BBC Commercial Businesses since 1 September 2006. In addition to the annual bonus an equal amount has been invested in the Long Term Incentive Plan for BBC Worldwide which may vest in March 2011.

4 The BBC Trust has responsibility for setting Mark Thompson's bonus award and has assessed his performance over the year. His maximum bonus potential was 10% of base pay; and the BBC Trust determined that his performance merited an award in the upper quartile. However he indicated that he did not want to accept a bonus this year.

5 Other remuneration comprises the following:

a. cash pensions supplements which replaced FURBS arrangements

b. Jenny Abramsky receives a cash supplement as she no longer accrues benefits under the Pension Scheme.

6 The Executive Directors who primarily focused on licence fee funded business waived their contractual rights to be considered for an annual bonus in 2006/07. John Smith waived his right to £18,000 of annual bonus awarded to him. This is reflected in the Total remuneration 2006/07.

7 Marcus Agius was appointed 1 December 2006. Val Gooding was appointed 1 January 2008. Mike Lynch, David Robbie, Samir Shah and Robert Webb were appointed 1 January 2007.

8 The comparator figure for 2006/07 for the Trustees is for the period 1 November 2006 – 31 March 2007.

9 The comparator figure for 2006/07 for the Governors is for the period 1 April 2006 – 31 December 2006. Trustees who were previously Governors are included in the figures as Governors until 31 December 2006 and as Trustees from 1 January 2007.

There were no payments in respect of termination or compensation for loss of office paid to or receivable by Executive Board members during the year.

- * **Benefits:** In addition to pension, the other main contractual benefits are a car and fuel allowance, private health insurance, and life assurance. It is policy that new appointees to the Executive Board are not eligible for provision of a chauffeur-driven car. The Director-General's contract provides for a chauffeur-driven car, but no entitlement to a personal car or fuel allowance.
- * **Pension:** Executive members of the Executive Board are eligible to participate in the BBC Pension Scheme, which provides for pension benefits on a defined benefit basis.

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

All current Executive Directors have a normal pensionable age of 60 but may continue in employment to age 65. For those who joined the Pension Scheme after 31 May 1989 earnings are subject to maximum annual limit (£112,800 per annum for 2007/08). No maximum annual limit is applied to those who joined on or before 31 May 1989. The Pension Scheme provides for early retirement on medical grounds and life assurance of four times pensionable pay up to a prescribed limit.

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

With the pension tax regime effective from April 2006, any participating employee who reaches or exceeds the Lifetime Allowance (£1.6million for 2007/08) may opt out of the Pension Scheme and instead receive a cash supplement.

BBC's Commercial Businesses

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

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

The LTIP is a cash incentive plan designed to align the CEO's remuneration with the strategy of the business. The maximum

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

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

Table 10: Long term incentive plan (LTIP)

10a Performance ranking for BBC Worldwide	LTIP payment
Upper quartile or above	20% of base salary, and 100% match of deferred bonus
Median	10% of base salary, and 50% match of deferred bonus
Below median	Nothing vests

Notes

1 Straight line pro-rata applies between median and upper quartile.

2 50% of the amount of any deferred annual bonus is also forfeited if performance is below the lower quartile.

10b LTIP Vesting for CEO of BBC Worldwide

LTIP Award	Bonus Deferred £000s	End of Performance Period	LTIP Award Vested £000	Deferred Bonus Matching Award Vested £000s	Total Vested £000s
	a		b	c	a+b+c
LTIP 2005 to 2008	87	March-08	78	87	252

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

LTIP Award	Bonus Deferred ¹ £000s	End of Performance Period	Potential LTIP vesting (at target) ² £000s	Potential LTIP vesting (at maximum) ² £000s	Potential Deferred Bonus Matching Award (at target) ² £000s	Potential Deferred Bonus Matching (at maximum) ² £000s	Total potential (at target) ² £000s	Total potential (at maximum) ² £000s
	a		b	c	d	e	a+b+d	a+c+e
LTIP 2006 to 2009	–	March 09	39	78	–	–	39	78
LTIP 2007 to 2010	80	March 10	39	78	40	80	159	238

1 LTIP 2007–2010 for performance below lower quartile 100% of deferred bonus is forfeited.

2 Potential LTIP vesting is based on current earnings and rounded to nearest 1,000.

* Aegis Group, British Sky Broadcasting Group, Emap, Informa, ITV, Pearson, Reuters Group, Taylor Nelson Sofres, WPP, Yell Group, Cablevision Systems Corp, Comcast A, Disney (Walt) Company, Eastman Kodak, Interpublic Group Cos, News Corp A, SBS Broadcasting, Time Warner, Pro Sieben Sat1, Axel Springer (R), Havas Advertising, JC Decaux, M6-Metropole Television, Publicis Groupe, TFI, Vivendi Universal, Arnoldo Mondadori, Mediaset, RCS Mediagroup, Jetix Europe, Dentsu Inc, Fuji Television Network, Nippon Television Network Corp, SKY Perfect Communications.

Employment contracts

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

Outside interests

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

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

Table 11: External directorship fees

	Company	Payment received £000s
CEO, BBC		
Worldwide	Severn Trent PLC	50
COO, BBC	The Pensions Regulator	10

EXECUTIVE BOARD RESPONSIBILITY STATEMENT

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

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

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

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

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

The Executive Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the BBC and enable them to ensure that the financial statements comply with the Charter and the applicable disclosure provisions of the Companies Act 1985. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the BBC and to prevent and detect fraud and other irregularities.

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

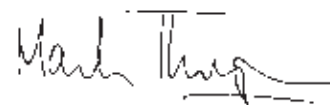
Statement of disclosure of information to auditors

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

Going concern

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

This statement was approved by the Executive Board.



Mark Thompson
Director-General
19 June 2008

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE BRITISH BROADCASTING CORPORATION (BBC)

We have audited the Group and UK Public Service Broadcasting financial statements (the 'financial statements') of the BBC for the year ended 31 March 2008, which comprise the Consolidated Income and Expenditure Account, the Consolidated and UK Public Service Broadcasting Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Reconciliations of Movements in BBC Reserves and the related notes (pages 97–146). These financial statements have been prepared under the accounting policies set out therein.

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

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

Respective responsibilities of the Trustees and Executive Board and Auditors

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

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

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

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

We read other information contained in the Annual Report and Accounts, and consider whether it is consistent with the audited financial statements. This information includes the Chairman's statement in Part One of the Annual Report and Accounts, the Director-General's report on page 1, the Trustees' review of services in Part One of the Annual Report and Accounts, the Executive Board's review of services on pages 29–57, the Financial Overview on pages 82–85, the Corporate Governance Statement and the unaudited parts of the Remuneration Reports. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- * The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and UK Public Service Broadcasting's affairs as at 31 March 2008 and of the Group's surplus for the year then ended; and
- * The financial statements and the parts of the Remuneration Reports which we have been engaged to audit have been properly prepared in accordance with the provisions of the Charter and the Companies Act 1985 as if that Act had applied to these financial statements and the Remuneration Reports.

KPMG LLP

Chartered Accountants
Registered Auditor, London
19 June 2008

Consolidated statement of income and expenditure

For the year ended 31 March 2008

	Note	2008 £m	2007 £m
Income (including share of joint ventures)		4,689.4	4,415.8
Less: share of joint ventures	13c	(274.6)	(238.5)
Group income	1a	4,414.8	4,177.3
Operating expenditure excluding exceptional costs		(4,359.3)	(4,262.9)
Exceptional distribution costs	2c	–	(46.0)
Exceptional restructuring costs	4c	(117.7)	(44.5)
Total operating expenditure	2a	(4,477.0)	(4,353.4)
Group operating deficit		(62.2)	(176.1)
Share of operating surplus of associates and joint ventures		60.3	40.7
Operating deficit: Group and share of associates and joint ventures	3a	(1.9)	(135.4)
Loss on sale and termination of operations	5	(4.8)	(5.2)
Profit on disposal of fixed assets	6	2.0	55.7
Deficit before interest and taxation		(4.7)	(84.9)
Interest receivable and similar items	7a	13.7	14.4
Interest payable and similar items	7b	(18.3)	(7.5)
Other net finance income (from defined benefit pension scheme)	8b ii	148.8	162.6
Surplus before taxation and minority interest	1a	139.5	84.6
Taxation	9a	(37.3)	(23.9)
Surplus after taxation and before minority interest		102.2	60.7
Minority interest		(0.5)	–
Surplus for the financial year	18	101.7	60.7

All results arise from continuing operations.

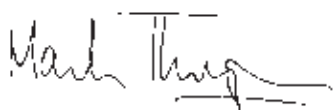
There is no significant difference between the results as disclosed above and the results on an historical cost basis.

Balance sheets
 at 31 March 2008

	Note	Group 2008 £m	Group as restated* 2007 £m	UK Public Service Broadcasting 2008 £m	UK Public Service Broadcasting 2007 £m
Fixed assets					
Intangible assets	10	87.3	10.2	–	–
Tangible assets	11	747.9	708.9	523.4	496.8
Investment in programmes for future sale	12	85.1	98.5	–	–
Interests in trade investments	13a	2.7	5.0	–	–
Investment in subsidiaries	13d	–	–	296.0	295.0
Interests in joint ventures					
– share of gross assets and goodwill	13c	217.4	196.4	–	–
– share of gross liabilities	13c	(151.8)	(129.5)	–	–
	13a	65.6	66.9	–	–
Interests in associates	13a	3.8	1.0	–	–
		992.4	890.5	819.4	791.8
Current assets					
Stocks	14	500.1	476.9	470.2	463.5
Debtors due after more than one year					
Debtors due after more than one year	15	50.1	74.4	21.1	38.9
Debtors due within one year	15	794.9	696.9	655.3	569.8
Total debtors					
Cash at bank and in hand	21	78.0	144.7	6.7	93.4
		1,423.1	1,392.9	1,153.3	1,165.6
Creditors – amounts falling due within one year	16b	(1,064.7)	(1,015.6)	(761.6)	(751.2)
Net current assets		358.4	377.3	391.7	414.4
Total assets less current liabilities					
Creditors – amounts falling due after more than one year	16c	(172.6)	(60.4)	(21.9)	(26.9)
Provisions for liabilities	17	(182.3)	(143.2)	(160.0)	(115.7)
Net assets excluding pension asset/(liability)		995.9	1,064.2	1,029.2	1,063.6
Pension asset	8b i	528.4	329.3	–	–
Pension liability	8b i	(5.1)	(5.2)	–	–
Net assets		1,519.2	1,388.3	1,029.2	1,063.6
Represented by					
Operating reserve excluding pension reserve	18	206.3	279.3	215.3	278.7
Pension reserve	18	523.3	324.1	–	–
Total operating reserve	18	729.6	603.4	215.3	278.7
Capital reserve	18	812.3	782.5	812.3	782.5
Other reserves	18	(31.0)	–	–	–
Revaluation reserve	18	1.6	2.4	1.6	2.4
BBC reserves		1,512.5	1,388.3	1,029.2	1,063.6
Minority interest		6.7	–	–	–
		1,519.2	1,388.3	1,029.2	1,063.6

* See statement of accounting policies.

The financial statements were approved by the Executive Board on 19 June 2008 and signed on its behalf by:



Mark Thompson Director-General
19 June 2008



Zarin Patel Group Finance Director
19 June 2008

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2008

	Note	2008 £m	2007 as restated* £m
Group surplus for the financial year		101.7	60.7
Exchange differences	18	(1.0)	(2.7)
Actuarial gain on defined benefit pension schemes	8c v	52.3	136.1
Total recognised gains and losses relating to the year		153.0	194.1
Prior year adjustment for adoption of amendment to FRS 17		(10.4)	
Total recognised gains and losses since last annual report		142.6	

* See statement of accounting policies.

Reconciliations of movements in BBC reserves

For the year ended 31 March 2008

	Note	Group 2008 £m	Group as restated 2007 £m	UK Public Service Broadcasting 2008 £m	UK Public Service Broadcasting 2007 £m
Surplus/(deficit) for the financial year		101.7	60.7	(34.4)	52.1
Other recognised gains and losses relating to the year (net)		51.3	133.4	–	–
Other reserves	18,19	(28.8)	–	–	–
Increase/(decrease) in reserves during the year		124.2	194.1	(34.4)	52.1
Opening reserves (originally £1,398.7million before deducting prior year adjustment of £10.4million)		1,388.3	1,194.2	1,063.6	1,011.5
Closing BBC reserves		1,512.5	1,388.3	1,029.2	1,063.6

Consolidated cash flow statement

For the year ended 31 March 2008

Reconciliation of Group operating deficit to net cash flow from operating activities		2008 £m	2007 £m
Group operating deficit		(62.2)	(176.1)
Depreciation, amortisation and impairment		216.7	221.6
Difference between pension charge and cash contribution		1.9	136.8
Profit on disposal of tangible fixed assets		–	(1.1)
Increase in stocks		(8.7)	(16.7)
(Increase)/decrease in debtors		(72.7)	13.6
Increase in creditors		26.4	21.6
Increase/(decrease) in provisions		57.3	(66.1)
Net cash inflow from operating activities		158.7	133.6
Cash flow statement			
	Note	2008 £m	2007 £m
Net cash inflow from operating activities		158.7	133.6
Dividends received from joint ventures and associates		45.7	22.4
Return on investments and servicing of finance			
Interest received		11.3	12.6
Interest paid		(12.3)	(7.0)
Interest paid on finance leases		(0.7)	(0.5)
Net cash (outflow)/inflow from return on investments and servicing of finance		(1.7)	5.1
Taxation			
Taxation paid		(23.5)	(21.1)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(158.0)	(144.7)
Investment in programmes for future sale		(88.2)	(109.5)
Repayment of loan to associate undertaking		–	0.3
Drawdown of loan to joint venture	13a	(0.7)	(0.8)
Proceeds from the sale of tangible fixed assets		15.1	79.9
Net cash outflow from capital expenditure and financial investments		(231.8)	(174.8)
Acquisitions and disposals			
Purchase of a subsidiary	19	(90.3)	–
Cash acquired with subsidiary	19	5.9	–
Purchase of trade investment		–	(0.9)
Purchase of interest in joint ventures and associates	13a	(6.3)	(5.5)
Paid on termination of operations		(16.4)	–
Proceeds from sale of operations		–	26.6
Net cash (outflow)/inflow from acquisitions and disposals		(107.1)	20.2
Net cash outflow before use of liquid resources and financing		(159.7)	(14.6)
Management of liquid resources			
Sale of liquid resources		28.7	–
Purchase of liquid resources		(28.7)	–
Net cash inflow from management of liquid resources		–	–
Financing			
Increase in loans		178.9	20.4
Repayment of loans		(72.1)	(7.0)
Capital element of finance lease payments		(9.7)	(9.5)
Repayment of loan notes		(4.1)	(4.8)
Net cash inflow/(outflow) from financing		93.0	(0.9)
Decrease in cash in the year	20	(66.7)	(15.5)

Statement of accounting policies

This section explains the BBC's main accounting policies, which have been applied consistently throughout the year and in the preceding year except where stated. A footnote in italics follows some policies to explain technical aspects of the accounting treatment in plain English.

The financial statements have been prepared in accordance with the provisions of the BBC's Charter and Agreement, which require them to be prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

Although not mandatory, until 2005 the BBC chose to follow the accounting and disclosure provisions of the Companies Act 1985 and the Financial Services Authority Listing Rules to ensure that its financial statements were prepared on a basis consistent with those of UK companies quoted on an EU-regulated market. Following changes in company law, if it had continued to report in this way, the BBC would have prepared its consolidated financial statements in accordance with EU-adopted International Financial Reporting Standards (IFRS) from 1 April 2005. However, reporting under IFRS would be inconsistent with the BBC's Charter and Agreement and with Government reporting. Instead, the financial statements continue to be prepared in full accordance with UK GAAP and applicable elements of the Listing Rules.

The BBC files financial statements for all its UK registered subsidiary companies with Companies House.

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost accounting convention, as modified by the revaluation of certain plant, machinery, furniture and fittings, financial instruments, derivatives and the investment in BBC World Service and BBC Monitoring.

ADOPTION OF AMENDMENTS TO ACCOUNTING STANDARDS

The BBC has adopted the following amendments to applicable UK accounting standards for the first time in these financial statements:

- * Amendment to FRS 17 'Retirement Benefits' issued in December 2006. The main effect of this amendment is to replace the previous disclosures with those of IAS 19 'Employee Benefits'. The amended disclosures including revised comparatives are shown in Note 8. The only resulting measurement change is that pension scheme assets are now valued

at current bid value (the price to be received on sale) rather than mid-market value (the mid point between the purchase and sale prices). The effect of this change is that the value of the pension asset as at 31 March 2007 decreased by £10.4million; comparatives have been restated accordingly.

- * Amendment to FRS 3 'Reporting Financial Performance'. This has had no impact on the financial statements in the current or prior year.

