

Annual Review

2005/06



Chairman's Introduction	4
Chief Executive's Review	5
Global Channels	8
Global TV Sales	12
Content & Production	16
Magazines	20
Home Entertainment	24
Children's	28
Digital Media	32
Key Developments in India	36
Fair Trading	37
How BBC Worldwide Trades	38
Financial Review	40
Global Offices	48
BBC Worldwide Board	49

This Annual Review is designed to give an insight into the activities and performance of BBC Worldwide over the last year.

Full Report and Financial Statements for the year ended 31 March 2006 may be obtained from Companies House (www.companies-house.gov.uk).

For the BBC Annual Report please visit
www.bbcgovernors.co.uk

Financial Highlights



Profits more than doubled within two years and up 62% on last year to £89 million



Sales up 11% to £784 million

BBC Worldwide

**Entertaining the world,
bringing value to the BBC**



BBC Worldwide is the UK's...

No.1

**International
TV channel broadcaster**

No.1

**Exporter of television
programmes**

No.3

**Consumer magazine
publisher**

No.1

**UK-owned DVD/video
distributor**

through 2 entertain in partnership with Woolworths

No.1

**Audiobook
publisher**

Chairman's Introduction

Etienne de Villiers



When I was appointed non-executive Chairman of BBC Worldwide, it was clear I was joining an organisation engaged in major change. The Charter Review and the BBC's Commercial Review processes had revealed significant challenges, chief among them the need to improve profitability and transparency. Over the last year, BBC Worldwide has worked hard to clarify its aims, become more commercially efficient and return real value to the BBC.

2005/06 has been an outstanding year with the company achieving its aim of doubling profits in two years. No mean feat! Major in-roads have been made to expand the BBC's branded presence globally by developing emerging markets. Recent successes include winning seven FM radio licences in India which will also serve as a launch pad for further growth in this very exciting market. Landmark deals have also been signed that will give back real value and opportunity to the BBC, including a mobile content deal with Orange which will facilitate a substantial wireless content licensing business.

Digital technology is changing media markets and it's clear BBC Worldwide is embracing this 'brave new world'. Significant but measured investment is underway to optimise programme and image archives across multi-formats in many territories – the Motion Gallery clip sales business, for example, launched a searchable website in 2004 that this year received over 900,000 visitors. Looking ahead, the bbc.com and iPlayer projects offer major digital opportunities for the future.

Growth should not come at a price: BBC Worldwide recognises the need to be both efficient – by doing things right – and effective – by doing the right things. I firmly believe the company needs to focus on its key areas and stick to the remit set out in the BBC's Commercial Review. I believe that if they do more of what they excel in and less in areas where others are better placed, that they will continue to achieve great things. I also know that John Smith and his senior management team know this and embrace this with alacrity.

BBC Worldwide has an opportunity to build the reputation of the BBC around the world and remain true to its Charter. Strengthening corporate governance will enhance reporting to the BBC and the external world. It will also increase the effectiveness of business planning processes. Most importantly, BBC Worldwide should remain confident in its ability to serve all audiences and customers with first-class products and services, never forgetting that audiences are at the heart of the business.

Finally, I'm consistently impressed by the talent and energy I see at BBC Worldwide, both in Board leadership and throughout the business. As management and staff now focus on achieving profits of over £100m, they should be proud of their achievement this year. And a special vote of thanks to John Smith who is an outstanding chief executive and leader of this business.

A handwritten signature in black ink, appearing to read 'Etienne de Villiers'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Etienne de Villiers
Non-executive Chairman, BBC Worldwide

Chief Executive's Review

John Smith



I am very pleased to report that our target to double profits within two years has been beaten. This has been an exceptional year for BBC Worldwide – not only is the focus on profits delivering real value to the BBC, but we are now also clearer in our role and remit as we complete the second year of the implementation of the strategic review.

In 2003/04 the company produced a profit of £37m. In 2004/5 this rose 50% to £55m. This year it exceeds £89m – a 144% increase from two years ago and 62% up on last year. Across the business the return on sales was 10% in the year and the EBITDA margin was 22%.

The underlying profit, excluding one-offs, disposals, restructuring and legal costs, is £92.1m, up from £53.3m in 2004/05, and an increase of 73% in the year. This figure has also doubled over two years.

The profit increase over these two years has been achieved by a combination of trading and efficiency improvements spread across the business and by tackling areas that were in loss such as books, learning, children's and multimedia.

The Board of BBC Worldwide believes that performance can be further improved in 2006/07 – the last year of the review implementation.

Overall, the review led to a repositioning of BBC Worldwide and the formulation of our new strategic direction; it resulted in three recommendations that we continue to implement:

1. Clarify the scope of the company

Since the review, the remit of the magazines business has been tightened to focus on key BBC programme titles and genres where the BBC has recognised expertise, such as gardening, history, science and children's.

The woman's glossy *Eve* was sold in 2004/05 and the non-BBC *Origin* magazines were sold in April

2006, just after the year end. Editorial panels have been set up for all the magazines and on-air trailing of magazines ceased in December 2004.

The White Paper and draft BBC Charter published in March 2006 proposed four criteria that in the future will bound the activities of BBC Worldwide:

- Must fit with the BBC's public purpose activities – activities must support or relate to the BBC's public service mission
- Must not jeopardise the good reputation of the BBC or the value of the BBC brand – activities must not undermine the BBC's brand values
- Must exhibit commercial efficiency – BBC ownership should provide an effective economic route to exploit an asset
- Must comply with Fair Trading guidelines and in particular avoid distorting the market – BBC Worldwide can and should have a market impact but must not receive any unfair advantage or subsidy.

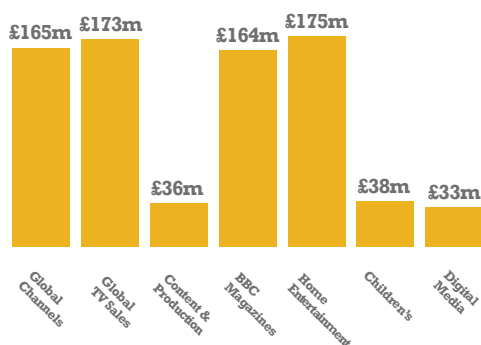
2. Improve governance and transparency

On 31 January Etienne de Villiers joined the Board as non-executive Chairman. His wealth of experience gained as President and Managing Director, Walt Disney International EMEA, among other posts, has already been invaluable and he has struck a welcome new tone in Board decision-making. Also, three BBC senior executives joined as non-executive Directors: Jana Bennett, Director of Television; Nicholas Eldred, General Counsel; and Zarin Patel, Group Finance Director. Two further independent non-executive Directors are being recruited to the Board now.

This is the second year of the new-style annual reviews, aimed at improving transparency. Their purpose is to explain in plain terms the performance of each business, whether good or bad. They are not intended to be plc-style annual reports. The BBC publishes its own plc-style Annual Report & Accounts in July.

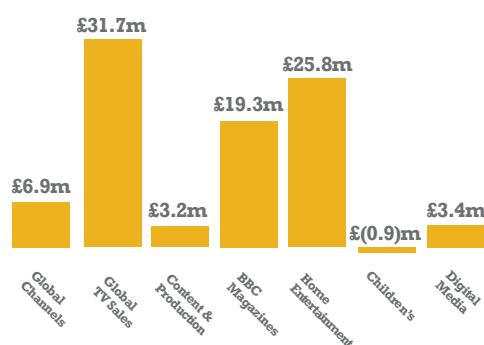
Sales

Sales up 11% from £706m to £784m



Profit

Profit up 62% from £55.2m to £89.4m



3. Address financial performance

The company has now been focusing on profits – the normal measure of financial performance – since 2004/05 and businesses that were subscale or low margin have been sold, partnered or turned around. The only remaining exception to this is Children's. This business still incurred a small loss of £0.9m this year, but this was down from an £11.1m loss in 2003/04. The Board expects this improvement to continue.

Business highlights

In 2004/05, BBC Worldwide was restructured into six businesses and this year we added a seventh – Content & Production.

Global Channels

BBC Worldwide is the UK's number-one international TV channel broadcaster, with 18 wholly or partly owned channels across the globe, and ten in the UK held in joint venture with Flextech. We now serve 288 million unique homes around the world and in the US the BBC America channel hit its target of reaching 45 million homes.

During the year Darren Childs was recruited from Sony Pictures Television International as Managing Director of the channels business and completed a top-to-bottom review of the portfolio. We lost BBC Japan but launched BBC Prime in South Korea.

On sales of £165m (up from £141m last year) profits are still modest at £6.9m, up from £4.0m last year, but this reflects the nature of the joint-venture agreements under which several of the channels are held. I expect strong profit growth from this business in 2006/07, enabling us to invest for further growth.

Global TV Sales

In February 2006 we celebrated the 30th year of BBC Showcase, the annual event in Brighton where we show our catalogue of programmes to buyers from around the world. It's a shop window for some 40,000 hours of complete programmes from the BBC and Independents producing for BBC, ITV, Channel 4 and Five.

This year the team has focused on securing future growth in emerging markets, and several new relationships are developing in countries as diverse as India, China, Argentina, Brazil, Poland and South Korea. These are the territories where we expect significant growth in future, but the business is already very healthy with sales of £173m and PBIT of £31.7m.

One other development was our pitch for FM radio licences in India's recent spectrum auction. We were successful in seven of the major cities with our partner Mid Day Multimedia Limited, and the new radio channels will begin to launch later this year.

Content & Production

This business secures all the programming for BBC Worldwide and identifies and exploits format opportunities around the globe. We have created a steady stream of format successes in recent years but now the Board has committed to format exploitation and local production as a key area of growth in the future. Wayne Garvie joined in January from BBC Entertainment to head up this new business.

A production office was opened in Los Angeles in 2005. The huge phenomenon that is *Strictly Come Dancing* (aka *Dancing with the Stars*) enchanted audiences in 27 countries and won numerous awards.

The business includes our Indie Unit which looks after relationships with the Independent sector. It was a great accolade for the company to be voted Distributor of Choice by UK Independent producers in a Broadcast magazine survey during the year.

After the success of the box office movie *Deep Blue*, work is well advanced on the movie *Earth*, due for release in summer 2007.

Overall sales were £36m and profit £3.2m.

Magazines

The UK's third largest consumer magazine publisher, BBC Magazines has divested itself of previously contentious titles but still produces more than 50 different magazines. Last year over 90 million copies were sold – that's over 170 magazines every minute! Independent research shows that one in four UK adults reads a BBC magazine every month.

Two new titles were launched this year, *CBeebies Weekly* and *BBC Sky at Night*, and two just after year end, *Doctor Who Adventures*, and *Amy*, a general interest magazine for five-to-eight year old girls.

A significant development this year was the growth in international magazine launches, with licensing contracts increasing to nearly 30. Our joint venture with The Times of India, Worldwide Media, is now one of India's largest magazine companies.

Our strategy for 2006 and beyond is to continue to grow the scope and scale of every aspect of our international business, and we are actively seeking partners for equity investments, joint ventures, licensing and content syndication.

Sales in 2005/06 were £164m and profit £19.3m. This is an apparent reduction on 2004/05 but that year included a number of one-off items such as the sale of *Eve* magazine, which, if excluded, leave a year-on-year profit improvement of 2.5%.

Home Entertainment

This business includes the top UK-owned DVD and video distributor, 2 entertain – a 60:40 joint venture with Woolworths plc – plus the UK's number-one audiobook publisher. It also includes seven high street shops and the online store bbcshop.com.

2 entertain produced great results returning £25.8m in profit largely from sales of DVDs.

BBC Audiobooks started selling digital downloads in September and sales approached 170,000 across 1,000 titles.

During the year, the learning business partnered with Pearson Education.

We also announced our intention to substantially dispose of the books business to a larger scale publisher. Although this business has done very well to get into profit this year, we intend to complete a transaction in 2006/07.

Overall sales were up 9% to £175m and profit up £17.1m to £25.8m.

