

PART TWO

# Annual Report and Accounts 2006/2007

The BBC Executive's review and assessment

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*This is what we do...*



# Welcome



As I write this, our friend and colleague Alan Johnston remains missing in Gaza. Perhaps by the time you read it, the situation will have changed. For now though, Alan's family and those who know him at the BBC are trapped in a suspended state of anxiety and uncertainty.

In photos and on camera – unsurprisingly given the stories he covers – Alan has a serious look, the very picture of a formidable BBC foreign correspondent. Off camera he has a different side – fiercely intelligent and engaged in the debate, but with a mischievous twinkle in his eye.

More than anything else the BBC is built on the talent, courage and integrity of the men and women who work for it. These qualities matter in everything we do, but nowhere more than in our journalism. In Iraq, Afghanistan, Gaza and in many other countries and regions, BBC journalists remain when other news organisations have left. They know that agency copy and pictures – no matter how good – are no substitute for the immediacy, integrity, accuracy and human empathy of eye-witness reportage.

We take the safety of our journalists and everyone else who works for and with the BBC, incredibly seriously. We also have to recognise there are assignments and vital stories to report that can never be made risk-free.

It has been a momentous year for the BBC in other ways – a strong new Charter, a challenging licence fee settlement and Creative Future, our vision of what the BBC could become if it achieves its full creative potential in the new digital environment.

With *The Street*, *Life On Mars* and *How Do You Solve A Problem Like Maria?* it was a fine year for TV drama and entertainment, while *Planet Earth* combined extraordinary technical innovation with awe-inspiring artistry. Two years ago, perception of quality was a significant concern for the BBC Governors; in 2006/2007, many of the key measures in this area went up. BBC Radio proved it's possible to grow audiences while strengthening a reputation for creativity and excellence. Our online and interactive services broke one record after another.

But there were bumps along the way as well. The editorial mistakes on *Blue Peter* and *Saturday Kitchen* were so serious because, despite being unintentional, they went right to the heart of our contract with our audiences – a contract based on trust. We are taking every step we can to minimise the chances of such mistakes happening again.

Our response to the telephony controversy was part of a broader effort by the BBC to become more open and more willing to learn from its mistakes. The new BBC Trust has begun a broad and searching debate about the impartiality, quality and distinctiveness of the BBC's services. It is a debate we welcome. We believe that a more open BBC will be a stronger BBC and one which serves the public better.

Behind the scenes, BBC Worldwide delivered triple the profits of three years ago back to the public services. The transformation of the BBC gathered pace, releasing money and resources for new investment but without audiences reporting any loss of quality in existing services.

Our present task is to develop detailed plans for the future which we can place before the BBC Trust. Some – like the BBC iPlayer and high definition television – will rely on new digital technologies. But we know that success for the BBC ultimately depends not on technology but on the creativity and professionalism of our people. As the public have always known, they are our most precious resource.

Which is why the story of Alan Johnston matters so much.

A handwritten signature in black ink, which appears to read "Mark Thompson". The signature is written in a cursive style and is positioned above the typed name and title.

Mark Thompson  
Director-General  
12 June 2007

# About the BBC

The purpose of the BBC is to enrich people's lives with great programmes and services that inform, educate and entertain. Our vision is to be the most creative, trusted organisation in the world.

Everyone has a unique relationship with the BBC and our audience wants us to provide them with moments of delight, inspiration, excitement and entertainment. They also expect us to be factual, honest and act with integrity. Our aspiration is not only to create exceptional content and services but to offer everyone an experience of the BBC that truly makes a difference to their lives.

The BBC is constitutionally established by a ten-year Royal Charter with an accompanying agreement which sets out our obligations to licence fee payers in detail. After an extensive period of consultation and negotiation our Charter was renewed this year. Our aim is to evolve into a BBC that can provide the greatest programmes and services for our audience in the digital age and deliver the maximum amount of value for their licence fee.

## Monthly licence fee breakdown

49p

Over 240 websites on  
bbc.co.uk, supporting the  
full breadth of output

£7.54

Eight national TV channels  
including BBC One and  
BBC Two plus regional  
programming

£1.17

Ten national radio stations,  
broadcasting a range of music,  
news and sport

75p

Forty local radio stations,  
from Radio nan Gàidheal  
to Radio Jersey

£1.01

Cost of broadcasting all TV  
and radio output, plus cost of  
collecting the TV licence from  
over 25 million homes

The total cost of a TV licence  
per month per household

= £10.96

*This is what we do...*

### How we spent your £10.96 monthly licence fee

49p helped pay for the BBC's online services, ranging from innovative and distinctive content such as GCSE Bitesize, to services like interactive live sports streams that reflect and extend the range of the BBC's programmes.

£7.54 helped pay for over 4,800 hours of programmes each month across eight TV channels, ranging from high quality drama (eg *Life on Mars*, *Jane Eyre*, *Torchwood*) to factual output (eg *Planet Earth*, *The Power of Art*) and children's programmes (eg *Charlie and Lola*, *Jackanory*).

£1.17 helped pay for over 6,500 hours of radio programmes each month on ten national radio stations, spanning a range of distinctive speech and music-based output from the *Today* programme on Radio 4 to *Wake Up to Wogan* on Radio 2. It also goes towards events such as the Proms season and the *Radio 1 Big Weekend*.

75p each month goes towards 40 local radio stations, including programming in Welsh and Gaelic, helping to connect people to their communities.

£1.01 of your licence fee each month is spent on getting the programmes to you through the network of analogue and digital transmitters across the UK, and on collecting TV licence fees.

Across TV, radio, and online your licence fee also goes towards BBC News coverage of major events both in the UK and overseas, and current affairs (eg *Panorama*, *Whistleblower*).

### A year of change

The new Charter is much clearer in defining just what the licence fee payer should expect of us as we move to the wholly-digital, on-demand world. We have to demonstrate more clearly and transparently that our plans for the future will deliver real public benefit.

And so the evolution of the BBC has begun. Our Creative Future initiative has provided the editorial blueprint which will ensure we strive to be more creative in our content, programmes and services. We need to fully embrace the opportunities of digital, as with the iPlayer, which will make our broadcast content available to licence fee payers when they want it. We have restructured, aiming to be a more simple organisation, with fewer, more coherent multimedia output divisions, and with slimmer central services. And we must be more open to audiences and to partners such as the independent production sector, who now have more opportunities than ever before to contribute ideas and content through our Window of Creative Competition initiative.

This evolution is taking place against the background of a licence fee settlement which is considerably less than we had asked for, presenting real challenges and hard decisions ahead. It calls for further evolution and redefinition of our priorities, and continually inventive thinking about our services, our organisation, how we can make the money go further and how, ultimately, we truly deliver lasting value to our audiences and to the nation.

### The BBC's Public Purposes

The new Charter and Agreement set out six Public Purposes for the BBC which underpin everything we do.

- **Sustaining citizenship and civil society:** maintaining and growing our reputation as the standard-setter in independent, high quality journalism and encouraging debate amongst a wide audience about news, current affairs and other topical issues.

It also involves building a greater understanding of UK parliamentary processes and political institutions and helping people to make full use of information technologies.

- **Promoting education and learning:** enabling people to learn about many different topics, passions and interests in ways they will find engaging, entertaining and challenging, and promoting and supporting formal educational goals for children, teenagers and adults.
- **Stimulating creativity and cultural excellence:** maintaining a world-class reputation for creative and innovative content that breaks new ground and sets trends whilst at the same time supports the creative economy by engaging and developing the very best talent.
- **Representing the UK, its nations, regions and communities:** portraying and celebrating the rich range of cultures and communities across the UK at national, regional and local level across the range of our output; creating shared experiences from great state occasions, important national sports events and great entertainment that draw large and diverse audiences.
- **Bringing the UK to the world and the world to the UK:** sustaining and growing the BBC's reputation as the most respected voice in international broadcasting and to inform conversation and global debate on significant international issues as well as bringing international film, music, arts and other creative work to UK audiences.
- **Taking a leading role in the switchover to digital television:** promoting and helping to deliver the benefit of emerging communications technologies and services.

On the following pages you will find ten stories about the BBC this year, many of which demonstrate how we are fulfilling these Public Purposes.

Going to  
the ends of  
the earth...







...to create  
programmes  
everyone  
talks about

Five years in the making, *Planet Earth* broke new boundaries by using emotive storytelling techniques to give the audience a truly cinematic experience. Shot entirely in high definition and using a heligimble, an aerial photography system on a helicopter, the programme took viewers to some extraordinary places. The crew travelled to 376 remote locations to give an unparalleled view of the world's landscapes and incredible footage of creatures never seen before on television. Each episode offered an entirely different proposition; from the greatest rivers to the mightiest mountains, the team sought out the most iconic wildlife to tell the story of our planet.

Twelve million people watched *Planet Earth* and it received the highest audience appreciation score of any British programme on TV this year.

The series has been sold to 95 countries and territories and the DVD was the highest ever TV DVD pre-order on Amazon. It has already generated over £22million of gross revenue and significant profit which, through BBC Worldwide, helps to fund future programme-making.

This is what we do...















# Inspiring communities in the nations and regions

Around the UK national and local radio gives people the chance to inspire their communities. *The Stephen Nolan Show* in Belfast gave a voice to a terminally ill mother. Her local health authority refused to fund a home care programme and was pressing her to give up her newborn child for fostering. While her healthy baby remained in hospital, she contacted the show in desperation. Her story caused a public outcry. Due to the sheer size and emotion of the public response, the health authority changed tack and the baby was returned home.

Elsewhere, the problem of abusive neighbours was highlighted in Merseyside, a council was persuaded to re-think its plans to close down a home for adults with severe learning difficulties in Scotland and a school community was motivated to tackle bullying in Shropshire. In Devon, presenter Gordon Sparks' frank discussion about his testicular cancer resulted in local doctors reporting an increase in patients seeking testicular cancer tests after listening to his story.

*This is what we do...*







# Using phone lines in our programmes

Audiences increasingly want to participate in our programmes. Most of the time it works very well. Connie Fisher was selected by the audience as winner of *How Do You Solve A Problem Like Maria?* And 12 million people voted for their favourites on *Strictly Come Dancing*, raising £1.4million for Children in Need.

But occasionally it goes wrong. We didn't always make it obvious to callers to *Saturday Kitchen* that some programmes were pre-recorded and we were wrongly accused of cheating the public. We accepted the language used was not clear enough and took immediate steps to ensure future programmes are live. Then *Blue Peter* was found to have run an unfair competition. When there was a technical failure retrieving phone line information, a child in the studio was asked to phone and give an answer on air. The child was awarded the prize. This was a serious error of judgement and we broadcast an apology. We have since undertaken a comprehensive review of the use of phone lines in our programmes.

This is what we do...









# Bringing the world to the UK

The BBC's global network of correspondents and bureaux means we have an unrivalled ability to deliver independent and impartial journalism from wherever in the world there's a big story.

Our biggest story has been Iraq, where we are the only European broadcaster to maintain a permanent presence in the face of considerable dangers and difficulties. World Editor John Simpson was the only British journalist who covered the trial of Saddam Hussein from start to finish and was there to witness his sentencing to death. The subsequent coverage of his hanging caused us to navigate various editorial dilemmas about what pictures we should or shouldn't show. During the year the *Today* programme and the *Ten O'Clock News* sent presenters John Humphrys and Huw Edwards to report first hand on life on the frontline. Huw Edwards was there for the fourth anniversary of the onset of the conflict, when we had a week of special coverage exploring aspects of daily life throughout the country.

This is what we do...





Iraq



# Delighting sports fans with new technology

Audiences on [bbc.co.uk](http://bbc.co.uk) rose from 12.9 million to 15.6 million regular monthly users in the last year and BBCi, our interactive 'red button' service for digital viewers, currently has an extraordinary annual growth rate of over 30%.

One of the most popular online and interactive areas is sport, and nowhere was this more evident than during the 2006 Ashes series. *Test Match Special's (TMS)* world-renowned commentators provided live commentary from Australia through the night online and on interactive TV, as well as on radio. At the close of play every morning, a *TMS* podcast was available to download and quickly became established in the overall top five chart on iTunes. Fans could also subscribe to the Ashes Alarm Clock – an SMS message that woke them with the latest scores. During the day ten-minute video highlights were streamed – offering non-Sky Sports subscribers the first chance to watch the action. The *TMS* blog gave cricket fans a platform to discuss the action – with 3.5 million page impressions in December.

This is what we do...







**FIVE LIVE SPORTS**  
**The Ashes TEST MATCH SPECIAL** AUS 19  
Live From Brisbane Overs 45

First Innings

batsman	Runs	Balls	4s	6s	SR
 S Broad	58	74	8	0	77.1
 S Broad	77	55	2	0	139.1

Stuart Broad & Phillip De Gooijer vs Phillip De Gooijer & Stuart Broad

Bowler	O	M	R	W	5W
 S Broad	12	2	52	0	0-0-0-0-0
 A Gilchrist	3	1	9	0	0



**Sport Editor**  
Our Interactive  
explains how  
caught on to

- ▶ 7-day TV/Radio guide
- ▶ Online/Interactive schedule

# Giving children a powerful voice

*Newsround* broke new ground this year with a pioneering investigation into child poverty in the UK:

*The Wrong Trainers* told the stories of six children, using animation and a narrative of their own voices. Dillon (right) didn't have anyone to look after him, lived in squalor and was hungry, with mould on his feet. *The Wrong Trainers* gave him the chance to be heard and showed kids and adults alike how they can effect change. The programme was later used for a brainstorm on child poverty hosted by the Chancellor of the Exchequer and went on to win a Royal Television Society award. The programme can still be viewed on the CBBC website.

In response to the overwhelming interest on the CBBC website during the 2005 London bombings, *That Summer Day* was commissioned to re-tell the day's events from a child's perspective. A big hit for the whole family was *Evacuation*, which used adult reality formats and techniques to help children experience what it would have been like to be an evacuee in the Second World War.

This is what we do...







# Creating drama throughout the UK

The high octane sci-fi thriller *Torchwood* follows a team of modern day investigators as they use futuristic technology to solve alien and human mysteries. The first two episodes were watched by 2.6 million viewers, the highest ever audience (so far) for a BBC Three programme. Created by award-winning writer Russell T Davies, with Chris Chibnall as co-producer and lead writer, *Torchwood* is both set and made in Cardiff.

Two of our most loved dramas, *Life on Mars* (made by independent production company, Kudos) and *Doctor Who*, also came out of our world-class production centre in Wales. This is part of our commitment to producing programming throughout the UK. Scotland brought us *Sea of Souls*, now in its third series, and *Waterloo Road*. And we make great drama in Northern Ireland too. New for this year were *Lilies*, *Rough Diamond* and *The Amazing Mrs Pritchard*. *Murphy's Law*, with James Nesbitt, in the title role, returned in 2007 for a fifth series.

This is what we do...

## T O R C H W O O D

BE READY

### ALIEN DEVICE



GHOST MACHINE!

1963

NANOTECHNOLOGY  
(QUANTUM TRANSDUCER)

RECOVERED FROM:  
SEAN HARRIES  
AKA BERNIE (AGED 19)

Converts human energy into ghosts

PREVIOUS:  
Burglary  
Shoplifting  
Theft

1940



### INCIDENT 1: SIGHTING

NAME: THOMAS ERASMUS  
FLAVAGHAN

AGE THEN: 8  
AGE NOW: 74  
LIVES: BRITE TOWN



TOSH/KO  
(TECHNOLOGY)

WITNESSE  
IN



CRIME SCENE

INCIDENT 2: MURDER



NAME: LIZZIE LEWIS  
AGE: 17  
EYES: BLUE  
HAIR: BLONDE  
WEARING: FLORAL DRESS  
PINK COAT

LIZZIE LEWIS



INCIDENT 2: SUSPECT



- ①: STATION
- ②: RAILWAY BRIDGE



NAME: ED MORGAN  
AGE THEN: 21  
AGE NOW: 64

N.B.  
\* CLAUSTROPHOBIC  
\* PARANOID  
\* DEPRESSED  
\* VIOLENT FANTASIES  
\* SUICIDE ATTEMPTS

OPS TEAM



OWEN  
(DOCTOR)



CAPTAIN JACK  
(THE BOSS)



GWEN  
(INVESTIGATIONS)

WITNESSES  
INCIDENT  
1





# Tackling the issues that make you think

In *The Secret Life of the Manic Depressive* on BBC Two, Stephen Fry took a frank and honest look at his own and other people's experiences of living with bipolar disorder. He gave a glimpse of what it is like to live with the condition and talked openly about his own suicide attempts. Surprisingly, he said that if he was offered the chance to press a magic button to rid himself of the disease he wouldn't take it.

Also on BBC Two, the *Rain in My Heart* documentary-maker Paul Watson took us on a harrowing journey following four alcoholics into the depths of their despair. Two of them didn't make it back out again.

Both programmes were supported by the BBC Action Line – a huge volume of calls came from people who had never spoken about their problem. The same was true after programmes dealing with rape, debt and gambling. Many callers told us the programmes and the Action Line have made a real difference to their lives.

*This is what we do...*

*"I went into my garage, sealed the door with a duvet I'd brought and got into my car. I sat there for at least, I think, two hours in the car, my hands on the ignition key."*

Stephen Fry

*"I get really depressed and didn't realise there was help. I'm sure Stephen Fry has helped thousands with the programme."*

Viewer calling BBC Action Line





# Sharing breakfast with our listeners

At around 8am on an average weekday more than 11 million UK adults are tuned into a BBC Radio station. That's 62% of all adults listening to the radio and more than twice as many as are watching any television on any channel at that time.

Nearly 8 million people choose to wake up to Wogan on Radio 2, making Terry's show the most listened to breakfast show in Britain. Chris Moyles on Radio 1 is hard on his heels with an audience every week that has just topped 7 million – that's three-quarters of a million more than at the same time last year. The *Today* programme on Radio 4, winner of a Sony Gold award, added listeners this year too.

But it's not all about the three shows with the largest audiences. Whether it's *Breakfast on Five Live*, *Sonia Deol* on the Asian Network, *Good Morning Scotland* on BBC Radio Scotland or any of our other national or local stations, there is something on our breakfast menu for everyone.

This is what we do...









# Investing in our presenters

Controversy erupted last year when the alleged salaries of top BBC presenters in TV and radio were leaked to newspapers. Many of the figures quoted were totally inaccurate. Some commentators suggested we were overpaying our stars and misusing the licence fee to poach talent from competitors. Others in commercial broadcasting accused us of increasing salaries and disrupting the market. We responded that the market for talent was driven by the commercial sector. Presenters were often offered far more by rival broadcasters but chose to come and work for the BBC.

The Director-General, Mark Thompson, told the press as well as MPs that he didn't think he should apologise for paying the market rate for key talent the audience loves. Most of the on-air talent the BBC employs is modestly rewarded and the handful of exceptions represents some of the best-loved faces and voices in UK broadcasting. We believe that licence fee payers expect the best from the BBC even if that means a significant outlay.

*This is what we do...*





*IS HE REALLY WORTH  
THAT MUCH...?*





# Executive Board

The Executive Board manages the operations of the BBC. It is chaired by the Director-General and, under the terms of the new Charter, now has a significant minority of non-executive directors. The Executive Board is supported by four sub-committees: Nominations, Remuneration, Audit and Fair Trading, and also a number of management groups, including the BBC Direction Group, Finance Committee and four Group Boards covering the areas of Vision, Audio & Music, Journalism and Future Media & Technology. The Boards of BBC Commercial Holdings and BBC Worldwide support the Executive Board on commercial matters.

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



1	2	3
4	5	6
7	8	9
10	11	12
13	14	15

### 1 Mark Thompson

Director-General since June 2004. Chair of the Executive Board and the BBC Direction Group (previously the Executive Direction Group until December 2006), made up of all the BBC's divisional directors. Previously Chief Executive, Channel 4 (2002–2004). Former BBC positions include Director of Television; Director of National & Regional Broadcasting; Controller BBC Two; Head of Factual; Head of Features; Editor, *Panorama*, and Editor, *Nine O'Clock News*.

### 2 Mark Byford

Deputy Director-General since January 2004. Chair of the Journalism Board which brings together all the BBC's journalism at an international, UK, national, regional and local level. Trustee of the BBC Pension Scheme. Former BBC positions include Director, Global News and World Service; Director of Regional Broadcasting; Head of Centre, Leeds, and Home Editor, Television News.

### 3 Jenny Abramsky CBE

Director of Audio & Music since November 2006, incorporating previous responsibilities as Director of Radio since April 2000. Responsible for the commissioning, scheduling and production of programming for BBC Radios 1, 2, 3, 4, Five Live, BBC Asian Network, BBC 6 Music, iXtra, Five Live Sports Extra and BBC 7; she is also responsible for Classical Music Television, Television Music Entertainment, the Electric Proms, the BBC Proms and the four BBC Performing Groups based in England. Previous BBC positions include Director of Continuous News; Controller, BBC Radio Five Live; Editor, Radio News & Current Affairs, and Editor, *Today*.

### 4 Jana Bennett OBE

Director of Vision since November 2006, incorporating previous responsibilities as Director of Television since April 2002. Has overall creative and leadership responsibility for BBC One, BBC Two, BBC Three, BBC Four, CBBC and CBeebies, as well as overseeing content on the UKTV joint venture channels and BBC America. Also responsible for the four genre-led commissioning groups: Fiction, Knowledge, Children's and Entertainment; all in-house television and multimedia content creation through BBC Vision Studios, rights and business affairs, and commercial and business development in Vision Operations. A non-executive director of BBC Worldwide Limited. Previously General Manager and Executive Vice-President at Discovery Communications Inc. in the US; Director of Production at the BBC; Head of BBC Science; Editor, *Horizon*, and Senior Producer on *Newsnight* and *Panorama*.

### 5 Tim Davie

Director of Marketing, Communications & Audiences since April 2005. Responsible for all the BBC's marketing, publicity, press and PR, audience services and audience research

activities. Trustee, BBC Children in Need since September 2005. Director of Freesat (UK) Limited and a non-executive director of Digital UK. Previously at PepsiCo from 1993, latterly as Vice-President, Marketing and Franchise, PepsiCo Europe. Joined Procter & Gamble's marketing department in 1991.

### 6 Ashley Highfield

Director of BBC Future Media & Technology since November 2006, incorporating previous responsibilities as Director, New Media & Technology since October 2000. Responsible for all new media platforms and gateways such as [bbc.co.uk](http://bbc.co.uk) and interactive television, BBC Information & Archives, as well as the BBC's search and navigation and metadata strategies which are vital to opening up the BBC's archives. He is also responsible for the BBC's technology portfolio, technical innovation and research. Previously Managing Director of Flextech Interactive, the pay-television company's new media division. Former positions include Head of IT & New Media for NBC's European channels.

### 7 Stephen Kelly

Director of BBC People since October 2006. Responsible for all the BBC's people and organisation issues. Trustee of the BBC Pension Scheme. Previously Chief HR Officer at BT Global Services, BT's global networked IT services business, where he was responsible for all HR related issues worldwide and in addition was responsible for the business integration of all BT's acquisitions outside the UK. Before joining BT, Stephen led HR functions in British Rail, National Provident Institution and Balfour Beatty.

### 8 Zarin Patel

Group Finance Director since January 2005. Responsible for financial strategy, planning, control, corporate reporting activities, risk management, procurement and licence fee collection. Trustee of the BBC Pension Scheme and non-executive director of BBC Worldwide Limited. Former BBC positions include Head of Revenue Management and Group Financial Controller. Trained as a chartered accountant with KPMG, where she spent 15 years before joining the BBC in 1998. Governor, University of the Arts London, and member of their Audit Committee.

### 9 John Smith

Chief Executive of BBC Worldwide Limited since June 2004 and formerly BBC Chief Operating Officer and Director of Finance. Non-executive director at Severn Trent PLC and Chairman of their Audit Committee. Has also held a non-executive directorship with Vickers PLC, was a member of the advisory board of Zurich Financial Services UK and was a Director of the Royal Television Society. Member of the Accounting Standards Board until November 2004 and Accountancy Age Financial Director of the Year in 2001.

### 10 Caroline Thomson

Chief Operating Officer since November 2006, incorporating previous responsibilities as Director of Strategy since December 2004 and Director, Policy and Legal (formerly Public Policy) since May 2000, and assuming additional responsibility for BBC Workplace and Business Continuity. Lead Director of the Charter Renewal Task Force since June 2004. Trustee of the BBC Pension Scheme. Non-executive director of Digital UK and of The Pensions Regulator. Former positions include Deputy Chief Executive, BBC World Service; Commissioning Editor, Science and Business at Channel 4, and political assistant to Roy Jenkins.

### 11 Marcus Agius

Appointed non-executive Director and Senior Independent Director in December 2006. Responsible for chairing the BBC Executive Board's Remuneration Committee. Chairman of Barclays PLC. Trustee of the Royal Botanic Gardens, Kew and Chairman of the Foundation and Friends of the Royal Botanic Gardens, Kew. Previously Chairman of Lazard London; Deputy Chairman of Lazard LLC and Chairman of BAA PLC.

### 12 Dr Mike Lynch OBE

Appointed non-executive Director in January 2007. Technology entrepreneur and founder and CEO of Autonomy plc. Confederation of British Industry's Entrepreneur of the Year, winner of an IEE Award for Outstanding Achievement and awarded an OBE for Services to Enterprise.

### 13 David Robbie

Appointed non-executive Director in January 2007. Responsible for chairing the BBC Executive Board's Audit Committee. Previously Group Finance Director at CMG PLC, then Chief Financial Officer at Royal P&O Nedlloyd N.V. before joining Rexam PLC as Group Finance Director in 2005. Also a trustee of the Almeida Theatre.

### 14 Dr Samir Shah OBE

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

### 15 Robert Webb QC

Appointed non-executive Director in January 2007. Responsible for chairing the BBC Executive Board's Fair Trading Committee. Appointed QC in 1988. Previously Head of Chambers, 5 Bell Yard and a Recorder of the Crown Court between 1993 and 1998. Became General Counsel for British Airways PLC in 1998. Also non-executive director of the London Stock Exchange and of Hakluyt & Co Ltd and a Board Member of London First. An Honorary Fellow of UNICEF.



# The BBC at a glance

## Vision



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



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



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



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



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



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



BBC jam offered a free online service, providing interactive resources structured around key elements of the school curriculum. This service was suspended in March 2007.

## Future Media & Technology



bbc.co.uk provides innovative and distinctive online content, promoting internet use to develop a deeper relationship with licence fee payers and to strengthen BBC accountability.



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

## Journalism – Nations & Regions

### **B B C** English Regions

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

### **B B C** Northern Ireland

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

### **B B C** Cymru Wales

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

### **B B C** Scotland

BBC Scotland produces a broad range of distinctive television and radio programmes for all age groups that properly reflect the diverse nature of Scotland.

## Journalism



BBC News seeks to provide the best journalism in the world and aspires to be the world's most trusted news organisation: accurate, impartial and independent.



BBC News 24 delivers news, analysis and insight, supported by the BBC's newsgathering operations, all day, every day of the year.



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



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



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



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

## Audio & Music



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



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



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



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



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



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



1Xtra plays the best in contemporary black music, with a strong emphasis on delivering high-quality live music and supporting new British artists.



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



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



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



# Review of services Future Media & Technology

This year has seen record growth for our on-demand services. Users of [bbc.co.uk](http://bbc.co.uk) increased significantly and peaked at over 16 million people in the UK in February 2007. Our permanent interactive TV service BBCi grew more than 30% to reach 14 million 'red button' pressers a month, and our mobile content is among the most accessed in the UK with a 29% reach.

Page impressions to [bbc.co.uk](http://bbc.co.uk) now average over 3 billion per month. Audiences increasingly want audio and video on their terms, on their favourite sites; our recent deal to place video clips on YouTube illustrates we are becoming ever more innovative.

We have focused on preparing for the BBC Trust's go-ahead to launch services which include an archive trial and the BBC iPlayer, and the imminent overhaul of much of our web offering under the banner of 'bbc 2.0'.