ADOPTION OF NEW URGENT ISSUES TASK FORCE ABSTRACT

The BBC has adopted UITF 42 (IFRIC 9) 'Reassessment of Embedded Derivatives'. This has had no impact on the financial statements in the current or prior year.

BASIS OF CONSOLIDATION

The Group acquired two subsidiaries during the year, Lonely Planet Pty Limited and DSHS Limited for which the acquisition method of accounting has been adopted. Under this method, the results of subsidiaries acquired or disposed of in the year are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal.

The Group accounts include the results of all businesses controlled by the BBC (subsidiaries) together with the BBC's share of the results of businesses over which the BBC has influence but not control (associates) and those which the BBC jointly controls (joint ventures). See Note 29 for more information.

An associate is an undertaking in which the Group has a long-term interest, usually between 20% and 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control.

UK PUBLIC SERVICE BROADCASTING INCOME AND EXPENDITURE ACCOUNT

A separate statement of income and expenditure reflecting the results of UK Public Service Broadcasting has not been presented, which is consistent with the option available to companies under Section 230 of the Companies Act 1985.

SERVICE LICENCE REPORTING

Service licences are used by the BBC Trust to monitor that each BBC service creates public value by delivering the BBC's public purposes. Note 28 provides more detail on how costs are allocated to individual services.

INVESTMENTS IN GROUP UNDERTAKINGS

The funding of UK Public Service Broadcasting, BBC World Service and BBC Monitoring is legally separate and cross-subsidisation is not permissible. Accordingly, for the purposes of preparing UK Public Service Broadcasting's balance sheet, the individual assets and liabilities attributable to BBC World Service and BBC Monitoring must be excluded, and UK Public Service Broadcasting is considered to have investments in BBC World Service and BBC Monitoring equal to the net assets of these entities.

OTHER INVESTMENTS

Other investments, being neither loans nor necessarily held for maturity, are recorded on the balance sheet at cost less provision for any impairment in value.

INCOME

Income, which excludes value added tax, trade discounts and sales between Group companies, is comprised of the following key classes of revenue, which are recognised as follows:

* Television licences

The main income for the BBC is derived from television licences. Licence fee income is recognised in full when a licence is issued, subject to deductions for actual and expected refunds and cancellations.

* Grants from Government departments

Grants are recognised when receivable from the relevant Government department. The BBC World Service receives Grant-in-Aid from the Foreign and Commonwealth Office and BBC Monitoring receives a grant from the Cabinet Office. These grants are intended to meet estimated expenditure in the year but unexpended receipts for the year, within predetermined limits, are not liable to surrender.

Statement of accounting policies

* **Provision of equipment, facilities and services (including programme-making facilities and services)**

With the exception of long-term contracts, income is recognised when the equipment, facilities and services are provided to customers.

For long-term contracts, the amount of profit attributable to the stage of completion is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in prior years. Provision is made for any future losses as they are foreseen.

* **Distribution and advertising income, licence fees from international television programme sales and sale of promotional merchandise and income from publishing**

This income is recognised on provision of services, the start of the licence period or delivery of merchandise respectively. Where programme rights have not been delivered by the start of the licence period, revenue is recognised on delivery of the rights.

Sales of merchandise are stated after deduction of the sales value of actual and estimated returned goods.

The distinction between the various income sources is important. The BBC is careful not to cross-subsidise commercial, UK Public Service Broadcasting or Grant-in-Aid and grant-funded activities. More information on these BBC fair trading requirements and policies can be found on page 63 of this report.

FOREIGN CURRENCY TRANSLATION

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

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 31 March. Surpluses and deficits arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the statement of income and expenditure.

The profit and loss accounts and cash flows of overseas subsidiaries are translated into sterling at average rates for the year, which is a good approximation for the actual rate. Exchange differences arising on consolidation from the retranslation of the opening net assets of overseas subsidiaries and any related

long-term foreign currency borrowings together with the differences arising when the profit and loss accounts are retranslated at the rates ruling at the year end, are taken to the operating reserve through the statement of total recognised gains and losses.

As these financial statements are prepared in sterling, the BBC's foreign currency transactions and balances must be translated, at appropriate exchange rates, into sterling.

PENSION COSTS

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

The amounts charged as expenditure for the defined contribution schemes represent the contributions payable by the BBC for the accounting periods in respect of these schemes.

The defined benefit schemes, of which the majority of staff are members, provide benefits based on final, or career average, pensionable pay. The assets of the BBC's main pension scheme are held separately from those of the Group.

Pension scheme assets are measured using current market bid values. Pension scheme liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. Generally, amounts are charged to operating expenditure on the basis of the current service cost of the present employees that are members of the BBC Pension Scheme.

The BBC Pension Scheme is a Group-wide scheme and UK Public Service Broadcasting and its subsidiary undertakings are unable to identify their shares of the underlying assets and liabilities of the scheme on a reasonable and consistent basis.

Therefore as required by FRS 17 'Retirement benefits', UK Public Service Broadcasting accounts for the scheme as if it were a defined contribution scheme. As a result the expenditure charged for UK Public Service Broadcasting represents the contributions payable in the year.

On retirement, members of the BBC's main pension scheme are paid their pensions from a fund which is kept separate from the Group. The BBC makes cash contributions to that fund in advance of members' retirement.

RESEARCH AND DEVELOPMENT

Research and development expenditure is written off as incurred.

INTANGIBLE FIXED ASSETS**Goodwill**

Purchased goodwill (representing the excess of the fair value of the purchase consideration plus any related costs of acquisition over the fair value attributable to the separable net assets acquired) arising on acquisition of a subsidiary or business, is capitalised and amortised on a straight line basis over its useful economic life (usually 20 years), subject to reviews for impairment. On the subsequent disposal or termination of a business, the surplus or deficit is calculated after charging the unamortised amount of any related goodwill. As is permitted by FRS 10 'Goodwill and Intangible Assets', goodwill arising in periods up to 1 April 1998 remains offset against the operating reserve. On disposal, goodwill previously written off against reserves is transferred to the statement of income and expenditure for the year.

Goodwill arises when the BBC pays more for a business than the sum of net assets of the business acquired, representing the fact that the Group places more value on the business entity as a whole (usually due to expected synergies or earning potential of that business). This premium is treated as an asset in its own right and held on the Group's balance sheet, with an economic life of up to 20 years. As with any other asset, the profit or loss on sale or disposal (in this case sale/disposal of the business) is calculated after writing off the amount still held on the Group's balance sheet.

Other intangibles

Other intangibles are capitalised and amortised on a straight line basis over their useful economic life subject to reviews for impairment. The asset's useful economic lives are:

- * List of customer names – 2 to 4 years
- * Brand names – 2 to 4 years

TANGIBLE FIXED ASSETS

Expenditure on tangible fixed assets is capitalised together with incremental internal direct labour costs incurred on capital projects. Other than the following exception, tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation and any provision for impairment.

BBC World Service and BBC Monitoring revalued their plant and machinery and furniture and fittings as at 1 April 1996 on the basis of their estimated current replacement cost at that time. In accordance with the transitional rules of FRS 15 'Tangible Fixed Assets', although the BBC did not adopt a general policy of revaluation, the book values of these assets (based on their revalued amounts) were retained. The revaluation has not been updated since, although appropriate depreciation continues to be charged. There is no significant difference between the net book value of these tangible fixed assets and their value as determined on an historical cost basis and as a result no statement of historical cost surpluses and deficits is presented.

Depreciation is calculated so as to write off the cost or valuation, less estimated residual value, of fixed assets on a straight line basis over their expected useful lives. Depreciation commences from the date an asset is brought into service. The useful lives for the principal categories of assets are:

* Land and buildings

- Freehold land – not depreciated
- Freehold and long-leasehold buildings – 50 years
- Short-leasehold land and buildings – unexpired lease term

* Plant and machinery

- Computer equipment – 3 to 5 years
- Electrical and mechanical infrastructure – 10 to 25 years
- Other – 3 to 10 years

* Furniture and fittings – 3 to 10 years

In accordance with accounting standards applicable at the time, parts of the BBC revalued certain classes of assets once (in 1996), but have chosen not to revalue them on an ongoing basis. This reflects the fact that they are used within the BBC rather than being held for resale or their investment potential. The majority of assets are therefore included at the amount they cost when purchased or constructed (in either case less subsequent depreciation).

INVESTMENT IN PROGRAMMES FOR FUTURE SALE

The BBC's commercial subsidiaries make investments in programmes for future sale. These investments represent the right to future income from the sale, licensing or other exploitation of those programmes, and are stated at cost, after writing off the costs of programmes that are considered irrecoverable, less accumulated amortisation. Amortisation of investment in programmes for future sale is charged to the statement of income and expenditure over the estimated average marketable life of the programme genre which is generally between two and ten years. The cost and accumulated amortisation of investment in programmes for future sale are reduced by programmes which are fully written off.

The cost of programmes for sale is charged to the statement of income and expenditure to match the expected timing of income from future sales.

IMPAIRMENT OF FIXED ASSETS

The Group reviews the carrying amounts of its fixed assets when there is an indication that those assets may have suffered an impairment loss.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the resulting impairment loss is recognised in the statement of income and expenditure immediately.

An impairment occurs when an asset would otherwise be recorded in the financial statements at an amount greater than is recoverable from its use or sale.

ORIGINATED PROGRAMME STOCKS AND WORK IN PROGRESS

Originated programme stocks and work in progress, including those commissioned from independent producers, are stated at the lower of cost and net realisable value. With the exception of the costs of prepaid repeats of independent programmes, the full stock value is written off on first transmission.

Cost includes all direct costs, production overheads and a proportion of other attributable overheads.

Programme development costs are expensed to the statement of income and expenditure until such time as there is a strong indication that they will result in a commissioned programme, when any further costs are capitalised as work in progress.

Net realisable value is based upon arm's length contract prices negotiated between the channel controllers and programme makers, both external and internal.

ACQUIRED PROGRAMMES AND FILM STOCKS

Acquired programmes are those not initially commissioned by the BBC, usually foreign imports. The costs of acquired programmes and film stocks are written off on first transmission except to the extent that further showings are scheduled, in which case they are written off according to their expected transmission profile. Assets and liabilities relating to acquired programmes are recognised at the point of payment or commencement of the licence period, whichever is earlier. Agreements for the future purchase of programmes whose licence period has not commenced and where there has been no payment by the balance sheet date are disclosed as purchase commitments.

OTHER STOCKS

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

PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation arising from past events and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions, other than deferred tax, that are payable over a number of years are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

TAXATION

The tax charge represents the sum of the tax currently payable and deferred tax.

In respect of the tax currently payable:

* The BBC (UK Public Service Broadcasting, BBC World Service and BBC Monitoring) is not liable to corporation tax on any surplus licence fee income or grants received from Government departments. However, it is fully liable for corporation tax on capital gains and on all its other income. Expenditure on capital assets is not eligible for capital allowances.

* The BBC's commercial subsidiaries are liable for corporation tax based on taxable profit for the year.

Taxable profit differs from net profit as reported in the statement of income and expenditure because it excludes items of income and expenditure that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Statement of accounting policies

Deferred tax is computed under the liability method. Full provision, without discounting, is made in respect of timing differences between certain items in the financial statements and their treatment for taxation purposes at the balance sheet date except as otherwise required by FRS 19 'Deferred Tax'. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is corporation tax which is not payable at a specific time but which is expected to become payable in the future.

OPERATING LEASES

Operating lease rentals payable are recognised on a straight line basis over the term of the lease.

An operating lease is a lease in which the lessee has not taken on the risks and rewards of owning and operating the asset. The lessee has not acquired an asset but is hiring it, so the hire charge is included in the BBC's costs.

FINANCE LEASES

Assets acquired under finance leases are included within fixed assets at the total of the lease payments due over the life of the lease discounted at the rate of interest inherent in the lease. The same amount is included in creditors. Rental payments are apportioned between the finance element, which is charged in the statement of income and expenditure, and the capital element, which reduces the lease creditor.

A finance lease is a lease that transfers substantially all the risks and rewards of owning and operating an asset to the lessee. Effectively the lessee owns the asset and has financed it by borrowing, so the asset and borrowing are included separately in the balance sheet.

RESERVES

Each year an amount equivalent to the costs expended by UK Public Service Broadcasting, BBC World Service and BBC Monitoring on capital assets over and above depreciation, adjusted for disposals, is transferred to the capital reserve so that, at the balance sheet date, the amount of the capital reserve is equivalent to the historical cost net book value of UK Public Service Broadcasting, BBC World Service and BBC Monitoring fixed assets.

The revaluation reserve reflects the difference between the net book value of the fixed assets of BBC World Service and BBC Monitoring at historic cost compared with their revalued amount.

The operating reserve is the accumulated surplus of income and expenditure account to date.

The pension reserve represents the net surplus or liability of the Group's defined benefit pension schemes.

The other reserves represent the value of a put option exercisable by minority shareholders.

CASH AND LIQUID RESOURCES

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are readily convertible into known amounts of cash at, or close to, their carrying values. They comprise money market deposits and liquidity funds with a notice period in excess of one working day.

FINANCIAL INSTRUMENTS

The Group's loans are stated at amortised cost using the effective interest rate.

Derivative financial instruments

The Group does not enter into speculative derivative contracts. However some derivative financial instruments are used with a view to managing the BBC's exposure to fluctuations in interest rates (interest rate swaps and interest rate caps) and foreign currency exchange rates (foreign currency forward contracts).

Derivative financial instruments are initially recognised at cost and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the statement of income and expenditure.

The fair value of interest rate swaps, caps and collars is the estimated amount that the Group would receive or pay to terminate the swap, cap or collar at the balance sheet date, taking into account current interest rates and the current creditworthiness of swap, cap or collar counterparties.

The fair value of foreign currency forward contract rates is determined by using forward exchange market rates at the balance sheet date.

Hedge accounting

In general the Group does not apply hedge accounting but instead allows movements in fair values of hedging contracts to flow to the statement of income and expenditure as they arise. However, where a financial instrument is designated and effective as a net investment hedge of a foreign operation any exchange differences arising on the retranslation of the financial instrument will be recognised directly in the statement of total recognised gains and losses. Any ineffective portion is recognised immediately in the income and expenditure account.

Financial instruments include all contractual arrangements to deliver or receive cash. Therefore they include trade debtors and creditors and loans as well as more complex instruments such as derivatives. Forward exchange contracts provide certainty over the sterling amount of future expenses and income denominated in a foreign currency by fixing the exchange rate rather than waiting for the prevailing exchange rate at the time of the transaction or payment.

Interest rate swaps effectively swap a floating rate loan into a fixed rate loan, or vice versa. Interest rate caps protect against interest rates rising, by setting an upper limit (cap) on the floating interest rate, while still allowing the benefit of falling interest rates. Interest rate collars are the same as interest rate caps except that there is also a lower limit set to the floating interest rate.

Depending on how exchange rates and interest rates move between the time the Group enters into the transaction and the year end, these derivatives can either be profitable ('in the money') or loss-making in their own right. However, the rationale in entering into these derivatives is not to profit from currency markets or interest rate fluctuations, but to provide stability to the BBC's cash flows. The movements relating to these derivatives (ie where they are either in profit or loss-making) are taken to the Group's statement of income and expenditure for the year.

Notes to the financial statements

I ANALYSIS OF INCOME, SURPLUS/(DEFICIT) AND NET ASSETS

Ia Analysis of income, surplus/(deficit) and net assets by activity

	Note	UK Public Service Broadcasting Group £m	BBC World Service and BBC Monitoring £m	Commercial Businesses £m	Total £m
2008					
Total income		3,628.2	286.2	1,089.1	5,003.5
Less: intra-Group income		(217.9)	(1.3)	(94.9)	(314.1)
Total external income		3,410.3	284.9	994.2	4,689.4
Less: share of joint ventures		–	–	(274.6)	(274.6)
Group income		3,410.3	284.9	719.6	4,414.8
Of which:					
Licence fee income	1b	3,368.8	–	–	3,368.8
Government grants		4.0	279.6	–	283.6
Commercial	1c	–	–	719.6	719.6
Other		37.5	5.3	–	42.8
(Deficit)/surplus before interest, taxation and non-cash pension costs		(108.0)	0.5	104.7	(2.8)
Defined benefit pension scheme					
– additional operating costs*†	4b				(1.9)
– other net finance income*	8b ii				148.8
Net interest payable					(4.6)
Surplus before taxation and minority interest					139.5
Of which, Group share of operating surplus of associates and joint ventures		–	–	60.3	60.3
Net assets (excluding pension asset)					
– UK		734.2	72.0	22.0	828.2
– Rest of world		5.9	98.7	63.1	167.7
					995.9
Net pension asset*	8b i				523.3
Net assets					1,519.2
Of which, Group share of net assets of associates and joint ventures	13a	2.1	–	67.3	69.4

* In accordance with FRS 17 these items are not split between business classes because they are managed centrally across the Group and it is not possible to allocate them on a reasonable and consistent basis.