Children's

This business has done well to cut its losses to £0.9m this year on sales of £38m. There were some notable successes. The *Doctor Who* radio-controlled Dalek was the UK's second best-selling toy at Christmas, and the *CBeebies Live!* show sold 115,000 tickets over the Christmas period.

In China a *Teletubbies* Edutainment centre was opened in Dongguan and a *Teletubbies* Play and Development Centre in Shenzhen.

Digital Media

A whirlwind of activity included the first mobile content deal with Orange; the sale of a back catalogue of music publishing rights; and a range of VoD, IPTV and interactive deals.

The Motion Gallery clip sales business had an excellent year and now has 30,000 digitised clips online.

Much groundwork was laid for next year's proposed launch of bbc.com and the commercial iPlayer.

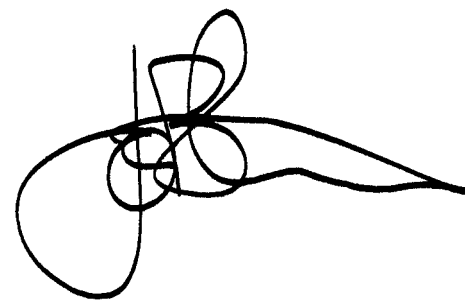
Activities such as the sale of the music back catalogue enabled Digital Media to turn a £4.8m loss into a £3.4m profit, despite significant investment in restructuring, legal costs and the development of new services.

Outlook

The profit levels and margins of BBC Worldwide are getting close to the levels they should be for a business with this portfolio, and 2006/07 will complete this process of repositioning.

Preparations have been made to help us seize the opportunities that present themselves as markets open up, develop and move to digital technologies, and next year we will focus on securing strong growth in emerging territories.

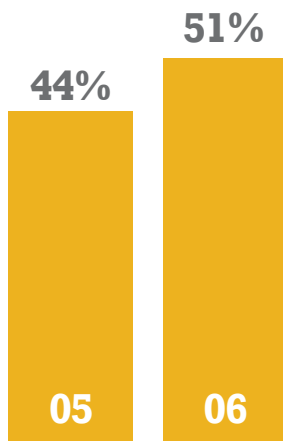
The Board of BBC Worldwide is now united in its focus on profit growth in order to return a healthy dividend to our parent, the BBC. We can only achieve that because of the very many dedicated staff who work for us and in our joint ventures, and the talented people who create the media content we exploit in all its forms around the world.



John Smith

Chief Executive, BBC Worldwide

Overseas Sales



BBC Worldwide is becoming more international. For the first time just over 50% of sales were to outside the UK (excluding joint ventures and on a like-for-like basis).

Global Channels

Together, BBC Worldwide's channels reach 288 million unique homes

Background

BBC Worldwide's Global Channels business is the UK's number one international television channel broadcaster in terms of reach.

The business has a diverse portfolio of 18 channels that span the globe and connect audiences in 288 million unique homes around the world (an increase of 43 million homes, 18% up on 2004/05) with great British content from the BBC and other UK programme makers.

As well as an international presence, Global Channels has a UK presence, through UKTV, a joint venture with Flextech. UKTV comprises ten channels – eight pay TV and two digital free-to-air – with a combined annual reach of 18 million unique homes.

This year, BBC Worldwide's various channel interests consolidated into a single business, under a new Managing Director, Darren Childs.

The Global Channels business is poised to create a series of BBC-branded channels around the world, which add value to UK programming by making it accessible to international audiences and which maximise revenues through channel subscription and advertising sales.

Performance and activity

The Global Channels business has seen strong growth in many of its domestic and international channels this year, and 2005/06 saw the launch of BBC Prime in a new territory, South Korea.

Sales increased from £141m to £165m (a growth of 18%) and profits have leapt by over 70% to £6.9m, up from £4.0m in 2004/05. BBC America, the business's wholly-owned channel in the United States, and UKTV, both delivered particularly strong performances.

Sales include 50% of UKTV's revenues, although under our current accounting policy, profits only include UKTV's dividends paid to BBC Worldwide.

BBC America

In 45 million homes, BBC America continues to grow the BBC brand in the world's largest and most competitive TV marketplace. The eight-year-old channel delivers a mix of innovative and engaging entertainment programmes to almost half the cable homes in the US (see page 10).

Successful BBC shows such as *Waking the Dead* and *Conviction*, and other programmes like *Footballers' Wives*, have contributed to a 20% increase in primetime ratings, year on year, in both the final quarter of 2005 and the first quarter of 2006.

This year BBC America also increased its levels of investment in co-productions which include *Blackpool* and *Gideon's Daughter* (BBC), *Waterloo Road* (Shed) and the forthcoming *Jekyll* (Hartswood), *Robin Hood* and *Low Winter Sun* (both Tiger Aspect).

Aimed at a 25-54 demographic, BBC America attracts blue chip advertisers. The channel is supported by its own website, *bbcamerica.com*, which this year increased unique users by 22%.

The financing of the channel is currently being restructured with a view to further improving its profitability.

During 2005/06, BBC America moved operations from Bethesda, Maryland, to share a site with BBC Worldwide's sales operation in New York.

UKTV

The channels continued to perform very well, and the business nearly doubled its dividend to BBC Worldwide from the previous year from £2.1m to £4.0m.

UKTV has ten distinctive channels: UKTV Gold, UKTV History, UKTV Style, UKTV G2, UKTV Drama, UKTV Documentary, UKTV Food, UKTV People, UKTV Style Gardens, and UKTV Bright Ideas (plus

Sales (£m)	06	05
UK	88.5	78.2
Overseas	76.9	62.4
Total	165.4	140.6

Profit (£m)	06	05
UK	3.6	2.1
Overseas	3.3	1.9
Total	6.9	4.0



Blackpool

David Morrissey is *Blackpool's* leading man. The musical comedy drama from acclaimed writer Peter Bowker reached audiences all over Europe when broadcast on BBC Prime. It also delighted BBC America audiences in the US, where it won a Peabody Award and was nominated for a Golden Globe®.

time-shifted channels for catch-up viewing). These are available in 11.1 million pay TV homes. In addition two of these channels – UKTV History and UKTV Bright Ideas – are available free to air, through Freeview.

Together these form a powerful and compelling network offering viewers a wide range of quality programming, including award-winning BBC shows and an increasing number of original commissions and acquisitions. The network is a valuable customer for BBC Worldwide's Global TV Sales business.

In April 2006, UKTV's CEO Dick Emery, announced his plans to retire at the end of the calendar year. It was Dick's vision that created UKTV and he has led the business brilliantly for nearly a decade.

UKTV GOLD

UKTV Gold is one of the UK's most-watched multichannel brands with more than 15 million viewers per month.

uktv GOLD

Other channels

The strategy for BBC Prime and BBC Food, which air in territories across Europe, Africa and Asia, is currently under review, with the aim of refreshing and relaunching them over the next 18 months.

BBC Worldwide operates three channels in Canada, two via a joint venture with Alliance Atlantis Communications. BBC Canada continues to be a star performer ranking fourth in digital channels with women aged 25-54. BBC Kids ranks number four out of digital channels for children aged 2-11. BBC Worldwide also has a joint venture with CTV and Discovery Communications Inc, Animal

Planet Canada, which regularly ranks in the top four digital channels.

In Australia and New Zealand, UK.TV, a joint venture channel with Foxtel and FremantleMedia, now in its tenth anniversary year, gained record audience share and six ASTRA Award nominations.

BBC Worldwide also has two joint ventures with Discovery Networks Inc: People+Arts, which operates exclusively in Iberia and South America, and Animal Planet, in which BBC Worldwide has 50% stake. In April 2006 BBC Worldwide sold its 20% interest in Animal Planet US back to Discovery Communications Inc.

BBC Japan ceased operation in April 2006, when its distribution partner, JMC, closed. The Global Channels business is currently looking for new ways to have a presence in this market.

Summary

The decision to bring all BBC Worldwide channels under one business will bring a sharper focus on increasing revenue, profits and subscribers.

In the next year, Global Channels will look to build on the foundations laid in 2005/06 by developing existing markets and launching new, strongly branded channels in key territories, which will be available on all platforms and all devices.

The business will continue to pursue its aim of providing a richer consumer experience and a deeper engagement with its audiences, in order to drive revenue and profit for BBC Worldwide.

Global Channels

“There’s a new British invasion. And it is staking a claim to your television... BBC America.”

Wall Street Journal, October 2005

Launched in 1998, BBC America increased its reach to 45 million US homes in 2005/06.

The channel continues to be one of the most critically acclaimed networks in the US, with hugely successful British exports such as *Waking the Dead*, *Wire in the Blood*, *Conviction*, *Footballers’ Wives*, *The Robinsons* and *Cash in the Attic*.

In 2005/06, BBC America continued its awards success with a Golden Globe nomination and a Peabody Award for *Blackpool* (called *Viva Blackpool* in the US).

Year	Reach (m)
2001/02	27
2002/03	35
2005/06	45

2001/02

35m

2002/03

BBC America homes

45m

42m

2005/06

2004/05

38m

2003/04

Global TV Sales

Bringing the best of British programming to audiences around the world

Background

Global TV Sales is central to BBC Worldwide's business. The division sells BBC and independently produced programmes to broadcasters around the world, including its own joint venture and wholly owned channels.

It is Europe's number one programme distributor, selling some 40,000 hours of television programming internationally every year through its teams in the Americas, EMEA and Asia-Pacific.

BBC Showcase, Global TV Sales' own television festival, is the largest event of its kind by any single distributor. Some 500 broadcasters from across the globe flock to this four-day event in Brighton, which provides a shop window for the best of British programming.

Strategy

Given the vastly differing requirements of broadcasters, the business has developed a new sales strategy which reflects the characteristics of programme markets around the globe. The three sales hubs of London, New York and Sydney have now redefined their territories into emerging and developed markets.

Eastern Europe, Far East and Latin America are examples of emerging markets. The economics and consumption of media in these territories have been transformed in recent years and offer high growth potential.

Developed markets include Western Europe, Canada, the US and Australasia. As these markets are well-established, they tend to be highly competitive. Limited growth opportunities are, however, offset by high revenues.

Having a vibrant portfolio of new programming every year is vital for the business and so in 2005/06 Global TV Sales increased its level of investment in independent and BBC in-house production by 18%.

Global TV Sales has a depth of experience in India (see page 36) where programming and format sales have always been strong. It was this business which drove forward a partnership with Mid Day Multimedia Limited to acquire licences in the recently liberated FM radio market. Seven licences were won establishing BBC Worldwide's first ever entry into FM radio broadcasting with the potential to reach millions of people.

Krakatoa

The BBC docu-drama *Krakatoa*, which starred Rupert Penry-Jones, gripped audiences from France to Hong Kong with its authentic portrayal of what happened in the build up, event and aftermath of the 1883 explosion.

Sales (£m)	06	05
Europe	85.4	76.6
Americas	65.3	61.5
Rest of World	22.4	20.7
Total	173.1	158.8

Profit (£m)	06	05
Europe	22.3	21.8
Americas	4.5	4.1
Rest of World	4.9	5.0
Total	31.7	30.9





Hotel Babylon

Tamzin Outhwaite and Max Beesley star in *Hotel Babylon*, a tantalising insight into the world of the luxury five-star hotel industry. This contemporary new drama is a highlight of BBC Worldwide's sales catalogue and has already been snapped up by countries as diverse as Australia, China and Iceland.

Performance

The business continues to flourish and generated sales of £173m, up from £159m in 2004/05. Profits increased by 3% to deliver £31.7m to BBC Worldwide.

There was strong improvement in sales to the UK largely as a result of UKTV Drama and UKTV G2 increasing their daytime programming. In addition, the business has developed a more vibrant sales market with other broadcasters, including the digital broadcasters ITV3 and Hallmark.

Activity

BBC Showcase celebrated its 30th anniversary this year with a record number of attendees, while the new Latin America Showcase event in Rio de Janeiro enjoyed its second anniversary and increased attendance. Both events are key tools in generating worldwide sales.