[Accessibility help](#)

**BBC** iPlayer

Pick of the past week



Doctor Who



Dalziel and Pascoe

# Making the unmissable...unmissable

more about [BBC iPlayer](#)



Antiques Roadshow



Top Gear



Hustle



The Apprentice

Search for programmes

Search



300,000

people around the world took part in the Climate Change Experiment – the world's biggest ever distributed computing experiment to try to predict the world's climate for the next 75 years.



**Above: How To Improve Your Memory**  
*How To Improve Your Memory* invited participants to test their memory with interactive challenges and solve the 'Memory Manor Mystery' – based on a real-life painting theft.

**Below: The BBC archive trial**  
The BBC archive trial helped users to go deeper into the archive through collections of programmes grouped around ideas, subjects, time or people.



This year we announced the launch of the long-awaited BBC iPlayer, which gives users the chance to catch up and download up to 450 hours of BBC TV from the previous seven days. Based on feedback from trialists we have expanded the proposal to include cable and mobile implementation.

The BBC iPlayer has been through an exhaustive process of public scrutiny, led by the BBC Trust, and will help us take a substantial leap forward in the on-demand world. With the BBC iPlayer, video joins streamed audio – the Radio Player – which we have made available for some time.

The context for any new technology is rapid and continuous change in communications. Broadband now reaches 23.6 million adults (49% of the population) and 8.1 million adults in the UK now have 3G-enabled mobile phones (17% of the population).

In 2006/2007 on-demand services were launched both by new market entrants such as YouTube and by established players with new products such as Channel 4 and its 4oD. Multichannel digital TV reached a milestone when the number of people watching Freeview overtook those viewing traditional analogue TV on their main sets for the first time. Freeview also overtook Sky as the most popular UK digital platform.

Online is growing faster than any of our other services. [bbc.co.uk](http://bbc.co.uk) audiences rose to over 16 million users during the course of the last year and BBCi, our interactive red button services for digital viewers, currently enjoys an extraordinary annual growth rate of more than 30%. In March [bbc.co.uk](http://bbc.co.uk) achieved the third biggest reach for any UK site, with only Google and MSN ahead.

It is important to undertake extensive trials before committing public money to develop future services and to find out what does not work as well as what does. Last year some of the trials we undertook included:

- delivering TV and radio services to audiences via a number of mobile technologies, including 3G mobile networks and handsets with DAB receiving capability
- experiments with Flickr, Second Life and YouTube. The Flickr trial, encouraging people to share their photos with one another directly rather than sending them to the BBC, generated more than 10,000 pictures from over 2,000 users during Radio 1's *Big Weekend*

- a technical trial to provide catch-up TV and navigation on personal video recorders
- experimenting with barcode recognition technology through mobile phones at London Zoo
- a podcast trial by our Ouch! site for disabled users. It was so popular that the news the trial was ending led to a petition to continue the service

Not everything we try works. The *TARDISODES*, one-minute *Doctor Who* episodes via mobile phones and [bbc.co.uk](http://bbc.co.uk), were not the hit we expected although they were popular on broadband.



A major strategic review of BBC online has resulted in us closing or 'mothballing' some of our underused sites, for example [bbc.co.uk/cult](http://bbc.co.uk/cult) – a site about television programmes with a cult audience (such as *Star Trek*); [bbc.co.uk/monarch](http://bbc.co.uk/monarch), which supported the *Monarch of the Glen* TV series; and the radio drama [bbc.co.uk/darkhouse](http://bbc.co.uk/darkhouse).

We also rationalised our sports message boards – a decision which was not popular with some fans – in order to concentrate on doing a smaller number of big things well. The Net Promoter measurement tool has provided us with a snapshot of what the audience really values across a wide range of output, and this will be an asset in helping us to decide where to focus our effort.

We improved navigation and search facilities to offer a search capability for stills and audio visual material. Users of the UK edition of [bbc.co.uk](http://bbc.co.uk) can also customise the site, choosing local news, sports and weather for their own front page. We launched more participatory sites within [bbc.co.uk](http://bbc.co.uk), such as the new Radio 1 site and GetCooking. On our News pages our new 'live stats' give the user a snapshot of what other people are reading, watching, listening to and emailing around the world.

News remains one of the most popular content areas online, along with sports and children's services – and not just in the UK. There are 2 million downloads of our podcasts every month. In 2006/2007, 70 BBC News and BBC Sport editors posted 500 blogs, revealing the story behind the

stories and how they make their difficult daily news judgements. In the first ten months, they got over 30,000 comments from readers in response.

The *Have Your Say* site receives 12,000 emails every day (many more on big news days) and we have all become familiar with hearing emails read out on air. User-generated content (UGC) has entered the broadcasting mainstream, whether it is squaddies sending in pictures from Afghanistan taken on their camera phones or the pictures of poor living conditions supplied by soldiers' families after a *Ten O'Clock News* item.

We put extra investment into the BBC's UGC hub this year, allowing for more initiatives. For example, we took a laptop, digital camera and satellite link to a remote drought-stricken village in Ethiopia, where we put questions emailed in by readers and viewers around the world to the villagers. At the same time, a reporter covered the event for BBC World TV and the World Service. The BBC did not set the agenda – readers' questions did. And the villagers told their stories directly.

Audience enthusiasm for UGC can sometimes run ahead of our ability to use it. When snow fell in the UK in February, viewers sent in 12,000 still photos. But it just goes to show the demand is out there!

BBC journalism is not the only thing that has changed with interactivity. Our sports website came of digital age in 2006/2007 during the World Cup. *Skillswise* helps growing numbers with literacy and numeracy. The Climate Change Experiment enrolled 300,000 of us in the world's biggest distributed computing project to try to predict world climate up to 2080, making a significant contribution to the debate on global warming.



The BBC's interactive services, BBCi – which won an international Emmy for best interactive television service – encompass text, video and audio, many made available through the red button to digital TV viewers. These provide additional information, extra or alternative coverage or the chance to send in a comment to a programme as it airs.

Sports fans have been among the keenest users: 5.35 million people used our World Cup interactive services, with another 5.9 million requesting live matches and video

clips on broadband. Before the tournament started, press commentators speculated that the volume of traffic might crash the whole UK internet, but we managed to handle it. Our Ashes Alarm Clock meant cricket fans could be woken by an alert on their mobile phone bringing them the latest score from Down Under.

In the arts, we run an interactive Film Network showcasing new British filmmakers. Its catalogue currently contains over 300 shorts.

Children are also important users. Research done earlier this year found that 66% of 7 to 15 year olds use BBCi, and 67% use our online services – high figures even given that around 95% of this age group have access to the services.

BBC News Interactive introduced a video bulletin and SMS alerts to mobile phones. It also experimented with ways to allow users to personalise the news they receive on their mobile phone.

In addition to our established relationship with Siemens, we have entered into strategic partnerships with companies such as Microsoft and IBM to help us deliver to our technology objectives. We have also embarked on an exciting distribution relationship with YouTube to make our content available within a leading social networking phenomenon, with an objective to use short-form content to bring new users into BBC services such as BBC iPlayer.

Freesat is a new proposition we are launching with ITV to provide a Freeview-like service for satellite users. There is also a tremendous amount of work to be done to prepare for bbc 2.0, as the web continues to shift from being predominantly a publishing medium to one where data is shared across sites and between users, in other words we want the BBC to become a part of the internet rather than simply being on it. We expect mobile services to play a significant part in the BBC's future and we plan to work with the industry to position the UK as the most exciting mobile environment in the world.

The new BBC site at Salford will need to be fitted out with state-of-the-art equipment, and we are also looking at ways to optimise the use of technology across our business to ensure we can deliver content efficiently and effectively to the outlets from which our audiences want to get it.

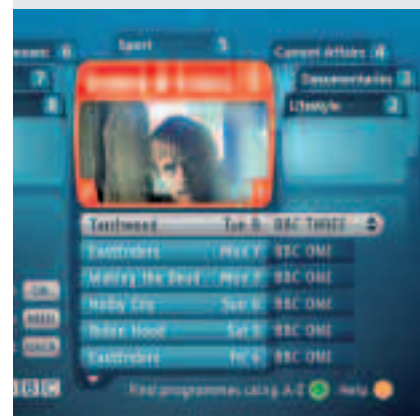


Above: *Planet Earth online*

Exclusive content online complemented the programme and included clips, downloadable screensavers and interactive video tours.

Below: *Catch-up TV*

BBCi+ (the DTT Push Video on Demand trial) offered viewers 50 hours of BBC programmes on demand each week, recorded onto a specially adapted Freeview DTR.



# Halved

the cost per user reached of  
bbc.co.uk over the past four years  
driven by increased usage.



# Review of services Vision

This year, our reputation for high-quality programmes has been market-leading, drawing critical acclaim alongside audience recognition. From *Planet Earth* to the World Cup summer to *Life on Mars*, creative ideas teamed with the best production techniques have attracted large audiences. The launch of the high-definition trial – showcasing programmes such as *Great British Summer*, *Torchwood* and *Jane Eyre* demonstrated the richness of this technology.

The decline in reach has been slowed, BBC Two has broadened its appeal as we continue work to clearly define the channel, and audiences to BBC Four have shown further increases. The number of viewers watching the portfolio of BBC channels remains higher than that of any other broadcaster.

A priority continues to be younger viewers. Increased competition is challenging our Children's services, and we're responding by increasing investment in original programmes. BBC Three has grown its target audience of 16–34 year olds.

Offering the full breadth of programming across all our services is key: we continue to do this as we move forward in this on-demand world.





It has been a year of drama resurgence on BBC One, starting the year with a new *Doctor Who*, played brilliantly by David Tennant. The series exceeded all expectations and became a national talking point. Then in the second series of *Life on Mars*, Detective Sam Tyler found time travel a riskier business – his enforced stay in 1973 came to a thrilling and tantalising climax.

Other ambitious dramas included an adaptation of *Jane Eyre*, our gritty school drama *Waterloo Road*, and *Robin Hood*, our 21st-century take on an evergreen hero. The last two series extended our policy of commissioning drama that appeals to younger viewers. *Five Days*, the story of a young mother's abduction, gripped audiences over two weeks in an innovative scheduling pattern. *Recovery*, by BAFTA winner Tony Marchant, showed our continuing commitment to single dramas. We enjoyed our most successful Christmas for years, featuring brand new versions of *Dracula* and *The Wind in the Willows*, and an adaptation of Philip Pullman's *Ruby in the Smoke* starring Billie Piper. However, not all our dramas worked as well: neither the high-octane political thriller *The State Within* nor the *Innocence Project* attracted as many viewers as we would have liked.

*EastEnders* is, in many ways, the anchor of the BBC One schedule. The story of Billy and Honey's Down's syndrome baby drew a big reaction from the audience. The Down's Syndrome Association praised the "thoughtful and responsible" handling of the story. The show won a BAFTA as Best Continuing Drama and seven awards at the 2006 British Soap Awards, including Best Soap.

Entertainment has also been a success story, particularly on Saturday night. The award-winning *How Do You Solve A Problem Like Maria?* created a new genre and established links between Saturday night television entertainment and the world of musical theatre. It also made an unlikely TV star out of Andrew Lloyd Webber. *Strictly Come Dancing* continued to dominate viewing in the autumn, the audience responding more strongly than ever and taking part via phone lines, texts, websites and the red button. Sadly, our revival of the reality series *Castaway* failed to match the impact or the popularity of the original and lost audiences as the series

progressed. Jonathan Ross remained essential late-night viewing on Fridays, and, in a move that provoked controversy, signed a new contract with the BBC despite fierce competition from rival broadcasters.

In factual programming, *Planet Earth* was the biggest series ever made by the BBC's Natural History Unit. The series, shot in high definition, brought us images of animals in the wild that have never been seen before. It was so popular with viewers that it received the highest audience appreciation scores of any British programme on any channel this year. *Planet Earth* was narrated by Sir David Attenborough, who also presented two impactful documentaries that helped set the agenda on climate change. Other notable successes in factual included the documentary series *Trawlermen*, and Alan Yentob's surprising and innovative arts series *Imagine*.

In comedy, the two-part Christmas finale of *The Vicar of Dibley* kept over 10 million viewers alternately laughing and crying as vicar, Geraldine Granger, met and married her dream beau. *Little Britain* bowed out in style with two specials, and other new comedies which gained a foothold in the schedule included the award-winning *Not Going Out*, Jennifer Saunders' *Jam and Jerusalem* and the Nicholas Lyndhurst vehicle *After You've Gone*.

*Saturday Kitchen* came into the spotlight this year as part of the wider industry controversy around the use of phone lines in TV programmes. Viewers were invited to phone in for the opportunity to take part in a programme. In several cases it was stated it would be next week's show when in fact the show was being recorded later that day. The language we used was not clear although there was no deliberate intention to mislead the public. As soon as the problem came to light, we took immediate action with the independent producer to ensure all future programmes would be live.

We watched the final *Grandstand* this year and said goodbye to *Top of the Pops* after 42 years. Another long-running BBC One institution, *Panorama*, made a successful move to peak-time viewing after a number of years on the fringes of the schedule. Last summer we ran a pilot of *The ONE Show* – a live, topical magazine programme with guests and special features. Feedback from the audience was very positive and the show is returning as a regular fixture in our early evening schedule.



Above: *The Vicar of Dibley*

Dawn French and Richard Armitage in the final episode of *The Vicar of Dibley* which attracted over 13 million viewers – the most popular comedy show on any channel this year.

Below: *Jane Eyre*

Ruth Wilson appeared as the heroine and Toby Stephens as the infamous Mr Rochester in this popular adaptation of the classic novel, giving a boost to Sunday evening ratings.



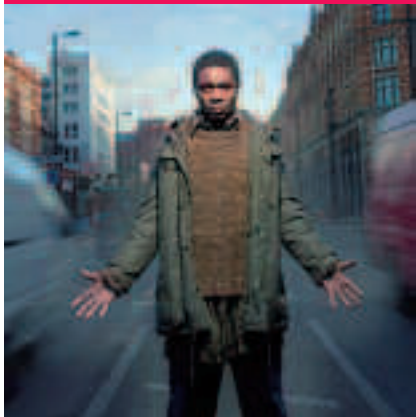
# 4 out of 5

people in the UK watch BBC One.



8.1 million

people watched footage of Richard Hammond's horrific crash as he made his triumphant return to *Top Gear* on BBC Two in January.



**Above: *Shoot the Messenger***  
One of the most provocative dramas of the year, *Shoot the Messenger* explored issues of under-achievement rarely aired outside Britain's black communities.

**Below: *The Power of Art***  
*The Power of Art*, presented by Simon Schama, drew critical acclaim with its bold approach to the history of art enabling viewers to approach familiar images in a new light.



Finally, BBC One remains the UK's home for big events. In 2006, that meant for the World Cup final five out of six viewers chose to watch BBC One. Overall, BBC One's performance was stronger and more consistent than for many years, as it won Channel of the Year at the Broadcast Awards and from *Telesvisual* magazine.

In all homes, BBC One's average 15-minute weekly reach<sup>1</sup> to viewers aged 4+<sup>2</sup> was 78.4% or around 44 million people in 2006/2007. This was slightly down on 2005/2006 (79.7% or 44.5 million people).



This year has seen some encouraging signs that BBC Two is starting to stem falling reach. Some of our best programmes featured remarkable individuals putting their reputation on the line. Stephen Fry's *The Secret Life of the Manic Depressive* was moving, candid and revelatory. In *Can Gerry Robinson Fix The NHS?* the businessman succeeded in turning public-sector management into compelling prime-time TV, while *The Choir* saw Gareth Malone transform a group of reluctant schoolchildren into a choir worthy of competing in the 'Choir Olympics' in China.

It was a year of refreshment in popular features, especially food and drink. Autumn hits included *Nigella's Christmas Kitchen* and *Heston Blumenthal in Search of Perfection* – with drinks provided courtesy of *Oz* and *James's Big Wine Adventure*. Winter brought a focus on health and diet, with *Dr Alice Roberts: Don't Die Young* and *The Truth About Food* both reaching broad audiences.

We had mixed fortunes with drama. Sharon Foster's *Shoot the Messenger* and Joe Fisher's *Soundproof* were powerful and distinctive, but *This Life+10*, a one-off revival of the 1990s classic, did not please fans of the original, and the political series *Party Animals* failed to make impact beyond a small and loyal audience. In comedy, Simon Amstell transformed *Never Mind the Buzzcocks* into a vehicle for his own fearless brand of celebrity put-down, while David Mitchell and Robert Webb found mainstream success with *That Mitchell and Webb Look*.

Simon Schama's *The Power of Art* brought art history to the heart of the schedule, but there was less impact in specialist factual. We lacked a really substantial science landmark this year, and *Horizon* is still in a period of transition. We were also disappointed with the performance of our summer schedule which, in spite of some high-quality series – *The Story of Light Entertainment*, *Blizzard: Race to the Pole* – found it hard to reach big audiences in a highly competitive season of sport and other events.

In documentaries, Paul Watson made a harrowing, unforgettable study of alcoholism, *Rain in My Heart*, while *Anatomy of a Crime* took a more observational approach to its subject matter, revealing the truth about police work. *The Conspiracy Files* captivated younger viewers with its stylish analysis of some of the conspiracy theories that propagate on the internet, and Michael Cockerell's *Blair: The Inside Story* set a standard by which other accounts of the Blair years will be judged.

In the multi-platform realm, our pioneering broadband trial came to an end having logged more than 5 million audio visual requests for *The Apprentice* alone, while the legal reality series *The Verdict* was supported by a rich broadband site that hosted a passionate debate among the audience.

This was also, unforgettably, the year of Richard Hammond's extraordinary recovery from his rocket-car crash on the set of *Top Gear*. The accident provoked an amazing outpouring of public affection: his return to the show in January was watched by over 8 million people.

BBC Two's average 15-minute weekly reach<sup>1</sup> to viewers aged 4+<sup>2</sup> in all homes in 2006/2007 was 57% or 32 million people. This was slightly down on 2005/2006 (59.1% or 33 million people).



In 2006, BBC Three focused particularly on programmes that would feel important, relevant and entertaining to younger viewers (16–34). Moving forward, BBC Three needs to work harder to define its brand for this target audience.

In factual this meant addressing thought-provoking subjects such as how we relate to our bodies. Covering themes including obesity and gender identity, the two *Body Image* seasons proved very popular with young audiences. More controversial was *The Baby Borrowers*, which explored the travails of teen parenting, while *Kill It Cook It Eat It* also made a significant mark. This four-part series took a no-holds-barred look at how the meat we consume reaches our tables. However, some of our punchiest programme titles may have put people off watching what was highly informative and well-made content.

It was a strong year for drama and performance on BBC Three. *Torchwood*, created by the Cardiff-based *Doctor Who* team led by Russell T Davis, launched in November. The first episode was watched by 2.6 million viewers – one of the highest audiences for a digital programme in 2006. Also reaching a large and appreciative audience was *The Manchester Passion*, a highly creative and original piece of live television played out in Manchester, with soundtracks of marching bands bringing the crowds out onto the streets.

Comedy continued to be a crucial genre for the channel. *Little Miss Jocelyn* arrived with a bang as television's first black comedienne going solo. New talent was a key part of the mix, with *Comedy Shuffle* providing a prime-time showcase for the latest performers, while the returning comedy *Ideal* and *Two Pints of Lager and A Packet of Crisps* provided cornerstones of the channel schedule.

Clearly, younger viewers are leading the way when it comes to the enjoyment of content through digital alternatives to television, so BBC Three has worked hard in this area.

Alongside the exclusive online comedy, we made clips of *Torchwood*, *The Cowards* and *The Baby Borrowers* available to download on mobile phones. And live music events such as the *Electric Proms* were accompanied by interactive and download services.

BBC Three's average 15-minute weekly reach<sup>1</sup> to viewers aged 4+<sup>2</sup> in multi-channel homes in 2006/2007 increased significantly to 17.6% or 8 million people (16.1% or 6.8 million people in 2005/2006).



Named Non-Terrestrial Channel of the Year at the Edinburgh Television Festival and Best Factual Channel at the 2006/2007 Broadcast Digital Awards, BBC Four has made itself the home of intelligent and thought-provoking television.

We proved the point with everything from Spike Lee's acclaimed four-hour film about New Orleans and Hurricane Katrina, *When the Levees Broke: A Requiem in Four Acts*, which won Best Documentary at the Venice Film Festival, to *The Century That Made Us*, our biggest season to date and a major look at 18th-century Britain. This brought big-name broadcasters such as Andrew Marr, Michael Portillo, Clarissa Dickson-Wright and Michael Wood to the channel to present films, and included a drama of the life of Britain's first fashion icon *Beau Brummel: This Charming Man*, as well as feature films and riches from the BBC Archive.

Other fact-based dramas included a brace of British cooks, *Fear of Fanny* and *The Secret Life of Mrs Beeton*, literary adaptation in *Wide Sargasso Sea*, and a multi-layered dramatisation of an Ian Rankin short story, *The Reichenbach Falls*, though none of the dramas in 2006/2007 quite matched the critical and audience performance of last year's *Fantabulosa*. We had comedy success with *Lead Balloon*, starring Jack Dee as a jaded comic, and *The Thick of It* made a welcome return for a Christmas special. BBC Four also offered the latest and best in world cinema – our 26 premieres last year included *Goodbye Lenin* and *Bad Education* – and a revitalised performance from current affairs in topical, fast-turnaround singles and landmark series such as *Visions of America*.



**Above: *The Baby Borrowers***

*The Baby Borrowers* was a particular success with younger audiences and had a strong public purpose in reflecting concern over the high levels of teenage pregnancy.

**Below: *Little Miss Jocelyn***

Jocelyn Jee Esien, one-third of the hugely successful *3 Non-Blondes*, crashed back onto the screen this year with her wickedly anarchic antics in a new comedy sketch series.



**2.6 million**

people watched the inaugural episode of *Torchwood* on BBC Three – one of the most successful ever programmes on a non-terrestrial channel.



# I in 2

of the industry-voted '50 best TV dramas broadcast recently' were transmitted on BBC Four.



**Above: Fear of Fanny**

Julia Davis delighted audiences with her portrayal of the fearsome Fanny Cradock who dressed like a drag queen and became the first celebrity TV chef in the 1950s. Mark Gatiss played her husband-cum-assistant, Johnnie.

**Below: Underground Ernie**

Set in International Station, a fictional worldwide underground network, *Underground Ernie* has delighted younger viewers. It focuses on the everyday adventures of Ernie, a friendly Underground supervisor.



Arts documentaries were an important part of our schedule too. In *Art of Eternity*, Andrew Graham-Dixon traced the development of Western religious art in a landmark three-part series. Other series were *Soul Britannia*, the unlikely tale of how black American dance music was embraced; *Reader I Married Him*, about romantic fiction; and *The Martians and Us*, the story of science fiction from a British perspective.

Christmas 2006 did not work out quite as well as the previous year. A mix of *Tales of Village Life* and *Adventures for Boys* did not prove such a clear and obvious attraction to the audience as Conan Doyle had in 2005, and the key lesson we have learned is to focus our offer in a more specific and propositional way around subjects of proven appeal.

2006/2007 saw BBC Four offering theme nights on topics as disparate as the London Underground and volcanoes. 1973 Week included archive and originations and *Paul Merton's Silent Clowns* was the centrepiece of a season celebrating silent film. The *Hotel California* season on the US West Coast scene in the 1970s got much attention, as did *Once Upon a Time in New York*, its East Coast counterpart.

**BBC Four's average 15-minute weekly reach<sup>1</sup> to viewers aged 4+<sup>2</sup> in multi-channel homes in 2006/2007 was 7.1% or 3.2 million people – a marked improvement on our 2005/2006 figures (6.1% or 2.6 million people).**



CBeebies is now a fully multi-platform brand working across television, radio, online and interactive TV. Over the last year it has been reinvigorated with new content, including *Tommy Zoom*, *Jackanory Junior*, *CBeebies Springwatch*, *In the Night Garden* and *Nina and the Neurons*. In particular, we have tried to increase its appeal to boys and to children aged 4–6 by providing more action, humour and surprise.

CBeebies also launched on radio. It is available on BBC 7 three hours a day and on the website. It hosts a lively and fun mix of music, quizzes and stories.

As part of a wider BBC Two broadband trial CBeebies offered episodes and clips of *Charlie and Lola* through the website. These proved hugely popular, indicating the big demand from young children and their parents for on-demand content.

Established titles such as *Teletubbies*, *Bob the Builder* and *Tweenies* continue to appeal to large audiences, and among the regulars *Charlie and Lola* shows signs of becoming a family classic. However, we will continue to invest in new content for CBeebies to ensure that it remains fresh and contemporary.

**CBeebies average 15-minute weekly reach<sup>1</sup> to viewers aged 4+<sup>2</sup> in multi-channel homes in 2006/2007 was 8.2% or 3.7 million people. This has fallen slightly from 2005/2006 (8.8% or 3.7 million people).**



This year competition for children's audiences increased further. It has been a year of change and revitalisation for CBBC, ready for a significant relaunch in autumn 2007. We have focused on developing fewer, bigger and better programmes as well as on our interactive and on-demand content with the aim of building a more trusted and deeper relationship with 6–12 year olds.

Making really original content that stands out in a crowded market is our major goal. After the London bombings on 7 July 2005, hundreds of children posted their feelings on the CBBC website. These became the stimulus for a powerful drama, *That Summer Day*, telling the story of the day from a child's point of view. A *Newsround* special, *The Wrong Trainers*, made innovative use of animation to tell five real and uncomfortable stories about child poverty, narrated by the children whose stories were being told. It won an RTS Award.

Last November *Blue Peter* broadcast a programme that included a fake winner to a competition. While this was a mistake that occurred during the pressure of a live programme, it was nonetheless a serious error of judgement. On discovering the problem we apologised and took a series of actions to minimise the chance of a similar problem recurring.

New dramas included *Desperados*, an unorthodox drama about a wheelchair basketball team, and the RTS award-winning comedy *Young Dracula*. Distinctive British factual programming such as *Beat the Boss*, a series pitting young entrepreneurs against adults, and *Evacuation*, taking children back in time for an authentic World War Two experience, were hugely successful formats.

*Jackanory* came back to critical acclaim, showcasing narrators Sir Ben Kingsley and John Sessions.

Animated series of *Shaun the Sheep* and *The Secret Show* continued to push innovation and originality giving air time and investment to British talent. In entertainment, an unusual mix of comedy and variety brought new British writers and performers together in a unique prison-based format, *The Slammer*.

Our ambitious interactive multimedia project *Level Up*, for peer-to-peer problem solving, worked exceptionally well online (its website won a BAFTA) but less well on TV, confirming to us that children love to take part but are moving towards online as their preferred medium of interactivity.

CBBC's average 15-minute weekly reach<sup>1</sup> to viewers aged 4+<sup>2</sup> in multi-channel homes in 2006/2007 has fallen slightly to 5.6% or 2.6 million people (6.0% or 2.6 million people in 2005/2006).



BBC jam was an online interactive learning service for school-age students, launched in early 2006 after a rigorous consultation process and following approval from the Secretary of State for Culture, Media and Sport and the European Commission. The service had been gradually increasing the amount of distinctive and interactive content it offered for 5–16 year olds, and had built up a growing number of users, when it was suspended in March 2007 following complaints from the commercial sector. The BBC recognises that education remains a vital part of its mission and will continue to work on ways to serve audiences in this important area.

<sup>1</sup>Average 15-minute weekly reach is defined as the percentage of people who watch television for at least 15 consecutive minutes in an average week

<sup>2</sup>The population aged 4+ rose by 320,000 to 56.1 million between 2005/2006 and 2006/2007



**Above: *Jackanory***

The return of an old favourite, *Jackanory*, included John Sessions reading the *Lord of the Rings* parody *Muddle Earth* and went on to collect an RTS award.

**Below: Sanchez Adams in *That Summer Day***

Children's drama *That Summer Day* retold the story of the July 2005 London bombings from the perspective of a child.