† The actual employer cash contribution to the defined benefit pension scheme is included in the surplus/(deficit) before interest, taxation and non-cash pension costs of each entity. The additional operating cost is the cost to the Group over and above these cash contributions.

Note 1 provides analysis of the **different business areas** within the BBC. The business areas have been chosen on the basis of the services provided and the separation of activities financed by different income sources.

UK Public Service Broadcasting Group comprises the UK Public Services (as defined in the Agreement) and those subsidiary companies incorporated to act solely on behalf of those public service operations.

BBC World Service and BBC Monitoring comprise broadcasting and media monitoring activities.

Commercial Businesses comprise businesses which generate external income from exploitation of the BBC's programmes, other assets and skill base.

Notes to the financial statements

	Note	UK Public Service Broadcasting Group £m	BBC World Service and BBC Monitoring £m	Commercial Businesses £m	Total £m
2007					
Total income		3,386.8	271.1	974.2	4,632.1
Less: intra-Group income		(115.0)	(1.5)	(99.8)	(216.3)
Total external income		3,271.8	269.6	874.4	4,415.8
Less: share of joint ventures		–	–	(238.5)	(238.5)
Group income		3,271.8	269.6	635.9	4,177.3
Of which:					
Licence fee income	1b	3,242.9	–	–	3,242.9
Government grants		2.1	264.1	–	266.2
Commercial	1c	–	–	635.9	635.9
Other		26.8	5.5	–	32.3
(Deficit)/surplus before interest, taxation and non-cash pension costs		(63.3)	10.8	104.4	51.9
Defined benefit pension scheme					
– additional operating costs*†	4b				(136.8)
– other net finance income*	8b ii				162.6
Net interest receivable					6.9
Surplus before taxation and minority interest					84.6
Of which, Group share of operating surplus of associates and joint ventures		–	–	40.7	40.7
Net assets (excluding pension asset)*					
– UK		769.7	72.9	102.0	944.6
– Rest of world		5.1	96.8	17.7	119.6
					1,064.2
Net pension asset	8b i				324.1
Net assets					1,388.3
Of which, Group share of net assets of associates and joint ventures	13a	2.1	–	65.8	67.9

*In accordance with FRS 17 these items are not split between business classes because they are managed centrally across the Group and it is not possible to allocate them on a reasonable and consistent basis.

†The actual employer cash contribution to the defined benefit pension scheme is included in the surplus/(deficit) before interest, taxation and non-cash pension costs of each entity. The additional operating cost is the cost to the Group over and above these cash contributions.

1b Licence fee income

	Licence fee 2008 £	Licences in force 2008 Number m	Total income 2008 £m	Licence fee 2007 £	Licences in force 2007 Number m	Total income 2007 £m
Colour	135.50	21.1	2,840.1	131.50	20.9	2,737.1
Monochrome*	45.50	–	1.4	44.00	–	1.5
Concessionary	7.50	0.2	1.4	5.00	0.2	0.9
Over 75s	–	4.0	508.4	–	4.0	486.6
		25.3	3,351.3		25.1	3,226.1
Quarterly payment scheme premium			17.5			16.8
Total licence fee income			3,368.8			3,242.9
Other income**			41.5			28.9
Total external income			3,410.3			3,271.8

* There are 28,000 monochrome licences in force at 31 March 2008 (33,000 at 31 March 2007).

** Included within other income is £2.3million (2007: £1.4million) contributed by other broadcasters towards the costs of Digital UK Limited (see Note 2a).

During the year 3.5 million (2007: 3.4 million) colour licences were issued under the quarterly payment scheme at a premium of £5 each (2007: £5). Households in which one or more persons over the age of 75 reside, as their primary residence, are entitled to a free licence. The BBC is reimbursed for these free licences by the relevant Government department.

Ic Analysis of Commercial Businesses' income by activity

	2008 £m	2007 £m
Television (channels, sales, content and production)	405.0	367.5
Magazines, Home Entertainment and Lonely Planet	266.4	230.3
Digital Media	21.9	13.9
Provision of programme-making facilities and services	121.2	124.0
Less: intra-Group income	(94.9)	(99.8)
Total income	719.6	635.9

Id Geographical analysis of Commercial Businesses' income by destination

	2008 £m	2007 £m
United Kingdom	310.4	273.8
Americas	187.2	169.4
Rest of the World	222.0	192.7
Total income	719.6	635.9

2 OPERATING EXPENDITURE**2a Analysis of operating expenditure by activity**

UK Public Service Broadcasting activities are funded by the licence fee. The Charter and Agreement between the BBC and Department for Culture, Media and Sport describes the BBC's UK Public Services (including television, radio and online services) and also sets certain obligations on the BBC in relation to digital switchover; both activities are funded by the licence fee. However, part of the licence fee income has been specified as being for the purpose of digital switchover and as a result the total UK Public Service Broadcasting Group expenditure is shown below allocated between these categories.

	Note	2008 £m	2007 £m
Expenditure on licence fee funded activities			
UK Public Services	2b	3,487.1	3,315.7
Digital switchover (Digital UK Limited)*		21.2	11.6
Digital switchover (DSHS Limited)	2d	5.9	–
Total UK Public Service Broadcasting Group		3,514.2	3,327.3
BBC World Service and BBC Monitoring**		285.3	258.8
Commercial Businesses	2c	675.6	630.5
Non-cash pension scheme operating costs***		1.9	136.8
		4,477.0	4,353.4

* As set out in Note 29c the BBC controls 56% of the voting rights of the company Digital UK Limited (formerly Switchco Limited), and therefore consolidates its results with those of the BBC. As a result, these costs represent the full expenditure by Digital UK Limited, which is financed by contributions from the BBC and other broadcasters. The BBC contributed £18.9million (2007: £10.2million) being 100% of the communication expenditure (which is ring-fenced, see Note 2d) and 56% of all other costs incurred by Digital UK Limited. £2.3million (2007: £1.4million) was contributed by other broadcasters.

** BBC World Service and BBC Monitoring expenditure of £285.3million (2007: £258.8million) excludes £0.5million (2007: £1.5million) of expenditure on the provision of services to other BBC Group companies.

*** In accordance with FRS 17 the non-cash operating costs are not split between the business activities as it is not possible to do this on a reasonable and consistent basis.

Notes to the financial statements

2b UK Public Services expenditure

A new framework of service licences, issued by the BBC Trust to the BBC's management, came into effect from 1 January 2007. The table below sets out the total expenditure for each group of service licences. Details of expenditure on each individual service can be found in Note 28.

2008						
Services	Note	Content £m	Distribution £m	Infrastructure/ support £m	Other £m	Total £m
Television	28	1,834.3	104.8	416.2	–	2,355.3
Radio	28	459.9	47.2	91.3	–	598.4
Online	28	113.9	15.4	52.7	–	182.0
Regulated spend		2,408.1	167.4	560.2	–	3,135.7
Other*	28	77.5	18.3	14.8	123.2	233.8
Exceptional restructuring costs	28	–	–	–	117.6	117.6
UK Public Services spend		2,485.6	185.7	575.0	240.8	3,487.1
Digital UK Limited expenditure	2a	–	–	–	21.2	21.2
Digital switchover ring-fenced expenditure	2d	–	–	–	5.9	5.9
Total		2,485.6	185.7	575.0	267.9	3,514.2

* Other spend is that not specifically regulated by the individual service licences and includes costs for licence fee collection, orchestras and performing groups and business development.

2007

Television	28	1,836.9	99.1	383.1	–	2,319.1
Radio	28	432.6	42.6	88.4	–	563.6
Online	28	115.0	8.8	29.9	–	153.7
Regulated spend		2,384.5	150.5	501.4	–	3,036.4
Other	28	71.6	14.2	15.1	134.1	235.0
Exceptional restructuring costs	28	–	–	–	44.3	44.3
UK Public Services spend		2,456.1	164.7	516.5	178.4	3,315.7
Digital UK Limited expenditure	2a	–	–	–	11.6	11.6
Digital switchover ring-fenced expenditure	2d	–	–	–	–	–
Total		2,456.1	164.7	516.5	190.0	3,327.3

2c Commercial Businesses' expenditure

	Note	2008 £m	2007 £m
Cost of sales		351.0	300.4
Distribution costs		179.1	136.3
Exceptional distribution costs		–	46.0
Administrative and other costs		40.2	37.5
Amortisation of programme investment	12	101.8	107.1
Restructuring costs	4c	3.5	3.2
Total		675.6	630.5

The BBC's **online service** was *bbc.co.uk* (including BBC iPlayer).

The **expenditure** shown for Commercial Businesses relates only to external income and excludes expenditure relating to sales within the BBC.

2d UK Public Services ring-fenced expenditure

The Department for Culture, Media and Sport has ring-fenced the following amounts within the new Charter and six-year licence fee settlement (2008–2013):

	Amount spent in previous years £m	Amount spent in 2007 £m	Amount spent in 2008 £m	Cumulative Total £m	Six-year ring-fenced funding £m
Digital switchover					
Help for the elderly and disabled*	–	–	5.9	5.9	603.0
Digital UK Limited**	1.4	8.7	17.5	27.6	201.0

* The Secretary of State has agreed with the BBC that the £603million estimated cost of the Digital Switchover Help Scheme (operated by DSHS Limited) will be ring-fenced and set aside from the licence fee for the purpose of funding the Scheme over the six-year life of the licence fee settlement. This agreement specifies that in the event that the costs of the project exceed this limit due to higher than anticipated demand, this will not be at the expense of the BBC's programmes, services or other resources.

** The Framework Agreement states that the BBC is committed to leading certain aspects of the digital switchover programme, through Digital UK Limited, and the licence fee settlement includes a ring-fenced amount of up to £201million from the inception of Digital UK Limited until the end of the six-year life of the licence fee settlement for communication activities. The ring-fenced amount is only part of the BBC's annual contribution to Digital UK Limited (see Note 2a).

As at 31 March 2008, the BBC is on target to remain within the ring-fenced amounts at the end of the six-year period.

3 GROUP OPERATING DEFICIT

3a Group operating deficit excluding auditors' remuneration

The operating deficit before interest and taxation is stated after charging/(crediting) the following items:

	2008 £m	2007 £m
Payments under operating leases		
– land and buildings	72.8	64.2
– plant and machinery	13.1	3.3
– other	12.3	13.7
Depreciation		
– owned assets	107.6	106.8
– leased assets	2.8	6.4
Profit on disposal of tangible fixed assets*	–	(1.1)
Amortisation of goodwill:		
– subsidiaries	2.5	1.3
– joint ventures and associates	2.0	2.7
Amortisation of investment in programmes for future sale	101.8	107.1
Provision for trade investments	1.5	–
Programme development	22.1	29.4
Research and development	16.1	14.6
Fair trading auditors' remuneration (PricewaterhouseCoopers LLP)	0.5	0.3
Net exchange differences	(2.8)	3.7
Impairment of trade debtors	3.9	0.7
Fair value losses on embedded derivatives	0.2	2.1
Fair value gains on open forward foreign currency contracts	(6.2)	(0.3)

* The profit on disposal of tangible fixed assets represents adjustments to depreciation on disposals in the ordinary course of business. Exceptional profit on disposals is disclosed separately in Note 6.

Notes to the financial statements

3b Auditors' remuneration

The BBC has reported its auditors' remuneration in accordance with The Companies (Disclosure of Auditor Remuneration) Regulations 2005.

	2008 £m	2007 £m
Fees payable for the audit of the BBC's annual accounts	0.6	1.0
Fees payable to the BBC's auditor and its associates for other services		
– the audit of the BBC's subsidiaries pursuant to legislation	0.6	0.5
– other services relating to taxation	0.3	0.1
– services relating to corporate finance transactions	–	0.1
– all other services	0.5	0.6
	2.0	2.3

4 EMPLOYEES AND REMUNERATION**4a Persons employed**

The average number of persons employed in the year was:

	Average for the year	
	2008 Number	2007 Number
UK Public Service Broadcasting	17,677	17,914
BBC World Service and BBC Monitoring	2,219	2,214
Commercial Businesses	3,205	2,909
Group total	23,101	23,037

The decrease in Public Service Broadcasting headcount during 2008 is principally due to the Value for Money programme initiatives. The increase in Commercial Businesses headcount during 2008 is mainly due to the Lonely Planet acquisition.

Within the averages above, 2,845 (2007: 2,743) part-time employees have been included at their full-time equivalent of 1,595 (2007: 1,566).

In addition to the above, the Group employed an average full-time equivalent of 851 (2007: 872) persons on a casual basis and the BBC Orchestra and BBC Singers, employed on programme contracts, totalled 379 (2007: 380) full-time equivalents.

4b Staff costs

	Note	2008 £m	2007 £m
Salaries and wages		1,006.0	969.0
Social security costs		89.5	88.9
Pension costs			
– main scheme (defined benefit)	8b ii	173.2	204.9
– other schemes	8b ii	1.2	1.0
Redundancy costs	4c	111.7	21.2
		1,381.6	1,285.0
Comprising:			
UK Public Service Broadcasting		1,097.8	915.6
BBC World Service and BBC Monitoring		93.7	78.9
Commercial Businesses		188.2	153.7
Main pension scheme additional operating cost (defined benefit)*	1a	1.9	136.8
		1,381.6	1,285.0

* The actual employer cash contributions to the defined benefit pension scheme are borne by each business. The additional operating cost is the cost to the Group over and above these contributions. It is not possible to allocate this to each business on a reasonable and consistent basis.

4c Restructuring costs

		2008 £m	2007 £m
Exceptional redundancy costs:			
– UK Public Service Broadcasting	4b	99.7	11.0
– BBC World Service and BBC Monitoring	4b	0.1	0.2
Other exceptional restructuring costs			
– UK Public Service Broadcasting		17.9	33.3
		117.7	44.5
Non-exceptional redundancy costs:			
– UK Public Service Broadcasting		2.9	5.0
– BBC World Service and BBC Monitoring		5.5	1.1
– Commercial Businesses		3.5	3.9
	4b	11.9	10.0
		129.6	54.5

Exceptional restructuring costs relate to the Value for Money and Continuous Improvement programmes occurring within UK Public Service Broadcasting and the strategic review of BBC World Service. During 2007/08 £99.7million has been charged against the income and expenditure account, of which £99.3million has been provided for redundancies relating to the Continuous Improvement programme. These redundancies will occur over the five-year programme and have been discounted to reflect current prices; £0.4million has been paid during the year. The cost of the majority of post closures resulting from the Value for Money programme were provided for in previous years and £36.6million paid during 2008.

£20.0million of other exceptional restructuring costs were paid during 2008, representing one-off implementation costs, of this £6.9million was held on the balance sheet in 2007.

4d Remuneration of the BBC Trust members and the Executive Board

The total emoluments of the members of the Executive Board are disclosed on page 93 in the Remuneration Report. The details of emoluments of the members of the BBC Trust are disclosed in Part One of the Annual Report and Accounts.

5 LOSS ON SALE AND TERMINATION OF OPERATIONS

		2008 £m	2007 £m
Loss on the sale of Outside Broadcast		(1.3)	–
Profit on disposal of Books business		–	13.3
Profit on sale of Origin Publishing		–	0.2
BBC jam		(3.5)	(15.9)
Loss on termination of retail shops business		–	(1.9)
Loss on termination of business learning operations		–	(0.9)
Loss on sale and termination of operations		(4.8)	(5.2)

After the balance sheet date, on the 1 April 2008, BBC Resources Limited sold its Outside Broadcast business for £19.3million consideration to SIS Outside Broadcast Limited, part of the Satellite Information Services Group. Outside Broadcast provides a range of mobile production units, communications and special camera solutions, based in Langley, Berkshire. The costs arising up to 31 March 2008 are recognised as an expense when incurred.

On 20 March 2007 the Executive Board, following a decision by the BBC Trust, suspended BBC jam, the BBC's online interactive learning service for 5–16 year olds. The BBC Trust's decision followed extensive discussions with Government and the European Commission about how to address allegations from some in the industry that BBC jam was damaging their interests. A provision of £1.5million for the costs of redundancy and terminating contracts with content suppliers remains at the end of the current year (see Note 17).

Notes to the financial statements

6 PROFIT ON DISPOSAL OF FIXED ASSETS

	2008 £m	2007 £m
Disposal of Animal Planet LLC	–	45.8
Disposal of properties	2.0	9.9
Profit on disposal of fixed assets	2.0	55.7

Profits or losses on the disposal of tangible fixed assets in the ordinary course of business, that represent an adjustment to depreciation are recognised within operating deficit and disclosed in aggregate in Note 3a.