The top-selling shows of 2005/06 show the breadth of Global TV Sales front catalogue. Titles include *Doctor Who*, *Hiroshima*, *Hustle*, *Krakatoa*, *Little Britain*, *My Family* and *Top Gear*.

The breathtaking *Planet Earth* series from the BBC's Natural History Unit has already been sold to Australia, Canada, Spain, Italy and South Africa, amongst others, and sales will build strongly in 2006/07.

The sales teams' expertise, coupled with the Indie Unit's focus (see page 16), helped BBC Worldwide achieve the accolade of Distributor of Choice in a Broadcast magazine survey of Independent producers.

Future direction

In the next year, the ambition is to work more closely with other areas of BBC Worldwide and to use Global TV Sales' unparalleled distribution network even more effectively as digital platforms develop. The broadcasting arena is undergoing its most radical change since the introduction of colour television and Global TV Sales will look to adapt its business to reach audiences in brand new ways.

Earlier programming investment in both BBC and Independent productions is about to start bearing fruit. Shows such as *Planet Earth*, *Doctor Who* series three, *Torchwood* (the new sci-fi drama from Russell T Davies), *Life on Mars* (Kudos) and the sumptuous *Hotel Babylon* (Carnival Films) are now a core part of BBC Worldwide's programming catalogue with healthy pre-sales.

Finally, as High Definition (HD) programming extends into a growing number of global homes, the business will look to expand its television catalogue to include programmes which offer the crystal clear sound and vivid pictures that broadcasters and audiences are looking for.

Global TV Sales

New UK drama travels well

The international appetite for UK drama has been reinvigorated in recent years through the development of contemporary shows such as *Spooks*, *Hustle*, *Doctor Who* and *Hotel Babylon*. Their filmic quality, international storylines and high-quality production values make them very attractive to markets such as the USA, Australia and Asia.

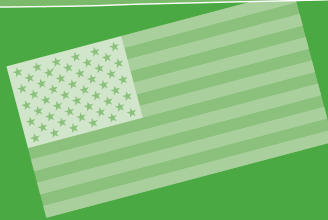
In addition more established series are still very popular with continuing dramas like *EastEnders*, *Holby City* and *Casualty* being seen in countries from Finland to New Zealand and crime shows like *Waking the Dead* and *Silent Witness* being particularly popular in Poland and Slovenia.

Of course, buyers still look to the BBC to create top-quality costume dramas and the highly praised BBC production of Dickens' *Bleak House*, adapted by Andrew Davies, was much admired. It has already been sold to 12 territories including the US, Australia, Sweden, Poland and Israel.

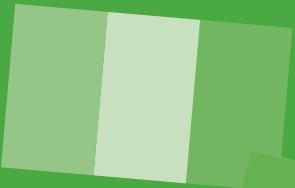
BLEAK HOUSE



SPOOKS



DOCTOR·WHO



HOTEL
BABYLON



Content & Production

Investing in programmes and formats, maximising their global potential

Background

Content & Production is the most recently created separate business in BBC Worldwide, headed by Wayne Garvie, who joined from the BBC's Entertainment division.

It manages the company's relationships with the Independent production community via its Indie Unit, co-ordinates programme investment and film development for the whole of BBC Worldwide, and helps to maximise the potential for formats via its local production capability.

Strategy

Content & Production works closely with the BBC's in-house production teams and Independent production companies and will look to build on and broaden these relationships in the next year.

The business also plans to drive growth by expanding the number of countries in which formatted shows appear, as well as encouraging the recommissioning of further series.

Working with the unrivalled distribution network of the Global TV Sales business, Content & Production is the first port of call for the BBC's in-house production teams and many Independent producers looking to develop new programme ideas. Its investment in young and up-coming production companies ensures that the business continues to support and stimulate the UK's Independent sector.

Performance

Content & Production achieved a turnover of £36m in 2005/06, up from £13m the previous year. The LA production office generated revenue of £19m, mainly due to the strong performance of the second series of *Dancing with the Stars* (*Strictly Come Dancing*). Profits grew to £3.2m from £1.0m in 2004/05.

The joint venture with Woolworths plc, 2 entertain (see page 24), includes a film production business with sales of £3 million.

Activity

In 2005/06 the Indie Unit struck a number of output and development deals with Independent companies including Seven Stones Media, Tiger Aspect, Baby Cow, Monkey, Touchpaper, Clerkenwell and Ecosse.

BBC Worldwide was delighted to be named the Distributor of Choice in a Broadcast magazine survey of UK Independents in September 2005. The accolade recognises the combined efforts of the Indie Unit and the Global TV Sales teams around the world in maximising the commercial potential of Indie-produced programming.

Sales (£m)	06	05
Europe	14.4	10.3
Americas	18.6	0.7
Rest of World	3.1	2.2
Total	36.1	13.2

Profit (£m)	06	05
Europe	2.0	0.7
Americas	0.7	0.2
Rest of World	0.5	0.1
Total	3.2	1.0





Strictly Come Dancing
The finale of the US version of *Strictly Come Dancing* (*Dancing with the Stars*) attracted an audience of over 27 million.

Dancing with the Stars continues to be BBC Worldwide's most successful current format. In the US, a third series of the show, which is ABC's top rating entertainment show, has just been signed. In New Zealand, *Dancing with the Stars* launched its second series on TVNZ, while deals have been signed for a fourth and fifth series with Seven Network in Australia.

The format has extended its reach to 27 countries around the world including Russia, Poland and Germany and commands huge audiences in each territory. It has also collected an impressive number of awards, including a Logie Award in Australia for Best Entertainment Show and a Broadcast Award in the UK for Best International Programme Sale.

In addition the BBC THREE hit, *Honey We're Killing The Kids*, was licensed to Australasia, USA, Sweden and Germany, and *Just the Two of Us* to Seven Network in Australia. *The Office* was licensed to Canal+ in France for its first-ever foreign-language version (see page 18).

South Africa is a robust market for formats with programmes such as *Generation Game*, *Strictly Come Dancing*, *Friends Like These* and *Keeping up Appearances* continuing to gain strong audiences for broadcasters in this territory.

Content & Production also signed a deal with Sony Studios to develop scripted formats including a possible US version of *Cutting It!*.

Following the international success of the award-winning, feature-length film, *Deep Blue*, which has been watched by more than three million people in more than 20 countries around the world, Content & Production is now developing the film *Earth* with BBC Production. Planned for worldwide distribution in summer 2007, it is based on the highly acclaimed series *Planet Earth*.

Summary

In the next year, as the business begins to get into its stride, it will be looking into format production outside the traditional US sphere, with successes like *Dancing with the Stars* acting as a blueprint for what might be achieved around the rest of the world. Content & Production will continue to invest in new ideas for formats and new programming from Independents.

It Takes Two

Just the Two of Us has been licensed to Seven Network in Australia (called *It Takes Two*). The format continues to attract considerable interest from overseas broadcasters.



Content & Production

The Travelling Office

Le Bureau is the first foreign language version of *The Office* and it was aired on Canal+ in France in May 2006. The original version of *The Office* has been transmitted in 80 countries worldwide making it one of the most successful BBC comedy exports of the last five years.

In the French version, Wernham-Hogg, the Slough-based paper mill where nothing ever seemed to get done, became Cogirep, a down-at-heel office based in the featureless Villepinte, a well-known business park to the north of Paris, with Francois Berléand filling the role of Ricky Gervais' David Brent.

The US version, produced in 2004, has had considerable success, winning three Writers Guild of America Award nominations, including Outstanding Achievement in Writing for a New Series and Outstanding Achievement in Writing for a Comedy Series. It has recently been recommissioned for a third series there.

The Content & Production business continues to work with broadcasters around the world to develop UK formats into winning local versions for new audiences.



Magazines

BBC Magazines is the UK's third largest consumer magazine publisher, selling over 90 million magazines every year

Overview

BBC Magazines' portfolio has more than 50 regular titles across a range of sectors, including nine market-leading magazines. One in four UK adults reads a BBC title every month, extending their enjoyment of BBC radio and television programmes through the pages of *Radio Times*, *Top Gear*, *Good Food* and *Gardeners' World* and others.

BBC Magazines' strategy is to continue to launch strong magazines in the UK which extend viewers' enjoyment of the BBC's output; to build webzines utilising our strong brands and expertise in particular markets; and to build internationally.

Financial performance

BBC Magazines' profit was £19.3m versus £22.0m in 2004/05, which included profits from the sale of *Eve* magazine as well as significant costs arising from the move of titles to Bristol (see Origin below). On a normalised basis (see page 41) operating profit is at £20.7m in the current year versus £20.2m in the previous year, with strong performances from lifestyle and specialist titles offsetting challenging conditions in the children's market.

Circulation

The July to December 2005 independently audited copy sales figures showed some excellent growth for BBC Magazines. *Top Gear* increased its lead over its nearest rival by 12,000 copies and celebrated its 24th consecutive period as market leader; *Good Homes* was Britain's fastest-growing home interest title for the third consecutive period; *Good Food* was again the star performer among independent food magazines while *Olive* gained ground on its key competitor; *Radio Times* retained its position as the UK's biggest-selling premium-priced listings magazine and won back its leadership of the Christmas TV listings market; *Top of the Pops* magazine retained its spot as number one teen entertainment title while its principal rival *Smash Hits* closed; and *Focus* magazine grew its newsstand sales by 7%.

BBC Magazines also continued to show strong growth in subscriptions sales and an improvement in their profitability. It now has nearly 600,000 subscribers compared to 500,000 some 18 months ago. *Radio Times* has performed particularly strongly, quadrupling its subscriptions in under two years to more than 60,000. This strategic emphasis on subscriptions will continue in 2006/07.

A new children's title was launched during the year, *CBeebies Weekly* for pre-school children, and two just after year end, *Amy* for five-to-eight year old girls and *Doctor Who Adventures*. This brings the total number of children's magazines to 21.

Advertisement sales

BBC Magazines advertisement sales team grew its share compared to its competitive set again this year. *Good Food*, *Good Homes* and *Top Gear* all performed particularly well. The year culminated with a major piece of consumer research called 'Big Britain' that challenged assumptions about the views of mainstream British people. One in four Big Britons, who share similar views about the environment, social injustice and the desire to simplify life, read a BBC magazine.

Sales (£m)	06	05
Radio Times	56.0	57.1
Specialist (Origin)	23.0	19.3
Lifestyle	47.9	59.4
Children's*	25.2	27.7
Share of Joint ventures	11.6	5.9
Total	163.7	169.4

Profit (£m)	06	05
Radio Times, Lifestyle, Specialist	16.5	17.9
Children's*	1.6	2.9
Share of Joint ventures & Associates	1.2	1.2
Total	19.3	22.0

*also reported under Children's

RadioTimes

Origin

The specialist publishing arm, Origin Publishing in Bristol, launched *Sky at Night* in May 2005. *Gardens Illustrated* moved to Origin from BBC Magazines' London publishing base during the year, while *Homes & Antiques* will transfer there in September 2006. In April 2006 BBC Magazines announced that it had sold 61% of Origin Publishing Ltd and all its non-BBC-related consumer titles to a management buy-out team as part of a staged exit. BBC Magazines retains

Radio Times
Radio Times generates more money through and for newsagents than any other UK listings magazine, selling over a million copies each week.

Top Gear
The UK's best-selling motoring title, *Top Gear* magazine, is published in 30 countries.



the BBC-branded titles in a new subsidiary called Bristol Magazines Ltd.

Reaching out to readers

This year saw the creation of Dovetail, a joint venture combining BBC Worldwide's subscription fulfilment business Galleon and Dennis Publishing's Customer Interface Ltd. The new company intends to become the UK's market leader in subscriptions fulfilment, serving both its shareholders and third-party publishers.

BBC titles continue to be distributed on the newsstand through Frontline Ltd, its joint venture with UK publishers Emap, H Bauer and Haymarket. The past year saw it consolidate its position as the UK's leading distribution company, signing some new contracts with wholesalers and achieving 'category' captaincy in a number of major retailers.