29,000

young people applied to be chosen for *Serious Amazon* in which eight young adventurers took part in a challenging environmental expedition into the Amazon rainforest in Peru.



# Review of services Audio & Music

The Radio & Music division was renamed Audio & Music in recognition that content in sound from the BBC is available on a host of platforms beyond traditional radio. Audiences are changing too. During the year, weekly requests to the BBC Radio Player, which makes programmes available for seven days after broadcast, increased from 2.6 million to 3.1 million.

The BBC Radio download and podcast trial continued, with a 57% increase in monthly UK download requests to 3.2 million. We look forward to launching a permanent download service next year.

Programme highlights last year included *Five Live Breakfast*, the Radio 4 drama *Lorilei* and *Radio Ballads* on Radio 2 – all winners of Sony Gold awards. In music we launched the Electric Proms, an ambitious multi-platform popular music counterpart to the BBC Proms, across TV, radio and online.

Audiences have responded enthusiastically to our programming. In the first quarter of 2007 BBC Radio reached 33.46 million adults a week, with listening share of 56% – record figures under current measurement systems.





Changes in radio listening habits are occurring particularly fast among Radio 1's young audience, with increasing consumption via online, digital TV and mobile media.

To meet this challenge we are constantly looking to deliver our content in ways that meet listener demands. [bbc.co.uk/radio1](http://bbc.co.uk/radio1) regularly attracts over 3 million users a month and we often get over 1 million page impressions a month from audiences using their mobile phones. *The Best of Chris Moyles* is BBC Radio's most popular podcast, getting over 800,000 downloads a month during spring 2007.

We broadcast over 50 hours of live radio coverage from the Radio 1 *Big Weekend* in Dundee. In addition, our 'red button' coverage attracted an estimated 900,000 viewers on digital TV; there were short video highlights packages online, and festival-goers shared their photos on websites such as Flickr:

Investment in creative content and innovations of this kind helped us achieve an average audience of over 10 million listeners a week for the second year running – 53% of whom did not listen to any other BBC radio. Chris Moyles finished the year with over 7 million listeners a week for the first time, but also took his bond with the audience to a new level when he toured the country with his Red Nose Rallyoke, raising over £744,000 for Comic Relief.

Other events included our live gig with Kaiser Chiefs in Doncaster, Jo Whitley's Live Lounge Tour, and the pan-BBC Electric Proms. Damon Albarn's *The Good, The Bad and The Queen* performed their debut album live and exclusively for Radio 1 as part of the Electric Proms while, at the other end of the scale, Noel Gallagher did a live one-man show in a listener's living room – one of over 300 sessions of *Live Lounge* performances during the year.

We also offered a range of speech content, including daily news coverage tailored for a young audience by our dedicated *Newsbeat* team. We produced documentaries on global warming and Scientology, and a series on the history of rock bands, while Colin Murray conducted the first ever broadcast interviews with serving officers of the security service MI6.

The live and edgy nature of some programmes, however, led to a couple of occasions where presenters overstepped the line and Ofcom upheld complaints against both Chris Moyles and Scott Mills. As a result, compliance issues were reviewed, with new procedures being introduced, including the threat of financial penalty against offending DJs.

Radio 1 had an average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> of 21.4% or 10.7 million people. This is a significant increase on 2005/2006 figures (20.6% or 10.2 million people).



BBC Radio 2 remains the nation's favourite radio station with an audience of 13.2 million listeners.

We offer established favourites such as Terry Wogan, Steve Wright and Jonathan Ross. We also seek to continually innovate, for example providing a bigger stage for the rising talent of Russell Brand, who transferred from BBC 6 Music. In April, Radio 2 brought the extraordinary talents of Chris Evans back to weekday national radio, a decision that some in the audience and press saw as controversial. The move proved justified with Chris winning over the audience and picking up two Sony Gold awards for Best Music Radio Personality and Best Entertainment.

Other highlights this year included the revived *Radio Ballads* created by John Tams, Aled Jones on a Sunday morning, the reshaping of Sunday evenings with Alan Titchmarsh joining the station and the premiering of *Bob Dylan's Theme Time Radio Hour* in the UK. Our *Live and Exclusive* concerts this year featured Bruce Springsteen and Coldplay. We launched the Music Club as an interactive home for those wishing to learn more about music-making. Online, its newsletter already has over 4,400 subscribers and its live performances included sets from Paul Simon and Ray Davies.

We provide accessible news and current affairs and encourage debate, particularly through *The Jeremy Vine Show*, a programme that is always challenging. On one occasion this year it carried an item, labelled as a spoof, describing the Soham murderer Ian Huntley as dying in prison. Some people mistook the spoof for reality and we received a number of

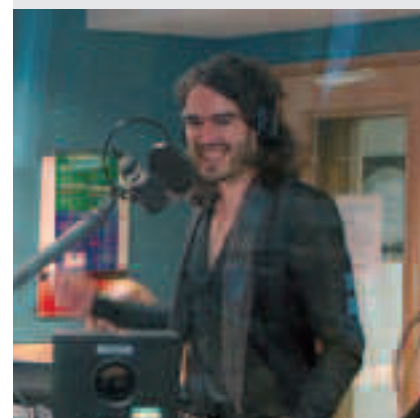


**Above: Radio 1's Big Weekend**

Colin Murray and Edith Bowman at Radio 1's *Big Weekend* in Dundee – Europe's biggest free ticketed event. Red button coverage on digital television attracted an estimated million viewers.

**Below: Russell Brand**

Russell Brand's Sunday morning show on BBC 6 Music became a cult phenomenon and his new show on Radio 2 is already going down a storm with audiences.



44%

of all 15–29 year olds listen to Radio 1.



# I in 4

adults listen to Radio 2 – that's 13.2 million people.

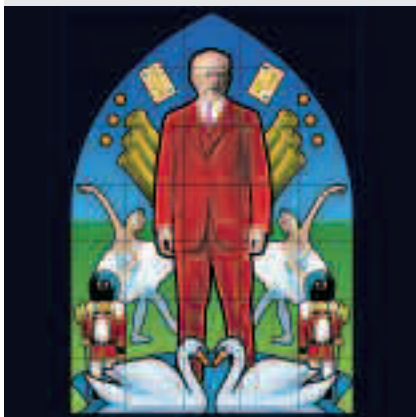


**Above: Chris Evans**

Chris Evans returned to weekday national radio on Radio 2 and went on to win two Sony Gold awards.

**Below: The Tchaikovsky Experience**

During February, a week on BBC Radio 3 was entirely dedicated to the music of Tchaikovsky and Stravinsky.



complaints about it. We recognised the utter inappropriateness of the item and apologised at once on air. The journalistic strength of the programme made headlines with our commissioned report for the *Respect Your Elders* campaign, where our research showed widespread abuse of the elderly.

Our comedy show *Out To Lunch* sought new UK talent. The new arts show, *The Weekender*, big music documentaries such as *Peace, Love and Soul: 35 Years of Soul Train*, and those providing a wider social context – including *Hang A Thousand Trees With Ribbons*, the story of Phillis Wheatley, a former slave who became the first internationally published African female writer – contributed to a wide and rich mix of programming. The 2007 Sony award-winning *Musical Map of London* from Malcolm McLaren was followed up with his equally stimulating *Life and Times in LA*.

In the autumn, Radio 2 ran a national competition in which listeners were asked to take the theme of an encounter with a musical legend to create an imaginative new drama. Workshops were set up around the country to give would-be writers tips and insights into writing a drama, and the five winning entries were broadcast on air across a week.

Radio 2 had an average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> of 26.5% or 13.2 million people. This is more or less consistent with 2005/2006 figures (26.5% or 13.1 million people).



We continued our substantial support for musical performance, presenting events from across the UK and around the world. Radio 3 has maintained its position as the world's most significant commissioner of new music. We introduced a new schedule in early 2007, some aspects of which proved controversial. The changes were made to create more space for musical performance, particularly in the afternoons. Some listeners were concerned about the move of *Choral Evensong* to Sunday afternoon, although we believe this will make it available to a wider audience. The introduction of an evening repeat for *Composer of the Week* responded to requests to hear this popular programme at a more convenient time.

Some special initiatives during the year have been well received and attracted critical acclaim. We continued the idea of presenting complete works, following the model of *The Beethoven Experience*. This year's highlights were an English Music Day on St George's Day; the complete works of Tchaikovsky and Stravinsky over a week; Wilfred Owen's complete war poems in November; and Wagner's Ring Cycle broadcast in its entirety over 18 hours, with simultaneous translation on digital platforms. In each case complete performances were interspersed with interpretation from a wide range of commentators.

Our month-long Listen Up festival celebrated the vitality of the British orchestral scene: in a new initiative, we invited amateur orchestras to submit their recordings for broadcast and many were transmitted during the period. We also reflected amateur music-making in our weekly choral programme *The Choir*, and in our support of the BBC Radio 3 Choir of the Year award.

As usual, the BBC Proms held an important place in our schedules, and every concert programme was broadcast live on the station. Unfortunately, the trial of a new DAB coding standard impaired digital sound quality during the season and the trial was withdrawn.

Radio 3 remains committed to the challenging and experimental. The BBC Symphony Orchestra weekend devoted to the Russian composer Sofia Gubaidulina was a unique opportunity for the audience to immerse itself in her music. Likewise, the cast in our production of Harold Pinter's modern classic *The Homecoming* was led by Pinter himself. We extensively celebrated the centenary of Samuel Beckett's birth, including broadcasting a new production of *Krapp's Last Tape* starring Corin Redgrave. In November, we launched a new festival of ideas, Free Thinking, in Liverpool where experts and the public were able to join in discussions about issues facing society.

In the coming year, there will be a major collaboration between Radio 3 and Radio 4, a 60-part history of Western classical music. We also intend to strengthen Radio 3's role as a provider of recommendations regarding listening and musical performance.

Radio 3 had an average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> of 3.8% or 1.9 million people. This is slightly down on 2005/2006 figures (4.1% or 2 million people).



*The Archers* reached its 15,000th episode last November, as beloved and as relevant as ever. Ruth Archer's vacillation between husband David and cowman Sam kept listeners arguing and guessing until the last minute, as did Brian's reluctance to attend his gay stepson's civil union. Audience figures held strong, and showed a steep increase in use of the online Listen Again facility.

Today held its position as the nation's premier morning news programme. Highlights included John Humphrys' reports from Basra and two landmark interviews with Tony Blair. His series of interviews with religious leaders, *Humphrys in Search of God*, was also highly praised.

A major season, *Uncovering Iran*, used drama, documentary, readings and comedy to go behind the headlines at a time of intense public interest in the country. Other memorable current affairs investigations were *Chasing Shadows*, File on 4's report (shared with the World Service) on Poland's part in America's secret 'extraordinary renditions', and Tom Mangold's *Driven by Oil*, about the oil industry in the modern world.

History is one of our strengths and an area where Radio 4 currently outperforms BBC Television. Highlights were the series *The Invention of Childhood* and *The Making of Modern Medicine*, both presented by experts rather than actors.

*The Memory Experience* used comedy, drama and factual programmes to explore the phenomenon of memory, attracting significant audience interaction via the website. New comedy included *Down the Line*, a spoof phone-in by Paul Whitehouse and Charlie Higson, while our drama schedules were strengthened by new productions of great stage plays by writers such as Alan Bennett and David Hare.

Following much press speculation as to who would succeed Sue Lawley after 18 years, Kirsty Young took over as host of *Desert Island Discs*. As only the fourth presenter in the programme's 65-year history, her debut attracted much comment, both positive and critical, but Kirsty has settled in well and increased the audience.

Nick Clarke's death in December, at 58, was an immeasurable loss to the BBC and to thousands who wrote to express their

sympathy for his family. Nick and his wife Barbara kept audio diaries during his cancer and it was our privilege to put Nick's voice back on air in a programme created from them, *Fighting To Be Normal*.

Next year's schedule will include narrative histories of Western music and of democracy, an exploration of contemporary sexuality and a series looking back on the Clinton years.

Radio 4 had an average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> of 18.7% or 9.3 million people. This is slightly down on 2005/2006 figures (19.2% or 9.5 million people).



Whether it was investigating the demise of the Christmas hamper firm Farepak, or reporting first hand on the situation in Iraq, Radio Five Live aimed to be breaking the news every hour of every day. We also gave listeners the chance to comment on it. A single mother who lost money through Farepak got in touch to thank us "for giving a voice to the people".

We pride ourselves on providing the best sports coverage and making it as widely available as possible. As well as our ball-by-ball coverage of the Ashes, our 'Ashes Alarm Clock' meant listeners could be woken up by an alert with the latest score on their mobile. Along with being able to hear every game of the World Cup live, listeners could send in their own football stories and have them turned into polished pieces of radio with the help of Johnny Vegas and a production team.

If sport on Five Live went fully interactive in 2006/2007, so did news. We appointed a new Audience Editor to help get listener stories on the air and held an 'audience week' of stories. From October 2006, the audience team fed 85 stories through to BBC News as a whole. A striking example was the cancer patient who protested on the *Breakfast Show* about the benefits system. His story not only became news, it became the basis of a parliamentary question and was discussed at the Prime Minister's press conference.

Radio Five Live had an average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> of 12% or 6 million people. This is more or less consistent with 2005/2006 figures (12% or 5.9 million people).



Above: *The Slavery Project*

*The Slavery Project* on Radio 4 was a specially commissioned personal piece starring Lenny Henry and Adrian Lester who explored the history of attitudes to slavery through comedy, drama and speech.

Below: Tony Blair on Five Live

The Prime Minister, Tony Blair, appeared on the Radio Five Live phone-in show and chatted to listeners about England's chances in the 2006 World Cup.



15,000

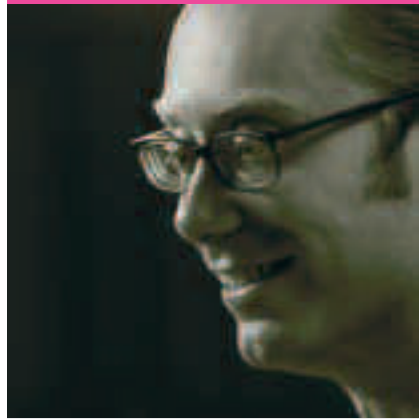
*The Archers* reached its 15,000th episode in November 2006.



## Review of services Audio & Music

# 68%

BBC 6 Music has increased its audience by 68% in the past two years.



**Above: Stephen Merchant**

In January Stephen joined BBC 6 Music – he says his show focuses on “music you’ve not heard before”.

**Below: Comedy on BBC 7**

BBC 7 makes good use of the BBC Archive to give listeners another chance to hear classic radio such as *Little Britain*, *Miss Marple* and *The Goon Show*.



BBC Five Live Sports Extra gave fans more sports more of the time: from uninterrupted Test cricket to the first two days of the US Masters and a second Premiership match as an alternative to the one on Five Live most weekends. We carried Formula One practice and qualifying sessions for the first time and exclusively on Sports Extra. Next year will see cameras in our studios, enabling video on demand or vodcasts. We plan more use of the digital television red button, for example to offer football commentaries along with better interactive coverage for Formula One.

Radio Five Live Sports Extra had an average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> of 1.3% or 0.7 million people. This is a significant increase on 2005/2006 (1.0% or 0.5 million people).



BBC 6 Music has enjoyed rapid audience growth, welcoming 108,000 new listeners (year-on-year), an increase of around 30% on the same period last year. It is the home for those with a passion for popular music. We combine the old with the new and presented over 1,000 hours of archive concerts and music documentaries. Oasis, Moby and Courtney Love all agreed to curate editions of our *Selector 06* season, playing the music that had influenced them.

In promoting new artists we recorded over 300 new sessions in our own performance area, The Hub, and at concerts and festivals around the UK. The station seeks out new presentation talent too and brought listeners emerging stars such as the Queens of Noize and the first regular radio shows from Russell Brand. On his departure to Radio 2, we welcomed Russell Howard and also, later in the year, Stephen Merchant. As the year ended further revisions to the schedule were announced, with Shaun Keaveny launching a new breakfast show and the introduction of more new presenters, including filmmaker and reggae aficionado Don Letts.

BBC 6 Music has grown its average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> to 0.9% or 0.4 million people (0.6% or 0.3 million people in 2005/2006).



Digital radio based mainly on the BBC Archive presents a challenge: to keep coming up with new and exciting ways to recycle classic material.

BBC Northern Ireland's *A Short History of Ireland* was broadcast in full to a network audience for the first time. Our Indian Summer season, including drama, comedy and features, was trailed on BBC Asian Network and got a strong response from a community that has been under-represented on radio.

Science fiction is the most popular type of drama on BBC 7. In 2006/2007 we stepped up our *7th Dimension* series to one hour a day. We also launched an original interactive sci-fi drama, *The Uncertainty Principle*, where listeners helped decide the plot.

Anniversary specials, including a week of programmes marking the 10th anniversary of Willie Rushton's death – introduced by the current *I'm Sorry I Haven't A Clue* team – have become one of BBC 7's distinctive signatures.

A highlight of the year was the complete *Chronicles of Narnia*, with over 100 actors, including Paul Scofield as CS Lewis.

In early 2007 we relaunched our children's output with a new three hour CBeebies Radio slot for very young listeners each afternoon.

Next year's events will include a *Hitchhiker's Guide To The Galaxy* weekend and a Harold Pinter season.

BBC 7 had an average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> of 1.4% or 0.7 million people. This is an increase on 2005/2006 (1.2% or 0.6 million people).



IXtra continued to grow its audience from a low base and finished 2006/2007 on a high with a record 465,000 listeners. Two-thirds were aged 15–24, with around a third coming from ethnic minorities – giving us a unique audience profile within the BBC. Around 140,000 people – 35% – listen to no other BBC Radio. Challenges remain, however, in growing our audience; younger people are not buying digital radios to the same extent as older listeners, although they are listening to digital radio on digital television platforms and online.

IXtra has worked hard to raise its profile over the year, in particular working more closely with Radio 1. The *IXtra Takeover* show has a high-profile slot on Friday nights, and IXtra also allied with Radio 1 for a major sex survey of young people.

Seventy live events, from across the UK, were broadcast over the year and we played an important part in this year's pan-BBC Electric Proms. *Words, Sounds, Power* brought together classical strings, roots reggae, conscious rap and poet Benjamin Zephaniah to create something unique.

With 20% of our output dedicated to talk, *TXU*, IXtra's main news show, is establishing a reputation for confronting tough issues head on. Items such as *Without Words* on self-harm generated numerous texts from listeners.

We were also responsible for a new media breakthrough when our red button coverage of this year's Notting Hill Carnival contained video shot by the DJs themselves using their mobile phones.

IXtra has increased its average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> to 0.8% or 0.4 million people (0.7% or 0.4 million: 2005/2006).



We worked to transform the Asian Network from the ground up this year with an all-new schedule – new breakfast, arts and culture and sports shows; a new documentary strand under the title *The Asian Network Report*; a new music policy; and a new daily news show, *The Wrap*.

The result was to make the Asian Network the fastest growing of our radio news operations with listening figures up 15.5% for news bulletins on the station. A landmark was the first radio interview with Briton Mirza Tahir Hussain after his release from a Pakistani jail. He was set to be executed for murder at the end of the year, but his death sentence had been commuted following appeals by HRH The Prince of Wales and others.

Music is a dynamic area of British Asian life that we are committed to reflecting by investing in live music and helping to develop new talent. Our ambitious summer of live events included DJ workshops in Newcastle, our mobile 'Station Wagon' at WOMAD in Reading, and a 'Uni Tour' which visited Leicester, Colchester, Birmingham, Guildford and Nottingham.

Events such as London City Showcase and London Mela added to our schedule. Asian Network night at the Electric Proms showed a depth of talent from the Glaswegian Sikh production duo Tigerstyle, teamed with classical strings, to a meeting of musical minds between the Bombay Dub Orchestra's electronic sound and the cinematic vocals of Swati Natekar.

BBC Asian Network had an average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> of 0.9% or 0.4 million people. This was consistent with 2005/2006 (0.9% or 0.4 million people).

<sup>1</sup>Average weekly reach for radio is measured by the number of people aged 15+ who tune to a radio station within at least one quarter-hour period over the course of a week. Radio listeners only need to have listened to the station for at least five minutes within that quarter-hour (RAJAR)

<sup>2</sup>The population aged 15+ rose by 429,000 to 49.8 million between 2005/2006 and 2006/2007



**Above: Rozina Sini**  
*The Wrap* with Rozina Sini on BBC Asian Network gives listeners everything they need to know about news, sport and entertainment in 30 minutes.

**Below: Feed Your Head**  
*Feed Your Head* on IXtra aimed to raise awareness of mental health issues amongst young people.



**38%**

of the IXtra audience are from ethnic minorities – compared to 6% of the audience to BBC Radio overall (9% of the population as a whole are from ethnic minorities).



# Review of services Journalism

The Journalism Group brings together all the BBC's journalism at UK-wide, international, national and local levels across radio, television and interactive media. BBC News provides all UK-wide news and current affairs content and newsgathering. Global News runs all the BBC's international news services including the World Service and BBC World. Nations & Regions reflect diversity of experience and identity across the UK with specific services for Scotland, Wales, Northern Ireland and the English Regions. BBC Sport provides all live multimedia sports coverage and sports journalism.

It has been a strong year for Journalism marked by outstanding coverage of the very dangerous and difficult situations in Iraq and Afghanistan; the Lebanon conflict between Israel and Hezbollah; the historic developments in the peace process in Northern Ireland and the changing political landscape across the UK. More than 80% of the population now connects to BBC Journalism content each week. Global News audiences have increased by 11% to a record 233 million.



19.05

# Journalism — News

**BBC**  
**NEWS**

The BBC's Gaza Correspondent, Alan Johnston, was kidnapped in Gaza on 12 March 2007. At the time of going to press, his whereabouts remain unknown. His plight is a reminder of the professional and personal commitment given by BBC correspondents operating in difficult and dangerous areas. BBC News invests heavily in training for hostile environments and providing appropriate security, but nevertheless we must not underestimate the risks involved in first-hand reporting from all parts of the world.

This year, the most challenging stories for BBC News have been the conflict in Lebanon and the continuing conflicts in Iraq and Afghanistan, the execution of Saddam Hussein, the Ipswich murders and the cash for peerages investigation.

## Lebanon conflict coverage

The conflict between Israel and Hezbollah in July and August 2006 posed a major test of our impartiality, our deployment capability over a sustained period and our ability to convey complex information to all audiences. Correspondents were deployed to Israel and Lebanon but the weight of the campaign was in Lebanon and the pictorial impact of events there was stronger than elsewhere.

There were more than 5,000 complaints about the coverage, representing a quarter of all complaints in the period and increasing the overall number of complaints by 2,000 in July compared with the previous month. There were some organised lobbies via the web. Many complainants alleged bias, in both directions.

A subsequent audience survey showed that a majority felt the BBC had provided the best broadcast coverage of the conflict, with 64% trusting it and only 11% distrustful. A retrospective editorial assessment concluded that, although we were rightly proud of our overall coverage, we did not give our audiences enough consistent information about Hezbollah and its aims.

In the months following the conflict, BBC journalists continued to cover all sides of the debate. Edward Stourton was given unrivalled access to the protagonists in the conflict when he assessed the diplomatic story for his Radio 4 series *A Tragedy of Errors*, which has received high critical acclaim. In *Crossing Continents* and *Assignment*, Richard Miron gained unique access to Palestinians who collaborate with the Israeli secret service.

## Iraq and Afghanistan

The safety considerations of operating in both these areas of conflict are considerable. In southern Afghanistan and in Basra, BBC reporters like Alastair Leithhead are often embedded under the protection of and working with the military. In Kabul and Baghdad our correspondents like Andrew North remain independent of the army and we employ our own security specialists to help protect them. Both approaches have their limitations. We are constantly trying to balance the safety of our journalists against our need to provide a rounded and impartial picture. We share with the audience the fact that we are embedded, and have not allowed it to stop us undertaking imaginative and creative programming such as having John Humphrys present *Today* from British Army headquarters in Basra.

We launched a week of ambitious output to mark the fourth anniversary of the invasion of Iraq which included commissioning an Iraq-wide opinion poll (with partners ABC).

## The execution of Saddam Hussein

There was controversy about our decision to show footage of events leading up to Saddam's hanging. Editorial discussions at the highest levels prepared the ground for a difficult decision between the need to give information while accepting that, during the Christmas holidays, young children were more likely to see the disturbing images. As a result of these deliberations, we did not show the moment of death anywhere and did not show Saddam in a noose until after the watershed except on our dedicated news channels, BBC News 24 and BBC World. Formal complaints to Ofcom about our coverage were not upheld.



**Above: Alan Johnston, BBC's Gaza correspondent**

The only international correspondent still living and working in the Gaza Strip, Alan Johnston was abducted on the way home from his office in March 2007.

## Below: Lebanon

Thousands of Hezbollah supporters gathered in downtown Beirut to wave Lebanese flags during the tenth day of a protest to force the resignation of Lebanese Prime Minister, Emile Lahoud.



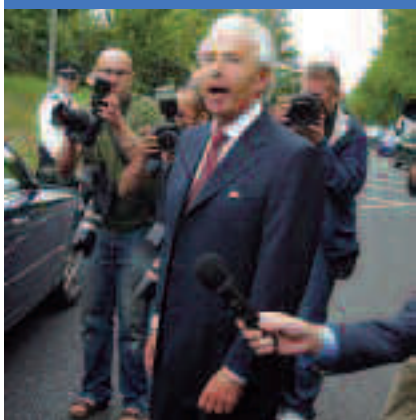
**80%**

of adults access some BBC News each week across TV, radio and online.



5.2 million

people watched *Panorama: The Beautiful Bung*, an exceptionally large audience for a current affairs programme.



**Above: Cash for Honours**

Labour's chief fundraiser, Lord Levy, speaks to the media as he leaves a north London police station after being interviewed as part of the Scotland Yard's 'Cash for Honours' inquiry.

**Below: Panorama**

*Panorama: My Fake Passports and Me* investigated the UK's border security after BBC journalist Shahida Tulaganova entered the UK twice on fake and stolen passports.



**The Ipswich murders**

Our decision to run an audio interview with Tom Stephens, who was arrested – and later released – on suspicion of multiple murders, provoked complaints from audiences, was criticised in the blogosphere and caused debate among BBC News staff. In retrospect, we accept that some of our reports were not as cool and objective in tone as they should have been. However, we felt confident about running Mr Stephens' interview – which had been given on condition of his anonymity – because he had already made very similar comments in public in a national newspaper.

**Cash for peerages**

In March 2006 the Attorney General served an injunction on the BBC to stop us broadcasting an important new development in the Cash for Honours investigation. The courts subsequently lifted the injunction and we broadcast a story which was the fruit of concerted investigative effort by a team of BBC journalists, led by Rita Chakrabarti and Nick Robinson.

**Panorama**

The move of *Panorama* to an 8.30pm slot on Mondays and a duration of 30 minutes has delivered significantly higher and younger audiences to the programme. BBC One still provides hour-long prime-time slots for major investigations such as the football 'bungs' programme.

**News Interactive**

News Interactive introduced a number of innovations on the News website, including customisation of the front page for individual users, higher profile promotion of video, and a new real-time statistics service sharing with the audience a wide range of live data on the most read, watched and listened to items on the site. We also expanded our operations so that we can now receive words, pictures and videos from the audience seven days a week – all of which can be verified and distributed quickly across BBC News outlets.

The News website increased its weekly users (UK and international) year-on-year by 27% to just over 12 million, and its rating for best for news online in the UK rose from 25% to 27%. The site passed 1 billion page impressions in a month for the first time in January 2007. For the third year running we won the international Webby award for best News website, and the 'People's Vote' in the same category.

The news site raised the profile of video and audio significantly during the year, including a dedicated area on the front page and in the banners across the site. This undoubtedly contributed to the fact that reach to audio and video content on the site rose from 600,000 to 1.4 million year-on-year.