7 INTEREST**7a Interest receivable and similar items**

	2008 £m	2007 £m
Interest receivable	11.6	11.8
Share of joint venture and associate interest receivable	2.0	0.8
Fair value gains on interest rate swaps and caps	0.1	1.8
Interest receivable and similar items	13.7	14.4

7b Interest payable and similar items

	2008 £m	2007 £m
Interest payable on bank and other loans	(12.4)	(6.4)
Share of joint venture and associate interest payable	(1.6)	(0.6)
Finance charges payable in respect of finance leases	(0.7)	(0.5)
Fair value losses on interest rate swaps and caps	(3.6)	–
Interest payable and similar items	(18.3)	(7.5)

8 PENSIONS**8a Group pension schemes**

The Group operates several pension schemes. The BBC Pension Scheme, to which most employees belong, and a small unfunded scheme (which is closed to new members) are contributory defined benefit schemes. Additionally the Group Personal Pension Scheme and several small schemes are defined contribution schemes.

Note 8b sets out the assets and liabilities and charges for each scheme. Note 8c provides further details on the BBC Pension Scheme.

8b Pension charges and balances within the financial statements

The BBC has adopted the amendment to FRS 17 and restated the asset market values of quoted securities held as defined benefit assets at bid prices as at 31 March 2007 as required by the FRS. The impact of the restatement is a reduction in the closing net pension asset at 31 March 2007 of the BBC Pension Scheme of £10.4million.

8b i Pension asset/(liability) included in the balance sheet

	BBC Pension Scheme 2008 £m	Unfunded scheme 2008 £m	Total 2008 £m	BBC Pension Scheme 2007 as restated £m	Unfunded scheme 2007 £m	Total 2007 as restated £m
Fair value of scheme assets as previously reported	8,042.0	–	8,042.0	8,128.3	–	8,128.3
Restatement of asset values as required by FRS 17	–	–	–	(10.4)	–	(10.4)
Restated fair value of scheme assets	8,042.0	–	8,042.0	8,117.9	–	8,117.9
Actuarial value of scheme liabilities	(7,513.6)	(5.1)	(7,518.7)	(7,788.6)	(5.2)	(7,793.8)
Closing net pension asset/(liability)	528.4	(5.1)	523.3	329.3	(5.2)	324.1

8b ii Pension (charges)/income in statement of income and expenditure

	Defined benefit schemes			All schemes £m
	BBC Pension Scheme £m	Unfunded scheme £m	Defined contribution scheme £m	
2008				
Current service cost	(164.8)	–	(1.2)	(166.0)
Past service cost	(21.5)	–	–	(21.5)
Total operating charge*	(186.3)	–	(1.2)	(187.5)
Expected return on pension scheme assets	562.7	–	–	562.7
Interest on pension scheme liabilities	(413.6)	(0.3)	–	(413.9)
Net finance income/(cost)	149.1	(0.3)	–	148.8
Net cost in statement of income and expenditure	(37.2)	(0.3)	(1.2)	(38.7)
2007				
Current service cost	(192.7)	–	(1.0)	(193.7)
Past service cost	(39.8)	–	–	(39.8)
Gain on settlements and curtailments	1.6	–	–	1.6
Total operating charge	(230.9)	–	(1.0)	(231.9)
Expected return on pension scheme assets	541.3	–	–	541.3
Interest on pension scheme liabilities	(378.4)	(0.3)	–	(378.7)
Net finance income/(cost)	162.9	(0.3)	–	162.6
Net cost in statement of income and expenditure	(68.0)	(0.3)	(1.0)	(69.3)

* Of the total operating charge of £186.3million for 2007/08, £13.1million was recognised as an expense in 2006/07 as part of exceptional redundancy costs in accordance with FRS 12. The remaining £173.2million was recognised in the current year.

The net cost in the statement of income and expenditure has decreased by £30.6million. This is primarily due to a decrease in staff costs which is consistent with the decrease seen in staff numbers when eliminating those connected with the acquisition of Lonely Planet.

The **current service cost** is the underlying cost to the BBC of pension rights earned by employees during the year.

The **past service cost** arises from members of the scheme becoming entitled to improved defined retirement benefits, resulting in a charge for years of service before the award of the improvement.

The **expected return on pension scheme assets** comprises estimates based on predictions of future performance and economic conditions.

Notes to the financial statements

8b iii Movement in surplus/(deficit) during the year

The **defined contribution schemes** do not give rise to balance sheet pension assets/liabilities as there is no ongoing liability for the employer from these schemes once the contributions due for the year have been settled.

	BBC Pension Scheme 2008 £m	Unfunded scheme 2008 £m	Total 2008 £m	BBC Pension Scheme 2007 as restated £m	Unfunded scheme 2007 £m	Total 2007 as restated £m
Surplus/(deficit) in scheme at the start of the year as originally stated	339.7	(5.2)	334.5	170.2	(5.3)	164.9
Restatement as required by FRS 17	(10.4)	–	(10.4)	(2.7)	–	(2.7)
Surplus/(deficit) in scheme at the start of the year as restated	329.3	(5.2)	324.1	167.5	(5.3)	162.2
Movement in the year:						
Current service cost	(164.8)	–	(164.8)	(192.7)	–	(192.7)
Contributions (from employer)*	184.0	0.4	184.4	93.7	0.4	94.1
Past service costs	(21.5)	–	(21.5)	(39.8)	–	(39.8)
Gain on settlements and curtailments	–	–	–	1.6	–	1.6
Net finance income/(cost)	149.1	(0.3)	148.8	162.9	(0.3)	162.6
Actuarial gain recognised in the statement of gains and losses**	52.3	–	52.3	136.1	–	136.1
Surplus/(deficit) in scheme at the end of the year	528.4	(5.1)	523.3	329.3	(5.2)	324.1

* The contribution shown for the unfunded scheme represents the pensions paid to members during the year.

** In 2007 the actuarial gain recognised in the statement of gains and losses includes the £7.7million in respect of the adoption of the amendment to FRS 17.

The assumptions for pension scheme liabilities of the unfunded scheme are the same as the main scheme. As the scheme is unfunded there are no assets and hence no expected return on assets.

8c BBC Pension Scheme

The BBC Pension Scheme is the main pension scheme of the Group and covers the majority of employees. This scheme provides salary related benefits on a defined benefit basis funded from assets held in separate trustee-administered funds. The pension scheme trustees manage the scheme in the short, medium and long term. They make funding decisions based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities. Valuations of the scheme are performed by Watson Wyatt, consulting actuaries. Formal valuations are undertaken at least every three years.

The **FRS 17 valuation** takes assets at their market value and discounts the accrued liabilities by reference to the discount rate of an AA rated corporate bond.

8c i Scheme financial position

FRS 17 valuation	2008 £m	2007 as restated £m	2006 as restated £m	2005 £m	2004 £m
Scheme assets*	8,042.0	8,117.9	7,843.4	6,341.7	5,880.0
Scheme liabilities	(7,513.6)	(7,788.6)	(7,675.9)	(6,763.8)	(6,311.6)
Surplus/(deficit)	528.4	329.3	167.5	(422.1)	(431.6)
Percentage by which scheme assets cover liabilities	107%	104%	102%	94%	93%

* Quoted equities included within the scheme assets have been valued using the current bid price except for 2005 and 2004 which have not been restated and are valued using the mid-market price, as allowed under the Amendment to FRS 17. The impact of the restatement was to reduce scheme assets by £2.7million and £10.4million at 31 March 2006 and 2007 respectively.

Key movements in the year are shown in Note 8b iii.

A deferred tax asset or liability will not arise for the Group because most of the Group's public service activity is not subject to taxation.

8c ii Changes in present value of scheme liabilities

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

	2008 £m	2007 £m
Opening present value of scheme liabilities	7,788.6	7,675.9
Current service cost	164.8	192.7
Past service cost	21.5	39.8
Gains on curtailments	–	(1.0)
Gains on settlements	–	(0.6)
Interest on pension scheme liabilities	413.6	378.4
Experience losses arising on scheme liabilities	149.1	164.6
Changes in assumptions underlying scheme liabilities	(786.0)	(421.7)
Contributions by scheme participants	53.1	63.0
Benefits paid	(291.1)	(302.5)
Closing present value of scheme liabilities	7,513.6	7,788.6

8c iii Changes in the fair value of scheme assets

The BBC has adopted the amendment to FRS 17 and restated the asset market values of quoted securities held as defined benefit assets at bid prices as at 31 March 2006 and 31 March 2007 as required by the FRS. The impact of the restatement is a reduction in the opening fair value of the scheme assets of the BBC Pension Scheme of £2.7million.

The table below illustrates the movement on the scheme assets during the year. The key things which affect this are the additional year of contributions made, changes in the value of the pension scheme assets (including the investment return) and benefits paid during the year:

	2008 £m	2007 as restated £m
Opening fair value of scheme assets as previously reported	8,128.3	7,846.1
Restatement of asset values as required by FRS 17	(10.4)	(2.7)
Opening fair value of scheme assets as restated	8,117.9	7,843.4
Expected rate of return on scheme assets	562.7	541.3
Actuarial losses on scheme assets	(584.6)	(121.0)
Contributions by employer	184.0	93.7
Contributions by scheme participants	53.1	63.0
Benefits paid	(291.1)	(302.5)
Closing fair value of scheme assets	8,042.0	8,117.9

Notes to the financial statements

8c iv Scheme assets

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

Type of asset	2008		2007 as restated	
	£m	%	£m	%
Equities	4,629	58	5,032	62
Bonds and gilts	1,705	21	1,575	19
Property	1,001	12	981	12
Alternatives*	455	6	295	4
Cash	252	3	235	3
Total assets	8,042		8,118	
Actual return on pension scheme assets	(22)**		420	

* 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.

8c v Pension gains/(losses) in statement of total recognised gains and losses

	2008 £m	2007 as restated £m
Actual return less expected return on pension scheme assets	(584.6)	(121.0)
Experience losses arising on scheme liabilities	(149.1)	(164.6)
Changes in assumptions underlying the present value of scheme liabilities	786.0	421.7
Net gain recognised in statement of recognised gains and losses	52.3	136.1
Cumulative loss recognised in statement of recognised gains and losses	(1,740.8)	(1,793.1)

These **gains and losses** arise from actual performance being different from that predicted – for example, changes in economic conditions or the demographic profile of BBC employees. Only defined benefit schemes give rise to gains and losses in the statement of recognised gains and losses.

The net actuarial gain is the sum of certain gains and losses arising because actual performance is different from predictions or because assumptions have changed. This year the actual return less expected return on pension scheme assets has been affected by falling market prices (particularly for equities). The net present value of the scheme liabilities has been impacted by the change in the discount rate which has risen from 5.4% to 6.9% (the rate of an AA rated corporate bond). However, before the effect of discounting is applied, changes in longevity assumptions had increased scheme liabilities.

8c vi History of experience gains and losses

	2008	2007 as restated	2006 as restated	2005	2004
Experience adjustments on scheme assets:					
Amount (£million)	(584.6)	(121.0)	1,246.5	198.7	778.4
Percentage of scheme assets	7.3%	1.5%	15.9%	3.1%	13.2%
Experience adjustments on scheme liabilities:					
Amount (£million)	(149.1)	(164.6)	208.6	(1.4)	0.1
Percentage of scheme liabilities	2.0%	2.1%	2.7%	0.0%	0.0%
Total actuarial gain recognised in statement of recognised gains and losses:					
Amount (£million)	52.3	136.1	658.4	80.9	778.5
Percentage of scheme liabilities	0.7%	1.7%	8.6%	1.2%	12.3%

8c vii Funding the scheme

As a result of the 2007 actuarial valuation by Watson Wyatt, it has been agreed between the BBC and the pension scheme Trustees that the employer contributions will increase to 19.35% from 1 July 2008. Employee contributions will rise from 6% to 6.75% from 1 April 2009 and to 7.5% from 1 April 2010, with employer contributions decreasing from 19.35% to 18.6% from 1 April 2009 and to 17.85% from 1 April 2010.

The next formal actuarial valuation is expected to be performed as at 1 April 2010.

Contribution rates	Projections		2008 %	2007 %	2006 %
	2010 %	2009 %			
Employer	18.6	18.8/19.35	18.8	7.5	6.0
Employee	6.75	6.0	6.0	5.5/6.0	5.5
Underlying cost of scheme to BBC as % of pensionable salaries*	18.6	18.8/17.3	18.8	19.3/18.8	19.3

* Excludes the cost effectively paid for by the employee.

Contributions totalling £152million are expected to be paid in 2009.

8c viii Principal actuarial assumptions

The calculation of the scheme assets and liabilities, for FRS 17 purposes, requires a number of assumptions, both financial and demographic, to be made. The principal assumptions made by the actuaries at the balance sheet date were:

Principal financial assumptions	2008 %	2007 %	2006 %
FRS 17 valuation			
Rate of increase in salaries*	5.6	5.0	4.9
Rate of increase in pension payments	3.6	3.1	2.9
Inflation assumption	3.6	3.1	2.9
Discount rate	6.9	5.4	5.0

* This is the assumption from 1 April 2010. The assumption to 1 April 2010 is 4.6% per annum.

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

Principal demographic assumptions	2008 Number of years	2007 Number of years	2006 Number of years
Male	26.6	23.5	23.5
Female	29.1	25.7	25.7
Future improvement every 10 years	1.0	1.0	1.0

The **discount rate** for the FRS 17 valuation is taken as the rate for an AA rated corporate bond.

Notes to the financial statements

The longevity assumptions have been selected to reflect the characteristics and experience of the membership of the scheme. This has been done by adjusting standard mortality tables (PMAC07MC+0.5 and PFAC07MC+1) which reflect recent research into mortality experience in the UK.

The demographic assumptions used during the prior year were consistent with those used for the actuarial valuations of the scheme as at 1 April 2005. The current year assumptions are consistent with the actuarial valuation of the scheme as at 1 April 2007. The resulting increase is therefore due to increases in life expectancy.

Expected long-term rate of return (per annum)*	2008 %	2007 %
Equities	9.3	7.8
Bonds and gilts	4.5	4.8
Property	6.9	6.3
Alternatives	9.3	7.8
Cash	5.1	4.6
Total expected rate of return	7.9	7.0

* As at the beginning of each financial year.

8c ix Scheme membership analysis and maturity profile

	2008 Number	2007 Number	2006 Number
Contributors	18,736	19,974	19,864
Pensioners	17,569	17,372	16,803
Dependants	3,798	3,744	3,676
Deferred pensioners	18,286	17,723	16,890

The **maturity** of a scheme provides an indication of the cash requirements of the scheme and the likely attitude of the Trustees to risk within their investment policy. The more mature a scheme, the more likely that Trustees will favour low risk investments.

8c x Scheme cash flows (day-to-day liquidity)

In 2008 cash inflows of the pension scheme exceeded its cash outflows, largely as a result of the increase in the employer's contribution rate from 7.5% to 18.8% from 1 April 2007.

In 2007 cash inflows of the pension scheme exceeded its cash outflows, largely as a result of the increase in the employer's contribution rate from 6.0% to 7.5% from 1 April 2006 and the employee's contribution rate from 5.5% to 6.0% from 1 September 2006. Offset against this, was a £16.8million transfer to the Red Bee Media Pension Plan on 30 June 2006.

In 2006 cash outflows of the pension scheme exceeded its cash inflows, however, this includes an outgoing of £29.8million due to transfers out relating to the sale of BBC Technology.

	2008 £m	2007 £m	2006 £m
Contributions (employer and employee)	242.9	163.6	112.0
Investment income	225.1	206.4	189.0
Cash inflows	468.0	370.0	301.0
Payments of pensions and transfers out	(286.5)	(303.6)	(275.0)
Expenses	(42.0)	(33.5)	(29.0)
Net cash inflow/(outflow)	139.5	32.9	(3.0)

8d UK Public Service Broadcasting pension charge

UK Public Service Broadcasting, in accordance with the group pension provision in FRS 17, accounts for the BBC Pension Scheme as if it were a defined contribution scheme. This is because it is not possible to identify the UK Public Service Broadcasting's share of the underlying assets and liabilities of the Scheme on a reasonable and consistent basis. The expenditure for UK Public Service Broadcasting of £165.0million (2007: £87.5million) therefore represents the contributions payable in the year. No contributions were prepaid or accrued as at 31 March 2008 (2007: £20.1million prepaid). The contributions are set based on the funding needs identified from the actuarial valuation and they may therefore vary from the underlying cost after taking into account factors such as the actuarial surplus.