Online

This year saw the growing importance of websites in the UK reflected in more than two million unique users visiting BBC magazine websites every month. *Radiotimes.com* is the UK's premier online television listings website and is also available on PDAs and mobile phones through relationships with O2, Orange and Vodafone. *Radio Times* also has an agreement with Gemstar TV Guide to offer a branded electronic programme guide. *Top Gear* magazine's website, *topgear.com*, is another example of a successful and profitable online companion to a magazine. It combines entertainment and information in its own unique way, reaching over 900,000 users every month. *BBCGoodFood.com* will be launched in autumn 2006.

Events and exhibitions

BBC Haymarket Exhibitions is a joint venture between BBC Worldwide and Haymarket Exhibitions. Since its launch it has been one of the most successful consumer exhibition companies in the UK, with its shows, such as *Good Food*, *Good Homes Live It!* and *Gardeners' World Live* attracting over 330,000 visitors each year. This year saw the launch of *The Summer BBC Good Food Show*, co-located with *Good Homes Live It!*. Next year the food portfolio will be further increased with a new show in Glasgow.

International

The past 12 months saw BBC Magazines increase its international presence. The number of internationally licensed editions has grown with *Top Gear* now being published in 30 countries, while *Good Food* launched in Romania and *Teletubbies* in Poland.

BBC Magazines' joint venture in India, Worldwide Media, is performing well and launched *Top Gear* magazine successfully during the year. The business is looking to increase activity in a number of other countries during 2006/07.



Sky at Night

The world's only astronomy magazine and CD package, *Sky at Night*, has exclusive access to Patrick Moore's expertise and the longest-running programme in television history.

Magazines

BBC Magazines is the UK's leading publisher of pre-school titles

BBC Magazines Pre-school and Education portfolio offers 14 titles that help children learn while they're having fun. Some are linked to their favourite characters such as *Teletubbies*, *Bob the Builder* and *Tweenies*. Others are grouped under the *Learn with...* banner, supporting pre-school children's first steps in learning, while titles like '*Learning is Fun*' provide support in every school subject for five-to-seven year olds.

BBC Magazines is the only UK publisher with a designated Educational Editor who ensures that the content actively reflects and is aligned to the standards outlined in government publications produced for specific age groups such as National Curriculum for Key Stage One.

In total a million BBC titles for the under-sevens are sold every month.



Beetle
BBC
Weekly
Magazine

Home Entertainment

Helping audiences enjoy the best of the BBC through DVDs, books and audiobooks

Background and strategy

Home Entertainment continued to pursue its strategy of finding partners for the sub-scale publishing businesses and developing thriving joint ventures where appropriate. Despite tough UK retail markets, where the bulk of the business's sales derive, performance was exceptionally good with profit up £17.1m to £25.8m in 2005/06.

DVD/Video

The joint venture with Woolworths plc, 2 entertain, enjoyed its first full trading year with excellent results, with sales of £115m delivering £25.8m profit to BBC Worldwide. This included £15m sales and £3.1m profit from music and film production activities which are reported within Digital Media and Content & Production respectively. This was achieved in a year where the company moved from three office sites to one, migrated to a new IT platform and consolidated distribution. It remains the number one UK-owned DVD distributor.

The key drivers for the success were a number of high volume hits, with *Little Britain* leading the way, supported by *Doctor Who*, *Davina: My 30 Minute Work Out* and *Jeremy Clarkson: Heaven and Hell*. *Little Britain* was also a major hit in Australia and New Zealand. In December 2005, 2 entertain was the fourth biggest seller by volume in the UK market, beating established studio labels such as Sony, Buena Vista (Disney) and Paramount.

It was also a year of innovation with the first releases of interactive DVDs, such as best-seller *Gary Lineker's Soccer Quiz*, and products released in the UMD format for Sony's PSP where sales were led by the ubiquitous *Little Britain*.

BBC Audiobooks

It was a busy and eventful year for UK market leader BBC Audiobooks. BBC spoken word titles had a sparkling Christmas, occupying nine out of the top 20 places in the audiobook charts – with *Alan Bennett's Untold Stories – The Stories* and *The Diaries* topping the charts at numbers one and two. The US operation moved in to a custom built office and distribution centre in Rhode Island aimed at building on growth in this important territory.

The key activity was the growth of the digital download business (see page 26). Major development work during 2005/06 has laid the foundation for an increase in download activity in 2006/07.

Excellent management and cost control at BBC Audiobooks ensured that the business remained profitable.

Sales (£m)	06	05
Video/DVD	111.4	93.7
Audiobooks	22.7	24.6
Learning	9.0	13.6
Books	20.4	20.0
Retail & direct marketing	11.8	8.9
Total	175.3	160.8

Profit (£m)	06	05
Video/DVD	23.6	12.2
Audiobooks	0.5	0.9
Learning	0.7	(1.1)
Books	1.0	(3.1)
Retail & direct marketing	–	(0.2)
Total	25.8	8.7



Little Britain
Little Britain continued to delight fans worldwide leading to sales of over 1.4 million DVDs and audiobooks.



Am I bovvered?
Catherine Tate's first DVD – series one of her cult TV show – has sold over 250,000 copies since its release in autumn 2005.

BBC Books

BBC Books is one of the UK's leading non-fiction trade book publishers, whose best-sellers last year included Rick Stein's *French Odyssey*, David Attenborough's *Life in the Undergrowth*, Alan Titchmarsh's *The Gardener's Year*, *Coast* and *Balderdash and Piffle*. Simon Schama's *Rough Crossings* was a huge critical success, firmly establishing BBC Books as a substantial history book publisher – an achievement underlined at the British Book Awards ('The Nibbies'), where *Auschwitz* by Laurence Rees won the coveted History Book of the Year.

Having restructured the business in 2003, BBC Books achieved a remarkable turnaround in performance in 2005/06 in an increasingly competitive marketplace, with sales of £20.4m and a move into profit of £1.0m from a loss of £3.1m last year.

We also announced our intention to sell a majority stake in our books business with the aim of completing a transaction in 2006/07.

Retail and direct marketing

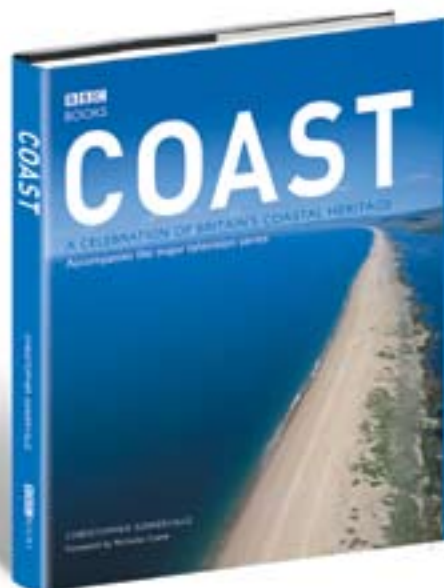
BBC Worldwide has seven high street shops and an online retail business. Performance was good in a competitive market. Sales from these activities of £11.8m hit budgeted levels and the business achieved breakeven after a small loss in 2004/05. A strategic decision to move the management of bbcshop.com into the growing direct to consumer business managed in Magazines was taken towards the end of the year. It will sit alongside subscription selling, reader offers and a central marketing database, thus building a substantial and growing direct to consumer operation so that BBC Worldwide can forge closer links with its customers.

Learning

During the year BBC Worldwide pursued its strategy of finding a partner for Learning activities and in October created a partnership with Pearson Education to help drive core school, secondary, tertiary, EFL and life skill publishing under the brand BBC Active. The publishing will draw on the BBC's output creating both traditional and digital products which Pearson will sell and distribute around the world.

Coast

The BBC TWO series celebrating Britain's coastal heritage, *Coast*, captured the public's imagination last summer with the accompanying book selling almost 350,000 copies.



Home Entertainment

Digital audio downloads grow strongly

BBC Audiobooks' download sales approached 170,000 downloads in 2005/06 across more than 1,000 titles. The market is growing fast, bringing new audiences to spoken word. Best-selling BBC titles on download include *Little Britain*, *The Time Traveller's Wife*, *A Short History of Nearly Everything* and *Around the World in 80 Days*.

Downloads currently account for around 5% of spoken word sales in the UK compared with double that in the US, so there is huge potential. Many new digital retailers are emerging to cater for this fast-growing market and the business is committed to distributing its products across all available platforms. New products will be developed especially for download. The total number of titles on offer will increase significantly over the next two years.

The library market, already important to BBC Audiobooks, is also poised to benefit from the digital explosion, both here and in the US, and the business is supporting trials of new digital delivery systems for libraries which are due to start in 2006/07.



Children's

Providing entertainment for children of all ages in all formats

Background

Responsible for the global exploitation of some of the best known and loved classic children's brands in the UK and around the world, the Children's business also develops and licenses new intellectual property, particularly in pre-school where it remains a world leader.

Performance and strategy

The Children's business performed strongly in 2005/06, reducing its losses to £0.9m from £6.6m in the previous year. This was due to the strategy of building on its classic DVD portfolio and popular pre-school brands, such as *Teletubbies* (Ragdoll Ltd), *Tweenies* (Entertainment Rights), *Fimbles* (Novel Entertainment) and *Balamory* (BBC Scotland), whilst managing the launch of a major merchandising hit in the new *Doctor Who* series (BBC Wales). In addition investment into new properties is starting to bear fruit.

Over the last 18 months, Children's has developed a reputation for creating exciting business models that attract the world's foremost Independent producers. New partnerships and properties, which will form the bedrock for future success, include *In the Night Garden* and *Tronji* from Ragdoll Ltd; *The Secret Show* from Collingwood O'Hare Entertainment; *Charlie & Lola* from Tiger Aspect; *Animalia* from Burberry; *Me Too!* from Tattie Moon; and *Tikkabilla* and *Balamory* from the BBC.

In the last quarter, the children's business completed the sale of the *Watch With Mother* properties, which include *Andy Pandy* and *Bill and Ben*, back to Ben Productions, their original owner.

US

In the important US market, the team has built boldly on its relatively low profile of three years ago with key properties on major networks including *Charlie & Lola* (Disney Playhouse), *Little Robots* (Cartoon Network), *Balamory* (Discovery Kids), *Wallace & Gromit* (Sundance Channel) and *Robbie the*

Reindeer (Nickelodeon). *Doctor Who* is performing well on the Sci Fi Channel, generating excellent merchandising potential.

Looking ahead, the team will continue to develop its TV successes, pursuing cross-media strategies for *Charlie & Lola*, *Little Robots* (Create TV & Film Ltd) and *The Secret Show*. Work with leading licensing and merchandising partners has already begun.

DVD

Together with sales and distribution partner 2 entertain, the Children's business has had another successful year as the leading publisher of TV tie-in pre-school DVDs in the UK.

In a crowded market, the huge seasonal success of the BBC Worldwide DVD portfolio demonstrated the strength of the catalogue across pre-school and family titles.

The business re-released *Wallace & Gromit's* first three cracking adventures (Aardman Animations Ltd) to coincide with the theatrical release of *The Curse of the Were Rabbit*. With the sleeve and menus redesigned and new additional material, the DVD sold in significant numbers.

Disney's new production of *The Lion, the Witch and the Wardrobe* provided another repositioning opportunity, this time for the classic 1988 BBC TV versions of *The Lion, The Witch and The Wardrobe* and *The Chronicles of Narnia*, both of which sold very well. Add to this new launches, such as *Big Cook Little Cook* (Top TV Productions Ltd) and *Charlie & Lola*, and the business sold more than a million DVD units.