Weekly reach to our mobile news service climbed past 300,000 for the first time, 251,000 for the WAP service and 60,000 for the graphically richer PDA service.

Our digital text service remained steady, retaining a reach of 11% of digital users a month, while the performance of the news multiscreen loops behind the red button on digital TV disappointed, with monthly reach dropping from 19% to 16% of digital users. It is hoped that the appointment of a TV News on-demand editor will help us address this area of concern.

TV – Average 15-minute weekly reach<sup>1</sup> to viewers aged 15+<sup>2</sup> for all BBC News output on BBC One<sup>3</sup> was 50.9% or 24 million adults (51.6% or 24.1 million adults in 2005/2006).

Radio – Average 15-minute weekly reach<sup>1</sup> to listeners aged 15+<sup>2</sup> for all BBC News increased slightly to 52% or 25.9 million people (51.8% or 25.6 million people in 2005/2006).

Online – Average weekly unique users also increased to 10% of the UK population 4+<sup>4</sup> or 5.6 million people (8% or 4.4 million people in 2005/2006).

## BBC NEWS 24

We have worked throughout the year to improve the journalism and impact of News 24. It now simulcasts the BBC One bulletins regularly, and the use of key news presenters such as Huw Edwards, Emily Maitlis and Ben Brown on the channel has increased its authority and impact. The channel works closely with news online, especially on major themed events such as World on the Move – about mass migration and our special live days from Afghanistan and Pakistan. We launched *Your News* as our first journalistic programme made entirely from ideas, still photos and video clips sent in by viewers.

BBC News 24's average 15-minute weekly reach<sup>1</sup> to viewers aged 4+<sup>2</sup> in multi-channel homes in 2006/2007 was 7.2% or 3.3 million people (7.4% or 3.1 million people in 2005/2006).

## BBC PARLIAMENT

We made major improvements this year to the only UK channel entirely dedicated to politics. The parliamentary rules governing coverage were modernised so that we can now show more of the House rather than just focusing purely on a speaker. This allows the audience to get a much better feel for the reaction to proceedings. Technical developments have also meant that quarter-screen images have been replaced with a full-screen delivery on Freeview.

BBC Parliament's average 15-minute weekly reach<sup>1</sup> to viewers aged 4+ in multi-channel homes in 2006/2007 has remained stable at 0.2% or 90,000 people.

## BBC College of Journalism

The BBC College of Journalism was established this year and undertakes a range of activities for the 7,500 staff who practise journalism across the BBC. The objectives of the College are to promote the BBC's values and the highest ethical and editorial standards, as well as developing the strongest craft skills and knowledge base across BBC journalism.

The College website was launched in January and aims to be the world's leading website on journalism issues. It contains films, interactive modules, 'how to' guides, articles and a College blog about current issues in journalism. All the material on the site is delivered by BBC journalists and produced by the College. In other words, the College facilitates the passing on of knowledge and experience from the BBC's top talent to the entire staff. The blogs are written by BBC journalists and senior industry figures. The site contains, among other things, sections on values, ethical dilemmas, law, writing, audiences and craft skills. Much of the material is interactive.

The College has also delivered pan-BBC training programmes on areas such as user-generated content, reporting Israel and the Palestinians, and reporting the UK. The College's law course was completed by 11,500 staff over a six-month period. More new initiatives, such as a programme for all new journalists joining the BBC, will be rolled out in the coming year.

<sup>1</sup>Average 15-minute weekly reach is defined as the percentage of people who watch television or listen to radio for at least 15 minutes in an average week

<sup>2</sup>The population aged 15+ rose by 429,000 to 49.8 million between 2005/2006 and 2006/2007

<sup>3</sup>Includes all News output on network services but not Nations & Regions

<sup>4</sup>The population aged 4+ rose by 320,000 to 56.1 million between 2005/2006 and 2006/2007



**Above: Execution of Saddam Hussein**

The trial and execution of former Iraqi President Saddam Hussein raised editorial dilemmas about how much of the execution coverage it was ethical to show.

**Below: Ipswich murders**

In December Detective Chief Superintendent Stewart Gull of the Suffolk Police confirmed that police were hunting for a serial killer after a fifth victim was found.



# 44,000

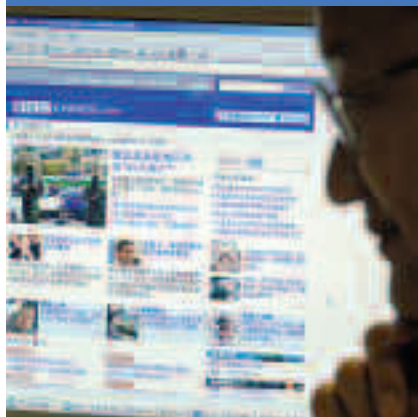
hours of news per year are produced by BBC News – that's equivalent to more than five hours of broadcasting for every hour of every day.



# Journalism – BBC Global News

## 233 million

people use the BBC's international news services on TV, radio and online.



#### Above: BBC Website in China

In China access to BBC news websites is blocked but new partnerships have established portals for BBC learning and education material.

#### Below: Production Centre in Africa

New production centres have been opened in key locations in Africa, including Nairobi and Abuja, enabling the BBC to report in depth from across the continent.



BBC Global News brings together BBC World Service radio, BBC World television, the BBC's international-facing online news services, BBC Monitoring, and BBC World Service Trust – the BBC's dedicated international development charity.

Despite rapidly growing competition, independent surveys indicate that the total tri-media weekly audience reach of the BBC's international news services is above 233 million. This is up from around 210 million in 2005/2006.

The BBC's global reputation for trust and objectivity remains strong. According to independent surveys, the combined BBC international news services outperformed both CNNI and international radio competitors in this area in almost all major markets.

The BBC Global News division extended its commitment to thematic journalism through special seasons illuminating issues beyond the regular news agenda to audiences around the world. Topical weeks of current affairs and feature programming from countries in the news, such as Iraq, Afghanistan, Iran, Russia and Turkey, enabled us to make great editorial impact with audiences.

Multimedia seasons captured the bigger trends that lie behind the headlines, enabling the international news services to get a better picture of the human experience of events that can seem distant.

The year's most ambitious project was *Generation Next*, which took a fresh look at the world through the eyes of the under-18s. For instance, *School Day 24* linked up schools across international conflicts, tensions and divides ranging from Israel and Palestine to Mexico and the USA.

The season's programmes, such as *Assignment Special* on the abuse of children by UN peace-keepers in Haiti and Liberia, showed the BBC's increasing use of multi-platform commissioning. It was conceived as a tri-media production for BBC World Service radio, viewers to BBC World and online audiences, and for domestic UK audiences on BBC Two's *Newsnight* and Radio 4.

Interactive editorial initiatives, such as the *World Have Your Say* online forums, enabled thousands of people around the world to take part and share their perspectives, building bridges across national and linguistic boundaries. They were a key part of our coverage of major world events such as the Israel–Lebanon conflict, the crisis in Iraq and continued global tensions involving Iran.

Usage of our international-facing news sites continued to reach record levels during 2006/2007. The sites attracted a record 763 million page impressions in March 2007, up from 546 million last year. There were a record 38.5 million unique online users during March 2007, up from 32.8 million a year ago.

BBC World, the commercially funded international English-language news and information channel, is now available in over 280 million homes. It is available 24 hours a day in 147.1 million households around the world, up from 138.8 million last year. BBC World saw substantial growth in audiences in Africa, Canada, Egypt, India, Pakistan and the USA.

BBC World Service's weekly global audience estimate, created from independent surveys, reached a record 183 million across its 33 language services, up 20 million from 163 million in 2005/2006.

There were large BBC radio audience increases in Bangladesh (up 8.3 million). Increased survey coverage added 7.5 million to the estimate in the Democratic Republic of Congo and 7 million in Afghanistan. Weekly audiences in radio markets in India, Nigeria, Pakistan and Rwanda all grew by a million or more during the year.

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

The BBC World Service Trust used media and communications to reduce poverty and promote human rights. It worked alongside local and national media in more than 40 countries in Africa, Asia, the Middle East and Europe during 2006/2007.

The BBC World Service *Annual Review* is available at [bbc.co.uk/worldservice/us/annual\\_review](http://bbc.co.uk/worldservice/us/annual_review).

# Journalism – Nations & Regions

## **BBC** English Regions

Good progress has been achieved in making more English Regions' programmes available on demand this year. Increasing numbers of BBC Local Radio listeners are tuning in via the internet, with 40 hours of programmes now available each week on a Listen Again facility at each station. Viewing of BBC regional news has also been made more convenient, with all of the early evening television news stories now available via broadband. Weekly regional television programmes including *The Politics Show* will follow shortly.

An on-air pilot was conducted in six local radio transmission areas in the West Midlands over a nine-month period to test the appetite for more on-demand local video news. It received a warm reception from viewers and consideration is now being given to future services.

The 40% annual growth in usage of the BBC's local online services in England continues to provide a solid basis for further developments on this platform. However, research suggests that some of those sites are given low marks for relevance and value by users. We will seek to improve them in 2007 and beyond.

This year has also seen a renewed emphasis on delivering more distinctive, original journalism. The weekly regional television series *Inside Out* has led the way by revealing a wide range of stories. There have also been more multi-platform projects in which television, radio and online joined forces for pan-BBC initiatives.

The average 15-minute weekly reach<sup>1</sup> of BBC Local Radio in England to adults aged 15+<sup>2</sup> in 2006/2007 was 18.8% or 7.5 million people<sup>3</sup>. This has fallen slightly since 2005/2006 (19.5% or 7.8 million people).

## **BBC** Northern Ireland

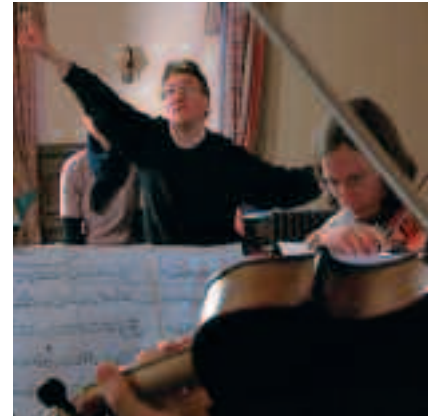
In a year of major political transition, BBC Northern Ireland has provided authoritative coverage of key events and enhanced its service offering with an editor's blog and online studio debates as part of the coverage of the Assembly elections.

BBC Radio Ulster and Radio Foyle have the highest combined reach (38%) of any national radio station in the UK. A further series of scheduling changes was initiated to maintain and develop the station's appeal, including a new weekday afternoon programme, the introduction of specialist music strands and a different mix of cultural programming at weekends. All of this activity was complemented by the launch of a new website with improved navigation and easier access to our Listen Again facility. A fall in the reach and share of BBC Radio Foyle is being addressed.

Locally produced television programmes continued to reflect the dynamism and diversity of community life in Northern Ireland. Programmes profiled local achievements in science and the arts; explored a range of historical and environmental themes; reflected different aspects of linguistic and cultural diversity, and showcased new comedy talent. 40% of local programmes were produced by the independent sector, reflecting BBC Northern Ireland's critical role in supporting the creative industries at local level.

BBC Northern Ireland's network programming included television current affairs, drama and entertainment and a range of programmes for BBC radio. Titles included *Panorama: TV's Dirty Secrets*, *Lilies* and *Rough Diamond*.

BBC Radio Ulster & Foyle had a combined average 15-minute weekly reach<sup>1</sup> to adults aged 15+<sup>2</sup> of 38% or 0.5 million people<sup>3</sup> (41.4% or 0.6 million people in 2005/2006).

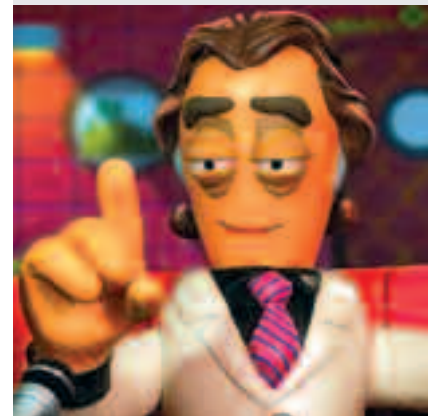


**Above: *Inside Out West***

*Inside Out West's* film about a man with Tourette's syndrome who achieved his goal of seeing his music performed on stage was nominated for a human rights award.

**Below: *Gerry Anderson On The Air***

*On The Air* on BBC One Northern Ireland takes some of the most idiosyncratic phone-ins from Gerry Anderson's radio programme and shows them in animated form.



# 38%

of adults in Northern Ireland listen to their BBC national radio station.



## I in 4

adults listen to Radio Scotland – more than any other radio station in Scotland.



### Above: *Torchwood*

John Barrowman and fellow cast members in *Torchwood*, a BBC Wales production. It has proved to be one of the most successful programmes ever transmitted on a non-terrestrial channel.

### Below: *My Name is Misbah*

Molly Campbell hit the headlines when she was abducted as a schoolgirl. Now living in Pakistan and using her Islamic name, she talked frankly about her life in this BBC Scotland programme.



## BBC Cymru Wales

BBC Wales produced three hit drama series for the BBC's networks this year. Along with another successful series of *Doctor Who*, it launched *Torchwood* on BBC Three. It also delivered the second and final run of *Life On Mars* (made by independent company Kudos) soon to be followed by *Ashes to Ashes*. The new media output that complemented these programmes was innovative and successful. A range of radio drama was also produced for Radio 4 and Radio 3. For the local audience, the drama team produced another series of *Belonging*, which continues to be very popular with the BBC Wales audience.

Factual productions included *The Trees that Made Britain* and another series of *Tribe* for BBC Two. Local factual output for BBC One and BBC Two Wales included *Frontline Iraq* and *An American in Aberfan*. BBC Wales's 25-year partnership with S4C was formalised for the first time this year in a new three-year Strategic Agreement between the BBC Trust and the S4C Authority. BBC Wales fulfilled its statutory obligations to provide 520 hours of licence fee funded programmes to S4C, and its contribution – including the popular drama *Pobol y Cwm* and a daily news service, *Newyddion* – continued to form the bedrock of S4C's schedule.

During the year, BBC Radio Wales delivered a new editorial strategy, involving new presenters and formats, and it has developed a network of 20 community reporters to promote a deeper connection with the different localities of Wales. BBC Radio Cymru has strengthened its programming for younger audiences, with expanded sports and event coverage.

Current affairs and political programming were at the cutting edge of public debate. *Dragon's Eye*, *Taro Naw* and *Week In Week Out* investigated a range of subjects including problems of the Welsh ambulance service, the impact of new rape laws, bed blocking in hospitals and ageism in the workplace.

The average 15-minute weekly reach<sup>1</sup> of BBC Radio Wales to adults aged 15+<sup>2</sup> in 2006/2007 increased to 18.3% or 0.4 million people<sup>3</sup> (17.2% or 0.4 million people in 2005/2006).

The average 15-minute weekly reach<sup>1</sup> of BBC Radio Cymru to adults aged 15+<sup>2</sup> in 2006/2007 was 6.5% or 0.2 million people<sup>3</sup> (6.9% or 0.2 million people in 2005/2006).

## BBC Scotland

BBC Scotland TV reached 43% of the population this year, with news, sport and comedy proving the most popular. After lengthy public consultations, Radio Scotland made changes in both style and content, putting extra emphasis on new comedy, entertainment and drama alongside its existing strengths in news, live sport and live music. With over 1 million listeners each week, Radio Scotland transmits more live music than all commercial stations in Scotland combined. On Radio nan Gàidheal, youth programming was the focus of multi-platform commissioning, and *Rapal*, a radio platform for young and up-and-coming bands, was extended to television and the web.

WAP services were exploited for news, sport and *River City*, and *Reporting Scotland* was offered for the first time via vodcast. However, the soap *JCN16* offered via mobile did not elicit the hoped-for response among the target youth audience. Highland 2007 saw a number of radio shows relocating to the Highlands and coverage of Scotland's Music '07 offered a year-long series of live music events across all broadcast platforms.

Production of programmes for network transmission included another series of *Still Game* and the nation's quiz show *Your Country Needs You* and a pre-school children's soap, *Me Too! Nina and the Neurons*, was not only a huge success on CBeebies but its website and game achieved well over 2.5 million page impressions in its first week.

Devolved politics will continue to offer a challenge to our news provision. We will also be working with the Gaelic Media Service to develop proposals for a Gaelic digital service. This will be subject to a Public Value Test.

The average 15-minute weekly reach<sup>1</sup> of BBC Radio Scotland to adults aged 15+<sup>2</sup> in 2006/2007 has more or less remained stable at 23.1% or one million people<sup>3</sup> (23.7% or one million people in 2005/2006).

<sup>1</sup>Average weekly reach for radio is measured by the number of people aged 15+ who tune to a radio station within at least one quarter-hour period over the course of a week. Radio listeners only need to have listened to the station for at least five minutes within that quarter-hour (RAJAR)

<sup>2</sup>The population aged 15+ rose by 429,000 to 49.8 million between 2005/2005 and 2006/2007

<sup>3</sup>Figures are based on population in the relevant transmission area

# Journalism – Sport

## BBC SPORT

The World Cup was the highlight of a rich sporting year: 48 million people watched the tournament, which was also shown on high definition TV and streamed on broadband, both for the first time. The BBC coverage was by far and away the most popular, with five out of six people choosing to watch the final on BBC One.

bbc.co.uk/sport was the most popular internet sports website during the World Cup with 3.4 million unique users. Our 58% share of the total online audience was three times our nearest rival, the official Fifa site. We had 500,000 users of our streamed audio (Radio Player) every day and served 60,000 concurrent video streams for the bigger afternoon games, making it the most popular video service we have ever offered.

Fans are not the only ones making big numbers in the sporting world these days. Broadcasting rights to major sports are hugely competitive and the BBC constantly has to balance the rights to show events with delivering value for money to licence fee payers. We were very disappointed to lose rights to the FA Cup (from the start of the 2008/2009 season), especially since we believe our coverage has done a lot to revitalise the competition. But we start a new three-year deal with the Premier League in autumn 2007, including *Match of the Day*, *MOTD2*, *Football Focus* and *Final Score*, while Radio Five Live will continue to provide all the action from many of the vital matches. The World Cup in 2010 and 2014 will be on the BBC, as will the 2008 and 2012 Olympics. The Six Nations, Open Golf, Wimbledon and the London Marathon are among our other top sports contracts.

Recognising the need to improve the journalism within our sports coverage we appointed our first sports editor, Mihir Bose. He immediately delivered an early scoop about the spiralling cost of the 2012 Olympics – confirmed by the Government three weeks later. We also launched *Inside Sport*, a sports news show hosted by Gabby Logan on BBC One on Mondays with a repeat on BBC Two the following Sunday.

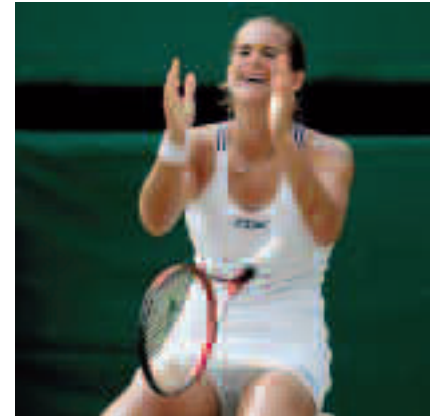
Neither tennis nor athletics did as well this year as in previous years, possibly because there were no high-profile British contenders. Your Game, our partnership project with the FA and the Premier League, aimed at inner-city young people, was appreciated by the participants but did not have the impact we wanted.

This year also saw the final appearance of *Grandstand*. As so much of our sport was already outside the *Grandstand* brand, we felt we could serve our audience better by offering new formats and greater choice. Another favourite, *Sports Personality of the Year*, was given a makeover. After being forced to turn down numerous requests for tickets to the show in the past, we moved this year from Television Centre to the 5,000-seat NEC in Birmingham. It was a great success – both for the thousands of members of the public who, for the first time, could attend in person, and for the millions watching at home.

The average 15-minute weekly reach<sup>1</sup> of BBC Sport on TV to viewers aged 4+<sup>2</sup> in 2006/2007 has increased to 31.8% or 17.8 million people (31.5% or 17.5 million people in 2005/2006).

<sup>1</sup>Average 15-minute weekly reach is defined as the percentage of people who watch television for at least 15 consecutive minutes in an average week

<sup>2</sup>The population aged 4+ rose by 320,000 to 56.1 million between 2005/2006 and 2006/2007

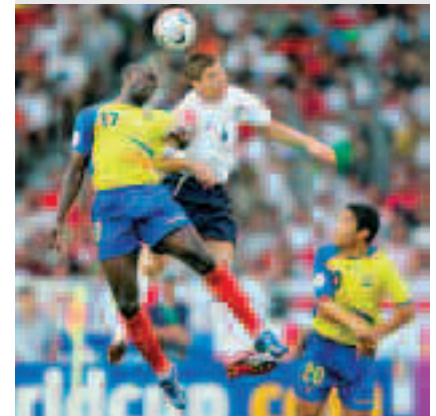


Above: Wimbledon

Amelie Mauresmo's joyous triumph in the Ladies Singles provided a heart-warming end to the tournament and was watched by viewers both live and by those using the red button interactive TV.

Below: World Cup

The BBC's coverage of the World Cup attracted 48 million viewers, some of whom were able to watch the tournament in high definition for the first time.



# 5:1

– the ratio of people who chose to watch live coverage of the World Cup final on BBC One versus the competition.



# Review of services Commercial activities

BBC Worldwide generates profits which are returned to the BBC for investment in new programming and services. This not only supplements licence fee income, but also raises awareness of British creative talent and culture all around the world.

In 2006/2007 the business had a very successful year. Profits of £111million represent a threefold increase over three years and operating profits, before exceptional items, exceeded £100million. Sales were up by 3% to £810million, or 8% excluding disposals.

The final actions relating to governance and scope from the 2004 BBC *Commercial Review* were put in place. Two more non-executive Board directors were appointed: Simon Clift, Global Chief Marketing Officer; Unilever and Thomas Geitner, formerly Chief Technology Officer at Vodafone PLC. The magazine subsidiary Origin Publishing was sold, along with its non-BBC specialist titles.

Over the next five years BBC Worldwide intends to increase revenues from ex-UK activity to two-thirds, and from online businesses to over 10%; the company also plans to expand the new Global TV channels and Content & Production businesses swiftly, and to use strategic partnerships and acquisitions to help achieve all these aims. The USA has been targeted as a key market for expansion, as well as India and Australia. US media heavyweight Garth Ancier was appointed as President, BBC Worldwide America, in February with a brief to deliver significant growth in the US across all businesses. A new portfolio of BBC-branded thematic TV channels has been developed. The first of these to launch, BBC Entertainment in Hong Kong and Singapore in October 2006, has been well received. The Content & Production team has also identified key markets for setting up or acquiring new production offices to help develop more winning TV formats such as *Dancing with the Stars* (*Strictly Come Dancing*) around the world.

BBC Worldwide has set itself a target of doubling profits again over the next five years. Significant investment is required in 2007/2008 to achieve this, therefore lower profits are forecast for 2007/2008, but these will still be double the level of three years ago.

BBC Worldwide's *Annual Review* is available at [www.bbcworldwide.com/annualreview](http://www.bbcworldwide.com/annualreview).

## BBC Resources

BBC Resources has achieved sales of £126million and profit before interest and tax of £5million. This is slightly down overall from 2005/2006 and income in the Studios business fell as some Children's and News programmes moved away from a studio environment. This was mitigated in part by a healthy growth in income from Independents. During 2006 the BBC announced that it would consider proposals for the future ownership of BBC Resources during 2007. The BBC has engaged Ernst & Young to advise on sale options.

# 95

*Planet Earth* has generated sales to 95 countries and territories to date. Internationally, there have been 12 book deals and 27 DVD deals.



Above: *Doctor Who*

David Tennant and Freema Agyeman in *Doctor Who*, which was one of the top brands in terms of revenue for BBC Worldwide in 2006/2007 thanks to TV sales, merchandising and publishing activity.

Below: *Life on Mars*

John Simm and Philip Glennister in *Life on Mars*, which is one of a raft of contemporary dramas from both in-house production and independent companies which have sold well internationally.



Profits from global TV sales were up 19% to £40.2million, driven particularly by contemporary drama such as *Doctor Who* and the landmark natural history series *Planet Earth*. BBC Magazines maintained its sales and profit levels in a weak market, Global TV Channels and Content & Production showed very strong growth with profits up to £20.9million and £9.5million respectively.

BBC Worldwide's joint venture with Woolworths, 2 entertain, had hit DVD titles in *Planet Earth* and *Doctor Who*. During the year, BBC Worldwide sold its majority shareholding in BBC Books to Random House so that it could flourish in a dedicated book publishing environment. In Digital Media the main focus was on developing proposals for two new businesses: the introduction of limited amounts of advertising on [bbc.com](http://bbc.com), the international version of [bbc.co.uk](http://bbc.co.uk), and a commercial media player via which people can pay to stream or download programmes after the BBC's free seven-day period. BBC Worldwide, in conjunction with the BBC, also struck a major deal with YouTube to show BBC Archive clips on its video-sharing website in return for a share of future advertising revenues.

# Engaging with the audience

Interacting directly with our audience is important to us and there are now so many ways for people to come into the BBC. They can vote in our entertainment shows, take part in competitions, be in a studio audience, attend an event, get information or support after some of our programmes, come on our tours, attend our open centres and tell us what they think of our programmes and services. Millions of people had a face-to-face experience with us this year and millions more phoned, texted, wrote, emailed, voted, sent us their photos and videos, or posted on a blog.

## BBC Information

BBC Information is the virtual front door for our audience. In the last year we have handled over 1 million contacts from the public. 70% of these were unsolicited and 30% solicited, ie a call to action was trailed within or after a programme. 91% of all calls were answered in 30 seconds; 87% of emails were responded to within one day and every letter received a reply within ten days.

## Responding to complaints

The BBC has a commitment to ensure that it handles complaints and comments effectively and a new three-stage complaints system was implemented in 2005.

This year we dealt with just under 124,000 complaints, 90% of which were answered within ten working days. The single biggest issue, generating the highest volume of complaints in 2006/2007, was the Israel/Lebanon conflict. Many of the complaints were the result of lobby activity – especially from the US – but the nature of the rest was complex with few single issues. Other notable issues were the choice of Kelvin McKenzie as a presenter on two programmes in light of his comments while the editor of the Sun newspaper about

Hillsborough; Jonathan Ross's comments about Baroness Thatcher in his interview with David Cameron on *Friday Night With Jonathan Ross* on 23 June; changes to the message boards on *Five Live 606* and *9/11 The Conspiracy Files* alleging that the programme was biased in favour of official 9/11 findings – many complaints were the result of a lobby.

## BBC Information: Action Line

The Action Line provides further sources of help on social action issues. The programmes which generated the most calls dealt with NHS care homes, debt, homelessness and bipolar disorder.

## Studio audiences

Many of our shows have a live audience and we recruit the majority of them. Our most popular TV show this year was *Strictly Come Dancing*. We had 218,000 calls on the first day tickets were released and of those 155,000 were made in the first half an hour. On Radio, *Friday Night is Music Night* tickets were the quickest to be snapped up, closely followed by *The News Quiz* and *The Now Show*.

## Studio tours

Television Centre had 50,502 tour visitors last year, of whom 67% were under 18. Our popular guides include actors, continuity announcers, presenters, teachers and a Dame Edna impersonator. We won two awards: Group Travel Awards – Best Company/Venue Offering Guided Tours 2006 and a Tour London Gold Award 2006. Of visitors asked 95% said that they would recommend the tour to a friend.

## News and Sport on Tour

BBC News and Sport on Tour took place at events around the UK. Visitors could have a go at reading the news on television or radio in our special studios. They could also try out some of the technical roles involved in getting programmes on air and check out some of our interactive services. Some of our top national and regional TV and radio presenters were there to give tips and advice.