9 TAXATION

9a Analysis of charges for the year

The charge for the year, based on the rate of corporation tax of 30% (2007: 30%) comprised:

	Note	2008 £m	2007 £m
Current tax			
UK corporation tax		16.8	20.7
Deduct: double tax relief		(5.3)	(3.3)
		11.5	17.4
Adjustments in respect of prior years		–	1.1
		11.5	18.5
Foreign tax		8.4	6.1
Share of associates and joint ventures tax		14.3	11.1
Total current tax	9b	34.2	35.7
Deferred tax			
Origination and reversal of timing differences		6.4	(8.4)
Adjustments in respect of prior years		(3.3)	(3.4)
Total deferred tax	9d	3.1	(11.8)
Total charge for the year		37.3	23.9

9b Factors affecting the tax charge

The Group is only liable to taxation on those activities carried out with a view to making a profit and on rent, royalties and interest receivable. The BBC does not therefore receive relief for all its expenditure, and the tax assessed for the year consequently differs from the standard rate of corporation tax in the UK. The differences are explained below:

	Note	2008 £m	2007 £m
Surplus before tax		139.5	84.6
Surplus before tax multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%)		41.9	25.4
Effects of			
Public services taxable external income		4.5	5.1
Disallowable costs of public services		30.7	11.4
Non-cash element of net Group pension charge		(44.1)	(7.7)
Commercial activities			
Non-taxable income		(2.9)	(1.4)
Disallowed expenditure		6.7	6.4
UK taxation on intra-Group overseas dividends		1.0	–
Capital allowances in excess of depreciation		(1.4)	(1.2)
Tax differential regarding overseas earnings		2.8	(2.7)
Utilisation of losses brought forward		–	(0.7)
Other timing differences		(5.0)	–
Adjustments in respect of prior years		–	1.1
Current tax charge for the year	9a	34.2	35.7

Notes to the financial statements

9c Factors that may affect future tax charges

The Group anticipates that the future tax charge will not alter significantly since all licence fee income is free of tax.

9d Deferred tax analysis

In accordance with FRS 19 'Deferred Tax', the company provides for all deferred tax liabilities in full less available deferred tax assets at 28% (2007: 30%).

Movement in deferred tax (asset)/provision in the year	Note	2008 £m	2007 £m
Net (asset)/provision at start of year		(9.6)	3.1
Exchange adjustment		1.8	(0.9)
Deferred tax charge/(credit)	9a	3.1	(11.8)
Acquired on investment acquisition		(1.4)	–
Net asset at end of year		(6.1)	(9.6)
Analysis of deferred tax (asset)/provision			
Accelerated capital allowances		8.8	11.1
Other timing differences		(0.1)	(0.1)
Deferred tax provision	17	8.7	11.0
Deferred tax asset	15	(14.8)	(20.6)
Net deferred tax asset at end of year		(6.1)	(9.6)

10 INTANGIBLE FIXED ASSETS

	Goodwill £m	Other intangibles £m	Group Total £m
Cost			
At 1 April 2007	14.2	0.7	14.9
Additions*	73.7	–	73.7
Exchange adjustment	5.9	–	5.9
At 31 March 2008	93.8	0.7	94.5
Amortisation			
At 1 April 2007	4.0	0.7	4.7
Charge for the year	2.5	–	2.5
At 31 March 2008	6.5	0.7	7.2
Net book value			
At 31 March 2008	87.3	–	87.3
At 31 March 2007	10.2	–	10.2

Goodwill is the difference between the value paid for a business and the fair value of its net assets. It represents the premium the purchaser is prepared to pay for the business.

* Included in additions is £73.2million relating to the acquisition of Lonely Planet (see Note 19).

II TANGIBLE FIXED ASSETS

IIa Group

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2007	427.3	1,022.5	161.7	105.4	1,716.9
Additions*	8.2	87.8	17.6	48.9	162.5
Brought into service	4.9	68.2	6.9	(80.0)	–
Disposals	(1.1)	(91.8)	(23.7)	(3.1)	(119.7)
At 31 March 2008	439.3	1,086.7	162.5	71.2	1,759.7
Depreciation					
At 1 April 2007	248.1	675.8	84.1	–	1,008.0
Charge for the year	13.5	81.8	15.1	–	110.4
Disposals	(0.8)	(83.0)	(22.8)	–	(106.6)
At 31 March 2008	260.8	674.6	76.4	–	1,011.8
Net book value					
At 31 March 2008	178.5	412.1	86.1	71.2	747.9
At 31 March 2007	179.2	346.7	77.6	105.4	708.9

* Additions include £4.5million recognised on the acquisition of Lonely Planet (see Note 19).

BBC World Service's and BBC Monitoring's plant and machinery and furniture and fittings are stated at the estimated current replacement cost of the assets, as at 1 April 1996, as adjusted for remaining service potential, or cost if acquired later, less accumulated depreciation.

There is no significant difference (£1.6million) between the net book value of these tangible fixed assets and their value as determined on an historical cost basis. The assets revalued in 1996 have a useful life remaining of two years.

IIb UK Public Service Broadcasting

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost					
At 1 April 2007	354.1	616.1	137.6	81.3	1,189.1
Additions	7.5	60.3	12.2	24.9	104.9
Brought into service	4.6	53.0	4.4	(62.0)	–
Disposals	(0.4)	(81.9)	(22.1)	2.2	(102.2)
At 31 March 2008	365.8	647.5	132.1	46.4	1,191.8
Depreciation					
At 1 April 2007	203.1	417.3	71.9	–	692.3
Charge for the year	10.4	49.6	11.8	–	71.8
Disposals	(0.4)	(73.7)	(21.6)	–	(95.7)
At 31 March 2008	213.1	393.2	62.1	–	668.4
Net book value					
At 31 March 2008	152.7	254.3	70.0	46.4	523.4
At 31 March 2007	151.0	198.8	65.7	81.3	496.8

Notes to the financial statements

11c Land and buildings at net book value

	Group 2008 £m	Group 2007 £m	UK Public Service Broadcasting 2008 £m	UK Public Service Broadcasting 2007 £m
Undepreciated land	16.5	16.8	16.5	16.5
Freehold buildings	98.5	96.6	88.7	87.8
Total freeholds	115.0	113.4	105.2	104.3
Long leaseholds	27.3	25.5	24.6	22.5
Short leaseholds	36.2	40.3	22.9	24.2
Total	178.5	179.2	152.7	151.0

11d Finance leases

Assets held under finance leases, capitalised and included in tangible fixed assets:

	Group 2008 £m	UK Public Service Broadcasting 2008 £m	UK Public Service Broadcasting 2007 £m
Cost		22.5	20.4
Disposals		(0.7)	(0.5)
Acquired as part of acquisition		2.6	–
At 31 March 2008		24.4	19.9
Depreciation		12.9	11.7
Disposals		(0.7)	(0.5)
Charge for the year		2.8	1.9
At 31 March 2008		15.0	13.1
Net book value			
At 31 March 2008		9.4	6.8
At 31 March 2007		9.6	8.7

The finance leases relate to IT equipment, with the exception of those acquired during the year which relate to Plant and Machinery and Furniture and Fixtures.

12 INVESTMENT IN PROGRAMMES FOR FUTURE SALE

	Group £m
Cost	
At 1 April 2007	239.9
Exchange adjustment	(0.6)
Additions	88.2
Elimination in respect of programmes fully amortised	(153.6)
At 31 March 2008	173.9
Amortisation	
At 1 April 2007	141.4
Exchange adjustment	(0.8)
Charge for the year	101.8
Elimination in respect of programmes fully amortised	(153.6)
At 31 March 2008	88.8
Net book value	
At 31 March 2008	85.1
At 31 March 2007	98.5

Investment by BBC Worldwide in programmes for future sale relates to programmes provided by the BBC and external producers. Additions include £75.1million direct investment in BBC programmes (2007: £96.3million).

13 OTHER INVESTMENTS (INCLUDING BBC WORLD SERVICE AND BBC MONITORING NET ASSETS)

Details of significant joint ventures and associates along with principal subsidiary undertakings, including their activities, are provided in Note 29.

13a Movements in the year for the Group

	Note	Interests in joint ventures £m	Interests in associates £m	Trade investments £m	Group Total £m
Cost					
At 1 April 2007		25.6	(3.2)	5.0	27.4
Additions	13b	3.9	0.5	–	4.4
Transfer to debtors		–	–	(0.8)	(0.8)
Provision		–	–	(1.5)	(1.5)
At 31 March 2008		29.5	(2.7)	2.7	29.5
Goodwill					
At 1 April 2007		20.9	2.8	–	23.7
Additions	13b	0.6	1.3	–	1.9
Amortisation		(1.9)	(0.1)	–	(2.0)
At 31 March 2008		19.6	4.0	–	23.6
Share of post acquisition reserves					
At 1 April 2007		19.6	1.4	–	21.0
Exchange adjustment		–	(0.1)	–	(0.1)
Share of profits/(losses) after taxation		43.0	(6.3)	–	36.7
Provision for unrealised profit		(0.9)	–	–	(0.9)
Dividends received		(49.0)	(0.2)	–	(49.2)
Adjustment to reflect effective obligation		3.8	7.7	–	11.5
At 31 March 2008		16.5	2.5	–	19.0
Loans receivable from joint ventures and associates					
At 1 April 2007		0.8	–	–	0.8
Additions		0.7	–	–	0.7
Provision		(1.5)	–	–	(1.5)
At 31 March 2008		–	–	–	–
Net book value					
At 31 March 2008		65.6	3.8	2.7	72.1
At 31 March 2007		66.9	1.0	5.0	72.9

Under the terms of the agreements with the other investors in certain of the Group's joint ventures and associates the Group has no obligation to fund losses incurred by those entities or to make good their net liabilities. As a result no share of any relevant losses is included in the financial statements. The share of net liabilities not recognised comprised:

- Joint ventures: £25.3million (2007: £32.3million)
- Associates: £107.9million (2007: £95.7million).

Notes to the financial statements

13b Additions to joint ventures, associates and trade investments

The additions in joint ventures during the year relate to the acquisition of shareholdings in independent production company, Freehand Productions Pty Limited, and the set up of UK VoD LLP, a joint venture between BBC Worldwide Limited, Channel Four Television Corporation and ITV plc. The additions in associates during the year relate to the acquisition of minority shareholdings in Left Bank Pictures Limited and Cliffhanger Productions Limited.

13c Group share of joint ventures' and associates' assets and surplus

	Group share of joint ventures		Group share of associates	
	2008 £m	2007 £m	2008 £m	2007 £m
Current assets	178.1	161.0	46.7	36.6
Non-current assets	39.3	35.4	12.9	14.0
Total assets	217.4	196.4	59.6	50.6
Current liabilities	(110.0)	(79.5)	(41.5)	(20.1)
Non-current liabilities	(41.8)	(50.0)	(14.3)	(29.5)
Total liabilities	(151.8)	(129.5)	(55.8)	(49.6)
Total net book value	65.6	66.9	3.8	1.0
Income	274.6	238.5	48.8	41.9
Expenditure	(229.7)	(209.6)	(47.5)	(41.0)
Surplus for the year	44.9	28.9	1.3	0.9

13d Movements in the year for UK Public Service Broadcasting

	Interest in BBC World Service and BBC Monitoring net assets £m	Interests in subsidiaries £m	Total £m
At 1 April 2007	169.7	125.3	295.0
Surplus for the year	1.0	–	1.0
At 31 March 2008	170.7	125.3	296.0

14 STOCKS

	Group 2008 £m	Group 2007 £m	UK Public Service Broadcasting 2008 £m	UK Public Service Broadcasting 2007 £m
Raw materials	2.0	1.7	0.2	0.1
Work in progress				
– originated programmes	281.5	305.3	281.5	305.3
– other	5.9	1.5	–	–
Finished goods				
– acquired programmes and films	108.7	94.5	108.7	94.6
– originated programmes	79.8	63.5	79.8	63.5
– other	22.2	10.4	–	–
Total	500.1	476.9	470.2	463.5

15 DEBTORS

	Note	Group 2008 £m	Group 2007 £m	UK Public Service Broadcasting 2008 £m	UK Public Service Broadcasting 2007 £m
Receivable within one year					
Trade debtors		138.7	124.8	17.2	17.5
Department for Culture, Media and Sport – licence fee debtors		368.4	353.9	368.4	353.9
Amounts owed by subsidiaries		–	–	71.7	47.5
Amounts owed by associates and joint ventures		33.1	22.1	0.2	2.3
VAT recoverable		26.2	22.1	23.6	20.2
Deferred tax asset	9d	3.0	3.0	–	–
Other debtors		13.1	17.8	10.2	10.0
Prepayments		209.8	148.0	164.0	118.4
		792.3	691.7	655.3	569.8
Derivative financial assets	23c	2.6	5.2	–	–
Total current debtors		794.9	696.9	655.3	569.8
Receivable after more than one year					
Deferred tax asset	9d	11.8	17.6	–	–
Other debtors		6.2	6.3	0.2	–
Prepayments		29.5	49.5	20.9	38.9
		47.5	73.4	21.1	38.9
Derivative financial assets	23c	2.6	1.0	–	–
Total long-term debtors		50.1	74.4	21.1	38.9
Total		845.0	771.3	676.4	608.7

Licence fee debtors

are amounts due from the Department for Culture, Media and Sport. Although licence fee income represents the value of licences issued (recognised when a licence is issued to the licence fee payer), the cash in relation to these licences is paid to the BBC by the Department for Culture, Media and Sport, rather than being received directly from the licence fee payer. As a result the debtor at the year end represents licences issued for which cash has not yet been paid over to the BBC.

16 CREDITORS**16a Prompt payment policy**

It is the BBC's policy to comply with the Better Payment Practice Code in relation to the payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of their contracts. The BBC monitors compliance against the terms of this code. Payments for programme acquisitions are made in accordance with contractual terms. The Group's number of creditor days outstanding in respect of other trade creditors at 31 March 2008 was 39 days (2007: 38 days).

Residual creditors and associated costs have been excluded for the purpose of this calculation, as they relate to payments to artists and contributors other than trade creditors.

Notes to the financial statements

16b Amounts falling due within one year

	Note	Group 2008 £m	Group 2007 £m	UK Public Service Broadcasting 2008 £m	UK Public Service Broadcasting 2007 £m
Bank and other loans					
Bank loan	21,23	58.6	65.4	–	–
Unsecured loan notes	21,23	0.7	0.5	–	–
		59.3	65.9	–	–
Trade creditors					
Programme creditors		68.4	70.9	68.0	70.9
Programme acquisitions		47.3	27.8	47.1	27.5
Salaries and wages		68.9	65.0	42.3	38.4
Residual copyright payments		35.1	27.9	–	–
Other trade creditors		211.3	198.8	135.7	137.0
		431.0	390.4	293.1	273.8
Other creditors					
Amounts owed to subsidiaries		–	–	37.2	36.6
Corporation tax		12.7	16.6	4.3	6.0
Other taxation and social security		28.1	28.2	25.8	25.8
Obligations under finance leases	23b	5.8	5.2	4.3	4.8
Other		46.4	16.6	12.1	7.9
		93.0	66.6	83.7	81.1
Accruals and deferred income					
Accruals and deferred income		405.6	416.8	311.3	324.1
Licence savings stamps deposits and direct debit instalments		73.5	72.2	73.5	72.2
		479.1	489.0	384.8	396.3
Derivative financial liabilities	23c	2.3	3.7	–	–
Total		1,064.7	1,015.6	761.6	751.2

16c Amounts falling due after more than one year

	Note	Group 2008 £m	Group 2007 £m	UK Public Service Broadcasting 2008 £m	UK Public Service Broadcasting 2007 £m
Bank and other loans					
Bank and other loans	21,23	140.1	20.0	–	–
Other creditors					
Amounts owed to subsidiaries		–	–	9.5	11.5
Obligations under finance leases	23b	22.3	25.5	2.7	4.1
Other		9.6	11.3	9.7	11.3
		31.9	36.8	21.9	26.9
Derivative financial liabilities	23c	0.6	3.6	–	–
Total		172.6	60.4	21.9	26.9

17 PROVISIONS FOR LIABILITIES

Group	Note	At 1 April 2007 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2008 £m
Licence fee		19.9	20.7	(18.8)	(1.2)	20.6
Restructuring		57.5	118.1	(49.2)	(6.4)	120.0
Litigation and insurance		17.2	2.9	(1.5)	(4.8)	13.8
Property		14.1	3.6	(1.0)	(0.3)	16.4
Deferred tax	9d	11.0	1.5	–	(3.8)	8.7
BBC jam suspension	5	14.4	3.5	(16.4)	–	1.5
Other		9.1	–	(7.0)	(0.8)	1.3
Total		143.2	150.3	(93.9)	(17.3)	182.3

Licence fee provisions are made for the expected level of refunds (money repayable on the unexpired portion of a licence where the licence is no longer required) and revocations (where no money is received in relation to a licence sold).

The restructuring provision includes a net charge (charge for the year less released) for the year of £99.8million (2007: £11.2million) of exceptional redundancy costs relating to the change programme occurring within the BBC and non-exceptional redundancy costs of £11.9million (2007: £10.0million) as per Note 4c.

Property provisions relate to the cost of returning leasehold properties to their original condition at the end of the lease.

Other provisions consist of a number of balances arising across the BBC in the normal course of business.