Licensing and Books

Doctor Who was the star performing brand in terms of licensing activity this year (see page 30). Niche merchandising and a concentration on those products that capture the popular appeal of the show have produced some strong results. *Big Cook Little Cook* has

Sales (£m)	06	05
TV Sales	12.9	11.5
DVD/Publishing	14.3	9.5
Merchandising & Other	10.5	9.0
Total	37.7	30.0
Magazines*	25.2	27.7
Total (inc. childrens magazines)	62.9	57.7

Profit (£m)	06	05
TV, DVD, merchandising (0.9)	(6.6)	
Magazines*	1.5	2.9
Total (inc. childrens magazines)	0.6	(3.7)

*also reported under Magazines

Charlie & Lola

The *Charlie & Lola* TV series has been sold to 28 countries and UK DVD sales have reached 100,000 units.



a successful range of children's cooking and baking products, *Tamba*, the puppet presenter of *Tikkabilla*, has sold well as a plush toy, and a *Match of the Day* range of sporting gifts has been a big hit in the UK.

In April 2004, BBC Worldwide formed a global publishing venture with Penguin for the imprint BBC Children's Books. In 2005/06, the joint venture sold 1.9 million books and will publish 70 new titles in 2006/07.

Magazines

BBC Children's magazines, managed within the Magazines business, launched *CBeebies Weekly* magazine in March 2006, and *Doctor Who Adventures* and *Amy* (for five-to-eight year old girls) in April 2006. Over a million magazines were sold, with market-leading titles in all sectors, from pre-school to teen (see also page 22).

More than 115,000 people enjoyed the *CBeebies Live!* production over the Christmas period and it will now be the business's flagship live show.

Teletubbies in China

In anticipation of their tenth anniversary, the multi-award-winning *Teletubbies* are attracting renewed interest from consumers in the UK, Europe, the US and especially China where over five million children regularly sit down to watch the show.

Following the launch of the *Teletubbies* Edutainment Play Centre in Dongguan, China, BBC Worldwide and Shenzhen Tianyuan Business Management (SZTY) have now opened the world's first-ever *Teletubbies* Play and Development Centre in Shenzhen. The Centre will offer supervised age-appropriate activities, enabling children to develop in a fun and safe environment. Related products continue to be developed and distributed.

Tronji and In the Night Garden

BBC Worldwide has continued its strategy of working closely with the BBC's digital children's channels, CBBC and CBeebies, and is very excited about its recent investments in two original and landmark productions – *In the Night Garden* for young children and *Tronji* for six-to-eight year olds.

These two properties have been devised by Anne Wood and Andrew Davenport of Ragdoll Ltd, the creative partnership responsible for *Teletubbies*, and promise to set new standards for children's entertainment.

CBeebies Live

For the first time ever, mega children's stars *Tweenies*, *Bob the Builder*, *Pingu*, *Postman Pat* and others appeared together in a music and dance extravaganza, *CBeebies Live!*



Live shows

It was an incredibly busy year for Live Entertainment with three major UK touring productions: the first ever *CBeebies Live!* show; the *Tweenies' No Sleep till Bedtime*; and *Balamory's Strike Up The Band*. Between them they sold well over 300,000 tickets.

Children's

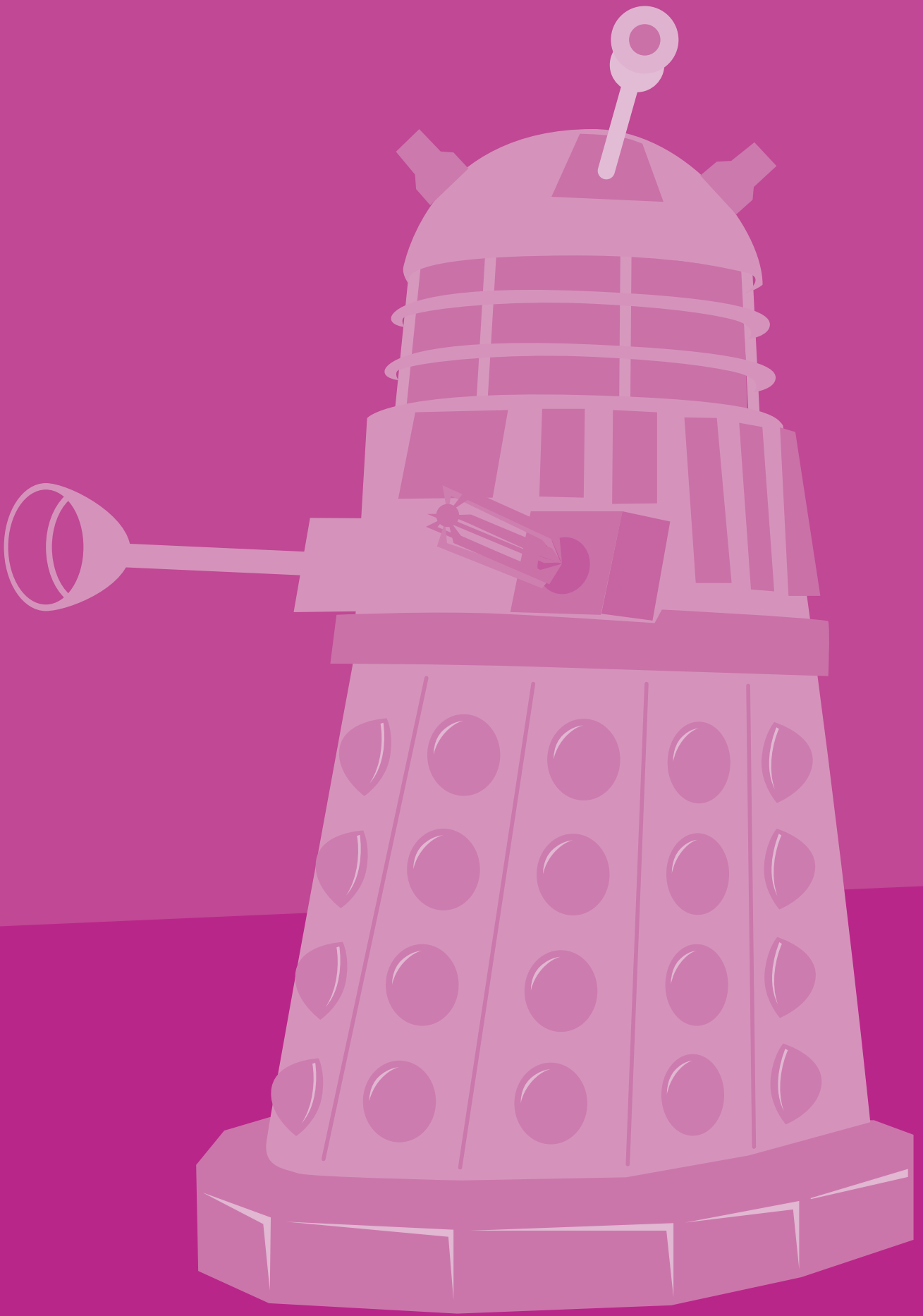
Doctor Who delivered excellent returns for BBC Worldwide with buoyant UK sales of branded toys, books and DVDs

The radio-controlled Dalek invaded homes throughout Britain to become the second best-selling toy of Christmas 2005. This toy was just one of an exciting range of *Doctor Who* licensed products released by Character Group on behalf of BBC Worldwide.

New *Doctor Who* fans joined older Whovians to snap up more than half a million copies of the series one DVDs and more than 200,000 copies of *Doctor Who* books across nine titles.

Similar product lines will be released in 2006/07, with the welcome addition of audiobook readings by David Tennant of the hardback novels and the new fortnightly pre-teen magazine, *Doctor Who Adventures*, launched in April 2006.

In addition to its UK popularity, series one has been sold to 28 broadcasters in 26 markets to date, including Sweden, France, Germany, Italy, Israel, Thailand, Canada, Australia, New Zealand and the Sci Fi channel in the USA.



Digital Media

Driving the development of new platforms for content distribution

Background

Digital Media has improved profitability in the year as a result of the continued strong performance of BBC Motion Gallery, the disposal of a loss-making business and a major catalogue sale. At the same time, new digital content businesses have been established and key investments made in new services.

Strategy and Performance

Profits grew by £8.2m to £3.4m, from a loss of £4.8m in 2004/05.

Continuing businesses performed well with BBC Motion Gallery improving its profits by 18% to £1.3m and the music business completing the sale of the publishing catalogue. The strategy of tackling under-performing businesses was progressed in 2005/06 through the sale of Broadcasting Dataservices Limited and by completing the closure of the multimedia publishing business.

Together, this profit growth has enabled the business to make key investments in restructuring and developing new services.

This year also saw the emergence of a new market for on-demand digital video content from mobile operators, IPTV and online retailers.

In Autumn, 2005 agreements were signed with key talent bodies to enable video content to be distributed to mobile phones. Following this, in February 2006, a deal was done with Orange to provide a range of comedy clips and catchphrases to mobile phones including *The Office*, *Little Britain* and *I'm Alan Partridge*. A similar deal with Hutchison has been concluded. Together these have laid the foundation for a substantial mobile content licensing business.

In addition, deals have been concluded for on-demand content in the UK with ntl, Telewest, Homechoice and BT Vision (these are reported under Global TV

Sales). Outside the UK, on-demand content has been sold to Amazon, netflix and Akimbo.

This year has also seen activity on two key strategic projects for the business – commercial iPlayer and bbc.com.

- **Commercial iPlayer:** the BBC has trialled a service allowing licence fee payers to catch up on TV programmes on their personal computers. The business is exploring a commercial version of this service, which would provide UK consumers with the ability to subscribe, rent and/or own TV programmes from the BBC archive.
- **bbc.com:** the BBC's website bbc.co.uk receives around 40 million unique users per month from outside the UK. The business is determining ways of using geo-ip software to separate out international users, deliver them additional services and earn revenues from a combination of advertising, video on demand and subscription.

BBC Motion Gallery

TV clips sales business, BBC Motion Gallery, made progress on three strategic objectives: online presence, geographic reach and representing

other broadcast archives. The business' searchable website, launched in 2004, has enabled it to reach new customers.

Sales (£m)	06	05
BBC Motion Gallery	10.8	9.8
Music and radio*	16.0	11.3
Multimedia	0.2	1.5
Audiocall	3.8	4.6
BDS	1.1	4.4
Internet and broadband	1.2	1.6
Total	33.1	33.2

Profit (£m)	06	05
BBC Motion Gallery	1.3	1.1
Music and radio*	4.9	1.1
Multimedia	(0.4)	(3.1)
Audiocall	0.1	0.6
BDS	(1.1)	(3.6)
Internet and broadband	(1.4)	(0.9)
Total	3.4	(4.8)

*Disposal of the music catalogue is not treated as a trading sale.



Motion Gallery
bbcmotiongallery.com had over 900,000 visitors in 2005/06.



Sirius Satellite Radio
Audiences in North America can now listen to DJs such as Jo Whitley following a deal to broadcast BBC Radio 1 on Sirius Satellite Radio.

Further steps towards becoming a global destination for stock footage has been made by signing representation deals with NHK Japan and ABC Australia. Through the representation deal with NHK, BBC Motion Gallery's customers now have access to the world's largest collection of High Definition (HD) material.

Music and Radio

BBC Radio International distributes BBC music and radio programming in over 50 territories around the world. In 2005/06 revenues increased through growth in terrestrial, satellite and online operations. A deal was concluded with Sirius Satellite Radio for the broadcast of BBC Radio 1 across North America – the first ever international licence for a domestic BBC radio network. The business also expanded its presence in Japan with an online radio licensing deal with Wowow.

In June 2005 the existing music publishing catalogue was sold, enabling the team to focus on building a new catalogue of publishing rights to music composed for new series such as *Planet Earth*, *Doctor Who* and *Strictly Dance Fever*.

The business has a strategy of unlocking the value of the BBC's music archive (both radio and TV) in co-operation with record companies and artists. In June 2005, the business concluded a deal with Universal and is currently pursuing similar deals with other record companies.

The music business is a key supplier of material to the compilation album market and during the year had several successes including the number one album *I Love Mum*, *Strictly Dance Fever* and *I Love The Sixties*.

Multimedia

Having completed the closure of the multimedia publishing business, BBC Worldwide is now concentrating on placing its existing CD-ROM catalogue with partners in the UK and non-English-speaking territories, general licensing and concluding a partnership deal with 2 entertain to develop an interactive DVD portfolio.