Above: *Strictly Come Dancing*

Mark Ramprakash and Karen Hardy, winners of *Strictly Come Dancing* in 2006. On the first day they become available, we had 155,000 calls in half an hour from people requesting tickets to see a live recording of the show.

Below: *BBC Tours*

Young visitors enjoy getting their hands on some real live equipment on a tour of Television Centre.



# 8 million

people had a first-hand experience with the BBC this year, attending events, watching the World Cup on big screens, coming to our buildings and seeing our shows.



# Performance Statements of Programme Policy commitments 2006/2007

Statements of Programme Policy (SoPPs) are annual promises to licence fee payers from the BBC.

Structured around the BBC's Public Purposes, they highlight just some of the ways that each service delivers high quality, creative and memorable content from *Planet Earth* and *Jane Eyre* on BBC One to news and live music on Asian Network and Radio 2; from 'pressing red' for choice of sport commentary via BBCi to Radio Foyle's *Across the Line*, one of many programmes across our radio portfolio which showcase unsigned and emerging talents; and much more across more than 350,000 original hours and 27 distinct UK services.

SoPPs are written by BBC management and approved by the BBC Trust, which then tracks how the BBC meets them.

These pages summarise performance against SoPPs 2006/2007. Unless otherwise stated, all commitments are minimum hours or percentages and include originations, repeats and acquisitions. SoPPs for the year ahead can be found at [bbc.co.uk/info/statements2007](http://bbc.co.uk/info/statements2007).



## Television

The BBC's Television services have a statutory regulatory requirement to meet Tier 2 quotas, agreed annually with Ofcom, for independent production, regional programme-making, news and current affairs programmes, levels of original production, and regional programming. For performance against these quotas, see UK programme quotas on page 75.

BBC One	Commitment	Actual
Hours of arts and music	45	82
Hours of current affairs programmes	90	212
... including in peak-time	48.5	49
Hours of new factual programmes	650	937
Hours of religious programming (as part of 112 hours with BBC Two)	80	116
Hours of sports programmes	260	707
Hours of children's programmes (joint commitment with BBC Two)	500	1,941

### Priorities

**Landmark factual and peak-time current affairs** *Panorama* successfully moved to weekday peak slot. *Are We Changing Planet Earth?* and *Planet Earth* both performed strongly. Extended impact of docudrama with *Krakatoa*, *Hannibal* and *9/11: The Twin Towers*.

**Repeats in peak-time** Repeat levels just ahead of target at 8.4% in peak-time.

**Extend reach to younger audience** *Doctor Who* and *Robin Hood* and weekday drama including *Life on Mars* and *Spooks* successfully reached younger viewers, as did entertainment offers like *Strictly Come Dancing*.

**Reputation for national events** We led BBC coverage of the 2006 FIFA World Cup, which reached nearly 50 million through BBC television. The Eurovision Song Contest and Last Night of the Proms both once more performed well.

BBC Two	Commitment	Actual
New hours of factual programmes	500	842
Hours of children's programmes (joint commitment with BBC One)	500	1,941
Hours of arts and music programming	200	324
Hours of news	100	558
Hours of current affairs	240	283
Hours of sport	430	921
Hours of religious programming (as part of 112 hours with BBC One)	20	27

### Priorities

**Maintain reach** Reach in peak stable at 45% due to strong output across all genres including *Top Gear*, *The Apprentice*, *The Path To 9/11*, *Torchwood* and *Coast*.

**Popular factual for younger audiences** Programmes increasing channel share among 25–44 year olds included *The Apprentice*, *Dragons' Den*, and *Tribe*. Cooking formats maintained wide appeal, including *Masterchef Goes Large*. *Top Gear* continued to grow.

**Comedy, including new talent** Mid-week comedy line-up revived, with return of *The Catherine Tate Show* and *Extras*, launch of *That Mitchell and Webb Look*, and transfer of *Lead Balloon* from BBC Four.

**Explore broadband** Reach in peak stable at 45% due to strong output across all genres including *Top Gear*, *The Apprentice*, *The Path To 9/11*, *Match of the Day*, *Torchwood* and *Coast*.



## Performance

### Statements of Programme Policy commitments 2006/2007

BBC Three	Commitment	Actual
Hours of new music and arts	50	53
% of output with interactive support	20%	✓*
Hours of new factual, knowledge-building programmes	50	82
Hours of new current affairs programmes	15	17
% of hours broadcast from news, current affairs, education, music and the arts	c.15%	26%
Eligible budget spent on programmes produced outside the M25	33%	37%

#### Priorities

**Broaden appeal and reach** Reach grew. Comedy included *I'm With Stupid* and *Rob Brydon's Annually Retentive*. Factual output like *Body Image* and *Death Detective* was distinctive. *Torchwood* performed strongly.

**Reputation for new approaches** MOBOs transmitted live for first time. Red button attracted viewers for *T In The Park* and the Reading/Leeds Festivals. All new comedies premiered online. First online-only commission: *The Cowards*.

**New talent initiatives** *The Parky* provided a platform for new animation shorts; year ended with launch of *BBC Three New Film Makers Award*.

BBC Four	Commitment	Actual
Number of new international film titles premiered	20	26
Number of new international documentaries	30	36

#### Priorities

**Broaden appeal of network** *Lead Balloon* was our highest ever rating comedy, while *Charlie Brooker's Screenwipe* drew in a younger audience. Dramas, like *The Quatermass Experiment* and *Fear of Fanny*, performed strongly across the slate.

**Bigger seasons** Seasons, covering diverse themes like *18th Century* and *Anthropology*, drew in viewers. *Science Fiction Britannia* won our highest ever reach (14% of all viewers sampled it).

CBeebies	Commitment	Actual
Investment in new UK programming	75%	77%
Programme hours	4,500	4,691
New UK programming	25%	29%
Hours of children's programming on BBC One and BBC Two (including CBBC)	500	1,941

#### Priorities

**Restructure the schedule** As a result of research, a new approach to 'zoning' was introduced to the schedule in March 2007.

**More new UK titles** A raft of new programmes launched, including *In the Night Garden*, *Tommy Zoom*, *Mama Mirabelle's Home Movies*, *Nina and the Neurons*, *Numberjacks* and *Jackanory Junior*.

**Strengthen our commitment to older viewers** BARB data shows that new programmes like *Underground Ernie*, *Lunar Jim*, *Jackanory Junior* and *Lazy Town* have brought 4–6 year olds back to CBeebies.

\*Indicates commitment met

CBBC	Commitment	Actual
Daily news bulletins	3	4
Hours of news	85	86
Hours of factual and schools programming	1,000	1,308
Hours of drama	650	955
Hours of continuity	150	231
Hours of children's programming on BBC One and BBC Two (including CBBC)	500	1,941

### Priorities

**New programmes** New factual titles include *Level Up*, *Roar* and *Wonderful World of Weird*; dramas include *That Summer Day*, *Young Dracula* and the popular *MI High* (formerly *I Spy*).

**Enhance interactive and online proposition** Development of *Adventure Rock* (formerly *CBBC World*) and games site – including six games genuinely accessible to children with motor function issues – well advanced, with launch planned for this summer.

## Radio

BBC Radio made a voluntary pledge that at least 10% of eligible hours on its national analogue radio networks would be made by independent producers. In 2006/2007 it achieved 13.5% overall.

BBC Radio 1	Commitment	Actual
Hours of news, sport and current affairs	310	330
% of schedule devoted to specialist music or speech-based programmes	40%	41.5%
% of 'new' music in mainstream output	45%	55%
% of music in mainstream output from UK acts	40%	48%
Live events and festivals broadcast	c.25	29
New sessions and <i>Live Lounge</i> performances	250	340
New documentaries	40	45
Hours of original opt-outs from Scotland, Wales and Northern Ireland	c.200	220

### Priorities

**Simplify the structure of the schedule** New schedule – including Colin Murray and 'new music' guides – trailed across daytime Radio 1 output, and television. Early signs suggest some increased slot shares year-on-year.

**Develop interactive content** ~3 million unique users online. Red button technology and video diaries enhance live sessions. Mobile content page impressions regularly top 1 million monthly. Podcasting (via BBC Radio trial) still growing.

**Ensure distinctiveness of programmes** New and UK music key. Crossover with commercial stations under 25% of tracks. Live music from festivals, events like *Radio 1's Big Weekend in Dundee*, and live gigs.

BBC Radio 2	Commitment	Actual
Hours of specialist music programmes	1,100	1,171
Hours of musical theatre and film music	60	79
Hours of arts programming	100	102
% of speech output	c.33%	50%
Hours of religious output	170	186
Hours of news and original current affairs programming, including regular news bulletins	800	868

<sup>1</sup>Pre-release or less than one month since release



# Performance

## Statements of Programme Policy commitments 2006/2007

### Priorities

**Seek a more diverse audience** *Jeremy Vine* increased diversity of his guests and range of subjects they cover. We explored how musicians have responded to disability in *I Don't Need No Doctor*.

**Comedy** *Out To Lunch* launched, showcasing new and aspiring stand-ups. Further series also commissioned, plus three satellite shows to showcase talent emerging from original show.

**Live music** Live sessions in Jonathan Ross, Dermot O'Leary and Ken Bruce shows, among others, and from diverse talent and events including Coldplay, Bruce Springsteen, *The Eurovision Song Contest* and *Proms in the Park*.

BBC Radio 3	Commitment	Actual
% of live or specially recorded music	50%	52%
Live or specially recorded performances	500	587
New musical works	30	43
Documentaries on arts and cultural topics	30	37
% of budget spent outside the M25	40%	44%

### Priorities

**Special broadcasts** Unique broadcasts included *Wagner's Ring in a Day*, a day of English music on St George's Day, Wilfred Owen's war poems, and Delius Festival in Bradford.

**Improved text service on digital platforms** Using text to identify musical pieces, enhanced ring cycle with text translation. Regular podcasts of learning material. Relaunched message boards, and took listeners' requests for *Comic Relief*.

BBC Radio 4	Commitment	Actual
Hours of news and current affairs	2,500	3,521
Hours of original drama and readings	730	746
% of new <i>Afternoon Plays</i> that are first or second commissions	25%	25%
Hours of original comedy	180	230
Hours of original documentaries	200	227
Hours of original religious programming	200	273

### Priorities

**Impact of drama** Series of plays on betrayal, by Alan Bennett, Julian Mitchell, Hugh Whitemore, Robert Bolt and David Hare. Season won very positive press and high message board traffic.

#### Widen appeal through:

- **narrative history** Big themes tackled: *This Sceptred Isle: Empire* took us up to Indian independence; *The Invention of Childhood*, by Michael Morpurgo; *The Making of Modern Medicine*, on the development of western healing since Aristotle.

- **sense of occasion** Multi-genre season *The Memory Experience* attracted significant online interaction; as did the blog for our major series on the environment, *Planet Earth Under Threat*.

- **current events** Weekly series of dramas, *From Fact to Fiction*, written and recorded in response to current events. New weekly strands launched: *Profile* and *Last Word*.

BBC Radio Five Live	Commitment	Actual
Hours of news coverage	6,000 (c.70%)	6,506 (74%)
Hours of documentaries	50	66

## Priorities

**Encourage listening via digital platforms** Around one-third of trails broadcast on Five Live carry a digital message.

**Increase UK news content** Three late night programmes made by BBC Manchester every week. Collaboration with Asian Network includes Ashes series. Also working together on improving internal processes.

**Maximise the BBC's sports rights** Uninterrupted coverage of every match from the football World Cup; quarter of a million digital viewers listened via red button service; Formula One coverage included more reporting from practice and qualifying stages. FI podcast launched.

## BBC Radio Five Live Sports Extra

### Priorities

**England's home test matches** All test matches between England and Sri Lanka, and England and Pakistan broadcast uninterrupted last year.

**Formula One** More coverage of practice and qualifying now offered, subject to other broadcast commitments.

**Promote Five Live Sports Extra** Around one-third of trails broadcast on Five Live carry a digital message.

<b>IXtra</b>	<b>Commitment</b>	<b>Actual</b>
% of new music <sup>1</sup>	70%	71%
% of music from the UK	40%	40%
Live music events	50	70
% of output dedicated to news, documentaries and social action	approx. 10%	10%
% of speech-based output	approx. 20%	27%

### Priorities

**Speech programming** Around a quarter of output is speech, led by TXU with its news and documentaries on issues like gun/knife crime, teenage parenthood, and self-harming.

**Improve awareness of the network** *The IXtra Takeover* launched on Radio 1 to help raise awareness. We are exploring other ways to collaborate. IXtra continues to build its presence through live music events.

**Increase reach** Although digital radio ownership still dominated by 35–54 year old men, latest RAJAR data (Q1 2007) shows audiences up 4%.

<b>BBC 6 Music</b>	<b>Commitment</b>	<b>Actual</b>
Hours of archive concert performances	400	498
% of music that is concert tracks and sessions from the BBC's archive	15%	15%
New sessions	275	434
Hours of documentaries and essays	550	569

### Priorities

**Extend reach** Reach up 23%. After success with Russell Brand, we have added Stephen Merchant, Shaun Keaveny, Nemone, Jo Mace, Imran Ahmed and Asha to enrich our offer.

**Broaden the appeal of the network** Broader music mix since independent research identified areas for growth – also reflected in general programming and in search for new talent. Listening among females up by over 50% year-on-year (RAJAR Q1 2007).

**New British artists** *The Rebel Playlist* focuses on new artists, offering opportunities for further exposure across the schedule. *Club Fandango* opens with bands chosen from shortlist featuring predominantly new UK artists.

<sup>1</sup>Pre-release or less than one month since release



## Performance

### Statements of Programme Policy commitments 2006/2007

BBC 7	Commitment	Actual
Hours of comedy	2,800	3,193
Hours of drama	2,800	3,460
Hours of original new comedy	10	22
Hours of original new drama	20	35
Hours of children's programming	1,400	1,460

#### Priorities

**Attract new audiences** Reach up 12% ~700k. BBC 7 targets the over 30s, but also serves children, and has collaborated with Radio 4, and Asian Network (*Indian Summer*).

**New comedy, drama and children's** Highlights include *Navy Lark* and *Salutes You Sir!*, a homage to forces comedy. *Comedy Club* introduced on Sundays. New dramatisations of *Doctor Who* and *Chronicles of Narnia*. *CBeebies Radio* launched.

**Additional ways to listen and interact** Weekly newsletter has 15,000+ subscribers. Winners of Christmas competition saw own experiences turned into short features. *Big Toe Radio Show* encourages younger listener input.

BBC Asian Network	Commitment	Actual
Proportion speech: music	50:50	52:48
% music from UK artists	40%	50%
Hours of language programmes per day	3–5	3.5

#### Priorities

**Improve editorial ambition through:**

- **new regular documentary strand** Launched in September, covering diverse subjects like Asians in UK armed forces, Asian porn, Asian comedy, honour killings, Asian identity, and controversy surrounding Shilpa Shetty.
- **relationship with BBC News** Improved two-way flow of information and expertise, with more use of Asian Network reporters on other outlets, including Mirza Hussain and Misbah Rana.
- **news** Breakfast and morning shows relaunched. New launches at lunchtime and drivetime, and late night music with Bobby Friction/DJ Kayper. Specialist music shows launched on Saturdays.
- **live music** Live performances nearly trebled, including sessions for Nikki Bedi and Bobby Friction/DJ Kayper, and events like London Mela and Edinburgh Festival. Hosted a night at Electric Proms.

## BBC Future Media

bbc.co.uk	Commitment	Actual
New interactive guides (Parliament and the EU)	2	2
Number of new British shorts streamed on <i>Film Network</i>	300	400
% (by value) of eligible content and services from external suppliers	25%	30%

#### Priorities

**Reach among UK internet users** Restated 56% target achieved in Q1 2007. Growth due to enhanced news, information and educational content, plus new entertainment formats like *Wannabes*.

**Improve quality and impact** Registered users up 75% to 7 million, giving users access to richer service. BBC also has channels on YouTube and expanded its presence in Second Life over the year.

## BBCi

### Priorities

**Increase reach** Reach to our permanent service up nearly one-third to 15 million (33% to 41%), due to service improvements (like better navigation and signposting) and greater cross promotion.

**Improve quality and impact** Won international interactive Emmy award for Best Interactive TV Service. BBCi red button access times slightly slower; signs of improvement now showing due to technical changes.

**Enable access to on-demand services** Video on demand content trialled over cable trial. iPlayer approval received after year end; implementation over BBCi to happen in 2007/2008.

## BBC News

BBC News 24 and BBC Parliament both met their statutory obligation for at least 90% of broadcast hours to be originations, and to spend at least 30% of 'relevant programme'<sup>2</sup> budgets (representing 25% of hours by volume) outside the M25.

BBC News 24	Commitment	Actual
Hourly news service	✓	✓
News summary on the half-hour	✓	✓
Hourly business news from 9am to 7pm on weekdays	✓	✓
More international news than other main continuous news channel(s) in UK	✓	✓ <sup>3</sup>
More local/regional news than other main continuous news channel(s) in UK	✓	✓
Hours of sports news across the year	100	106

### Priorities

**Coverage of major events** *China Day; Iraq Week; World on the Move* assessed global migration. Live days around Afghanistan, Iraq, Israel, Lebanon, Pakistan, plus coverage of the French election campaign.

**User-generated content** UGC now a regular part of the output. Piloted *Your News* which uses viewers' ideas, photographs and video clips.

**Showcase the best BBC journalism** Weekend film and Christmas series from correspondents around the globe like Paul Wood, Alastair Leithead, John Simpson and Jeremy Bowen. The best of *Newsnight* and high-profile *Politics Show* interviews.

BBC Parliament	Commitment	Actual
Weekly hours of coverage of the Westminster Parliament (normal week)	70	70
Weekly hours of Select Committees	10	11
Hours of proceedings of the Scottish Parliament	100	124
Hours of proceedings of the Welsh Assembly	100	105
Hours of programming from Brussels and Strasbourg	100	154

### Priorities

**Interactive text and on-demand video** New service providing on screen text reflecting content in Parliamentary statements and debates. Highlights available on-demand online.

**Delivery on Freeview** Full screen delivery achieved in November.

<sup>2</sup>'Relevant programme' excludes news

<sup>3</sup>Excluding international celebrity news during monitoring period



# Performance

## Statements of Programme Policy commitments 2006/2007

### Nations & Regions

BBC Nations & Regions has no statutory commitments but works with BBC television and radio networks and interactive services to provide content for audiences in England and throughout the UK. In 2006/2007, Radio Scotland, Radio Wales, Radio Cymru and Radio Ulster/Foyle each made a voluntary commitment to commission at least 10% of eligible hours from independent producers. The levels achieved were: Radio Scotland (17%), Radio Wales (10%), Radio Cymru (10%) and Radio Ulster/Foyle (9%<sup>4</sup>). In future years, SoPPs from BBC Nations & Regions will be service based.

BBC English Regions	Commitment	Actual
Hours of local radio output	230,000	247,254
% of repeats	<2.5%	✓*
Speech content of BBC local radio in core hours (6am–6pm)	60%	68%
Speech content of BBC local radio at breakfast peak	100%	100%
Hours of regional TV news	3,500	3,964
Original hours of local and regional television (non-news programming)	250	283

#### Priorities

**Conclude pilot of Local TV** Pilot concluded successfully. Research shows strong public support for the proposal.

**Launch new local radio stations** Proposed stations await approval to launch.

BBC Scotland	Commitment	Actual
Hours of television news and current affairs	460	491
...of which are current affairs and political coverage	100	131
% of network television's children's output from BBC Scotland	18%	13%
Hours of new network drama, factual, arts and entertainment programmes	200	236
Hours of radio news and current affairs	2,200	2,820
Hours of arts coverage on radio (including narrative repeats of daily arts show)	200	209
Hours of original music and arts coverage on radio and television <sup>5</sup>	200	455
Number of subject areas contributed to BBC jam	Service suspended	

#### Priorities

**Reach on BBC One Scotland** Reach across BBC One Scotland's mixed-genre opt-out portfolio ahead of target (40% versus 35%).

**Music on Radio Scotland** We transmitted more live music than all other stations in Scotland combined, increasing our range to introduce new genres like urban music and jazz.

**New comedy on television** Five comedy pilots transmitted across the year. To encourage new talent, we ran a series of writers' workshops linked to the Glasgow Comedy Festival.

**Regional news service** News text service delivered across six regions; other community content included in outreach activities (like Highland 2007 and *SoundTown*).

BBC Cymru Wales	Commitment	Actual
Hours of news and current affairs on BBC Radio Wales	1,500	1,538
Hours on BBC Radio Wales, excluding news and current affairs (excluding opt-outs)	5,300	5,583
Hours of news and current affairs on BBC Radio Cymru	1,000	1,033

<sup>4</sup>Due to process of tendering 15.00–17.00 slot

<sup>5</sup>Excluding weekly specialist music strands on radio

\*Indicates commitment met

Hours on BBC Radio Cymru, excluding news and current affairs (excluding opt-outs)	6,200	6,301
Hours of English language television news and current affairs	460	475
Hours of originated television output in English	780	813
Hours of news on S4C <sup>6</sup>	180	216
Hours of Welsh language television programming for S4C	520	524
Hours of coverage of proceedings at the National Assembly on S4C2	500	565

### Priorities

**Hours of Welsh language television** A new Strategic Partnership agreement will govern our supply of programmes to S4C from 2007/2008.

**English language television** Examples include *The Welsh in London* with Huw Edwards; sitcom *High Hopes*, and a powerful film to mark the 40th anniversary of the Aberfan disaster.

**Share and reach of both radio services** Radio Wales averaged weekly reach of 17.3% and share of 8.9%. Radio Cymru dropped gains from 2005/2006 with both share and reach closer to levels of two years ago.

**Contributions to the UK-wide networks** Included *Torchwood*, *Doctor Who*, and *Tribe* on television; on radio, dramas included *Sunbathing in the Rain* by Gwyneth Lewis and Meic Povey's *Fire of the Dragon*.

BBC Northern Ireland	Commitment	Actual
Originated hours of local radio	8,400	8,756
Hours of news and current affairs on BBC Radio Foyle	380	510
Hours of news and current affairs on BBC Radio Ulster	1,550	1,778
Hours of new comedy on BBC Radio Ulster	20	23
Programmes within Ulster Scots radio series	40	78
Originated hours of local television	640	664
Originated single documentaries	20	31
Originated TV series	40	40
Hours of television news and current affairs	325	381
Hours of factual programming for BBC One Northern Ireland	100	146
Hours of television arts documentaries	3	4
Hours of music performance on television	12	15
Hours of new comedy on television	10	11
Hours of Irish language output on TV	13	21
Hours of schools provision on radio and television	16	16

### Priorities

**New comedy, music, history and factual/current affairs** Successes included *On the Air* and *The Blame Game* (comedy), *ATL @ Vital* (music), *The Lion Game* (history) and *Sorry For Your Trouble* and *Waterworld* (factual).

**Social action/citizenship projects** Men's health and mental well-being campaigns delivered, in addition to RaW, Breathing Places and No Home. Storyfinders project launched.

**Storytelling and creativity** *My Story* extended on Radio Ulster, and *Days Like These* introduced – both encouraged listeners to share memories and reflections. Both projects supported by websites.

**Digital distribution** Radio Ulster website relaunched with more audio and video pieces available to download. *Newsline* accessible online.

<sup>6</sup>Including children's weekday bulletin and weekly summary suitable for Welsh learners

# Performance

## Broadcasting facts and figures

- 1 Average 15-minute weekly reach
- 2 Average audience share
- 3 Subtitling output on BBC Television
- 4 Audio description on BBC Television
- 5 Signing on BBC Television
- 6 BBC Network Television hours of output by genre
- 7 BBC Television hours of output by origin
- 8 BBC Network Television hours of repeats
- 9 BBC Network Radio hours of output by genre
- 10 BBC Radio hours of output by origin
- 11 Average weekly bbc.co.uk page impressions
- 12 Average monthly and weekly reach of Future Media & Technology (millions of users)
- 13 Weekly audio visual (AV) hours consumed from bbc.co.uk
- 14 Cost per hour of BBC-originated programmes by service
- 15 Cost per hour of BBC-originated programmes by genre
- 16 BBC spend outside London
- 17 Creative spend outside the BBC
- 18 TV programming produced by independent producers
- 19 Top ten external producers for BBC Television by spend
- 20 Radio programming produced by independent producers
- 21 Top five external producers for BBC Radio by spend
- 22 Future Media & Technology content produced outside the BBC
- 23 Content cost per user hour for service





**Table 1: Average 15-minute weekly reach: BBC and competitors**

The table shows the percentage of people who watch or listen to television or radio for at least 15 minutes in an average week.