UK Public Service Broadcasting	Note	At 1 April 2007 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2008 £m
Licence fee		19.9	20.7	(18.8)	(1.2)	20.6
Restructuring		52.5	108.5	(42.4)	(5.9)	112.7
Litigation and insurance		11.7	2.3	(0.6)	(1.2)	12.2
Property		10.6	2.7	(1.0)	(0.3)	12.0
BBC jam suspension	5	14.4	3.5	(16.4)	–	1.5
Other		6.6	–	(5.6)	–	1.0
Total		115.7	137.7	(84.8)	(8.6)	160.0

Notes to the financial statements

18 RESERVES

Group	Operating reserve excluding pension reserve as restated £m	Pension reserve as restated £m	Total operating reserve as restated £m	Capital reserve £m	Other reserves* £m	Revaluation reserve £m	Total £m
At 1 April 2007 as previously stated	279.3	334.5	613.8	782.5	–	2.4	1,398.7
Prior year adjustment**	–	(10.4)	(10.4)	–	–	–	(10.4)
At 1 April 2007 as restated	279.3	324.1	603.4	782.5	–	2.4	1,388.3
Exchange differences	(1.0)	–	(1.0)	–	–	–	(1.0)
Surplus for the financial year	101.7	–	101.7	–	–	–	101.7
Actuarial gain on defined benefit pension schemes	–	52.3	52.3	–	–	–	52.3
Revaluation reserve transfer	0.8	–	0.8	–	–	(0.8)	–
Pension reserve transfer	(146.9)	146.9	–	–	–	–	–
Recognised on acquisition	–	–	–	–	(28.8)	–	(28.8)
Foreign exchange movement	2.2	–	2.2	–	(2.2)	–	–
Capital reserve transfer	(29.8)	–	(29.8)	29.8	–	–	–
At 31 March 2008	206.3	523.3	729.6	812.3	(31.0)	1.6	1,512.5
Represented by:							
General Group reserves	200.9	523.3	724.2	648.5	(31.0)	–	1,341.7
BBC World Service and BBC Monitoring reserves	5.4	–	5.4	163.8	–	1.6	170.8
Total	206.3	523.3	729.6	812.3	(31.0)	1.6	1,512.5

* Other reserves comprise a put option of up to 25% of the issued share capital of Lonely Planet, which is exercisable by the minority shareholders for a period of up to 25 months from the acquisition date (see Note 19).

** The 2007 figures have been restated for the adoption of the Amendment to FRS 17 (see Statement of accounting policies).

UK Public Service Broadcasting	Operating reserve £m	Capital reserve £m	Revaluation reserve £m	Total £m
At 1 April 2007	278.7	782.5	2.4	1,063.6
Deficit for the financial year	(34.4)	–	–	(34.4)
Revaluation reserve transfer	0.8	–	(0.8)	–
Capital reserve transfer	(29.8)	29.8	–	–
At 31 March 2008	215.3	812.3	1.6	1,029.2
Represented by:				
UK Public Service Broadcasting reserves	209.9	648.5	–	858.4
BBC World Service and BBC Monitoring reserves	5.4	163.8	1.6	170.8
Total	215.3	812.3	1.6	1,029.2

UK Public Service Broadcasting, BBC World Service and BBC Monitoring are **funded from different sources**. As such, the reserves relating to BBC World Service and BBC Monitoring are maintained separately from the rest of the Group and are restricted for use solely on BBC World Service or BBC Monitoring activities.

Under FRS 10 'Goodwill and Intangible Assets' any newly arising goodwill must be capitalised and amortised over its useful life. As is permitted by the standard, goodwill arising in periods prior to 1999 of £6.8million (2007: £6.8million) remains offset against the operating reserve.

The cumulative exchange differences at 31 March 2008 were £(1.8)million (2007: £(0.8)million), of which £(1.0)million arose during the year (2007: £(2.7)million). In accordance with FRS 23 'The Effects of Changes in Foreign Exchange Rates', any differences relating to years prior to 2006 have not been separated out and remain within the operating reserve.

19 ACQUISITION OF BUSINESS

On 1 October 2007 the Group acquired 75% of the issued share capital of Lonely Planet Publications Pty Limited and Lonely Planet Publications Inc. (together, 'Lonely Planet'), registered in Australia and the USA respectively for a total cash consideration of £89.9million. Together with £0.4million paid for another subsidiary business acquired, the total cash paid in the year for the purchase of subsidiaries was £90.3million.

The total adjustments required to the book values of the assets and liabilities of Lonely Planet to present the net assets of those companies at fair values were £0.7million. These are set out below:

	Book value* £m	Fair value and accounting policy alignments** £m	Fair value*** £m
Fixed assets			
Tangible fixed assets	4.5	–	4.5
Current assets			
Stock	14.8	(0.8)	14.0
Debtors	8.5	–	8.5
Cash	5.9	–	5.9
Taxation			
– Current	1.0	–	1.0
– Deferred	1.7	(0.3)	1.4
Total assets	36.4	(1.1)	35.3
Liabilities			
Creditors	(14.8)	1.8	(13.0)
Net assets	21.6	0.7	22.3
Minority interest (25%)			(5.6)
Net assets acquired			16.7
Goodwill			73.2
Purchase consideration and costs of acquisition			89.9

* The book values of the assets and liabilities have been taken from the management accounts of Lonely Planet at 1 October 2007 (the date of acquisition) at the actual exchange rates used to settle the consideration on that date.

** The adjustments between book value and fair value reflect the restatement of assets and liabilities from Lonely Planet's AIFRS-based accounting policies and estimates to the Group's UK GAAP-based accounting policies.

*** Certain fair values calculated have been deemed provisional at the balance sheet date.

Goodwill is amortised over its estimated useful economic life of 20 years.

Notes to the financial statements

In its last financial year to 30 June 2007, Lonely Planet made a profit after tax of £1.1million. For the period since that date to the date of acquisition, Lonely Planet's Australian IFRS-based management accounts show:

	1 July 2007 – 30 September 2007 £m
Turnover	10.6
Operating loss	(0.6)
Loss before taxation	(0.6)
Taxation	(0.2)
Loss attributable to shareholders	(0.8)
Exchange adjustments	(0.1)
Cash flow hedges	0.3
Income tax recognised directly in equity	0.1
Total recognised losses for the period	(0.5)

Included within the group consolidated results for the year ended 31 March 2008 for Lonely Planet, is a loss of £2.1million.

In accordance with FRS 25 'Financial Instruments: Disclosure and Presentation', an AUS\$67.3million (£28.8million) liability was recognised on the date of acquisition in respect of a put option of up to 25% of the share capital of Lonely Planet, which is exercisable by the minority shareholders for a period of up to 25 months from the acquisition date. This amount was recognised within reserves (see Note 18) and not as part of the cost of investment as the minority shareholders are deemed to have retained the risks and rewards of ownership for this 25% shareholding. As a result, 100% of Lonely Planet's results are consolidated and the minority interests of 25% are deducted from the Group's results and net assets position.

Changes to the fair value of the put option liability in the remaining 19 months' exercise period, other than in relation to foreign exchange rates, will be recorded in the Income and Expenditure account within interest.

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS

	2008 £m	2007 £m
Decrease in cash in year	(66.7)	(15.5)
Net cash (outflow)/inflow from financing	(93.0)	0.9
Change in net debt resulting from cash flows	(159.7)	(14.6)
Exchange differences	(6.7)	–
Non-cash increase in loan notes	(4.3)	–
Non-cash increase in finance leases	(6.9)	(6.9)
Change in net debt	(177.6)	(21.5)
Net funds at the beginning of the year	28.1	49.6
Net (debt)/funds at the end of the year	(149.5)	28.1

21 ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	At 1 April 2007 £m	Cash flows £m	Acquisition (excluding cash) £m	Non-cash changes £m	Exchange £m	At 31 March 2008 £m
Net cash						
Cash at bank and in hand	144.7	(66.7)	–	–	–	78.0
Gross funds	144.7	(66.7)	–	–	–	78.0
Debt						
Loans from third parties	(85.4)	(106.8)	–	–	(6.5)	(198.7)
Unsecured loan notes	(0.5)	4.1	(4.3)	–	–	(0.7)
Finance leases	(30.7)	9.7	(2.5)	(4.4)	(0.2)	(28.1)
Net funds/(debt)	28.1	(159.7)	(6.8)	(4.4)	(6.7)	(149.5)
Made up of:						
Public Service (including BBC World Service and BBC Monitoring)	102.0	(80.9)	–	(4.4)	–	16.7
Commercial Businesses	(54.6)	(81.8)	(6.8)	–	(6.7)	(149.9)
Centre House Productions Limited	(19.3)	3.0	–	–	–	(16.3)
Net funds/(debt)	28.1	(159.7)	(6.8)	(4.4)	(6.7)	(149.5)

The debt and repayments on finance leases held by Centre House Productions Limited are offset directly by cash held on matching deposits, and the income from them, such that there is no long-term cash effect.

22 RECONCILIATION OF NET FUNDS/(DEBT) TO THE DEPARTMENT OF CULTURE, MEDIA AND SPORT (DCMS) BORROWING CEILINGS

	Note	Public Services		Commercial Businesses
		Public Service Broadcasting (excluding DSHS Limited) £m	Digital Switchover Help Scheme* £m	£m
2008				
Net funds/(debt)	21	16.7	–	(149.9)
Borrowing ceiling		(200.0)	(25.0)	(350.0)

* £25million may only be used in respect of borrowing to fund current expenditure on meeting the responsibilities placed on the BBC by any scheme agreed under clause 39 of the Framework Agreement (targeted help schemes), including costs incurred by the BBC for the scheme's overheads and financing costs.

The Public Service borrowing ceiling is set by the Secretary of State in accordance with the Framework Agreement between the BBC and DCMS.

The £350million borrowing ceiling for BBC Commercial Holdings Limited has three financial covenants which are required to be met at 31 March each year. As at 31 March 2008 and 31 March 2007 BBC Commercial Holdings Group was in compliance with each of these covenants.

As at 31 March 2008, and throughout the financial year, the BBC was in compliance with the borrowing ceilings.

	Note	Public Services	Commercial Businesses
		£m	£m
2007			
Net funds/(debt)	21	102.0	(54.6)
Borrowing ceiling		(200.0)	(350.0)

As at 31 March 2007 the BBC was in compliance with the borrowing ceilings.

Public Services in this context represent the UK Public Service Broadcasting Group (excluding Centre House Productions Limited – see Note 23b), BBC World Service and BBC Monitoring.

Notes to the financial statements

23 FINANCIAL INSTRUMENTS**23a Financial risk management**

The Group's financial risk management operations are carried out by a Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the Executive Board. Group Treasury's activity is routinely reported and is subject to review by internal and external auditors.

Group Treasury uses financial instruments to raise finance and to manage financial risk arising from the BBC's operations in accordance with its objectives which are:

- * To ensure the business of the BBC, both Public Services and Commercial, is funded in the most efficient manner and remains compliant with borrowing ceilings
- * To protect the value of the BBC's assets, liabilities and cash flows from the effects of adverse interest rates and foreign exchange fluctuations
- * To maximise the return on surplus funds, whilst ensuring sufficient cash is retained to meet foreseeable liquidity requirements.

The Group's financial instruments, other than those used for treasury risk management purposes, comprise cash and liquid resources, borrowings and various items such as trade debtors and creditors that arise directly from its operations. The Group finances its operations from these financial instruments. The Group does not undertake speculative treasury transactions.

Market risk comprises currency risk, interest rate risk and other price risks.

Market risk**Currency risk**

The Group is principally a domestic organisation with the majority of transactions, assets and liabilities arising in the UK and is sterling based. However, the Group undertakes some transactions in currencies other than sterling. Due to movements in exchange rates over time, the amount the Group expects to receive or pay when it enters into a transaction may differ from the amount that it actually receives or pays when it settles the transaction.

A **forward currency contract** is a contract to buy or sell foreign currency in exchange for sterling at a specific rate on a specific date. By locking into a particular exchange rate, the currency risk that may be associated with a future purchase or sale is eliminated.

The Group enters into forward currency contracts, for all significant contracts, to manage this currency risk. These allow the Group to settle transactions at known exchange rates, thereby eliminating much of this uncertainty. As a result of this certainty in exchange rates the Group has no significant underlying sensitivity to currency fluctuations and hence no sensitivity analysis is presented.

The Group's largest overseas operation is BBC Worldwide America, which operates in the USA and whose revenues and expenses are denominated exclusively in US dollars. However, due to the relative size of BBC Worldwide America and the stability of the US dollar, the BBC does not consider this to be a significant exposure to currency fluctuations for the Group.

An **interest rate swap** is a contract between two parties to change the basis of their interest rate payment or receipt either from fixed to floating rates or vice versa. By fixing a floating interest rate certainty about the level of future interest payments can be achieved.

Interest rate risk

The Group's main exposure to interest rate fluctuations arises on external borrowings. Since March 2003 the Group has been borrowing at floating rates of interest and then using interest rate swaps, caps and collars to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. Interest rate swaps, caps and collars are taken out based on projected borrowing requirements, therefore differences will occur between the notional amount of the swaps, caps and collars and the actual borrowing requirements. As a result of this management of interest rates the Group has no significant underlying sensitivity to interest rate fluctuations and hence no sensitivity analysis is presented.

Other price risk of financial assets

The Group invests surplus cash in money market funds and money market deposits, therefore it is not subject to other price risks, such as market price risk.

Other price risk is any price change other than those arising from changes in currency or interest rates.

Credit risk**Trade receivables**

The majority of the Group's financial assets are trade receivables (£507.1million). The largest element is the licence fee debtor (£368.4million) which is received directly from DCMS (not directly from the licence fee payer) and therefore no significant credit risk attaches to this debtor. The amount of income that the BBC receives from DCMS is directly related to the amount of licence fee collected from households in the UK.

Of the remaining £138.7million receivables, £34.1million is past due and not impaired. £5.2million has been provided for during the year against the £7.8million trade receivables which are considered impaired. However, the Group does not consider this to be a significant impairment of financial assets.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a minimum credit rating of A-, with a higher minimum rating up to AA- required depending upon the duration and amount. Given these high credit ratings, the BBC does not expect any counterparty to fail to meet its obligations.

Guarantees

The Group enters into financial guarantees for intra-group purposes only, therefore the credit risk exposure, as a result of this, is not considered significant.

Liquidity risk

The BBC is subject to ceilings on its borrowings set by the Secretary of State in accordance with the Agreement between the BBC and DCMS (see Note 22). The BBC's Group Treasury manages the Group's borrowings in order to comply with these ceilings together with the terms of any individual debt instruments. The BBC holds its surplus liquidity in readily convertible financial instruments with highly rated financial institutions.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

23b Fair values of financial instruments

The following table shows the fair value and carrying value of the Group's financial instruments, in categories according to how the financial instrument is measured. It also shows the maturity profile for each category of financial asset and liability.

	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after more than five years £m	Total £m
2008 – Carrying value and fair value				
Financial assets at fair value through income and expenditure				
Derivative financial instruments	2.6	2.6	–	5.2
Loans and receivables				
Trade debtors	504.6	–	–	504.6
Other debtors	0.3	–	–	0.3
Cash at bank and in hand	78.0	–	–	78.0
Available-for-sale financial assets				
Other investments (non-current)	–	–	2.7	2.7
Financial liabilities at fair value through income and expenditure				
Derivative financial instruments	(2.3)	(0.5)	(0.1)	(2.9)
Financial liabilities measured at amortised cost				
Loans	(59.3)	(140.1)	–	(199.4)
Trade creditors	(327.6)	–	–	(327.6)
Other creditors	(31.0)	–	–	(31.0)
Programme acquisitions	(47.3)	–	–	(47.3)
Obligations under finance leases	(5.8)	(3.0)	(19.3)	(28.1)

Notes to the financial statements

	Amounts due in less than one year £m	Amounts due between two and five years £m	Amounts due after more than five years £m	Total £m
2007 – Carrying value and fair value				
Financial assets at fair value through income and expenditure				
Derivative financial instruments	5.2	1.0	–	6.2
Loans and receivables				
Trade debtors	474.4	–	–	474.4
Other debtors	0.2	–	–	0.2
Cash at bank and in hand	144.7	–	–	144.7
Available-for-sale financial assets				
Other investments (non-current)	–	–	5.0	5.0
Financial liabilities at fair value through income and expenditure				
Derivative financial instruments	(3.7)	(3.6)	–	(7.3)
Financial liabilities measured at amortised cost				
Loans	(65.9)	(20.0)	–	(85.9)
Trade creditors	(294.3)	–	–	(294.3)
Programme acquisitions	(27.8)	–	–	(27.8)
Obligations under finance leases	(5.2)	(4.5)	(21.0)	(30.7)

As at 31 March 2008 there are no differences (2007: no differences) between the fair value and carrying value of any of the Group's financial instruments. The fair value of forward currency contracts, interest rate swaps, caps and collars and embedded derivatives are based on market prices and exchange rates at the balance sheet date. These are recorded in the statement of income and expenditure (see Notes 3 and 7). The remaining financial instruments are carried at cost or amortised cost in accordance with FRS 26 'Financial Instruments: Recognition and Measurement', which approximates to fair value.

Defeasance deposits are amounts deposited with banks which earn the exact amount of interest needed to cover the capital repayment and interest element of each of the finance leases. The defeasance deposits are ring-fenced and therefore cannot be used for any transactions apart from the agreed capital and interest payments.