Audiocall and BDS

These two businesses do not involve IP exploitation but instead provide services in the field of telephone voting (Audiocall) and TV listings information (BDS). The 2004 Commercial Review concluded that such operations did not fit within BBC Worldwide's revised remit. Consequently, during the year BDS was sold to BBC Broadcast – now known as Red Bee Media. The success of programming formats such as *Strictly Come Dancing* were the principle drivers of Audiocall's business and during the year delivered profit of £0.1m. We plan to exit this business in 2006/07.

Internet and Broadband

These businesses include the cost of investing in new services such as the commercial iPlayer and bbc.com.

Digital Media

Comedy goes mobile

As the appetite for 'content on the go' builds, major mobile players such as BT, Virgin and Orange are trialling new digital services for their customers. During 2005/06 BBC Worldwide secured a breakthrough in its rights agreements with key talent, opening the way for clips from some of the UK's best-loved shows to be available to watch on mobile phones.

The first deal struck by the Digital Media team was with Orange and involved clips from *The Office*, *Two Pints of Lager and a Packet of Crisps*, *Little Britain*, *The League of Gentlemen*, *Goodness Gracious Me* and other comedy shows plus classic-series *Doctor Who*. Close to year end a similar deal was agreed with Hutchison.

In addition to watching the clips, users can use famous catchphrases from the shows as ringtones and images of characters as wallpapers for phones.



BBC Worldwide

Key Developments in India

The BBC has a strong heritage in India where BBC World Service has operated for nearly 75 years and English is widely understood. The fact that it is the world's biggest democracy with a dynamic media industry has made the country a key market for BBC Worldwide, and activity there is building.

In 2005, the business partnered with Mid Day Multimedia Limited to bid for licences in the Indian FM radio sector. Successful bids in seven cities will give BBC Worldwide unprecedented audience access and lay the foundations of an FM radio business.

In addition, Discovery Networks India is a key customer for BBC Worldwide, acquiring a significant range of BBC history, science and natural history programmes in 2005/06.

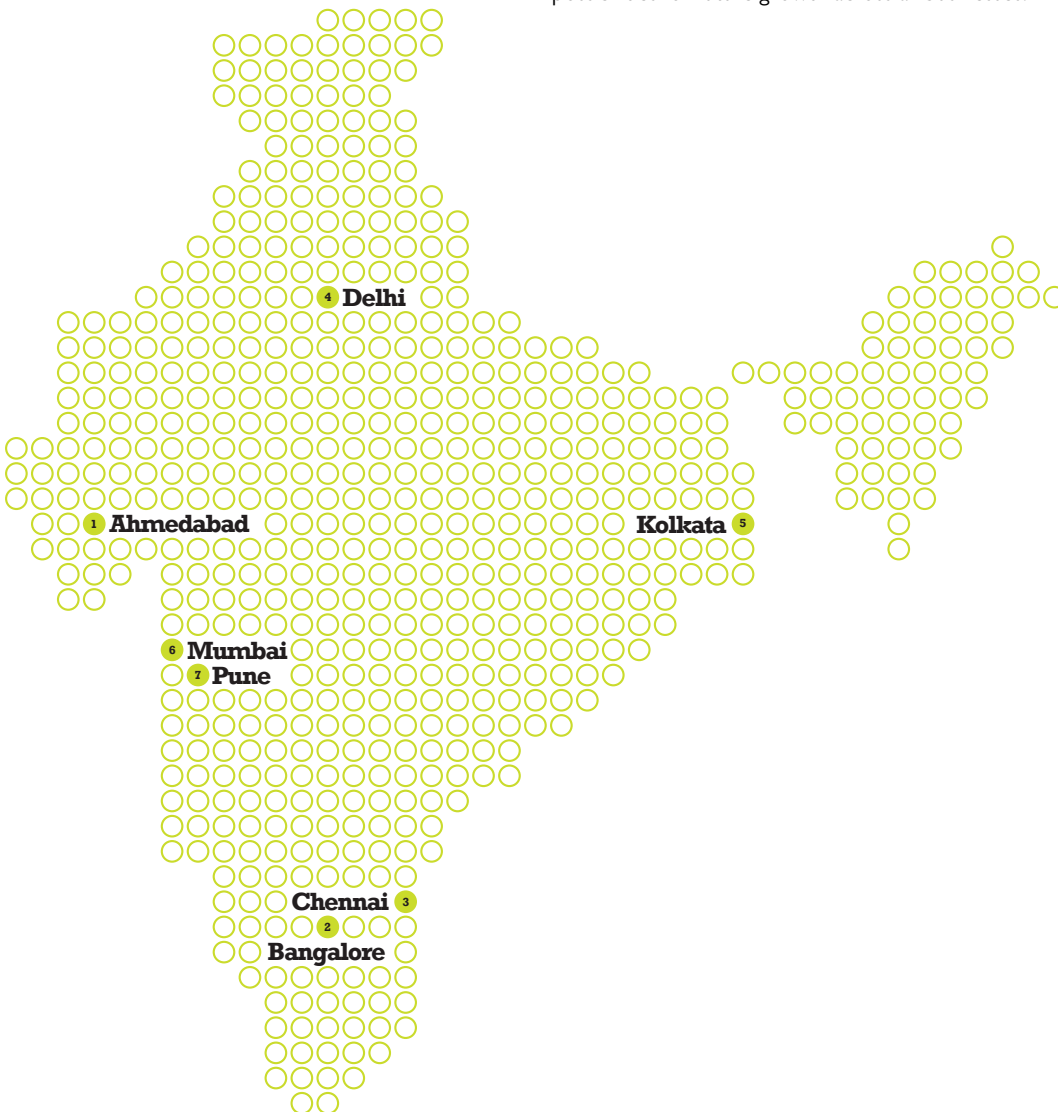
These deals will complement a joint venture, Worldwide Media, set up in 2004/05 between BBC Worldwide and Times of India, to create one of India's largest magazine companies. The company now publishes more than 30 titles in the territory including *Femina*, *Filmfare* and *BBC Top Gear India*.

Also, the Global Channels business is developing its strategy and partnerships in India with a view to launching channels in the region.

The size and diversity of the territory offers exciting possibilities for future growth across all businesses.

India
BBC Worldwide won licences to broadcast radio in the following seven major Indian cities in the first round of auctions in the Indian FM sector:

1. **Ahmedabad**
2. **Bangalore**
3. **Chennai**
4. **Delhi**
5. **Kolkata**
6. **Mumbai**
7. **Pune**



Fair Trading

BBC Worldwide's Commitment to Fair Trading

In performing its commercial role, BBC Worldwide conforms to domestic and European Competition Law. In addition, and unlike its competitors, BBC Worldwide is subject to further requirements to trade fairly, under the BBC's Royal Charter.

These requirements are available at:
www.bbc.co.uk/info/policies/commercial_guides

In particular, the BBC's Fair Trading Commitment requires BBC Worldwide:

- To pay fair charges for any goods or services received from other parts of the BBC, and price its goods and services fairly when sold
- To comply with published criteria setting out what commercial activities are appropriate for the BBC as a public service broadcaster
- Not to use, or put at risk, public funds – BBC Worldwide does not have access to licence payers' revenues or other public funds
- To be part of an annual audit, undertaken for the BBC by external auditors.

As part of their audit of the BBC's Fair Trading system of internal controls, the BBC's Fair Trading auditors have carried out selective testing of aspects of the Fair Trading systems and procedures adopted by BBC Worldwide. The auditors do not issue an opinion on the Fair Trading systems operated by any particular business of the BBC. However, the audit work undertaken by them on the BBC Worldwide Fair Trading systems and procedures has formed part of their evidence in delivering their opinion to the BBC Governors on the compliance of the BBC overall, with its Fair Trading Commitment. A copy of their report is included in the BBC's Annual Report. The auditors' report needs to be read in full but in summary confirms that the BBC overall has established and has applied a system of internal controls which provide reasonable assurance that it has complied with its Fair Trading Commitment for the year ended 31 March 2006.

In addition to the report from the auditors, the BBC's Annual Statement also contains the following statement from the Governors of the BBC on the BBC's Compliance with the Fair Trading Commitment:

The Governors consider that the policies contained in the BBC's Fair Trading Commitment are consistent with the requirements of the Royal Charter and the accompanying Agreement. Through the Fair Trading Compliance Committee, they have gained reasonable assurance that the system of controls and procedures designed to ensure that these policies are applied throughout the BBC has been operating effectively throughout the year.

How BBC Worldwide Trades

Principal activity of the Group

The trading activities of BBC Worldwide focus on the acquisition, development, exploitation, licensing and sale of intellectual property rights. Rights are acquired from the BBC and from independent production companies and are exploited through a number of businesses, both wholly owned and partly owned, and across all media formats.

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

Importantly, it's not just BBC Worldwide that does this. The company ensures that its commercial partners also do so by way of a range of clear guidelines and policies, reinforced by an extensive training programme in a range of areas for all parts of the BBC Worldwide global network, in particular those which deal with BBC-branded product.

Some of the initiatives embedded in the company's processes are as follows:

The BBC brand

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

Branding guidelines

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

Editorial guidelines

Previously known as Producers' Guidelines, these incorporate the BBC's code of ethics and offer advice on standards and values including accuracy, impartiality, fairness, taste and decency and the

welfare of children. These guidelines apply to all BBC Worldwide commercial activities and are strictly adhered to across all print and audio/visual media published by BBC Worldwide and all those commissioned by BBC Worldwide.

BBC Magazines – Editorial Boards

Editorial Advisory Boards work alongside all BBC magazines and play a key role in ensuring the portfolio reflects the BBC's public purposes and editorial values and extends the editorial offering of BBC programmes. The Editorial Advisory Boards are overseen by an Editorial Review Panel, consisting of external experts, senior representatives from BBC Magazines, BBC Television and BBC Radio and Music, and chaired by the BBC's Chief Adviser Editorial Policy.

The Panel conducted its first review of BBC magazine output during the course of 2005/06 and concluded that BBC magazines were high quality publications with high levels of reader satisfaction. Overall they have strong editorial content, their connectivity with BBC programmes has improved greatly and they have generally met their public service obligations. The review noted that there is a need to forge closer links with BBC radio output and this will be addressed over the coming year.

Brand protection

BBC Worldwide's brand protection team continues to police the market for counterfeit goods and other infringements of the company's and its partners' intellectual property. Action has been taken both in the UK and overseas against a wide range of infringements including counterfeit toys and clothing (where even basic safety standards can be lacking), pirate videos, DVDs, audiobooks and internet sites offering unauthorised downloads and streaming of radio and television content. In 2005/06, over 700,000 counterfeit goods, across a variety of product types, were seized by BBC Worldwide's agents, customs officials or Trading Standards authorities acting on its behalf.

An estimated 65% of all counterfeit products available worldwide are thought to emanate from the Far East – and, as one would expect, BBC Worldwide is particularly active in this region, with an average of three counterfeit seizures being made each week. Equally, in order to stem the flow of this product into other markets, BBC Worldwide has put in place a pan-European Customs registration that allows Customs authorities in all member states to seize

imports of fake products using the BBC brand and all major programme brands (such as *Teletubbies*, *Tweenies*, *Fimbles* and *Doctor Who*).

Ethical policy

BBC Worldwide seeks to conduct its business according to the highest possible standards of ethical practice. The company is actively working to ensure that its suppliers operate on the same principles as those enshrined in BBC Worldwide's Ethical Sourcing Policy, first drawn up and implemented in 1999. BBC Worldwide has an Ethical Trading Policy Board which meets regularly to monitor activity and compliance. Particular attention is paid to high-risk areas such as character licensing and magazine covermounts.