	All homes			All multichannel homes			Analogue terrestrial homes		
	2006/07 56.1m <sup>1</sup> %	2005/06 55.8m <sup>1</sup> %	2004/05 55.4m <sup>1</sup> %	2006/07 45.6m <sup>1</sup> %	2005/06 42.5m <sup>1</sup> %	2004/05 37.5m <sup>1</sup> %	2006/07 10.5m <sup>1</sup> %	2005/06 13.2m <sup>1</sup> %	2004/05 17.9m <sup>1</sup> %
<b>Total BBC Television and Radio reach<sup>2</sup></b>	<b>92.5</b>	92.7	92.9	–	–	–	–	–	–
<b>BBC Television</b>	<b>84.4</b>	85.3	86.6	<b>83.1</b>	83.6	84.5	<b>89.2</b>	89.7	90.2
BBC One	78.4	79.7	81.9	76.3	77.1	78.7	86.1	86.7	87.2
BBC Two	57.0	59.1	61.4	52.5	52.9	53.3	74.2	74.7	75.3
BBC Three	14.0	11.8	9.4	17.6	16.1	14.8	–	–	–
BBC Four	5.6	4.5	3.0	7.1	6.1	4.8	–	–	–
The CBBC Channel	4.4	4.2	3.5	5.6	6.0	5.6	–	–	–
CBeebies	6.6	6.4	5.8	8.2	8.8	9.0	–	–	–
BBC News 24	5.7	5.4	4.2	7.2	7.4	6.7	–	–	–
BBC Parliament	0.2	0.2	0.2	0.2	0.2	0.3	–	–	–
<b>Other channels (total)<sup>3</sup></b>	<b>64.8</b>	58.6	52.0	<b>81.2</b>	81.2	81.4	–	–	–
<b>All ITV</b>	<b>74.7</b>	75.9	77.5	<b>73.8</b>	74.4	75.1	–	–	–
ITV1	70.4	73.0	76.0	68.3	70.5	72.7	77.5	79.6	81.3
ITV2 <sup>7</sup>	17.7	16.9	13.9	22.1	23.0	21.4	–	–	–
ITV3 <sup>7</sup>	10.3	8.6	3.3 <sup>4</sup>	12.9	11.7	5.0 <sup>4</sup>	–	–	–
ITV4	6.5	4.8 <sup>5</sup>	–	8.2	6.3 <sup>5</sup>	–	–	–	–
CITV	2.5	0.1 <sup>6</sup>	–	3.1	0.2 <sup>6</sup>	–	–	–	–
<b>All Channel 4</b>	<b>66.1</b>	65.5	64.6	<b>64.3</b>	62.2	59.7	–	–	–
Channel 4 <sup>10</sup>	60.3	62.3	62.6	57.0	57.9	55.8	71.4	72.6	71.4
E4 <sup>7</sup>	15.5	13.6	8.4	19.4	18.4	13.0	–	–	–
More 4 <sup>7</sup>	8.3	7.0 <sup>8</sup>	–	10.4	9.1 <sup>8</sup>	–	–	–	–
Film4 <sup>7</sup>	9.3 <sup>11</sup>	–	–	11.6 <sup>11</sup>	–	–	–	–	–
<b>All five</b>	<b>42.2</b>	–	–	<b>42.2</b>	–	–	–	–	–
five	41.2	43.4	43.9	40.9	43.0	42.9	40.6	43.1	44.5
five Life	5.0 <sup>2</sup>	–	–	6.1 <sup>2</sup>	–	–	–	–	–
five US	5.1 <sup>2</sup>	–	–	6.3 <sup>2</sup>	–	–	–	–	–
<b>All Sky channels</b>	<b>33.5</b>	31.7	30.7	<b>42.3</b>	45.1	48.4	–	–	–
Sky One	13.3	14.2	14.8	16.6	19.6	22.8	–	–	–
Sky News	3.7	4.1	4.0	4.8	6.0	6.3	–	–	–
Discovery <sup>7</sup>	4.5	5.2	5.1	5.6	7.0	8.0	–	–	–
Nickelodeon <sup>7</sup>	4.1	3.9	4.4	5.1	5.7	7.0	–	–	–
Nick Jr.	3.1	2.9	2.6	3.8	4.1	4.1	–	–	–
Disney <sup>7</sup>	4.1	3.2	3.8	5.2	4.5	6.0	–	–	–
UKTV Gold <sup>7</sup>	10.9	11.2	11.0	13.7	15.8	17.2	–	–	–
UKTV History <sup>7</sup>	5.6	4.4	3.6	7.0	5.9	5.6	–	–	–
UKTV	23.7	22.5	20.4	30.0	31.5	32.0	–	–	–
Living <sup>7</sup>	8.6	8.8	8.7	10.7	12.2	13.5	–	–	–
	49.8m <sup>14</sup> %	49.4m <sup>14</sup> %	48.9m <sup>14</sup> %						
<b>BBC Radio</b>	<b>66.4</b>	66.5	66.6						
BBC Radio 1	21.4	20.6	20.4						
BBC Radio 2	26.5	26.5	27.2						
BBC Radio 3	3.8	4.1	4.2						
BBC Radio 4	18.7	19.2	19.3						
BBC Radio Five Live	12.0	12.0	12.7						
BBC Radio Five Live Sports Extra	1.3	1.0	0.8						
1Xtra	0.8	0.7	0.6						
BBC 6 Music	0.9	0.6	0.5						
BBC 7	1.4	1.2	0.9						
BBC Asian Network	0.9	0.9	1.0						
BBC Local Radio (including Nations)	19.9	20.5	20.8						
BBC World Service <sup>9</sup>	2.7	2.6	2.6						
BBC Local Radio in England <sup>13</sup>	18.8	19.5	19.9						
BBC Scotland <sup>13</sup>	23.1	23.7	22.9						
BBC Wales <sup>13</sup>	18.3	17.2	18.4						
BBC Cymru <sup>13</sup>	6.5	6.9	7.1						
BBC Ulster (& Foyle) <sup>13</sup>	38.0	41.4	36.8						
<b>All commercial radio</b>	<b>62.6</b>	62.2	63.8						
Virgin AM/FM	4.8	5.1	5.1						
Classic FM	11.8	12.1	12.6						
talkSPORT	4.7	4.4	4.6						
All local commercial radio	50.8	50.6	52.5						

Source: Television: BARB TNS/Infosys, age 4+; Radio: RAJAR, age 15+, both average for the year  
<sup>1</sup>People aged 4+ as at March, source: BARB  
<sup>2</sup>Combined share of viewing/listening to BBC Television and Radio reach age 4+. Source: BARB/RAJAR  
<sup>3</sup>Excludes BBC One, BBC Two, ITV1, Channel 4 and five  
<sup>4</sup>ITV3 launched in November 2004  
<sup>5</sup>ITV4 data launched in November 2005  
<sup>6</sup>CITV data launched in March 2006  
<sup>7</sup>Includes the first transmission and +1 hour time-shifted channels  
<sup>8</sup>More 4 data launched in October 2005  
<sup>9</sup>UK only  
<sup>10</sup>Includes S4C  
<sup>11</sup>Film4 launched on Freeview in July 2006  
<sup>12</sup>five Life and five US launched in October 2006  
<sup>13</sup>Figures are for listening within the station target service area eg Scotland  
<sup>14</sup>People aged 15+ as at March: RAJAR/Ipsos-Mori

# Performance

## Broadcasting facts and figures

**Table 2: Average audience share: BBC and competitors**

The table shows the percentage of hours of viewing or listening in an average week.

	All homes			All multichannel homes			Analogue terrestrial homes		
	2006/07 56.1m <sup>1</sup> %	2005/06 55.8m <sup>1</sup> %	2004/05 55.4m <sup>1</sup> %	2006/07 45.6m <sup>1</sup> %	2005/06 42.5m <sup>1</sup> %	2004/05 37.5m <sup>1</sup> %	2006/07 10.5m <sup>1</sup> %	2005/06 13.2m <sup>1</sup> %	2004/05 17.9m <sup>1</sup> %
<b>Total BBC Television and Radio share<sup>2</sup></b>	<b>42.6</b>	42.7	43.1	–	–	–	–	–	–
<b>BBC Television</b>	<b>34.3</b>	34.9	36.2	<b>30.7</b>	29.8	29.7	<b>48.7</b>	48.0	47.9
BBC One	22.7	22.9	24.4	20.1	19.2	19.7	33.3	32.5	32.9
BBC Two	8.6	9.4	9.6	6.9	7.0	6.7	15.4	15.5	15.0
BBC Three	0.8	0.6	0.5	1.0	0.9	0.8	–	–	–
BBC Four	0.3	0.2	0.2	0.4	0.3	0.3	–	–	–
The CBBC Channel	0.4	0.4	0.3	0.5	0.6	0.5	–	–	–
CBeebies	1.0	0.9	0.8	1.2	1.3	1.3	–	–	–
BBC News 24	0.5	0.4	0.4	0.6	0.6	0.6	–	–	–
BBC Parliament	0.0	0.0	0.0	0.0	0.0	0.0	–	–	–
<b>Other channels (total)<sup>3</sup></b>	<b>34.1</b>	30.5	27.3	<b>42.6</b>	42.4	42.5	–	–	–
<b>All ITV</b>	<b>22.7</b>	23.6	23.9	<b>21.7</b>	21.6	20.9	–	–	–
ITV1	19.4	21.1	22.3	17.4	18.2	18.5	27.1	28.7	29.2
ITV2 <sup>7</sup>	1.7	1.5	1.2	2.0	2.0	1.8	–	–	–
ITV3 <sup>7</sup>	1.1	0.9	0.3 <sup>4</sup>	1.4	1.2	0.5 <sup>4</sup>	–	–	–
ITV4	0.4	0.3 <sup>5</sup>	–	0.5	0.4 <sup>5</sup>	–	–	–	–
CITV	0.2	1.6 <sup>6</sup>	–	0.3	2.0 <sup>6</sup>	–	–	–	–
<b>All Channel 4</b>	<b>12.2</b>	11.4	10.6	<b>11.4</b>	10.2	8.8	–	–	–
Channel 4 <sup>10</sup>	9.6	9.8	9.8	8.2	8.1	7.6	15.1	14.2	13.8
E4 <sup>7</sup>	1.5	1.4	0.8	1.9	1.8	1.0	–	–	–
More 4 <sup>7</sup>	0.5	0.4 <sup>8</sup>	–	0.7	0.6 <sup>8</sup>	–	–	–	–
Film4 <sup>7</sup>	0.8 <sup>11</sup>	–	–	1.0 <sup>11</sup>	–	–	–	–	–
<b>All five</b>	<b>5.9</b>	–	–	<b>5.2</b>	–	–	–	–	–
five	5.6	6.3	6.5	4.8	5.2	5.2	8.4	8.8	8.8
five Life	0.3 <sup>12</sup>	–	–	0.4 <sup>12</sup>	–	–	–	–	–
five US	0.4 <sup>12</sup>	–	–	0.5 <sup>12</sup>	–	–	–	–	–
<b>All Sky channels</b>	<b>6.8</b>	6.3	6.5	<b>8.5</b>	9.2	10.2	–	–	–
Sky One	1.3	1.4	1.5	1.6	1.9	2.2	–	–	–
Sky News	0.4	0.4	0.4	0.5	0.6	0.6	–	–	–
Discovery <sup>7</sup>	0.4	0.5	0.4	0.5	0.7	0.7	–	–	–
Nickelodeon <sup>7</sup>	0.4	0.4	0.4	0.5	0.5	0.6	–	–	–
Nick Jr.	0.4	0.4	0.3	0.4	0.5	0.5	–	–	–
Disney <sup>7</sup>	0.5	0.3	0.3	0.6	0.5	0.5	–	–	–
UKTV Gold <sup>7</sup>	1.1	1.1	1.2	1.4	1.6	1.8	–	–	–
UKTV History <sup>7</sup>	0.5	0.4	0.3	0.6	0.5	0.4	–	–	–
UKTV	3.1	2.9	2.6	3.8	4.0	4.0	–	–	–
Living <sup>7</sup>	0.4	0.9	0.8	1.1	1.2	1.3	–	–	–
<b>BBC Radio</b>	<b>54.9</b>	54.9	54						
BBC Radio 1	10.1	9.3	8.5						
BBC Radio 2	15.8	15.9	16.3						
BBC Radio 3	1.2	1.2	1.2						
BBC Radio 4	11.4	11.7	11.3						
BBC Radio Five Live	4.3	4.4	4.6						
BBC Radio Five Live Sports Extra	0.2	0.1	0.1						
1Xtra	0.2	0.2	0.1						
BBC 6 Music	0.2	0.2	0.1						
BBC 7	0.4	0.3	0.2						
BBC Asian Network	0.3	0.3	0.3						
BBC Local Radio (including Nations)	10.2	10.9	10.9						
BBC World Service <sup>9</sup>	0.7	0.6	0.6						
BBC Local Radio in England <sup>13</sup>	9.8	10.4	10.6						
BBC Scotland <sup>13</sup>	8.4	9.1	8.3						
BBC Wales <sup>13</sup>	9.6	9.1	9.5						
BBC Cymru <sup>13</sup>	4.2	4.6	4.3						
BBC Ulster (& Foyle) <sup>13</sup>	24.9	26.3	22.5						
<b>All commercial radio</b>	<b>43.1</b>	43.1	44.1						
Virgin AM/FM	1.5	1.6	1.5						
Classic FM	4.2	4.2	4.2						
talkSPORT	1.9	1.8	1.7						
All local commercial radio	32.3	32.8	34.3						

Source: Television: BARB TNS/Infosys, age 4+;

Radio: RAJAR, age 15+, both average for the year

<sup>1</sup>People aged 4+ as at March, source: BARB

<sup>2</sup>Combined share of viewing/listening to BBC Television and Radio reach age 4+. Source: BARB/RAJAR

<sup>3</sup>Excludes BBC One, BBC Two, ITV1, Channel 4 and five

<sup>4</sup>ITV3 launched in November 2004

<sup>5</sup>ITV4 data launched in November 2005

<sup>6</sup>CITV data launched in March 2006

<sup>7</sup>Includes the first transmission and +1 hour time-shifted channels

<sup>8</sup>More 4 data launched in October 2005

<sup>9</sup>UK only

<sup>10</sup>Includes S4C

<sup>11</sup>Film4 launched on Freeview in July 2006

<sup>12</sup>five Life and five US launched in October 2006

<sup>13</sup>Figures are for listening within the station target service area eg Scotland

**Table 3: Subtitling output on BBC Television**

The table shows the number of hours of programmes which have subtitles. It includes the actual percentage of hours and the target percentage of hours.

	Subtitled hours		Actual for year		Target for year	
	2006/07	2005/06	2006/07 %	2005/06 %	2006/07 %	2005/06 %
BBC One	<b>13,916</b>	13,144	<b>96.8</b>	91.6	<b>95.0</b>	90.0
BBC Two	<b>9,719</b>	9,516	<b>95.5</b>	91.7	<b>95.0</b>	90.0
BBC Three	<b>2,783</b>	2,542	<b>86.2</b>	78.3	<b>80.0</b>	70.0
BBC Four	<b>2,771</b>	2,534	<b>84.1</b>	77.0	<b>80.0</b>	70.0
The CBBC Channel	<b>3,917</b>	3,286	<b>90.3</b>	75.7	<b>80.0</b>	70.0
CBeebies	<b>4,089</b>	3,866	<b>87.4</b>	82.3	<b>80.0</b>	70.0
BBC News 24	<b>7,059</b>	6,149	<b>80.8</b>	70.4	<b>80.0</b>	70.0

Note: A target has been set for 100% of programming output to be subtitled by 2008/2009

Note: BBC Parliament is not subject to Ofcom subtitling targets on the basis of audience size

**Table 4: Audio description on BBC Television**

The table shows the number of hours of programmes which have been audio described. It includes the actual percentage of hours and the target percentage of hours.

	Audio described hours		Actual for year		Target for year	
	2006/07	2005/06	2006/07 %	2005/06 %	2006/07 %	2005/06 %
BBC One	<b>976</b>	719	<b>11.2</b>	8.2	<b>8.0</b>	6.9
BBC Two	<b>800</b>	628	<b>9.5</b>	7.4	<b>8.0</b>	6.9
BBC Three	<b>790</b>	615	<b>24.5</b>	18.9	<b>8.0</b>	6.9
BBC Four	<b>487</b>	332	<b>14.8</b>	10.1	<b>8.0</b>	6.9
The CBBC Channel	<b>632</b>	552	<b>14.6</b>	12.7	<b>8.0</b>	6.9
CBeebies	<b>560</b>	431	<b>12.0</b>	9.2	<b>8.0</b>	6.9

Note: Targets have been set for 10% of programming output to be audio described by 2008/2009

Note: BBC News 24 is not subject to audio description targets due to the narrative nature of the output

Note: BBC Parliament is not subject to Ofcom audio description targets on the basis of audience size

**Table 5: Signing on BBC Television**

The table shows the number of hours of programmes which have been signed. It includes the actual percentage of hours and the target percentage of hours.

	Sign interpreted hours		Actual for year		Target for year	
	2006/07	2005/06	2006/07 %	2005/06 %	2006/07 %	2005/06 %
BBC One	<b>369</b>	308	<b>4.2</b>	3.5	<b>4.0</b>	3.4
BBC Two	<b>410</b>	312	<b>4.9</b>	3.7	<b>4.0</b>	3.4
BBC Three	<b>139</b>	117	<b>4.3</b>	3.6	<b>4.0</b>	3.4
BBC Four	<b>139</b>	129	<b>4.2</b>	3.9	<b>4.0</b>	3.4
The CBBC Channel	<b>206</b>	172	<b>4.7</b>	4.0	<b>4.0</b>	3.4
CBeebies	<b>208</b>	176	<b>4.5</b>	3.8	<b>4.0</b>	3.4
BBC News 24	<b>361</b>	336	<b>4.1</b>	3.8	<b>4.0</b>	3.4

Note: Targets have been set for 5% of programming output to be signed by 2008/2009

Note: BBC Parliament is not subject to Ofcom signing targets on the basis of audience size



# Performance

## Broadcasting facts and figures

**Table 6: BBC Network Television hours of output by genre**

The table shows the number of hours of each genre broadcast on each channel. It includes originations, acquired programmes and repeats. For BBC One and BBC Two the table also shows the number of hours of each genre broadcast in peak hours.

	BBC One		BBC One (in peak hours)		BBC Two		BBC Two (in peak hours)		BBC Three		BBC Four	
	2006/07	2005/06*	2006/07	2005/06	2006/07	2005/06*	2006/07	2005/06	2006/07	2005/06*	2006/07	2005/06*
Factual	1,931	1,810	290	323	1,577	1,638	763	751	1,300	1,407	958	1,044
Education (formal) <sup>1</sup>	5	3	–	–	1,374	1,578	2	7	–	–	10	2
News and weather	2,463	2,508	279	290	558	673	–	1	32	114	6	7
Current affairs	212	192	49	43	283	271	75	69	114	69	212	241
Entertainment	435	427	263	252	662	595	333	269	966	864	321	227
Sport	707	670	86	54	921	1,027	166	233	24	36	–	–
Children's	479	673	–	–	1,462	1,165	–	–	–	–	–	–
Drama	1,088	1,038	431	409	226	174	61	69	390	285	358	305
Film	662	657	36	49	701	733	55	36	227	200	202	194
Music and arts	82	111	9	30	324	340	123	133	75	162	1,132	1,185
Religion	116	97	17	7	27	45	20	29	2	1	36	17
Continuity	245	259	39	49	295	336	45	46	108	119	75	82
<b>Total network hours (excluding opt-outs)</b>	<b>8,425</b>	<b>8,445</b>	<b>1,499</b>	<b>1,506</b>	<b>8,410</b>	<b>8,575</b>	<b>1,643</b>	<b>1,643</b>	<b>3,238</b>	<b>3,257</b>	<b>3,310</b>	<b>3,304</b>

Included in total network hours are acquired programmes of	1,300	1,476	80	55	1,522	1,597	99	74	271	287	416	522
Included in total network hours are parliamentary programmes of	9	64	1	2	118	131	–	–	–	–	–	–

	The CBBC Channel		CBeebies		BBC News 24		BBC Parliament	
	2006/07	2005/06*	2006/07	2005/06*	2006/07	2005/06	2006/07	2005/06
Education (formal) <sup>1</sup>	563	614	200	140	–	–	–	–
News and weather	–	–	–	–	8,468	8,468	8,760	8,760
Children's	3,560	3,427	4,042	4,055	–	–	–	–
Film	3	–	–	–	–	–	–	–
Continuity	231	313	449	516	292	292	–	–
<b>Total network hours</b>	<b>4,357</b>	<b>4,354</b>	<b>4,691</b>	<b>4,711</b>	<b>8,760</b>	<b>8,760</b>	<b>8,760</b>	<b>8,760</b>
Included in total network hours are acquired programmes of	878	646	688	866	285	178	127	135
Included in total network hours are parliamentary programmes of	–	–	–	–	82	70	8,760	8,760

<sup>1</sup>Education (formal) includes Education for children, Open University and BBC Learning Zone

\*The comparative hours from 2005/2006 have been restated due to the application of the new Ofcom genres for 2006/2007

**Table 7: BBC Television hours of output by origin**

The table shows where programmes were made and broadcast.

	Hours of programmes made in:											
	London		England (excluding London)		Northern Ireland		Scotland		Wales		Total	
	2006/07	2005/06*	2006/07	2005/06*	2006/07	2005/06*	2006/07	2005/06*	2006/07	2005/06*	2006/07	2005/06*
<b>First Transmission: Originated programmes Network BBC One and BBC Two</b>												
Factual and learning	934	1,040	724	629	1	3	40	63	29	34	1,728	1,769
Education (formal) <sup>1</sup>	51	38	4	15	–	1	2	1	–	1	57	56
News and weather	3,019	3,176	–	–	–	–	–	–	–	–	3,019	3,176
Current affairs	344	366	61	39	4	5	2	3	–	–	411	413
Entertainment	498	483	102	84	2	8	8	8	–	1	610	584
Sport	952	1,031	467	406	–	–	–	–	–	–	1,419	1,437
Children's	410	279	20	8	–	–	10	48	12	–	452	335
Drama	293	310	190	162	24	–	8	21	26	24	541	517
Film	4	2	2	–	–	–	–	–	–	–	6	2
Music and arts	186	200	11	15	–	–	39	22	9	13	245	250
Religion	14	20	94	94	–	1	7	3	–	1	115	119
<b>Subtotal</b>	<b>6,705</b>	<b>6,945</b>	<b>1,675</b>	<b>1,452</b>	<b>31</b>	<b>18</b>	<b>116</b>	<b>169</b>	<b>76</b>	<b>74</b>	<b>8,603</b>	<b>8,658</b>
<b>First Transmission: Originated programmes Digital channels</b>												
Factual and learning	200	227	76	84	1	–	15	22	4	11	296	344
Education (formal) <sup>1</sup>	4	–	3	–	–	–	–	–	–	–	7	–
News and weather	10,524	11,191	–	–	4	–	131	162	109	159	10,768	11,512
Current affairs	135	147	6	5	2	2	–	–	–	–	143	154
Entertainment	151	103	14	12	–	–	4	–	–	6	169	121
Sport	24	5	–	31	–	–	–	–	–	–	24	36
Children's	333	575	22	64	–	–	61	34	2	5	418	678
Drama	11	12	10	7	–	–	1	–	12	12	34	31
Film	3	1	–	–	–	–	–	–	–	–	3	1
Music and arts	182	188	14	27	3	–	35	46	30	23	264	284
Religion	4	–	3	1	–	–	–	–	–	1	7	2
<b>Subtotal</b>	<b>11,571</b>	<b>12,449</b>	<b>148</b>	<b>231</b>	<b>10</b>	<b>2</b>	<b>247</b>	<b>264</b>	<b>157</b>	<b>217</b>	<b>12,133</b>	<b>13,163</b>
<b>First Transmission: Originated programmes Nations and Regions</b>												
Factual and learning	1	1	11	14	109	103	99	85	91	89	311	292
Education (formal) <sup>1</sup>	–	–	–	–	9	2	4	12	4	7	17	21
News and weather	300	303	3,664	3,640	342	350	433	452	434	470	5,173	5,215
Current affairs	9	9	94	90	39	36	58	64	41	39	241	238
Entertainment	–	–	1	–	48	50	19	23	8	15	76	88
Sport	–	–	28	29	113	93	163	141	202	190	506	453
Children's	–	–	–	–	–	–	14	19	–	–	14	19
Drama	–	–	–	–	–	–	53	53	4	7	57	60
Film	–	–	–	–	–	–	–	–	–	–	–	–
Music and arts	–	1	–	6	4	1	25	42	29	24	58	74
Religion	–	–	–	–	–	–	–	–	–	–	–	–
<b>Subtotal</b>	<b>310</b>	<b>314</b>	<b>3,798</b>	<b>3,779</b>	<b>664</b>	<b>635</b>	<b>868</b>	<b>891</b>	<b>813</b>	<b>841</b>	<b>6,453</b>	<b>6,460</b>
Acquired programmes	987	1,148	–	11	4	–	–	–	1	4	992	1,163
<b>Total first transmissions*</b>	<b>19,573</b>	<b>20,856</b>	<b>5,621</b>	<b>5,473</b>	<b>709</b>	<b>655</b>	<b>1,231</b>	<b>1,324</b>	<b>1,047</b>	<b>1,136</b>	<b>28,181</b>	<b>29,444</b>
<b>Repeats</b>												
Network	23,140	21,204	2,284	2,974	22	24	600	737	486	333	26,532	25,272
Nations and Regions	–	–	7	2	197	221	227	237	291	281	722	741
Continuity	1,697	1,921	30	32	122	170	215	182	152	163	2,216	2,468
Open University	–	–	–	–	–	–	–	–	–	–	–	–
BBC Learning Zone	–	–	–	–	–	–	–	–	–	–	–	–
<b>Total hours of broadcasting</b>	<b>44,410</b>	<b>43,981</b>	<b>7,942</b>	<b>8,481</b>	<b>1,050</b>	<b>1,070</b>	<b>2,273</b>	<b>2,480</b>	<b>1,976</b>	<b>1,913</b>	<b>57,651</b>	<b>57,925</b>
*Of which independents												
Network	2,282	1,880	395	401	30	18	82	98	55	54	2,844	2,451
Nations and Regions	13	13	63	60	126	97	180	164	136	129	518	463
*Of which parliamentary programming												
	3,349	3,751	120	111	29	28	221	251	187	255	3,906	4,396

<sup>1</sup>Education (formal) includes Education for children, Open University and BBC Learning Zone

\*The comparative hours from 2005/2006 have been restated due to the application of the new Ofcom genres for 2006/2007

# Performance

## Broadcasting facts and figures

**Table 8: BBC Network Television hours of repeats**

The table shows the number of hours of repeats shown on BBC One and BBC Two.

	BBC One		BBC Two	
	2006/07	2005/06	2006/07	2005/06
Hours of network programmes in peak time (6pm–10.30pm)	<b>1,643</b>	1,643	<b>1,643</b>	1,643
Repeats in peak time (6pm–10.30pm)	<b>138</b>	146	<b>495</b>	450
Of which narrative repeats	<b>2</b>	4	<b>114</b>	47
Of which digital transfers	<b>1</b>	12	<b>37</b>	70
<b>% repeats in peak time</b>	<b>8.4%</b>	8.9%	<b>30.1%</b>	27.4%
Total hours of network programmes	<b>8,425</b>	8,445	<b>8,410</b>	8,575
Repeats	<b>2,774</b>	2,602	<b>4,450</b>	4,567
Of which narrative repeats	<b>404</b>	337	<b>265</b>	187
Of which digital transfers	<b>112</b>	176	<b>539</b>	453
<b>% repeats in all hours</b>	<b>32.9%</b>	30.8%	<b>52.9%</b>	53.3%

Repeats include transfers from BBC's digital channels (but not digital premieres).

BBC One has a commitment to keep repeats below 8.5% of peak-time hours. In 2006/2007, repeats were 8.4% of peak-time hours (2005/2006 8.9%).

**Table 9: BBC Network Radio hours of output by genre**

The table shows the number of hours of each genre broadcast on each radio station.

	BBC Radio 1*		BBC Radio 2		BBC Radio 3		BBC Radio 4		BBC Radio Five Live	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Music	<b>8,309</b>	8,219	<b>7,337</b>	7,328	<b>8,152</b>	8,073	–	–	–	–
News and weather	<b>295</b>	304	<b>364</b>	476	<b>75</b>	75	<b>2,374</b>	2,374	<b>6,506</b>	6,549
Sport	<b>35</b>	35	–	–	–	–	<b>793</b>	655	<b>2,037</b>	2,009
Factual	<b>171</b>	89	<b>13</b>	21	–	–	<b>1,391</b>	1,305	–	–
Current affairs	–	–	<b>504</b>	353	–	–	<b>1,147</b>	1,194	<b>66</b>	56
Drama	–	–	<b>1</b>	12	<b>84</b>	89	<b>1,076</b>	1,081	–	–
Arts	<b>77</b>	115	<b>102</b>	112	<b>316</b>	309	<b>414</b>	430	–	–
Entertainment	<b>32</b>	73	<b>54</b>	69	–	–	<b>494</b>	509	–	–
Religion	–	–	<b>186</b>	192	<b>60</b>	59	<b>273</b>	298	–	–
Schools	–	–	–	–	–	–	<b>169</b>	209	–	–
Children's	–	–	–	–	<b>17</b>	99	<b>26</b>	26	–	–
Presentation	<b>61</b>	148	<b>199</b>	197	<b>56</b>	56	<b>21</b>	54	<b>151</b>	146
<b>Total hours</b>	<b>8,980</b>	8,983	<b>8,760</b>	8,760	<b>8,760</b>	8,760	<b>8,178</b>	8,135	<b>8,760</b>	8,760

	BBC Five Live Sports Extra		1Xtra		BBC 6 Music		BBC 7		BBC Asian Network		Total network radio	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Music	–	–	<b>7,733</b>	7,718	<b>8,238</b>	8,238	–	–	<b>1,663</b>	2,844	<b>41,432</b>	42,420
News and weather	–	–	<b>303</b>	306	<b>325</b>	325	–	–	<b>2,400</b>	1,240	<b>12,642</b>	11,649
Sport	<b>1,433</b>	1,209	<b>80</b>	80	–	–	–	–	<b>353</b>	390	<b>4,731</b>	4,378
Factual	–	–	–	–	–	–	–	–	–	6	<b>1,575</b>	1,421
Current affairs	–	–	<b>520</b>	510	–	–	–	–	<b>1,233</b>	1,690	<b>3,470</b>	3,803
Drama	–	–	–	–	–	–	<b>3,460</b>	3,495	<b>98</b>	120	<b>4,719</b>	4,797
Arts	–	–	–	–	–	–	–	–	<b>755</b>	–	<b>1,664</b>	966
Entertainment	–	–	<b>4</b>	–	–	–	<b>3,215</b>	3,158	<b>156</b>	–	<b>3,955</b>	3,809
Religion	–	–	–	–	–	–	–	–	<b>565</b>	572	<b>1,084</b>	1,121
Schools	–	–	–	–	–	–	–	–	–	–	<b>169</b>	209
Children's	–	–	–	–	–	–	<b>1,460</b>	1,457	–	–	<b>1,503</b>	1,582
Presentation	–	–	<b>120</b>	146	<b>197</b>	197	<b>625</b>	650	<b>126</b>	234	<b>1,556</b>	1,828
<b>Total hours</b>	<b>1,433</b>	1,209	<b>8,760</b>	8,760	<b>8,760</b>	8,760	<b>8,760</b>	8,760	<b>7,349</b>	7,096	<b>78,500</b>	77,983

\*BBC Radio 1 operates nations' opt-outs



**Table 10: BBC Radio hours of output by origin**

The table shows where in the UK programmes were made and broadcast.