The finance leases include £18.0million (2007: £21.0million) relating to Centre House Productions Limited. Centre House Productions Limited enters into finance leases as a means of financing drama productions which result in lower production costs for the BBC. These finance leases are matched by defeasance deposits which may only be used to settle the finance lease liabilities and therefore do not represent separate assets and liabilities. Consequently they are netted off the finance lease creditor to show the net unmatched liability at the year end. These defeasance deposits, £219.0million at 31 March 2008 (2007: £235.8million), are structured such that the principal on deposit and interest earned will be sufficient to cover the rental obligations on the finance leases until the end of the lease. Accordingly it is not included as borrowing for the purposes of compliance with the BBC's borrowing ceilings.

BBC Worldwide Limited has guaranteed bank loans in respect of its joint venture, Worldwide Media Limited, which were rupees 155million (£2.0million) on 31 March 2008 (2007: rupees 366 million, £4.3million). The fair value has been assessed as not significant.

23c Derivative financial instruments

	Assets £m	Liabilities £m
2008		
Greater than one year		
Forward foreign currency contracts	2.2	(0.2)
Interest rate swaps, caps and collars	0.3	(0.1)
Embedded derivatives	0.1	(0.3)
Total	2.6	(0.6)
Less than one year		
Forward foreign currency contracts	2.6	(2.2)
Embedded derivatives	–	(0.1)
Total	2.6	(2.3)
2007		
Greater than one year		
Forward foreign currency contracts	1.0	(3.5)
Embedded derivatives	–	(0.1)
Total	1.0	(3.6)
Less than one year		
Forward foreign currency contracts	2.5	(3.7)
Interest rate swaps, caps and collars	2.7	–
Total	5.2	(3.7)

At 31 March 2008 the Group had entered into a net commitment to purchase foreign currencies amounting to £17.9million (2007: £65.8million) that mature in the period through to 2013 in order to fix the sterling cost of commitments through this period (mainly euros and US dollars). After taking into account the effects of these forward foreign exchange contracts, the Group had no significant currency exposure.

Interest rate risk is managed by the use of interest rate swaps, caps and collars. Sterling fixed rate borrowings are achieved by entering into interest rate swap transactions; all outstanding swaps mature by March 2014. The impact of a change in interest rates can also be limited by entering into interest rate cap and collar transactions; all outstanding caps and collars mature by April 2012. In total, £80.0million (2007: £246.0million) of swaps and £128.2million (2007: £nil) of caps and collars were entered. This is £8.8million (2007: £161.0million) higher than the current level of borrowings of £199.4million (2007: £85.0million).

In accordance with FRS 26, the Group has reviewed contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. Any such embedded derivatives have been recognised at fair value.

23d Hedges of net investments in foreign operations

The Group has Australian dollar (AUS\$) denominated borrowings which it has designated as a hedge of a net investment in foreign operations (Lonely Planet), in order to hedge against the risks associated with exchange rate movements between sterling and the AUS\$. The fair value of the AUS\$ borrowings at 31 March 2008 was £90.3million (2007: £nil) and the fair value of the investment at 31 March 2008 was £93.7million (2007: £nil). There is an immaterial amount of hedge ineffectiveness related to this hedge.

Notes to the financial statements

23e Borrowing facilities

Facility	Interest rate	Total available 31 March 2008 £m	Amount drawn down at 31 March 2008 £m	Total available 31 March 2007 £m	Amount drawn down at 31 March 2007 £m	Expiry or review date
UK Public Service Broadcasting						
LIBOR-based loan or overdraft	Loan – margin of 0.175%	50	–	–	–	June 2008
	Overdraft – bank base rates plus 1%					
LIBOR-based loan or overdraft	Loan – margin of 0.2%	–	–	100	–	expired May 2007
	Overdraft – bank base rates plus 1%					
Uncommitted money market lines (short-term borrowings)	Margin of between 0.125% and 0.5% over LIBOR	24	–	24	–	
Overdraft	Overdraft – bank base rates plus 1%	5	–	–	–	June 2008 and January 2009*
US Dollar overdraft	Overdraft – bank's short-term offered rate for US Dollars plus 1%	3	–	–	–	
Currency overdraft	Overdraft – bank's short-term offered rate for the relevant currency plus 1%	5	–	–	–	
BBC Commercial Holdings Limited						
Multicurrency, revolving credit facility agreement for loans and letters of credit	LIBOR** plus 0.275% rising to LIBOR** plus 0.325% when the facility is more than 50% utilised. Letter of credit fee is the same as the bank lending margin, but does not include LIBOR	350***	145	–	–	June 2012
Multicurrency, revolving credit facility agreement for loans and letters of credit	LIBOR plus 0.375% rising to LIBOR plus 0.45% when the facility is more than 50% utilised. Letter of credit fee is the same as the bank lending margin, but does not include LIBOR	–	–	350	40	expired June 2007
Loan with European Investment Bank (secured by letters of credit)***	European Investment Bank's own funding cost	–	–	25	25	expired June 2007
Overdraft or money market lines	Money market line – margin of 0.45% Overdraft – bank base rates plus 1%	20	4	20	–	January 2009
BBC Worldwide Limited						
Loan with European Investment Bank (50% secured by letters of credit)***	European Investment Bank's own funding cost plus a margin of 0.09% on unsecured loans	50	50	50	20	£20m December 2011 and £30m May 2012

* The BBC overdraft facility has a temporary limit of £45million until 30 June 2008, thereafter reverting to £5million.

** The base rate used will vary according to the currency drawn. At 31 March 2008 £90.3million was drawn down in AUS\$ and consequently linked to BBSW rather than LIBOR. All other amounts drawn are in sterling and consequently linked to LIBOR.

*** Of this amount, up to £100million is available to issue letters of credit in favour of the European Investment Bank to support its lending under facilities to the Group. At 31 March 2008, in addition to the drawings of £146million (2007: £40.0million), £25.6million (2007: £35.9million) was utilised by way of letters of credit issued.

There have been no defaults or breaches of loan covenants during the year (2007: none).

24 COMMITMENTS

24a Contracts placed for future expenditure

	Group 2008 £m	Group 2007 £m	UK Public Service Broadcasting 2008 £m	UK Public Service Broadcasting 2007 £m
Fixed asset additions	65.2	50.0	44.0	40.4
Programme acquisitions and sports rights	1,333.7	994.1	1,272.8	939.0
Independent programmes	112.3	112.1	97.8	101.5
	1,511.2	1,156.2	1,414.6	1,080.9

24b Operating leases

Operating lease commitments payable in the following year, analysed according to the period in which the lease expires:

	Land and buildings 2008 £m	Land and buildings 2007 £m	Other 2008 £m	Other 2007* £m
Group				
Within one year	2.1	3.0	1.2	2.4
In two to five years	21.4	15.5	9.0	13.0
After five years	92.2	58.6	7.8	3.8
	115.7	77.1	18.0	19.2
UK Public Service Broadcasting				
Within one year	1.6	2.1	0.4	0.8
In two to five years	11.9	12.6	3.3	7.4
After five years	91.3	57.5	7.8	3.8
	104.8	72.2	11.5	12.0

* The comparative data for other operating lease commitments has been revised from £57.5million to £19.2million as a result of a review of leasing arrangements.

24c Other financial commitments

In the ordinary course of business the BBC enters into a large number of contracts with artists and writers and with providers of other services including licence fee collection, IT maintenance and support and channel distribution.

25 CONTINGENT ASSETS AND LIABILITIES

At 31 March 2008 the Group had contingent liabilities estimated to be £1.3million (2007: £1.3million) in respect of guarantees and indemnities.

The Group has a number of contingent liabilities arising from litigation. The BBC makes specific provision (see Note 17) for its best estimate of any damages and costs which may be awarded. Provision is only made to the extent that the Group considers it probable that there will be an outflow of economic benefits and the amount can be reliably estimated.

26 POST BALANCE SHEET EVENTS

On 1 April 2008, a property which had a net book value of £2.1million was sold for £18million.

Also on 1 April 2008, BBC Resources Limited sold its Outside Broadcasts business to SIS Outside Broadcasts Limited, part of the SIS Group for a consideration of £19.3million.

An **operating lease** is a lease where the lessee has not taken on the risks and rewards of owning and operating the asset. The lessee (the BBC) is hiring rather than buying an asset.

Notes to the financial statements

27 RELATED PARTY TRANSACTIONS

The related party transactions of the Group have been presented in accordance with FRS 8 'Related party disclosures'. In accordance with FRS 8 the BBC has not disclosed transactions between Group entities that have been eliminated on consolidation.

In all transactions, the terms of trade were negotiated on an arm's length basis.

27a Transactions with joint ventures and associated undertakings

Income from joint ventures and associated undertakings	Nature of services provided	2008 £m	2007 £m
UKTV	Sale of programmes and management fees	41.3	38.1
JV Programmes LLC	Sale of programmes	31.9	38.9
2 entertain Limited	Licensing of programmes and other commissions	17.9	9.2
Daunus Limited	Reimbursement of Broadcasting House development costs	5.1	9.9
BBC Haymarket Exhibitions Limited	Management fees	0.2	0.2
Frontline Limited	Management fees	0.3	–
Other	Various	5.7	6.3
Dividends from joint ventures and associated undertakings		2008 £m	2007 £m
UKTV		6.7	4.5
2 entertain Limited		42.3	17.6
Frontline Limited		0.2	0.3
Charges payable to joint ventures and associated undertakings	Nature of services received	2008 £m	2007 £m
Insight Property Partnership and the White City Development Partnership	Property services	–	22.9
Daunus Limited	Rent	17.3	16.6
Frontline Limited	Distribution of BBC Worldwide's magazines	2.2	2.1
Woodlane Partnership	Property services	0.3	0.3
JV Programmes LLC	Marketing services	1.4	1.7
2 entertain Limited	Commissions on distribution of children's DVDs	1.1	0.1
DTV Services Limited	Marketing services	1.4	1.2
Parliamentary Broadcast Unit Limited	Purchase of broadcast licences	0.4	0.4
Freesat UK Limited	Written off in respect of funding contribution	3.4	–
Other	Various	4.0	–

Note 29 provides details of the other partners in the BBC's joint ventures.

Amounts owed by/to joint ventures and associated undertakings at the year end are disclosed within Notes 15 and 16.

27b Other transactions

The BBC's related parties, as defined by FRS 8, the nature of the relationship and the extent of the transactions with them are summarised below. In the normal course of business the BBC transacts with other parties which are related to it by virtue of its senior employees being married or closely related to employees of the BBC or individuals who own or are employed at other media, production and broadcasting companies. The BBC has set procedures for dealing with situations to avoid any conflict of interest. Where transactions have arisen between connected parties, the BBC Trustee or employee is not a party to the approval process.

27b i Trustees

During the year, Diane Coyle and Richard Tait had close family members who were employed by the BBC. Their remuneration was based on the BBC's standard terms and conditions applicable to other staff employed in similar capacities.

27b ii Members of the Executive Board and other senior management

Menna Richards is Controller of BBC Wales. Her sister has a controlling interest in Torpedo Limited. The BBC made payments on contracts to the value of £320,774 (2007: £360,551) with Torpedo Limited for the provision of independent radio and television programmes in the year. These amounts had been paid in full by 31 March 2008 (2007: paid in full). Also the BBC entered into artists' contracts worth £53,263 (2007: £54,867) with her husband Patrick Hannan, with £1,032 outstanding at 31 March 2008 (2007: paid in full).

Juniper Communications Limited is co-owned by BBC non-executive Director Samir Shah (70%), his wife Belkis Shah (20%) and the husband of Jana Bennett (Director, BBC Vision) Richard Clemmow (10%). During the year Juniper Communications Limited had transactions with the BBC to the value of £946,693 (2007: £623,881). These amounts had been paid in full by 31 March 2008 (2007: £68,000 outstanding at 31 March 2007).

During the year, Jenny Abramsky (Director, Audio & Music), Anne Gilchrist (Creative Director, CBBC), Jane Tranter (Controller, Fiction), Janice Hadlow (Controller BBC Four) and Mark Tugwell (Director of Outside Broadcasts) had close family members who were employed by the BBC. Their remuneration was based on the BBC's standard terms and conditions applicable to other staff employed in similar capacities.

27b iii Governors

Under the Royal Charter which came into force on 1 January 2007, the Board of Governors was replaced by the BBC Trust. Therefore there are no transactions in the current year relating to Governors. Prior year comparatives are as follows:

Deborah Bull is sole Director of Deborah Bull Limited. Deborah Bull Limited received payments totalling £5,258 for the period to 31 December 2006 for contributions to various BBC programmes. No amounts were outstanding at 31 March 2007.

Michael Grade was non-executive Chairman of Pinewood Shepperton up to 27 November 2006 and during this period the BBC paid £2,217,956 to Pinewood Shepperton for the use of studios and related facilities. No amounts were outstanding at 31 March 2007.

Related parties include BBC Trust members, the Executive Board and other senior managers, their immediate families and external entities controlled by them. Transactions between the BBC and those related parties are explained in this note.

Notes to the financial statements**28 UK PUBLIC SERVICES EXPENDITURE BY SERVICE**

The following tables show the BBC's Public Service Broadcasting expenditure analysed both by service licence and by type of expenditure.

Service licences are used by the BBC Trust to monitor that each BBC service creates public value by delivering the BBC's Public Purposes. In the year there were 27 service licences in operation, including the BBC High Definition (HDTV) licence which is new for 2008. BBC jam, which had its own licence, was suspended in March 2007.

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

Our financial reporting includes analysis of the cost of each of the BBC's service licences, defined as direct programme costs and other programme related expenditure. Each licence has a 10% tolerance either way from the funding level agreed with the BBC Trust to allow the BBC flexibility in its commissioning decisions.

In the course of 2007/08, ten service licences have exceeded this tolerance level, as follows:

- * *bbc.co.uk*, reflecting additional investment in the creation of online content as a result of the initial implementation of the Delivering Creative Future strategy and the move to commissioning of more non-linear content,
- * HDTV, where significant savings have been achieved in contractual negotiations,
- * Radio 5 live, due to significant savings from refining the allocation of newsgathering costs and the relatively low level of significant sporting events in the year, and
- * Seven further services (Radio 1Xtra, BBC 6 Music and the five Nations' radio licences) where the licence budgets were exceeded due to the refinement of the methodology for accounting for central production costs resulting in changed allocations.

2008 Service	Note	Content (i) £m	Distribution (ii) £m	Infrastructure/ support £m	Other items £m	Total £m
BBC One		1,126.2	45.4	246.6	–	1,418.2
BBC Two		439.7	29.5	98.7	–	567.9
BBC Three		96.5	3.1	25.6	–	125.2
BBC Four		47.7	2.0	15.1	–	64.8
BBC HDTV		3.4	2.6	0.7	–	6.7
CBBC		36.0	2.4	10.3	–	48.7
CBeebies		16.3	2.3	4.7	–	23.3
BBC News	iv	45.7	4.4	7.9	–	58.0
BBC Parliament		2.4	2.9	0.5	–	5.8
BBCi		20.4	10.2	6.1	–	36.7
Television		1,834.3	104.8	416.2	–	2,355.3
BBC Radio 1		31.5	4.2	7.4	–	43.1
BBC Radio 2		39.5	4.5	7.3	–	51.3
BBC Radio 3	v	37.4	4.7	7.3	–	49.4
BBC Radio 4		81.2	10.0	14.3	–	105.5
BBC Radio 5 live		55.2	6.6	10.5	–	72.3
BBC Radio 5 live Sports Extra		2.5	0.3	0.5	–	3.3
IXtra		6.7	0.6	2.0	–	9.3
BBC 6 Music		5.6	0.5	1.4	–	7.5
BBC 7		5.5	0.4	1.4	–	7.3
BBC Asian Network		10.1	0.8	2.1	–	13.0
BBC Local Radio	vi	109.0	6.0	21.5	–	136.5
BBC Radio Scotland		29.5	2.9	6.1	–	38.5
BBC Radio nan Gàidheal		4.7	1.2	1.0	–	6.9
BBC Radio Wales		13.6	1.3	2.6	–	17.5
BBC Radio Cymru		12.7	1.7	2.4	–	16.8
BBC Radio Ulster/BBC Radio Foyle		15.2	1.5	3.5	–	20.2
Radio		459.9	47.2	91.3	–	598.4
bbc.co.uk		113.9	15.4	52.7	–	182.0
Online		113.9	15.4	52.7	–	182.0
Spend regulated by service		2,408.1	167.4	560.2	–	3,135.7
Licence fee collection costs		–	–	–	123.2	123.2
Orchestras and performing groups	v	16.2	–	3.1	–	19.3
S4C	vii	27.5	–	5.2	–	32.7
BBC jam		2.5	–	0.5	–	3.0
Development spend	viii	31.3	–	6.0	–	37.3
DAB digital radio		–	9.6	–	–	9.6
Digital text		–	8.7	–	–	8.7
Other		77.5	18.3	14.8	123.2	233.8
Exceptional restructuring costs	ix	–	–	–	117.6	117.6
Total UK Public Services expenditure		2,485.6	185.7	575.0	240.8	3,487.1
Digital UK Limited expenditure	x	–	–	–	21.2	21.2
Digital switchover ring-fenced expenditure	x	–	–	–	5.9	5.9
Total		2,485.6	185.7	575.0	267.9	3,514.2