Food Licensing Policy

In 2003, BBC Worldwide decided to review its food licensing policy in light of concerns over child obesity and nutritional balance in children's diets. Since this time, BBC Worldwide has been at the forefront of policy development in this area, working extensively with the Food Standards Agency and introducing a new policy under which BBC Worldwide has committed not to license its children's properties for everyday treat foods like cakes and confectionery; not to promote its properties with fast food companies; to develop with its licensees a range of nutritionally balanced foods; and to lower maximum levels for salt, sugar and fats in line with FSA recommendations. In addition, BBC Children's Magazines will only accept advertisements and commercial promotions that are consistent with the company's food licensing policy. This is a continued area of focus for the company.

Treatment of suppliers

BBC Worldwide is committed to dealing with all suppliers on clear, pre-agreed contractual terms and to paying suppliers (whether large or small) within the agreed payment period. The company seeks to comply with the CBI prompt payment code.

Customer Service

BBC Worldwide's increasing success not only gives a global platform to the best of British talent but also delivers substantial financial returns to rights holders and producers, with BBC Worldwide continuing to deliver record levels of returns to writers, actors, programme producers and other creative talent from a wide range of cross media exploitation.

Hundreds of thousands of statements and cheques are issued annually to this group relating to BBC Worldwide's activities alone. BBC Worldwide is committed to accounting accurately and on time to every contributor and producer. It is continuing to take steps to radically improve its systems and processes to enable these not only to meet the increase in volumes that its success has produced, but also to provide a radically improved level of customer service. This continues to be a priority area of development for the company over the next year with substantial improvements in its delivery to talent and upgrades in the extensive IT network already in implementation and due to go live in 2006. Whilst the delivery of the performance required in this area has taken longer to achieve, due to the complexity of re-engineering substantial processes and IT systems, 2005/06 has been a year where much of the necessary ground-work to deliver future improvements has been undertaken. There is a continuing, Board-level commitment to substantial change in this area over the next year.

The environment

BBC Worldwide recognises its responsibility to safeguard natural resources and takes all possible steps to ensure its activities make minimal detrimental impact on the environment. BBC Worldwide does not operate in industries where there is potential for serious industrial pollution.

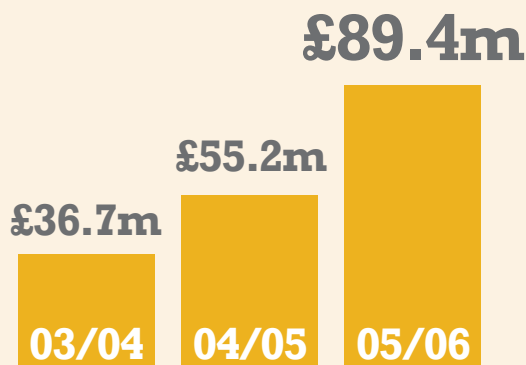
BBC Worldwide is a founder member of the WWF Forest Trade Network, and has been a leader in the campaign to promote credible forest certification. It was the first company in the world to publish consumer magazines and books titles on FSC (Forest Stewardship Council) labelled paper, providing consumers with a guarantee that the paper is responsibly sourced. Radio Times remains the biggest magazine in the world to be printed on this type of paper.

Financial Review

Overview

Profit before interest and taxation

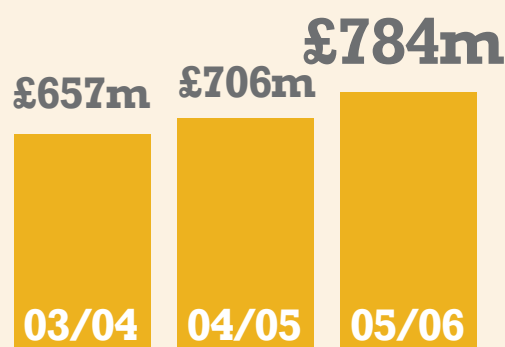
BBC Worldwide has beaten its target of doubling profit over two years. Profit before interest and taxation has grown to £89.4 million (2005: £55.2 million, 2004: £36.7 million). Profit before interest and taxation includes £9.3 million profit on the sale of a package of rights and £1.7 million profit on disposal of part of the Learning business. Total operating profit increased from £57.5 million to £78.9 million.



Turnover

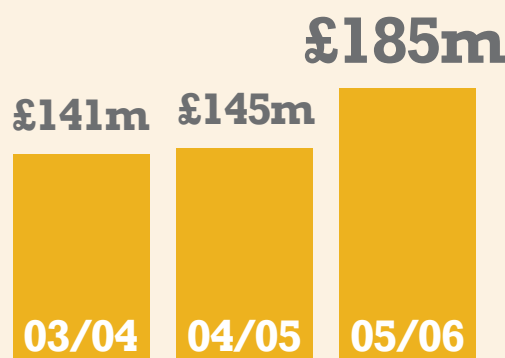
Turnover including share of joint ventures grew 11% to £784 million. This included the effect of 12 months 2 entertain turnover (2005: 4 months).

Turnover excluding joint ventures grew 2% to £556 million. Prior year turnover of £545 million included £29.0 million from activities now transferred to the 2 entertain joint venture.



BBC Cashflow

BBC Cashflow, the BBC's measure of how much cash BBC Worldwide returns to the BBC, rose 28% to deliver record cash to the BBC of £185 million. BBC Cashflow in 1996/97, the start of the current BBC Charter, was £53 million. Cumulative BBC Cashflow over the period to date is £1.1 billion.



Future Performance

BBC Worldwide expects to deliver profit before interest and taxation of over £100 million in 2006/07. Although no longer the key measure of performance, BBC Worldwide also expects to meet its 10-year target of delivering over £200 million of BBC Cashflow by the year 2006/07.

Key Performance Indicators (KPI's)

BBC Worldwide's primary target is growth in profit before interest and taxation. Specific operating and financial KPI's relevant to individual businesses achieving this objective are highlighted in the trading results below.

Financial Review

Trading Results

BBC Worldwide has delivered an exceptional set of results, exceeding its target of doubling profit before interest and taxation over two years. This has been achieved through strong trading performance, turnaround or closure of under-performing businesses and a continuing programme of cost efficiencies. The business was also restructured during the year, separating Content & Production activities from the Global TV Sales business.

Sales and Profit before Interest and Taxation

	Sales (including share of joint ventures)		Profit before interest and taxation	
	2006 £m	2005 £m	2006 £m	2005 £m
Global Channels	165.4	140.6	6.9	4.0
Global TV Sales	173.1	158.8	31.7	30.9
Content & Production	36.1	13.2	3.2	1.0
Magazines (including Children's magazines)	163.7	169.4	19.3	22.0
Home Entertainment (including Learning)	175.3	160.8	25.8	8.7
Children's (excluding Magazines)	37.7	30.0	(0.9)	(6.6)
Digital Media	33.1	33.2	3.4	(4.8)
Total	784.4	706.0	89.4	55.2

Global Channels delivered an 18% increase in turnover to £165.4 million, with profit before interest and taxation rising to £6.9 million (2005: £4.0 million). Dividends received from the UKTV joint venture were £4.0 million (2005: £2.1 million). Together the channels reach 288 million unique households (2005: 245 million).

Global TV Sales had a record year, with profits of £31.7 million (2005: £30.9 million). Growth in key territories and the success of titles such as *Hustle*, *Doctor Who* and *My Family* drove much of this increase, together with growth in factual co-productions. Margin fell by 1.2%, largely a result of increased amortisation on co-productions and the effect of increased payaways to Independent producers.

Content & Production activities were separated from Global TV Sales during the year, with the success of titles such as *Dancing with the Stars* and *Honey We're Killing the Kids* driving growth in profit to £3.2 million (2005: £1.0 million).

Magazines profit was £19.3 million (2005: £22.0 million). The prior year included profit from the sale of *Eve* magazine as well as significant costs arising on the move of titles to Bristol. On a normalised basis profit before interest and taxation was £20.7 million (2005: £20.2 million) with strong performances from lifestyle and specialist titles offsetting difficult conditions in the children's market.

Magazines normalised	06	05
Profit before interest and tax	19.3	22.0
Discontinued titles and set-up of Origin	0.4	3.9
Goodwill amortisation	1.0	0.8
Eve sale	-	(6.5)
Normalised profit	20.7	20.2

Financial Review

Trading Results (Continued)

The Audit Bureau of Circulations (ABC) reports on magazines performance in the UK every six months. The year on year growth rates for the period July to December for the top 5 titles by circulation were as follows:

Magazines Circulation	Increase/(decrease) 06	05
Radio Times	(1.3)%	(4.2)%
BBC Good Food	0.5%	0.0%
BBC Gardeners World	(8.5)%	(9.8)%
BBC Top Gear	5.9%	10.0%
BBC Good Homes	4.6%	22.2%

Home Entertainment profits increased to £25.8 million (2005: £8.7 million). Performance in the year resulted from strong DVD front list sales and the first full year of the newly created 2 entertain joint venture, unencumbered by the effect of transition. The video/DVD activities of the 2 entertain joint venture delivered £99.7 million turnover (2005: £56.7 million – 4 months only). In addition, the Books business has moved into profit of £1.0 million (2005: £3.1 million loss) and a £1.7 million gain was generated on disposal of part of the Learning business.

Children's (excluding magazines) reduced its losses to £0.9 million (2005: £6.6 million loss). Improvement was driven by a strong performance in the core business, reduced amortisation charges and the full year effect of the cost reduction programme initiated in the prior year.

Digital Media (formerly New Media) includes Music, Radio, sales to Mobile, Audiocall and the BBC Motion Gallery clips business. Profits rose to £3.4 million (2005: £4.8 million loss). Broadcasting Dataservices Limited was disposed of during the year having made losses of £3.6 million in the prior year. In addition, a package of rights was disposed of during the year for £9.3m million, providing funds for restructuring and development of new services.

Overseas Sales

For the first time, BBC Worldwide's overseas sales (excluding joint ventures) exceeded UK sales (51% overseas, 49% UK), led by growth in Content & Production, Global Channels and Global TV Sales.

Acquisitions and disposals

BBC Worldwide's trading activity includes the acquisition, development, exploitation, licensing and sale of intellectual property. During the year ended 31 March 2006 BBC Worldwide completed a number of transactions and the rationalisation of several businesses in pursuit of its strategy as follows:

In May 2005 BBC Worldwide purchased the remaining 25% minority interest shares in Broadcasting Dataservices Limited, before disposing of its 100% holding to BBC Broadcast Limited, a fellow BBC subsidiary, in July 2005. There was no profit or loss on disposal.

BBC Worldwide also completed the sale of a package of rights in May 2005. A total cash consideration of £10.3 million was received, generating a profit on disposal of £9.3 million.

In August 2005 BBC Worldwide announced its intention to terminate its teacher learning business at a cost of £0.5 million.

In October 2005 BBC Worldwide entered into an agreement with Pearson Education to form a partnership branded BBC Active. In return for the transfer of assets of its Learning business, BBC Worldwide acquired a 15% stake in the new partnership. BBC Worldwide received net cash proceeds of £6.3 million in return for assets with a book value of £4.6 million.

Joint ventures and associates

In line with FRS9, BBC Worldwide has shown its share of joint venture turnover of £228.4 million (2005: £160.9 million) on the face of the profit and loss account. Gross assets and liabilities are presented on the balance sheet. The Group's share of operating profit of joint ventures, after goodwill amortisation of £1.7 million, was £30.4 million (2005: £18.5 million).

The Group's share of turnover for the 12 month period to 2 entertain's 31 January 2006 accounting reference date was £115.2 million (2005: £64.0 million – 4 months only) and the share of operating profit after goodwill amortisation was £25.8 million (2005: £15.9 million).

Financial Review

Trading Results (Continued)

The structure of the arrangements with its joint venture partners, Flextech, Discovery and Alliance Atlantis, is such that BBC Worldwide has no liability to fund the losses or net liabilities of the ventures and its effective financial obligation is therefore adjusted to £nil (2005: £nil). BBC Worldwide will consolidate the results of each joint venture company at the point they are cumulatively profitable and have net assets.