	Programmes produced in:											
	London		England (excluding London)		Northern Ireland		Scotland		Wales		Total	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
BBC Radio 1	8,754	8,763	4	2	71	72	78	73	73	73	8,980	8,983
BBC Radio 2	5,480	5,529	3,200	3,150	7	13	69	64	4	4	8,760	8,760
BBC Radio 3	6,606	6,496	987	1,064	68	78	315	361	784	761	8,760	8,760
BBC Radio 4	6,366	6,339	1,540	1,553	43	41	163	133	66	69	8,178	8,135
BBC Radio Five Live	8,309	8,505	447	252	–	3	4	–	–	–	8,760	8,760
BBC Five Live Sports Extra	1,433	1,209	–	–	–	–	–	–	–	–	1,433	1,209
1Xtra	8,758	8,758	2	2	–	–	–	–	–	–	8,760	8,760
BBC 6 Music	8,188	8,500	482	260	–	–	90	–	–	–	8,760	8,760
BBC 7	8,738	8,737	7	10	9	13	6	–	–	–	8,760	8,760
BBC Asian Network	869	780	6,480	6,316	–	–	–	–	–	–	7,349	7,096
Total network radio hours	63,501	63,616	13,149	12,609	198	220	725	631	927	907	78,500	77,983
Nations and regions hours total split as below:	8,760	8,760	238,494	227,619	8,756	8,809	13,164	11,961	15,546	15,375	284,720	272,524
English Local Radio	8,760	8,760	238,494	227,619	–	–	–	–	–	–	247,254	236,379
Radio Scotland	–	–	–	–	–	–	9,990	9,115	–	–	9,990	9,115
Radio nan Gàidheal	–	–	–	–	–	–	3,174	2,846	–	–	3,174	2,846
Radio Wales	–	–	–	–	–	–	–	–	7,390	7,256	7,390	7,256
Radio Cymru	–	–	–	–	–	–	–	–	8,156	8,119	8,156	8,119
Radio Ulster & Foyle	–	–	–	–	8,756	8,809	–	–	–	–	8,756	8,809
<b>Total radio hours</b>	<b>72,261</b>	<b>72,376</b>	<b>251,643</b>	<b>240,228</b>	<b>8,954</b>	<b>9,029</b>	<b>13,889</b>	<b>12,592</b>	<b>16,473</b>	<b>16,282</b>	<b>363,220</b>	<b>350,507</b>

**Table 11: Average weekly bbc.co.uk page impressions**

The table shows page impressions viewed in an average week and includes pages accessed from the UK and abroad.

	2006/07 millions	2005/06 millions	2004/05 millions
<b>UK and international page impressions<sup>1</sup></b>			
News and sport	334.9	268.1	187.0
Education <sup>2</sup>	25.5	27.5	15.5
Other bbc.co.uk	380.4	343.2	228.1
<b>Total bbc.co.uk</b>	<b>740.8</b>	<b>638.8</b>	<b>430.6</b>
BBC World Service, accessed via bbc.co.uk sites	33.1	29.0	19.2
BBC World Service, accessed via key partners <sup>3</sup>	4.7	3.1	1.2
<b>Total BBC World Service</b>	<b>37.8</b>	<b>32.1</b>	<b>20.4</b>

Source: Sage Metrics (BBC server logs), BBC World Service

<sup>1</sup>Includes page impressions from international-facing site (average weekly figure for 2004/2005 was 55.4 million), funded by Grant-in-Aid, also includes page impressions for the Global News Division home pages from December 2005 (weekly average was 35.2 million)

<sup>2</sup>Education comprises all schools and lifeskills sites (excluding BBC jam)

<sup>3</sup>Key partner websites host BBC World Service text and audio

# Performance

## Broadcasting facts and figures

**Table 12: Average monthly and weekly reach of Future Media & Technology (millions of users)**

	2006/07	2005/06	2004/05
	millions	millions	(Jun to Mar) millions
<b>Unique users (server log based)<sup>1</sup> Weekly</b>			
bbc.co.uk unique users (UK only)	14.8	12.3	8.7
bbc.co.uk unique users (UK + international)	28.3	24.3	17.3
<b>Claimed usage (survey based) Monthly</b>			
bbc.co.uk <sup>2,3</sup>	14.3	13.7	10.6
BBCi (interactive television – 24/7)	14.0	10.7	n/a <sup>6</sup>
Crossplatform (Dsat, DTT, Dcable) <sup>4</sup>	1.4	0.9 <sup>9</sup>	n/a <sup>10</sup>
BBC WAP (mobile site) <sup>8</sup>			
<b>Average monthly reach</b>			
BBCi (interactive television – enhanced TV programmes) <sup>7</sup>	3.2	3.2	3.5

<sup>1</sup>Source: BBC server logs, based on cookie data

<sup>2</sup>Source for 2006/2007: TNS New Media Tracker, Monthly Omnibus Survey, UK adults age 16+

<sup>3</sup>Source for 2004/2005 and 2005/2006: BMRB Access, Monthly Omnibus Survey, GB adults age 15+

<sup>4</sup>Digital satellite performance only of BBCi 24/7 'always on' digital text services available on Digital Satellite, Digital Terrestrial and Digital Cable. Source: TNS New Media Tracker UK adults age 16+

<sup>5</sup>Crossplatform (Digital Satellite, Freeview and Digital Cable) measure only available from October 2005

<sup>6</sup>Comparable data not available. New methodology from October 2005

<sup>7</sup>Digital satellite performance only of BBCi interactive TV programmes (eg Olympics, Little Britain). The number and size of services available each month fluctuates and therefore so does the number of viewers interacting. Source: BARB, viewers aged 4+ in digital satellite homes

<sup>8</sup>Source for 2006/2007 and 2005/2006: TNS Media Tracker, Monthly Omnibus Survey (WAP questions asked quarterly), UK adults age 16+

<sup>9</sup>For 2005/2006 data only includes three quarters: September 2005, December 2005, and March 2006

<sup>10</sup>Comparable data not available. New methodology from September 2005

**Table 13: Weekly audio visual (AV) hours consumed from bbc.co.uk**

The table shows the number of hours of streaming and downloads of BBC programming per week.

	2006/07	2005/06	2004/05
	millions	millions	millions
<b>UK and international AV consumption</b>			
hours in million			
Radio – live streams	2.9	2.3	1.4
Audio on-demand streams	1.5	1.3	0.9
Other broadband and narrowband video and audio streams	1.2	1.0	0.6
<b>Total AV from bbc.co.uk</b>	<b>5.6</b>	<b>4.6</b>	<b>2.9</b>

Source: Sage Metrics (BBC server logs)

**Table 14: Cost per hour of BBC-originated programmes by service**

The table shows the cost per hour of programmes made by the BBC for each service.

	2006/07	2005/06
	£'000	£'000
<b>Television channels</b>		
BBC One	97.4	92.0
BBC Two	84.1	85.7
BBC Three	178.7	146.4
BBC Four	77.8	73.6
The CBBC Channel	85.0	75.3
CBeebies	75.2	59.1
BBC News 24	5.4	5.0
BBC Parliament	0.7	0.5
BBCi	0.0	0.0
<b>Radio stations</b>		
BBC Radio 1	3.1	3.3
BBC Radio 2	4.1	4.0
BBC Radio 3	4.2	4.1
BBC Radio 4	10.5	11.5
BBC Radio Five Live	6.9	6.6
BBC Five Live Sports Extra	1.7	1.3
1Xtra	0.7	0.7
BBC 6 Music	0.6	0.5
BBC 7	2.8	3.7
BBC Asian Network	1.2	1.1
English Local Radio	0.4	0.4
Radio Scotland	2.8	2.6
Radio nan Gàidheal	0.9	1.1
Radio Wales	1.5	1.5
Radio Cymru	1.2	1.2
Radio Ulster & Foyle	1.4	1.4
<b>Online</b>		
bbc.co.uk	0.2	0.2
BBC jam	5.1	1.8

### New Media metrics applied:

- bbc.co.uk a weekly reach metric from Sage Metrics
- Reach to BBCi 24/7 is survey based whilst BBCi eTV is measured by BARB

Note: The comparatives for BBC One and BBC Two have been restated based on the new service licence reporting. Last year there was a figure for Nations & Regions Television which has been split out and included within BBC One and BBC Two for service licence reporting purposes.

Nations & Regions Local Radio has been split out between the regional radio stations.

**Table 15: Cost per hour of BBC-originated programmes by genre**

The table shows the cost per hour of programmes made by the BBC for each genre.

	2006/07 £'000	2005/06 £'000
<b>Analogue television programmes</b>		
Factual and learning	98.7	99.6
Education (formal)*	70.6	108.2
News and weather	25.9	27.5
Current affairs	100.2	104.0
Entertainment	220.9	223.5
Sport	163.8	136.2
Children's	82.9	76.7
Drama	472.8	486.3
Film	267.2	250.0
Music and arts	129.6	122.6
Religion	106.4	104.9
<b>Digital television programmes</b>		
Factual and learning	137.9	143.4
Education (formal)*	—	116.0
News and weather	4.4	4.1
Current affairs	128.5	116.1
Entertainment	203.7	221.2
Sport	59.1	27.6
Children's	83.1	72.7
Drama	556.6	506.5
Film	60.3	120.0
Music and arts	67.1	69.4
Religion	214.4	150.0

\*Education (formal) includes education for children, Open University and BBC Learning Zone

Note:

- (i) The comparatives have been restated due to Ofcom requirements.  
(ii) The comparatives for News and weather and Current affairs have been restated due to a reclassification of certain programmes.

**Table 16: BBC spend outside London**

The table shows the cost of BBC programmes made in the nations and regions.

	2006/07 £m	2005/06 £m
<b>Television</b>		
England	300	267
Northern Ireland	49	37
Scotland	85	105
Wales	71	66
	<b>505</b>	<b>475</b>
<b>Radio</b>		
England – local radio	126	128
Northern Ireland	13	13
Scotland	27	26
Wales	23	23
	<b>189</b>	<b>190</b>
Other programme costs incurred outside London	33	48
Other costs, including transmission	137	122
<b>Total spend in the nations and regions</b>	<b>864</b>	<b>835</b>
Included within television originations is network spend of	306	270
Included within radio originations is network spend of	47	47

Note: Comparatives have been restated to conform to Ofcom definitions of spend outside London.

**Table 17: Creative spend outside the BBC**

The table shows the amount of money for creative purposes spent on organisations external to the BBC.

	2006/07 £m	2005/06 £m
Independent programme productions transmitted	399	353
External programme facilities and resources	243	241
Acquired programmes transmitted	88	80
Artists, contributors and copyright	304	276
Performing groups	28	29
	<b>1,062</b>	<b>979</b>

**Table 18: TV programming produced by independent producers as a percentage of eligible hours**

The table shows the percentage of TV programmes produced outside of the BBC as a percentage of eligible hours.

The actual percentage is compared against the target percentage of programmes.

	2006 %	2005 %
Target	25	25
Actual	35	31

There is a statutory requirement for 25% of eligible hours of TV programming to be produced by independent producers. It is Ofcom's responsibility to report BBC's performance against this requirement: the 35% in 2006 is the BBC's self assessment figure.

**Table 19: Top ten external producers for BBC Television by spend**

This list shows the ten external producers with whom the BBC spent the most on commissioned TV programmes.

2006/2007	2005/2006
1 Endemol	Hat Trick Productions
2 Kudos Film and Television	Kudos Film and Television
3 Tiger Aspect Productions	Talkback Thames
4 Hat Trick Productions	Tiger Aspect Productions
5 Talkback Thames	Endemol
6 Shine	Lion Television
7 Wall to Wall	Wall to Wall
8 World Productions	Zenith Entertainment
9 Granada	Open Mike Productions
10 Red Productions	Mentorn

The BBC spent £383million on external programme production in the financial year 2006/2007 (£335million in 2005/2006).

**Table 20: Radio programming produced by independent producers as a percentage of eligible hours**

The table shows the percentage of radio programmes produced outside of the BBC as a percentage of eligible hours.

The actual percentage is compared against the target percentage of programmes.

	2006/07 %	2005/06 %
Target	10.0	10.0
Actual	13.5	14.2

The BBC has made a voluntary commitment to 10% (2005/2006 10%) of eligible hours of radio programming being produced by independent producers. Data based on financial year.



# Performance

## Broadcasting facts and figures

**Table 21: Top five external producers for BBC Radio by spend**

This list shows the five external producers who were paid the most to produce radio programmes for the BBC.

2006/2007	2005/2006
1 Somethin' Else	Unique
2 Smooth Operations	Somethin' Else
3 Unique	Smooth Operations
4 Pier Productions	Pier Productions
5 USP Limited	Classic Arts Productions

Note: Activity with external producers is monitored on a calendar year basis in line with Ofcom requirements.

The BBC spent £17million on external programme production in the financial year 2006/2007 (£16million in 2005/2006).

**Table 22: Future Media & Technology content produced outside the BBC as a percentage of eligible spend**

The table shows the percentage of Future Media & Technology content produced outside of the BBC as a percentage of eligible spend. The actual percentage is compared against the target percentage of content.

	2006/07 %	2005/06 %
Target	25	–
Actual	30	17

The BBC has made a voluntary commitment to 25% (by value) of eligible online content being sourced from outside the BBC from 2006/2007. Future Media & Technology had an external spend of £8.3million in 2005/2006.

**Table 23: Content cost per user hour per service**

	2006/07 £	2005/06 £
<b>Television channels</b>		
BBC One	0.07	0.06
BBC Two	0.07	0.06
BBC Three	0.16	0.21
BBC Four	0.21	0.29
The CBBC Channel	0.15	0.17
CBeebies	0.02	0.02
BBC News 24	0.12	0.14
BBC Parliament	0.24	0.22
BBCi	0.04	0.04
<b>Radio stations</b>		
BBC Radio 1	0.01	0.01
BBC Radio 2	0.00	0.00
BBC Radio 3	0.05	0.05
BBC Radio 4	0.01	0.01
BBC Radio Five Live	0.02	0.02
BBC Five Live Sports Extra	0.03	0.03
1Xtra	0.06	0.06
BBC 6 Music	0.04	0.05
BBC 7	0.03	0.03
BBC Asian Network	0.05	0.06
English Local Radio	0.02	0.02
Radio Scotland	0.06	0.05
Radio nan Gàidheal	0.09	0.09
Radio Wales	0.04	0.04
Radio Cymru	0.09	0.08
Radio Ulster & Foyle	0.03	0.03
<b>Online</b>		
bbc.co.uk	0.16	0.17
BBC jam	2.56	1.79

Note: BBCi, bbc.co.uk and BBC jam are calculated to give a cost per user reached.

### Definition of terms

<b>Peak time (television)</b>	18.00–22.30 BBC One and Two
<b>Repeat</b>	A re-broadcast of a programme previously shown on the same or another BBC television channel
<b>Narrative repeat</b>	Re-broadcast of a programme within seven days of first transmission
<b>Digital transfers</b>	Re-broadcast of a programme on BBC One or BBC Two previously shown on one of BBC's digital channels (eg BBC Three or Four)
<b>Digital premiere</b>	A programme commissioned for BBC One or BBC Two but first shown (premiered) on one of the BBC's digital television channels (eg <i>Spooks</i> )
<b>Originations</b>	Programmes produced for transmission on the BBC
<b>Acquisitions</b>	Programmes originally produced for transmission by a different broadcaster, either in the UK or overseas
<b>Weekly reach (radio)</b>	The percentage of adults in the UK aged 15+ who tune to a radio station within at least one 15-minute period in an average week (as measured by RAJAR)
<b>Weekly reach (television)</b>	The percentage of individuals in the UK aged 4+ who watch at least 15 consecutive minutes of television in an average week (as measured by BARB)
<b>Share (radio)</b>	The percentage of total hours of listening in an average week
<b>Share (television)</b>	The percentage of the total viewing audience

### UK programme quotas

Under the Communications Act 2003 the BBC has a duty to ensure that not less than 25% of the amount of time allocated to the broadcasting of qualifying television programmes is allocated to the broadcasting of a range and diversity of independent productions. Ofcom are required to report the extent to which the BBC has performed that duty. In addition the BBC is required to meet a number of other programme production obligations, the so-called 'Tier 2' quotas, for which Ofcom are required to monitor compliance. Ofcom are expected to formally report the BBC's performance in the calendar year 2006 against these quotas in its Communications Market 2007 review. However, the BBC fully expects to exceed all of the quotas and its self assessment figures are provided here:

	2006 Quota	Achievement
<b>Independent production quota<sup>1</sup></b>		
Hours of qualifying programmes across all channels	25%	35%
Hours of qualifying programmes on BBC One	25%	30%
Hours of qualifying programmes on BBC Two	25%	41%
<b>Regional programme making<sup>2</sup></b>		
Spend on qualifying programmes	30%	32%
Hours of qualifying programmes	25%	30%
<b>News and current affairs programmes<sup>3</sup></b>		
Hours of News on BBC One	1,380	1,569
Hours of News on BBC One in peak	275	283
Hours of current affairs on BBC One and BBC Two	365	477
Hours of current affairs on BBC One and BBC Two in peak	105	113
<b>Levels of original production<sup>4</sup></b>		
BBC One	70%	83%
BBC One in peak	90%	98%
BBC Two	70%	84%
BBC Two in peak	80%	96%
BBC Three	80%	82%
BBC Three in peak	70%	70%
BBC Four	70% approx	74%
BBC Four in peak	50%	60%
CBeebies	80% approx	84%
CBBC Channel	70%	80%
BBC News 24	90%	95%
BBC Parliament	90%	98%
<b>Regional programming<sup>5</sup></b>		
Hours of regional programming	6,580	7,073
Hours of programmes made in the relevant area	95%	99%
Hours of BBC One news	3,920	4,622
Hours of BBC One news in peak	2,010	2,245
Hours of non-news programming in peak	1,030	1,148
All non-news programmes adjacent to peak	355	375

<sup>1</sup>The BBC is subject to a 25% independent production quota across all channels and on BBC One and BBC Two individually

<sup>2</sup>The BBC has used Ofcom's definitions of regional production from 1 January 2006

<sup>3</sup>These quotas and performance figures are for network programming only. The News quota specifically excludes overnight transmissions of News 24

<sup>4</sup>Original productions include all BBC commissioned programmes including repeats. For BBC Three and BBC Four they exclude repeats of programmes first shown on another channel

<sup>5</sup>These figures represent regional programmes across BBC One and BBC Two

### EU programme quotas

European Community legislation requires broadcasters in Member States to ensure that a majority of their television programmes (excluding news, sports events, games, adverts, teletext services and teleshopping) are European works. The legislation also requires broadcasters to ensure that at least 10% of their European works (excluding works of the kind described above) are made by independent producers.

Ofcom are expected to formally report the BBC's performance in the calendar year 2006 in its Communications Market 2007 review. However, the BBC's self assessment is that it exceeded the EU quotas. Of the relevant BBC One and BBC Two output, 82% was of European origin (80% in 2005) and 24% was made by European independent producers (21% in 2005). Of the relevant output of all BBC channels (including BBC Three, BBC Four, CBeebies, the CBBC Channel and BBC News 24), 88% was of European origin and 26% was made by European independent producers (87% and 24% respectively in 2005).

### Awards

In 2006/2007 the BBC received more than 230 programme-related awards across television, radio and new media. These included 32 Baftas (TV, Children's and Craft); 52 RTS awards (Programme, Journalism, Sports, Educational, North West, Craft and Design); 18 Sony Golds; 4 Webby awards and 3 International Emmys.

# Managing responsibly

Managing our business responsibly remains a priority for the BBC, and this includes complying with regulatory and legislative requirements. Our protocols and compliance in the areas of fair trading, freedom of information, data protection and occupational risk management, including health and safety, are described in this section.

Another aspect of managing responsibly is making a major contribution to both the broadcast industry and to society in general. The following pages also illustrate some of the activities we undertake to fulfil our corporate social responsibility as well as our investment in, and engagement with, our staff and the wider industry.





## Fair trading

### Executive statement on fair trading

The BBC is a public service broadcaster responsible for promoting its Public Purposes through the provision of output that informs, educates and entertains. It has a special responsibility to ensure that whenever it engages in activity it does so in a way that reflects its commitment to fair trading.

The scope of the BBC's fair trading obligations has historically been enshrined in its Fair Trading Commitment and this has continued to apply during the course of this financial year. Further detail on the Commitment can be found at [bbc.co.uk/foi/docs/commercial\\_activities/commercial\\_policy\\_and\\_fair\\_trading/Fair\\_Trading\\_Commitment.htm](http://bbc.co.uk/foi/docs/commercial_activities/commercial_policy_and_fair_trading/Fair_Trading_Commitment.htm). However, the scope and structure of the BBC's fair trading obligations have changed under the terms of the new Charter and Agreement that came into effect on 1 January 2007.

### Fair trading during 2006/2007

The BBC's core purpose is to provide public service broadcasting, funded by the licence fee. Licence fee payers' investments, built up over many years, have produced a critical mass of talent and production capability for the BBC, together with a significant archive of past programming. These assets have a secondary value and the BBC has a responsibility to ensure that this value is developed commercially for the benefit of licence fee payers.

The BBC's Fair Trading Commitment is underpinned by the Fair Trading Guidelines which provide a detailed operational framework building on the principles of the Fair Trading Commitment.

Compliance with the Fair Trading Commitment was scrutinised by a standing committee of the Board of Governors up to 31 December 2006. From 1 January 2007 the Trust Fair Trading Policy and Appeals Committee has undertaken this function on behalf of the Trust with management scrutiny being undertaken by the Executive Fair Trading Committee (EFTC). EFTC comprises three non-executive directors and two Executive Board members.

In its response to the Lambert Review in 2002 of BBC News 24 the BBC offered to consider the relationship between BBC News and BBC World including a triennial benchmarking exercise by independent consultants to confirm that marginal cost pricing remains market practice and an annual review by external auditors to confirm that the marginal costing principle has been appropriately applied. The latest benchmarking was completed in April 2007 and confirmed that marginal cost pricing remained market practice. The EFTC is satisfied that the marginal cost principle has been appropriately applied.

The management of the BBC's fair trading arrangements have been accredited with the ISO 9001:2000 quality standard and performance against this standard is regularly tested by the British Standards Institute. The most recent assessment, conducted in December 2006, confirmed that the procedures are continuing to operate effectively.

### Four commercial criteria

From 1 January 2007, the BBC Agreement requires the BBC Executive to ensure that all its commercial services meet the following four commercial criteria. Commercial services must:

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

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

### Annual fair trading audit

The Trust commissions independent auditors, PricewaterhouseCoopers LLP (PwC), to undertake an annual fair trading audit to determine whether BBC management has established and applied a system of internal controls which provide reasonable assurance that it has complied with the Fair Trading Commitment. PwC confirmed this to be the case for the year ended 31 March 2007. Further details of the audit and opinion can be found at [bbc.co.uk/bbctrust/research/index.html](http://bbc.co.uk/bbctrust/research/index.html).

### Fair trading complaints

In April 2006 the BBC introduced a revised fair trading complaints and appeals framework separating the handling of complaints, to be investigated by BBC Executive, and appeals, to be undertaken by the Trust. Public guidance on the complaints and appeals process can be found at [bbc.co.uk/bbctrust/appeals/index.html](http://bbc.co.uk/bbctrust/appeals/index.html).

The BBC dealt with five fair trading complaints during the year. One complaint was the subject of an appeal to the Trust and was upheld. Details of these issues can be found in the BBC's Fair Trading Bulletin at [bbc.co.uk/info/policies/fairtrading\\_complaints/](http://bbc.co.uk/info/policies/fairtrading_complaints/) and on the Trust's appeals page [bbc.co.uk/bbctrust/appeals/fair\\_trading\\_appeal\\_findings.html](http://bbc.co.uk/bbctrust/appeals/fair_trading_appeal_findings.html).

### Executive report on BBC World Service Trading Protocols

BBC World Service purchases English language programme making and technical and support services from other divisions of the BBC (the Supplier Divisions) and also receives services from and supplies services to the BBC's commercial subsidiaries (the Subsidiaries).

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

KPMG LLP (the BBC's external auditors) have received a summary of the value of transactions and the related cash flows which have taken place during the year between BBC World Service and the Supplier Divisions and Subsidiaries. KPMG LLP have reported to EFTC that, in their opinion, the information included in the summary of transactions for the year ended 31 March 2007 has been accurately extracted from the books and records of BBC World Service and the Supplier Divisions and Subsidiaries, and has been properly prepared on the basis of cost allocation and apportionment methods set out in the agreements between BBC World Service and Supplier Divisions and Subsidiaries and, on this basis, there has been no material cross-subsidy between Grant-in-Aid and licence fee funds or between Grant-in-Aid and the BBC's commercial subsidiaries.

## **Executive statement on BBC World Service Trading Protocols**

The EFTC is responsible for monitoring and reviewing compliance with the Trading Protocols. Following reports by the Head of Fair Trading and by internal and external auditors EFTC is satisfied that:

- the Trading Protocols reflect the requirements of the FCO/BBC World Service Working Group
- agreements are in place which are consistent with the Trading Protocols
- there has been no material cross-subsidy between Grant-in-Aid and licence fee funds or between Grant-in-Aid and the BBC's commercial subsidiaries.

## **New fair trading regime for 2007/2008**

The new BBC Charter and Agreement that took effect on 1 January 2007 requires the Trust to have regard to the competitive impact of the BBC's activities on the wider market. As a result the Trust has developed a Competitive Impact Framework (the Framework) which is due to come into effect from 1 July 2007.

The Framework will apply to all BBC trading activities, including the BBC's public service and commercial activities. Further information is available at [bbc.co.uk/bbctrust/framework/index.html](http://bbc.co.uk/bbctrust/framework/index.html).

The Executive Board is responsible for implementing and ensuring compliance with the requirements of the Framework.

The BBC Executive remains committed to fair trading and will continue to further develop and refine its fair trading systems to deliver compliance against its fair trading obligations.

## **Compliance**

### **Freedom of information**

The BBC became subject to the Freedom of Information Act (FOIA) on 1 January 2005. In the 2006/2007 financial year the BBC received 897 requests for information (RFIs). Of these, the BBC believed 50% were out of scope of the Act (the Act only applies to the BBC for information held for purposes other than journalism, art and literature, the so-called 'designation'). All or some of the information was released in 510 (57%) of requests, including those where the BBC did not believe the Act applied; 92% of RFIs were responded to within the 20 working days' statutory time frame, or extended legitimately under the Act.

There were 28 requests for internal reviews of BBC FOI decisions in 2006/2007. The BBC was notified of 57 cases being referred to the Information Commissioner's Office (ICO) during 2006/2007. Of these matters 26 were resolved (two were resolved in favour of the complainant, three partly in favour of the BBC and partly in favour of the complainant, ten in favour of the BBC and 11 were resolved informally with the ICO not making any decision) and 31 are still awaiting resolution. Four cases have been referred to the Information Tribunal. Of the matters heard in 2006/2007 one was resolved in the favour of the BBC, three were resolved in favour of the other party. Of these three cases the BBC released the information originally requested in two cases (the information in these two cases was the same – the Governors' Board Meeting minutes relating to the meeting held after the Hutton Report was published). In the other case the BBC appealed the decision to the High Court (the information originally requested in this case was the Balen Report on reporting on the Middle East). The decision not to release the Balen Report under the FOIA was upheld by the Information Commissioner, but overturned on appeal to the Information Tribunal. On 27 April the High Court overturned the Information Tribunal's decision that the BBC must disclose the Balen Report. Mr Justice Davis ruled that the Tribunal did not have the power to hear appeals where the Information Commissioner finds that the Act does not apply and refused a judicial review which sought to overturn the Commissioner's original decision.