Notes to the financial statements

2007 Service	Content £m	Distribution £m	Infrastructure/ support £m	Other items £m	Total £m
BBC One	1,143.4	45.0	223.3	–	1,411.7
BBC Two	433.1	26.2	92.7	–	552.0
BBC Three	92.9	2.4	23.7	–	119.0
BBC Four	49.8	2.0	15.2	–	67.0
CBBC	39.1	2.2	11.0	–	52.3
CBeebies	14.0	2.1	4.4	–	20.5
BBC News	42.9	4.2	7.9	–	55.0
BBC Parliament	2.1	3.4	0.4	–	5.9
BBCi	19.6	11.6	4.5	–	35.7
Television	1,836.9	99.1	383.1	–	2,319.1
BBC Radio 1	30.8	3.9	8.1	–	42.8
BBC Radio 2	38.1	4.2	7.8	–	50.1
BBC Radio 3	33.9	4.2	6.6	–	44.7
BBC Radio 4	81.0	9.3	14.7	–	105.0
BBC Radio 5 live	56.3	6.0	10.9	–	73.2
BBC Radio 5 live Sports Extra	2.4	0.3	0.5	–	3.2
1Xtra	6.4	0.5	2.1	–	9.0
BBC 6 Music	5.4	0.5	1.4	–	7.3
BBC 7	5.1	0.5	1.4	–	7.0
BBC Asian Network	8.9	0.7	2.0	–	11.6
BBC Local Radio	103.5	4.7	21.1	–	129.3
BBC Radio Scotland	22.6	2.8	4.3	–	29.7
BBC Radio nan Gàidheal	3.2	1.1	0.6	–	4.9
BBC Radio Wales	11.7	1.2	2.4	–	15.3
BBC Radio Cymru	10.7	1.6	2.3	–	14.6
BBC Radio Ulster/BBC Radio Foyle	12.6	1.1	2.2	–	15.9
Radio	432.6	42.6	88.4	–	563.6
bbc.co.uk	83.2	8.8	24.0	–	116.0
BBC jam	31.8	–	5.9	–	37.7
Online	115.0	8.8	29.9	–	153.7
Spend regulated by service licence	2,384.5	150.5	501.4	–	3,036.4
Licence fee collection costs	–	–	–	134.1	134.1
Orchestras and performing groups	18.8	–	3.3	–	22.1
S4C	20.8	–	3.8	–	24.6
Development spend	32.0	–	5.6	–	37.6
DAB digital radio	–	8.7	0.2	–	8.9
Digital text	–	5.5	2.2	–	7.7
Other	71.6	14.2	15.1	134.1	235.0
Exceptional restructuring costs	–	–	–	44.3	44.3
Total UK Public Services expenditure	2,456.1	164.7	516.5	178.4	3,315.7
Digital UK Limited expenditure	–	–	–	11.6	11.6
Digital switchover ring-fenced expenditure	–	–	–	–	–
Total	2,456.1	164.7	516.5	190.0	3,327.3

Infrastructure/support costs	Note	2008 £m	2007 £m
Marketing, press and publicity		41.6	45.4
On-air trails		22.1	22.2
Market research and consumer services		14.6	14.3
Libraries, learning support and community events		55.5	49.9
Additional pension payment	xi	20.0	–
Overheads (excluding restructuring)	iii	421.2	367.6
Other change costs		–	17.1
		575.0	516.5

(i) Content costs are made up of the direct costs of making programmes. These include newsgathering costs of £98.9million (2007: £86.9million) which are allocated across all relevant services.

(ii) The cost of distribution represents the transmission and carriage of the BBC's UK Public Services (television, radio and interactive) on digital and analogue broadcast platforms – this includes analogue television, Digital Terrestrial Television (DTT), satellite, cable, broadband, analogue radio and DAB digital radio. Of the distribution costs, £81.8million relates to analogue services (2007: £74.8million) and £103.9million to digital services (2007: £89.9million).

(iii) Overheads represent expenditure on the BBC's central non-content functions, for example the Director-General's office, BBC People, BBC Finance, Policy and Legal departments. Spend incorporates accommodation and staff costs relating to those functions. The proportion of these costs which are directly attributable to programme-making are included within total programme spend, whilst costs of services provided across the BBC as a whole or managed at a corporate level (for example marketing, press and publicity) are shown as overhead spend.

(iv) Included within BBC News (formerly known as BBC News 24), content costs are production costs of £25.7million, newsgathering costs of £19.5million and other costs of £0.5million (2007: production costs of £24.3million, newsgathering costs of £18.1million and other costs of £0.5million).

(v) The cost of transmission of the Proms is now included in Radio 3 whereas last year it was included in the costs for Orchestras and Performing Groups.

(vi) The service licence for BBC Local Radio covers all of the individual stations in England.

(vii) The BBC is required to provide Welsh language programming to S4C (the Welsh language channel). The increased spend on S4C is additional funding for the S4C strategic partnership agreement as part of the 2007 licence fee settlement.

(viii) Development spend is not regulated by service licences and as such is separately identified. 2008 numbers include costs on the development of new on-demand technology applications and investment in digital media systems.

(ix) Exceptional restructuring costs relate to the Value for Money and Continuous Improvement programmes occurring within UK Public Service Broadcasting (see Note 4c).

(x) Under the terms of the current licence fee settlement, a proportion of licence fee income is set aside to help pay for wider industry costs relating to digital switchover. This includes a marketing and awareness campaign run by Digital UK Limited and the Digital Switchover Help Scheme administered by DSHS Limited. See Notes 2b and 2d for details of this expenditure.

(xi) See Note 8 for a full explanation of pension costs.

Notes to the financial statements

29 INTERESTS IN JOINT VENTURES, ASSOCIATES AND SUBSIDIARIES

29a Significant joint ventures and their activities

The Group has a 50% equity interest in the following joint ventures which are all incorporated in Great Britain and registered in England and Wales, unless otherwise stated:

Name of entity	Activity	Accounting date
Commercial joint ventures:		
2 entertain Limited*	Video/DVD	31 January 2008
UK Gold Holdings Limited	Channels	31 March 2008
UK Gold Services Limited	Channels	31 March 2008
UK Channel Management Limited	Channels	31 March 2008
UKTV New Ventures Limited	Channels	31 March 2008
UKTV Interactive Limited	Channels	31 March 2008
JV Programmes LLC**	Channels	31 December 2007
BBC Haymarket Exhibitions Limited	Publishing	31 December 2007
Worldwide Media Limited***	Magazines	31 July 2007
Dovetail Services (UK) Holdings Limited	Magazines	31 March 2008
Ragdoll Worldwide Holdings Limited	Intellectual property rights	31 March 2008
Ragdoll Developments Limited	Intellectual property rights	31 March 2008
UK VoD LLP****	Development	
Freehand International Pty Limited^	Independent Production	31 March 2008
Joint ventures incorporated to act on behalf of UK Public Service Broadcasting:		
DTV Services Limited^^	Marketing	31 August 2007
Insight Property Partnership	Property	31 March 2008
Daurus Limited^^^	Property	30 November 2007
Freesat (UK) Limited	Provision of free-to-air satellite television service	31 March 2008

* 60% equity interest.

** Incorporated in the USA.

*** Incorporated in India.

**** 33% equity interest. UK VoD LLP has a December year end, since it was set up in February 2008, results were equity accounted for the year to 31 March 2008.

^ Incorporated in Australia and 25% equity interest.

^^ 20% equity holding.

^^^ 100% holding of 'A' class shares, representing 10% of the total issued shares of Daurus Limited. The rest of the shares in Daurus Limited are held by the other partners. The BBC holds its investment in Daurus Limited through a subsidiary, BBC Property Development Limited.

Joint ventures are businesses the BBC jointly controls with other parties.

29b Significant associates and their activities

The Group holds (directly and indirectly) interests in the significant associates listed below which, except where otherwise stated, are incorporated in Great Britain and registered in England and Wales. A full list of associates is available on request from the General Counsel and Secretary, BBC, Media Centre, 201 Wood Lane, London W12 7TQ.

	Holding of issued ordinary shares %	Activity
Commercial associates:		
Discovery associates:		
People and Arts (Latin America) LLC (incorporated in the USA)	50	Channels
Animal Planet (Asia) LLC (incorporated in the USA)	50	Channels
The Animal Planet Europe Partnership	50	Channels
Animal Planet (Latin America) LLC (incorporated in the USA)	50	Channels
Animal Planet Japan KK (incorporated in Japan)	33	Channels
JV Network LLC (incorporated in the USA)	50	Channels
Animal Planet Japan LLP (incorporated in the USA)	50	Channels
Animal Planet Canada Company ULC (incorporated in Canada)	23	Channels
Other commercial associates:		
Frontline Limited	23	Publishing
OPL Holdings Limited	39	Publishing
Origin Publishing Limited	39	Publishing
UKTV Pty Limited (incorporated in Australia)	20	Channels
Jasper Broadcasting Inc (incorporated in Canada)	20	Channels
Jasper Junior Broadcasting Inc (incorporated in Canada)	20	Channels
Children's Character Books Limited	25	Books
Woodlands Books Limited	15	Books
Educational Publishers LLP	15	Education
3sixtymedia Limited	10	Production
Left Bank Pictures Limited	25	Content & Production
Cliffhanger Productions Limited	25	Content & Production
Associates incorporated to act on behalf of UK Public Service Broadcasting:		
Parliamentary Broadcasting Unit Limited	50	Content provider
Broadcasters Audience Research Board Limited (BARB)	*	Audience research
The Commonwealth Broadcasting Association	*	Broadcasting forum
Radio Joint Audience Research Limited (RAJAR)	50	Audience research
White City Development Partnership	**	Property

Associates are businesses over which the BBC exerts significant influence but does not have overall control.

* *Broadcasters Audience Research Board Limited and The Commonwealth Broadcasting Association are companies limited by guarantee, of which the BBC is a joint member with other broadcasters.*

** *50% partnership share.*

Notes to the financial statements

Subsidiary undertakings

are businesses the BBC controls.

29c Subsidiary undertakings

The principal subsidiary undertakings of the BBC at 31 March 2008 are listed below. All are wholly owned and incorporated in Great Britain and registered in England and Wales, unless otherwise stated. A full list of subsidiaries is available on request from the General Counsel and Secretary, BBC, Media Centre, 201 Wood Lane, London W12 7TQ.

Name of entity		Activity
Commercial Subsidiaries:		
BBC Commercial Holdings Limited	*	Holding company
BBC Worldwide Limited	**	Publishing, channels and programme distribution
BBC World Limited	**	Channels
BBC Ventures Group Limited	**	Holding company
BBC Resources Limited	**	Programme making facilities and services
Lonely Planet Pty Limited (incorporated in Australia)	**	Travel guides publisher
Subsidiaries incorporated to act on behalf of UK Public Service Broadcasting:		
BBC Free to View Limited	*	Holding company for digital licence
BBC Property Limited	*	Property
BBC Property Development Limited	*	Property
BBC Property Investments Limited	*	Property
Centre House Productions Limited	*	Production financing
Digital UK Limited***	*	Digital switchover
DSHS Limited	*	Digital switchover
BBC Free to View (Satellite) Limited	*	Provision of a free to air satellite television service

* Directly owned.

** Indirectly owned.

*** The BBC controls 56% of the voting rights of Digital UK Limited (previously known as Switchco Limited). Its results have been consolidated into the Group accounts. Digital UK Limited is a company limited by guarantee of which the BBC is a joint member. The other members and their shareholdings in Digital UK Limited are: ITV plc 11%, Channel Four Television Corporation 11%, Channel Five Broadcasting Limited 8.75%, National Grid Wireless 6.25%, SON Limited 3.5%, S4C 2.25% and Teletext Limited 1.25%.

INTERNATIONAL FINANCIAL REPORTING STANDARDS RECONCILIATION

(this page does not form part of the financial statements)

The BBC's Charter and Agreement requires the BBC to prepare its audited statement of accounts in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

Although not mandatory, until 2005 the BBC chose to follow the accounting and disclosure provisions of the Companies Act 1985 and the Financial Services Authority Listing Rules to ensure that its financial statements were prepared on a basis consistent with those of UK companies quoted on an EU-regulated market. Following changes in company law, if it had continued to report in this way, the BBC would have prepared its consolidated financial statements in accordance with EU-adopted International Financial Reporting Standards (IFRS) from 1 April 2005. However, reporting under IFRS would be inconsistent with the BBC's Charter and Agreement. Nevertheless, the BBC has continued to review the impact that adoption of IFRS would have on the Group accounts and has presented a summary of the impact that adopting IFRS would have had on the financial statements, including an adjustment of £18.5million to bring the prior year into line with developing interpretations of IFRS.

As at 31 March 2008 the BBC calculated that if it had adopted IFRS its net assets would be reduced by £198million to £1,322million (2007: net assets would have reduced by £181million to £1,207million).

	2008 £m	2007 as restated £m
Net assets as reported under UK accounting standards	1,519.2	1,388.3
Lease reclassification	(196.5)	(175.9)
Goodwill adjustments	10.9	6.7
Employee benefits	(16.5)	(11.9)
Deferred tax	0.3	(0.7)
Other	4.3	0.4
Net assets as they would be reported under IFRS	1,321.7	1,206.9

Some of the IFRS accounting changes, principally the reclassification of certain operating leases as finance leases, would have an effect on the calculation of Public Service Broadcasting borrowings as defined by the DCMS borrowing ceiling. The Public Service Borrowing ceiling of £200million is set by the Secretary of State in accordance with the Agreement between the BBC and DCMS and is determined by reference to UK GAAP not IFRS. Public Service borrowings under IFRS would have been £761million, compared with net funds of £17million under UK GAAP (2007: Public Service borrowings under IFRS would have been £640million, compared with net funds of £102million under UK GAAP). The Agreement definition of borrowings is based on UK accounting standards effective in July 2006.

For the year ended 31 March 2008 the BBC calculated that if it had adopted IFRS the surplus for the year would be reduced by £21million to a surplus of £81million (2007: the surplus for the year would have been reduced by £46million to a surplus of £15million).

	2008 £m	2007 as restated £m
Surplus as reported under UK accounting standards	101.7	60.7
Lease reclassification	(20.7)	(50.2)
Goodwill adjustments	(0.1)	3.6
Other	0.3	0.4
Surplus as it would be reported under IFRS	81.2	14.5

A more detailed reconciliation between the BBC's results and financial position under UK accounting standards and what would have been reported if IFRS had been adopted, along with further details of the adjustments, including the IFRS accounting policies and significant assumptions made in implementing those policies (such as the date of transition to the IFRS accounting policies) are available on the BBC's website at bbc.co.uk/annualreport/executive.

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Telephone: 0300 123 3000
Fax: 020 7981 3333
Email: contact@ofcom.org.uk
Website: www.ofcom.org.uk

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BBC Audience Council Scotland
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40 Pacific Quay
Glasgow G51 1DA

Head of Governance and Accountability Wales
BBC Audience Council Wales
Room E5108
BBC Broadcasting House
Llandaff
Cardiff CF5 2YQ

Head of Governance and Accountability Northern Ireland
BBC Audience Council
Northern Ireland
BBC Broadcasting House
Ormeau Avenue
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The BBC also publishes online its Statements of Programme Policy which sets out the BBC's commitments and plans for the year ahead. This is available on the BBC's website at bbc.co.uk/info/statements2008.

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OTHER INFORMATION

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The cover illustrates just some of the people and activities that help deliver great programmes and content to our audiences every day.

Row 1 L-R:

Lisha Gilbert, freelance camera operator, does some studio work for independent talkback THAMES

Andrew Hawes gives a live football commentary on BBC Southern Counties Radio

Chris Evans staging his daily Radio 2 drivetime programme in his own inimitable fashion

Row 2 L-R:

Political Editor Nick Robinson watches *Prime Minister's Question Time* as he prepares for a live broadcast

Principal Cello Susan Monks rehearses with the rest of the BBC Symphony Orchestra and the Symphony Chorus.

Gabby Logan presents *Inside Sport*, a weekly round-up of sports news on BBC One and BBC World News, and which is also distributed by BBC Worldwide

Row 3 L-R:

Julia Bradbury runs through her script for BBC One's *Watchdog*

Trevor Nelson with Zena kickstart the day for their iXtra audience with a mix of music, celebrity gossip and interviews

EastEnders 1st Assistant Director Philip Lewis considers the options for a scene in Walford's Albert Square

Row 4:

Adrian Chiles, hot foot from *The One Show* on BBC One, rehearses for *The Apprentice: You're Fired!* on BBC Two

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