The share of turnover from BBC Worldwide's principal Flextech joint ventures, UK Gold Holding Limited and UK Channel Management Limited, was £77.1 million (2005: £68.4 million). BBC Worldwide's share of operating profit of these ventures was £19.5 million (2005: £20.0 million). These profits were not accounted for within the results of BBC Worldwide as cumulative profitability has not been reached.

During the year ended 31 March 2006 the Group received dividends of £4.0 million from UK Gold Holdings Limited (2005: £2.1 million), which has been recorded within joint venture operating profit.

The share of turnover from BBC Worldwide's other joint ventures, including BBC Haymarket Exhibitions Limited and Worldwide Media Limited, was £36.1 million (2005: £28.5 million), generating a share of operating profit after goodwill amortisation of £0.6 million (2005: £0.5 million).

In April 2005 BBC Worldwide announced an agreement with Dennis Publishing Limited to form a joint venture named Dovetail Services (UK) Limited, comprising the magazine subscription fulfilment business of each company. BBC Worldwide contributed the assets and business of its Galleon Limited subsidiary in exchange for a 50% stake in the new joint venture company. There was no gain or loss on disposal.

Operating profit from BBC Worldwide's associates, Frontline Limited, UK TV Pty Limited, BBC Worldwide (India) Private Limited and Children's Character Books Limited was £0.8 million (2005: £1.2 million).

Taxation

The tax charge of £24.6 million (28%) compares to £22.5 million (45%) in 2005. UK corporation tax is provided at 30% (2005: 30%). The total effective tax rate for the current year is lower than the statutory rate of UK corporation tax principally due to a £3.7 million adjustment to deferred taxation provided in prior years. The higher comparative total effective

tax rate in the prior year is due to adjustments to deferred taxation that year, together with the provision of UK taxation on dividends received from overseas subsidiaries.

Dividends

Dividends of £57.3 million were approved in the year (2005: £15.7 million), of which £57.1 million had been paid as at 31 March 2006.

Debt structure and borrowings

BBC Worldwide had net borrowings of £19.5 million at 31 March 2006 (2005: £53.9 million).

BBC Worldwide has a loan facility with BBC Commercial Holdings Limited, the holding company for the BBC's commercial subsidiaries. The outstanding loan balance at 31 March 2006 was £39.8 million (2005: £67.6 million). The loan facility was due to terminate on 30 September 2006 and consequently the outstanding balance has been disclosed as a creditor falling due within one year. This facility has been renegotiated subsequent to the year end and has been extended to 30 September 2007.

At 31 March 2006 there were unsecured loan notes outstanding of £5.3 million (2005: £1.5 million). These were issued in connection with the acquisitions of Cover to Cover Limited and Origin Publishing Limited.

Foreign exchange

51% of BBC Worldwide's revenues, excluding joint ventures, in the year were generated outside the UK (2005: 44%) and have been affected by fluctuations in exchange rates. It remains the policy of BBC Worldwide to take a risk-averse approach to the management of foreign exchange, including the hedging of risk by entering into forward exchange contracts.

Programme investments and amortisation

BBC Worldwide and its joint venture partners invested a total of £93.5 million in programme investments in the year (2005: £75.2 million). It was split £89.0 million in-house and independent programmes commissioned by the BBC (2005: £74.6 million) and £4.5 million in non-BBC commissioned programming (2005: £0.9 million).

Amortisation was £82.3 million (2005: £79.0 million) reflecting higher investment levels and the increased proportion of sales from co-production activity.

Financial Review

Trading Results (Continued)

Capital expenditure

Capital expenditure on tangible fixed assets was £7.4 million in the year (2005: £3.9 million) reflecting the decision to purchase rather than lease IT equipment and development of a production facility in the USA.

Risks & uncertainties

The range of activities operated by BBC Worldwide means that its portfolio could be considered lower risk than businesses operating in a single market or media.

BBC Worldwide has an embedded programme of risk assessment and management, which is described in more detail in the corporate governance section of BBC Worldwide's Report and Financial Statement.

The management team and Audit Committee manage key risks, ensuring that mitigating controls and actions required to enhance the control environment are implemented.

BBC Worldwide considers its key risks and uncertainties to be as follows:

- exposure to the advertising sales market over which BBC Worldwide has no control, mainly affecting linear channels and magazines;
- exposure to fluctuations in major currencies, particularly the US dollar, mainly affecting TV licensing, childrens licensing and channels;
- the impact of new technologies that may alter consumption patterns, mainly affecting linear channels and DVD; and
- increased competition for key programmes and talent rights, reducing margins in all businesses.

Post balance sheet events

In April 2004 BBC Worldwide exercised a put-option to require Discovery to purchase the Group's entire 25% shareholding in Animal Planet LLC, which in turn owns 80% of Animal Planet LLP (acquired in 1998 as part of the Discovery Communications Inc joint venture arrangements). This sale was finalised in April 2006.

In April 2006 BBC Worldwide also sold 61% of Origin Publishing Limited, and all of the non-BBC related titles published by it, to a management buy-out team led by its Managing Director. BBC Worldwide will

maintain a minority stake in Origin Publishing Limited for a period of time as part of a staged exit. The BBC-branded titles previously produced by Origin Publishing Limited will be retained in a new subsidiary called Bristol Magazines Limited.

International Financial Reporting Standards

BBC Worldwide has prepared its financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP). This is consistent with its ultimate parent company, the British Broadcasting Corporation, which is incorporated under Royal Charter.

A summary of the impact that adopting International Financial Reporting Standards will have on the group financial statements of the BBC will be published with its results for the year ended 31 March 2006.

David King

Finance and IT Director
BBC Worldwide

Financial Review

Consolidated Profit & Loss

	2006	2005
For the year ended 31 March	£m	£m
Turnover (including share of joint ventures)	784.4	706.0
Less: share of joint ventures	(228.4)	(160.9)
Group turnover	556.0	545.1
Cost of sales	(341.3)	(335.4)
Gross profit	214.7	209.7
Distribution costs	(147.0)	(147.3)
Administrative expenses	(20.0)	(24.6)
Group operating profit	47.7	37.8
Share of operating profit of joint ventures	30.4	18.5
Share of operating profit of associates	0.8	1.2
Total operating profit	78.9	57.5
Profit on disposal of business	1.7	0.4
Profit on sale of fixed assets	9.3	-
Loss on termination of business	(0.5)	(2.7)
Profit before interest and taxation	89.4	55.2
Interest receivable	1.5	0.2
Interest payable	(4.1)	(5.7)
Profit on ordinary activities before taxation	86.8	49.7
Tax on profit on ordinary activities	(24.6)	(22.5)
Profit on ordinary activities after taxation	62.2	27.2
Equity minority interests	(0.1)	0.5
Profit attributable to shareholders	62.1	27.7

On 19 January 2005 BBC Worldwide completed the sale of *Eve* magazine to Haymarket Magazines Limited. Sale proceeds of £6.5 million have been included within Group turnover in the year ended 31 March 2005.

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

The profit for the current and prior year is derived from continuing operations.

Following amendments to the Companies Act 1985 dividends are presented as deductions from equity and are not presented within the profit and loss account.

Financial Review

Consolidated Balance Sheet

	2006	2005
As at 31 March	£m	£m
Fixed assets		
Intangible fixed assets	19.3	20.3
Tangible fixed assets	12.1	11.5
Investment in programmes for future sale	106.5	97.3
Interests in joint ventures:		
Share of gross assets	150.7	139.4
Share of gross liabilities	(171.5)	(175.9)
Adjustment to reflect effective obligation	37.2	46.7
Goodwill	26.7	26.9
	43.1	37.1
Interests in associated undertakings	1.1	1.3
	44.2	38.4
	182.1	167.5
Current assets		
Stocks	14.4	18.5
Current debtors	160.4	167.8
Long-term debtors	6.7	13.8
Total debtors	167.1	181.6
Cash at bank and in hand	25.6	15.2
	207.1	215.3
Creditors: amounts falling due within one year	(263.9)	(263.8)
Net current liabilities	(56.8)	(48.5)
Total assets less current liabilities	125.3	119.0
Provisions for liabilities	(14.9)	(15.9)
Net assets	110.4	103.1
Capital and reserves		
Called up share capital	0.2	0.2
Profit and loss account	110.2	103.3
Equity shareholders' funds	110.4	103.5
Equity minority interests	-	(0.4)
Total capital employed	110.4	103.1

Financial Review

Consolidated cash flow statement

	2006	2005
For the year ended 31 March	£m	£m
Net cash inflow from operating activities	172.0	132.8
Dividends from joint ventures and associates	19.8	13.6
Returns on investments and servicing of finance		
Interest received	0.6	0.2
Interest paid	(4.1)	(5.7)
Net cash outflow from return on investments and servicing of finance	(3.5)	(5.5)
Taxation		
Taxation paid	(13.5)	(10.1)
Capital expenditure and financial investments		
Purchase of tangible fixed assets	(7.4)	(3.9)
Purchase of intangible assets	(0.4)	-
Proceeds from sale of fixed assets	1.0	9.3
Investment in programmes for future sale	(74.0)	(75.2)
Repayment of loan to associated undertaking	0.4	0.3
Net cash outflow for capital expenditure and financial investments	(80.4)	(69.5)
Acquisitions and disposals		
Purchase of subsidiary undertakings	(0.8)	-
Payment on account to acquire associate	(4.1)	-
Investment in joint ventures	-	(7.1)
Disposal of business	6.3	1.4
Net cash inflow/(outflow) from acquisitions and disposals	1.4	(5.7)
Cash inflow before distributions and financing	95.8	55.6
Equity dividends paid to shareholders	(57.1)	(35.6)
Cash inflow before financing	38.7	20.0
Financing		
Repayment of loan from parent undertaking	(27.8)	(14.6)
Outflow in respect of unsecured loan notes	(0.5)	(0.1)
Net cash outflow from financing	(28.3)	(14.7)
Increase in cash in the year	10.4	5.3

The comparative cash flow statement has been restated to achieve a consistent presentation in both years. Further details are included in BBC Worldwide's Report and Financial Statements which may be obtained from Companies House (www.companies-house.gov.uk).

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BBC Worldwide Board

EXECUTIVE DIRECTORS

1. **John Smith**
Chief Executive
2. **Darren Childs**
Managing Director,
Global Channels
(Appointed in October 2005)
3. **Sarah Cooper**
Director of Business Affairs
4. **Wayne Garvie**
Director of Content & Production
(Appointed in January 2006)
5. **Paula Hornby**
Director of Human Resources
6. **David King**
Finance and IT Director
7. **David Moody**
Managing Director,
Digital Media and Director,
Strategy and Business
Development
8. **Peter Phippen**
Managing Director,
BBC Magazines
9. **David Vine**
Managing Director, Asia-Pacific
10. **Chris Weller**
Managing Director,
Home Entertainment
11. **Mark Young**
Managing Director,
Global Television Sales and
Managing Director, Children's
12. **Mike Phillips**
Deputy Chief Executive
and Acting Managing Director,
Global Channels
(Retired in March 2006)



NON-EXECUTIVE DIRECTORS

In order to improve transparency and governance, BBC Worldwide has appointed a Chairman and three non-executive directors.

13. **Etienne de Villiers**
Non-executive director and
Chairman of BBC Worldwide

The three non-executives from the BBC's public service are:

14. **Jana Bennett**
Director of Television
Non-executive director
15. **Nicholas Eldred**
General Counsel
Non-executive director
16. **Zarin Patel**
Group Finance Director
Non-executive director

All four non-executive directors were appointed on 31st January 2006.



Etienne de Villiers' previous posts have included President and Managing Director, Walt Disney International EMEA, and President, Walt Disney International Television. He currently holds a number of media non-executive directorships and is a founding partner of an independent venture capital company.

Directors' interests

No Director had any interest in the share capital of BBC Worldwide Limited (the Company) at 1 April 2005 or 31 March 2006. No rights to subscribe for shares in or debentures for the Company or any other group company (the Group) were granted to any of the Directors or their immediate families, or exercised by them, during the financial year.

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

**Entertaining the world,
bringing value to the BBC**

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