The BBC also provides an FOI publication scheme on its website, as required by the Act. The site had 1,308,290 hits during 2006/2007, with 829,246 documents downloaded.

### **Data protection**

Information Policy & Compliance (IPC) received 29 formal Subject Access Requests (SARs) under the Data Protection Act. Twenty-six were delivered within the 40-day statutory timetable. There have been no referrals to the ICO on data protection issues during the three years that the IPC has been in existence (April 2004 to March 2007).

### **Costs of compliance**

As a result of operating in the UK broadcasting marketplace, and by virtue of being a public body, the BBC incurs substantial costs in ensuring that it complies with all relevant legislation. In 2006/2007, these costs of compliance are estimated to be £14.8million (£16.4million in 2005/2006). Included in this figure is a £3.5million subscription paid to Ofcom (£3.5million in 2005/2006). It also includes the cost of transmission licences and staff employed to monitor compliance and report against commitments including Ofcom requirements, DCMS consents and fair trading. However these costs are not complete since they do not include any allocation of indirect overheads. Of the total, £1.5million is the direct cost of compliance of the Trust Unit for the three months ended 31 March 2007, also separately disclosed in Part One of the *Annual Report and Accounts*.

## **Occupational risk management**

### **Context of policy and organisation for health and safety**

The Director-General has responsibility for ensuring that the organisation has a health and safety policy and complies with it. Implementation is delegated so that managers are responsible for the activities under their control. Strategy is approved by the Executive Board, which also monitors performance. The Management Committee for Occupational Risk Compliance (MCORC) has delegated responsibility for: setting strategy for compliance, objectives and standards; monitoring progress of actions; investigating failures; and reviewing audits. It reports key issues to the Executive Board.

MCORC is the focal point for issues raised through divisional management meetings, local safety forums and team briefs. Safety support is provided to the BBC by the Occupational Risk Management (ORM) department.

The BBC's policy and organisation for health, safety and the environment are set out in the BBC People section of this chapter:

### Overall goal of policy for health and safety

Our overall goal to provide and maintain a safe and healthy working environment for our employees, the people we work with and for those who visit us is to be achieved through effective identification of risk; setting and reviewing health and safety targets; measurement and continual improvement of health and safety performance; compliance with legislation; and effective cooperation with competent third parties.

### Significant risks and action to tackle them

Risks associated with familiar environments include stress, manual handling and driving as well as studio and location filming, major outdoor events and procurement initiatives. Those working overseas often face unique and more difficult challenges as illustrated recently by the abduction of Alan Johnston in Gaza. To mitigate such risks there is continued investment in providing specialist support to staff working in areas of conflict and other high-risk environments.

### Long-term health and safety targets

The BBC's health and safety targets are that by 2010 we will reduce<sup>1</sup>:

- the number of working days lost per 100,000 from work-related injury and ill health by 30%
- the incidence rate of reportable accidents by 60%
- the incidence rate of cases of work-related ill health by 20% by 2010.

### Objectives and progress towards achieving them

To ensure compliance with our 2006/2007 objectives:

- The BBC's safety website was revised to provide easier-to-access and more up-to-date and relevant information to users.
- A series of tools has been designed to assist managers to understand and perform their safety responsibilities.
- A standard model has been developed for the vetting of production contractors which will now be applied to all contractors.

- Responsibility for providing health advice for work-related illness and vaccinations to UK staff travelling overseas was transferred to Capita.

- An IT solution to allow easier and more accurate reporting of sickness absence is being piloted. This will significantly improve our ability to identify and control preventable work-related ill health.

### Objectives for 2007/2008

The Executive Board has agreed new objectives for 2007/2008 as outlined below:

- To have demonstrable implementation of a health, safety and security risk management system meeting the requirements of OHSAS 18001.
- To update corporate standards and guidelines for the effective management of key risks.
- To comply with mandatory corporate requirements for occupational risk training and be able to demonstrate this.

### Performance and progress against targets

- Reportable injuries have reduced from 62 in the year 2000/2001 to 31 in 2006/2007. The incident rate has fallen in the same period from 277 per 100,000 full-time staff to 140 per 100,000.
- The incident rate of suspected cases of work-related ill health has been reduced from 23 per thousand in 2000/2001 to 10.7 in 2006/2007. The main reasons for suspected work-related ill health have been attributed to stress, upper limb disorders and other musculoskeletal problems.
- There were 126,492 reported absence days during 2006/2007. The estimated cost of this is approximately £20million.
- There were no fatalities during 2006/2007.

### Enforcement

The BBC communicates regularly with enforcing authorities. It worked closely with the Health and Safety Executive during its investigations into the crash of a jet powered car during filming of *Top Gear*. The Executive Board receives a quarterly report which includes a summary of: contact with the enforcing authorities, reportable accidents and other significant safety issues. No enforcement action has been taken.

### Arrangements for consulting with employees

The National Joint Council for Health and Safety (NJC) includes BBC senior managers and safety representatives providing a forum for discussions of strategic issues. Arrangements have been put in place to consult BBC staff through regular team briefings. In 2007 the NJC is to be replaced by a Consultative Committee, which has increased focus on strategic issues.

### Nature and effectiveness of training programme

The BBC is an active participant in the joint industry grading scheme for UK-based Stunt and Special Effects professionals. The scheme is designed to ensure the highest levels of safety competence for professionals working in the media industry. New grading rules have been agreed for stunt professionals and the scheme will be extended to other trades.

The BBC has worked with other Broadcasters and TalkBack Thames to benchmark and recognise our core production health and safety training courses. A safety passport scheme is being piloted, in partnership with Skillset, to assist the media sector in more effectively managing the risks of a mobile and transferable workforce.

We recorded training given to 7,600 people on safety issues and many people receive specialist training in addition to this. We have identified over 6,000 people who will require specific training to use the IT safety tools.

Our driver training programme is in its second year and has now trained over 1,800 people.

### Audit activity

Audits of specific occupational risk topic areas are conducted through the BBC's Internal Audit department. Pan-BBC topics reviewed in the prior year included: the provision of occupational risk training, electrical safety at outdoor events, and falls from height. Planned topics for 2007/2008 include: risk assessment; asbestos; safety of water systems and occupational road risk.

<sup>1</sup>From the position measured in the year 2000



# Managing responsibly

## Corporate social responsibility

For us, corporate responsibility and partnership working is all about helping meet our Public Purposes. It is about engaging those who have a stake in the BBC and ensuring that we take into account social, community and environmental consequences of our activities.

Here are just some examples of what we do:

### Charities

We, the BBC Public Service, do not make charitable donations but that does not stop us making a huge difference to people's lives. We give air time to support fundraising and raise public awareness. This is overseen by the BBC Charity Appeals Advisory Committee, made up of independent experts who advise and support us on policy matters relating to charity appeals.

Comic Relief was bigger and better than ever this year, raising over £60million. The star-studded appeal night included all the familiar comedy faces – Lenny Henry, Dawn French, Harry Hill and some more surprising ones as Tony Blair asked Catherine Tate "Am I bovvered?" The BBC has a unique 22-year partnership with Comic/Sport Relief, an independent charity set up to help end poverty and social injustice.

Children in Need is the BBC's corporate charity, which supports thousands of children and young people who have experienced homelessness, abuse, poverty, serious illness, disabilities or addictions. We give grants to voluntary organisations and target the money to areas of greatest need across the UK. For example, in 2006 a grant of £24,000 was made to a playgroup in Wiltshire to pay for a specialist worker to help children with communication difficulties. Another grant of £39,848 went to a football project in Birmingham which helps children at risk from drug dealers and gangs.

The BBC World Service Trust is our international development charity, working with people in developing and transitional countries improving the quality of their lives through the use of the media. World Class is a great example of the work of the Trust. The project has been twinning schools in the UK with schools in Africa and Asia. More than 2,000 schools in the UK have signed up and it now has its own daily news bulletin aimed at 6–12 year olds.

### Donations and acknowledgements

#### Political and charitable donations

The BBC does not make political donations.

UK Public Service Broadcasting does not make cash donations to charities but provides service in kind. During 2006/2007, services with a cash equivalent value of £305,000 (2005/2006 £228,000) were provided to charities. In addition to broadcast appeals, BBC Commercial Businesses donated £12,000 to charities during the year (£6,000 in 2005/2006).

#### Financial grants

The BBC acknowledges financial grants from the European Commission for various technical research projects.

#### Sustaining citizenship

We want to encourage people to get involved in their local community, to be better informed about issues affecting their lives and get them thinking about how they can take part in the democratic process.

For example, the editor of *Question Time* was asked to step aside in 2006 for a special edition of the programme, produced and edited by the winners of *Schools Question Time*. Pupils from four winning schools joined David Dimbleby to research, produce and edit their own version of the BBC One programme. The programme is part of a wider education initiative which aims to engage young people in society and politics. In autumn 2006 more than half the secondary schools in the UK downloaded the free resource pack to support the teaching of citizenship in the classroom.

## Environment

High-quality wildlife programmes such as *Planet Earth* give our audiences a unique and stunning insight into the natural world. But we are aware that audiences are increasingly concerned about the possible impact such filming might have on the wildlife and their surroundings.

Our Natural History Unit's ethical guidelines on filming animals stress that "the welfare of the subject is more important than the sequence". The growing use of high definition cameras means we can often film from much further away, limiting disturbance. And we take special precautions when we do have to get up close, such as installing cameras all year round to minimise disturbance.

We believe that programmes like *Springwatch* raise the audience's awareness of the world around them and teach them about the environment. We know there is a balance to strike between such benefits and any negative impact on the environment, which we continuously strive for.

Managing the rest of environmental impact also remains a priority and we are setting tough targets for carbon emissions, waste, water, impact on land and procurement as part of a medium-term strategy that we are currently developing.

## Partnerships

Increasingly we have recognised the potential for achieving greater impact by creating formal relationships, collaborations and networks with other organisations. A great example of this was teaming up with a wide range of homelessness charities as part of our No Home season in November 2006. Together we were able to raise awareness, recruit volunteers and stimulate a national debate.

We are rightly proud of our corporate responsibility and partnership work and this continues to be recognised with our successful performance in the Business in the Community Corporate Responsibility Index 2006, in which we received Platinum status.

To find out more, including some of the challenges we face, please visit [bbc.co.uk/outreach](http://bbc.co.uk/outreach).

## BBC People

### Employee engagement – relationships with trade unions

The BBC takes a proactive approach to communicating and consulting with its staff. This year has been a momentous one for the BBC and it has taken care to engage with staff through frequent and open communications. The BBC has also put time and money into helping its leadership develop these behaviours.

The BBC has a good working relationship with its three recognised trade unions: BECTU (Broadcasting Entertainment Cinematograph and Theatre Union), NUJ (National Union of Journalists) and AMICUS. At all levels within the BBC, regular meetings between the unions and management are held.

The challenging Value for Money programme has entered its third and final year. This large scale efficiency programme has affected almost every area of the BBC and during its second year has meant that in excess of 1,000 members of staff have left the Corporation.

### Training and development

The new governance structure for BBC Training & Development (BBC T&D) is now firmly embedded in the organisation. Last year the Learning Board commissioned 37 new learning projects from the department, each strategically important to the BBC. Some of these projects are outlined below.

#### Production training

As part of the BBC's high definition trials in 2006, BBC T&D provided training for 500 BBC staff and freelancers in this exciting high-quality format.

Network radio services moved into refurbished, state-of-the-art studios and offices in London's Broadcasting House in 2006. Production training delivered 2,000 days of training to ensure that programmes went on air smoothly using the most sophisticated tapeless transmission systems available.

The Future Now project is a major programme of training, giving production staff the cutting edge knowledge and skills needed to produce multi-platform content. The initiative has had immediate impact with the development of the *Football Focus* brand, the relaunch of *Tomorrow's World* within *BBC News Online* and the development of a major landmark series across all platforms for transmission in winter 2007.

#### Trainee schemes

A number of trainee schemes were launched in 2006/2007. These include:

- Broadcast Technology Assistants scheme for 18 trainees over a 20-month programme.
- Directors Academy – eight multi-camera directors who have all gone on to work either on *EastEnders* or *Doctors*.
- Vision Design Scheme – talented designers across the UK on a 12-month placement across BBC programmes. Previous trainees from this scheme have gone on to work on *Doctor Who*, *Torchwood* and other major BBC drama and entertainment programmes.

#### Supporting the industry

The BBC has led the industry in establishing standards for foundation training and safety. A foundation programme for researchers was successfully piloted and will launch in 2007. BBC T&D has also collaborated with other key broadcasters and production companies to agree common standards in health and safety training and the introduction of a 'safety passport'.

We delivered over 6,000 days of training to 260 organisations and 1,990 individuals worldwide. We also trained 380 freelancers and offered a number of subsidised training courses for freelancers via Skillset.

BBC T&D launched Connect & Create, a new service that will develop the skills of BBC staff while working with 15 organisations across the UK. Connect & Create aims to benefit 450 BBC staff and 1,500 external individuals in 2007/2008.

## Diversity

Diversity for the BBC is a creative opportunity to engage the totality of the UK audience.

The Director-General chairs the Diversity Board, which reviews progress against the strategy, and sets priorities for action. The strategy establishes four areas of accountability which together ensure that diversity is hardwired into key organisational processes: audiences, output and content, business planning and workforce.

The BBC is committed to reflecting the 'nation unto itself', and to improving the representation of diverse people and communities off and on air. There are numerous examples of storylines, characters, features and programmes which reflect the diversity of modern UK reality, including ethnicity, disability, age, faith, sexuality, class, political affiliation and regional perspectives.

As part of its commitment to reflecting the UK communities that it serves, the BBC has set itself targets for the representation of black and minority ethnic people in its workforce and at senior management (SM) grades of 12.5% and 7% respectively, to be met by December 2007. There is also a 4% target for disabled staff to be met within this same period.

As of 31 March 2007, the figures stood at 10.5% and 5% for ethnic minority staff overall and at Senior Management level respectively (10.3% and 5.3% in March 2006). The percentage of disabled staff stood at 2.6% (2.7% in March 2006). The slow progress on the workforce targets reflects the impact of widespread business restructuring.

The BBC also continues to comply with its legal obligations. The Corporation has developed and published Equality Schemes on Disability and Gender and has just completed a thorough update and review of the BBC Race Equality Scheme to ensure that any relevant new public functions are also covered. This was published on 12 June 2007.

# Finance

## Financial overview

In 2006/2007 we have continued to focus on delivering value to all licence fee payers.

We have achieved this by becoming more efficient, improving the return on our assets through the Commercial Businesses, and delivering the content that licence fee payers tell us they value most.

Two years ago we committed to achieving annual efficiency savings under our three year Value for Money programme of £355million. To date we have made savings of £228million a year, and are on track to achieve our target by the end of 2007/2008.

We have continued to grow our Commercial Businesses, with BBC Worldwide making record profits before interest and tax of £111million.

Spend on the BBC's services was up 5% to £3,036million, with more money going into original drama and entertainment, especially on BBC One.

Following the licence fee settlement in January 2007, we face big challenges in finding enough money to create the content that our audiences want. And these challenges call for new thinking about how we produce content and create value.

### 9.2%

Combined cost of licence fee collection and evasion as a percentage of income, down from 9.6% last year

### £111m

BBC Worldwide profit before interest and tax, up 24% from last year, with sales up 8% on continuing businesses and return on sales of 14%

### £864m

Total spend in the nations and regions, ensuring that the licence fee helps support the wider UK economy

### 88%

Percentage of UK Public Service Broadcasting expenditure on programmes – only 11.5% of the licence fee goes on running the BBC

### £228m

Annual savings achieved to date for reinvestment in programmes, as part of Value for Money review (expected to increase to £355million next year)

### £1.1bn

Total external spend in the UK creative industry, with independent production companies, artists, and programme resources



## Introduction

This year we received a new six year licence fee settlement from the Government, and pressed on with our programme to save £355million each year through greater efficiency.

It was also an important year in terms of meeting the targets which the Government set for UK Public Service Broadcasting (PSB) at the time of the last licence fee settlement. First, we *achieved* the objective of finishing the year with income and expenditure broadly in balance, and with nil borrowings<sup>1</sup>.

Second, we *exceeded* the Government's target for creating our own extra funding to reinvest in content. This was achieved through greater efficiency and increasing revenue from our Commercial Businesses. Over the seven year period we made over £4,000million against the Government's target of £3,290million<sup>2</sup>.

This has put the BBC on a sound financial footing heading into the next Charter period.

## Review of financial performance

The BBC has no shareholders, so our financial performance cannot meaningfully be measured in terms of bottom line profit. Instead, our objective is to deliver the best possible value to all licence fee payers, through:

- collecting the licence fee as efficiently as possible whilst minimising the number of evaders
- maximising the returns from the BBC's assets and, through our Commercial Businesses, to reinvest in programmes
- prioritising expenditure on the content which licence fee payers tell us they value most
- running the BBC as efficiently as possible

## Income

BBC Group income rose by £172million, with an extra £147million from UK PSB, £9million from the World Service Grant-in-Aid and BBC Monitoring grant, and £16million from the Commercial Businesses.

## Net licence fee income

Licence fee income of £3,243million represented an increase of £142million (4.6%) on the previous year<sup>3</sup>. The rise in net licence fee income, after deducting collection costs, is due partly to the annual increase of RPI+1.5% agreed in the previous licence fee settlement, together with a rise in the number of households and savings on collection costs.

The combined cost of evasion and collection was 9.2% of income, down from 9.6% last year. Collection costs have continued to fall as a percentage of income, down from 4.9% last year to 4.1%. This is in part due to encouraging people to pay in more cost-effective ways. Direct debit sales now account for 63% of all licences in force, whilst online sales doubled to over 1 million during the year.

Evasion increased this year, to 5.1% from an all-time low last year of 4.7%. This increase is equivalent to £14million income foregone, and is in part due to demographic factors in that recent population growth has been primarily in urban areas and multi-occupancy housing where evasion is higher and populations more transient. Moreover, operating in a low-evasion environment it is increasingly difficult to reach, and hold on to, those people who do not want to pay. We are continuing to look for new and innovative ways to reduce evasion.

In 2006, following a competitive tender, we made the decision to stop selling TV licences at the Post Office and award the contract to PayPoint. Albeit temporarily, this adversely affected a small percentage of licence fee payers and in the short term contributed to a slight rise in evasion. However, moving to PayPoint will save the BBC around £100million over six years.

## Commercial Businesses

BBC Worldwide had another successful year, with income of £810million<sup>4</sup> (up 8% on continuing businesses), profit before interest and tax of £111million (up 24%), and return on sales of 14% (2006 11%). Operating profit before exceptional items grew to £101million (up 28%). This year BBC Worldwide returned £75million in dividends (2005/2006 £57million) and invested a further £96million directly into BBC programmes (2005/2006 £89million).

All parts of the business grew profits year-on-year (with the exception of Digital Media which continues to invest for proposed future high profile launches including *bbc.com*). Global TV Sales, which sells BBC programmes overseas, saw a 19% increase in income (including joint ventures), supported by strong brands (*Planet Earth*, *Doctor Who*) while BBC formats continue to be popular overseas.

During the year BBC Worldwide disposed of its stake in Animal Planet US at a pre-tax profit of £46million. A majority stake in the Books business was also sold, earning a pre-tax profit of £13million.

Profit before interest and tax grew faster than sales partly from the disposal of less profitable businesses, and also from higher profits on BBC America following a change in arrangements with Discovery Communications Inc (see Note 2d).

BBC Resources achieved an income of £126million (down 2%) and profit before interest and tax of £5million (2006 £6million). Income in the Studios business fell as some programme makers in BBC Children's and News moved productions away from a studio environment, mitigated in part by a healthy growth in income from independent production companies. In line with the recommendations of the Commercial Review in 2004, the BBC has begun the process for the sale of BBC Resources, expected to take place in 2007/2008.

BBC World achieved income of £40million (up 12%) and a loss before interest and tax of £12million (2006 £15million loss). The second consecutive year of double digit growth was achieved in spite of the continuing weak US dollar. Full-time distribution has been secured in the USA on Cablevision and Verizon with discussions continuing with a number of the major operators.

## World Service

The World Service is funded by Government Grant-In-Aid, which is set in three-yearly spending reviews (the current review covers 2005/2006–2007/2008).

<sup>1</sup>'Borrowings' is defined here in accordance with the Department for Culture, Media and Sport definition for setting the BBC's borrowing limit

<sup>2</sup>In 1999/2000 real terms

<sup>3</sup>UK PSB income also includes non-licence fee income (described in Note 1(b) to the financial statements). This income totalled £29million (2006 £24million)

<sup>4</sup>Including joint ventures

This was a year of significant transition, with the implementation of the changes announced in the World Service 2010 strategic review. The savings resulting from the ten language service closures in 2005/2006 were spent on restructuring costs and the start-up phase of Arabic TV launching in autumn 2007. The World Service recorded a surplus before interest and tax of £11 million, which was planned in order to fund restructuring payments charged to income and expenditure in 2005/2006 but falling due in 2006/2007.

### Expenditure

Expenditure on UK PSB rose by £83 million to £3,316 million, driven by increases on television (up £109 million), especially BBC One. Digital UK Limited, the organisation leading the digital switchover process, also incurred costs of £12 million, of which the BBC contributed £10 million.

Our focus has been on increasing efficiency, and prioritising programme spend where it delivers most value.

### Efficiency

2006/2007 was the second year of our three-year Value for Money efficiency programme to make £355 million annual recurring cost savings across the BBC. The money we save will enable us to invest in new content and services.

To date we have made £228 million savings, and are on track to achieve the £355 million annual target by the end of 2007/2008. Around 60% of the total to date comes from simplifying and automating our business and programme-making processes, one-quarter from savings on contracts with suppliers and outsourcing more activities, and the rest from rationalising our property portfolio. The one-off costs incurred this year in making these annual savings were £108 million.

Examples of efficiencies made to date across the production process include greater use of digital technology; in News, for example, we rolled out a digital production system replacing the old tape-based system and enabling journalists to view, edit, and produce reports more quickly. We have introduced more preferred supplier deals for programme resources and redesigned production teams to be more cost-effective.

We are also driving savings through better use of buildings such as the new home of BBC Scotland at Pacific Quay which, as the world's first fully digital broadcast operation, will revolutionise our television, radio and online content production processes. For support services a key element of our strategy is to extend outsourcing further, including the BBC's first offshoring deal, for financial and accounting services.

An important measure of our efficiency is the amount spent on overheads (ie costs not directly related to programme-making). This year overheads were broadly stable at 11.5% of UK PSB expenditure, from 11.1% last year, and down from 24% in 1999/2000.

### Programme spend

This year we have prioritised new investment in original entertainment and drama. In drama, for example, output has increased across the portfolio, particularly on BBC One with more investment on Saturday evenings (*Doctor Who*, *Robin Hood*) and midweek pre-watershed (*Waterloo Road*). Our audience research indicates that BBC One is seen by viewers as the best channel for drama, and that they want more high quality original drama on the channel.

Both in 2006/2007 and going forward, we face a number of pressures on our cost base:

- Around one-third of our costs are **staff**, meaning that tight payroll management is essential.
- Approximately 20% of costs are on **programme resources** and spend with independent production companies, where market conditions and increasing demand for content is affecting prices in some genres.
- Nearly 20% of costs are on buying **rights**, including on-air talent and sports rights. With the fragmentation of audiences, all broadcasters are seeing the benefits of attracting viewers and listeners through recognised names or sports events.

During the year we have supported the wider creative economy, spending £1,062 million directly in creative industries (2006 £979 million). We also spent £864 million outside London (2006 £835 million), reflecting our commitment to use the licence fee to support businesses across the UK.

Market research conducted in the run-up to Charter Review found that a majority of licence fee payers considered the BBC to be good value. On average people were willing to pay around £18.50 per month for BBC services when the licence fee actually cost just over £10 per month<sup>5</sup>.

As part of the new governance arrangements under the BBC Trust, from 2007/2008 the annual budgets for each of our 27 core services must be agreed with the Trustees and published (Note 28 to the financial statements shows the actual cost of these services in 2006/2007). If we are forecasting a variance of more than 10% to any service budget this must be reported to, and approved by, the Trustees.

### Group operating deficit

The Group operating deficit of £176 million includes a charge of £205 million in respect of pension scheme operating costs (see Note 4b).

### Profit/loss on termination/disposal of operations

The Executive Board's decision to suspend BBC jam, the BBC's online interactive learning service for 5 to 16 year olds, on 20 March 2007 has necessitated a provision of £16 million for the costs of redundancy and terminating supplier contracts. This is partly offset by the profit on sale of BBC Worldwide's Books business.

### Balance sheet

Group net assets have increased to £1,399 million (2006 £1,197 million). This is due primarily to an increase in the valuation of the BBC Pension Scheme ('the Scheme') (see below). Excluding the Pension Scheme, net assets are £1,064 million (2006 £1,032 million).

Net current assets fell to £377 million (2006 £476 million), mainly due to a loan facility within Commercial Businesses becoming due within one year (with a corresponding drop in creditors falling due after more than one year). We have also reduced provisions to £143 million (2006 £196 million), with most of last year's restructuring provision having either been utilised or released (see Note 17).

The BBC has no shareholder equity, and therefore all net assets are represented by reserves (see Note 18).

<sup>5</sup>Measuring the value of the BBC: A Report by the BBC and Human Capital, October 2004

### Cashflow statement

With the exception of the Commercial Businesses, cash generation is not a key financial objective for the BBC. Effective cash management is, however, critical to ensuring that we remain within our borrowing limit.

There was a slight decrease in Group cash during the year of £16million, with a net inflow from operating activities offset by net expenditure on fixed assets and programmes for future sale.

Some of the major investments planned for the next Charter period will, however, require us to generate extra cash. Efficiency savings will contribute to this, but other options include increasing borrowings (the BBC can borrow up to £200million under the terms of the Charter) and sale of assets (such as property, or stakes in Commercial Businesses).

### Treasury policies

The BBC's main treasury management risks are ensuring that the BBC has sufficient liquid funds to meet its obligations as they fall due, and that it is compliant with any borrowing limits (in particular, those set out in the Charter and any external loan covenants) (see Note 23).

### Critical accounting policies

Those accounting policies which require a high degree of judgement, and which have a material impact on the financial statements, are described here.

■ **Pensions.** Whilst we believe the assumptions described in Note 8c vi are reasonable, they represent judgements about future events which are by nature uncertain.

■ **Provisions.** Provisions represent our best estimate of future financial liabilities, but these estimates necessarily involve judgements.

All of our accounting policies are described in more detail in the financial statements.

### International Financial Reporting Standards

UK listed companies are required to produce group accounts under International Financial Reporting Standards (IFRS) for financial years beginning on or after 1 January 2005. Whilst the BBC ordinarily complies with applicable accounting standards, as was the case last year, we have decided not to adopt IFRS in our annual accounts for 2006/2007 (see page 146 for further information).

However, we have continued to review the impact that adoption of IFRS would have on the Group accounts, and a summary of that impact is presented on page 146. Our intention is that we will continue to prepare financial statements on a basis consistent with that used by Her Majesty's Treasury in the preparation of the Whole of Government Accounts.

### Principal risks and uncertainties

Details on the BBC's risk management processes are included in the 'Governance and financial statements' section of this *Annual Report and Accounts*. The principal risks and uncertainties facing the organisation are described below.

■ **Loss of relevance to audiences** due to decline in quality and distinctiveness of content, and/or failure to make content readily available using the latest technology. *Mitigated by extensive audience research and programme strategy focusing on quality and distinctiveness, and ongoing initiatives around new distribution platforms (eg BBC iPlayer).*

■ **Disruption to output** resulting from, for example, loss of transmission or industrial action. *Mitigated by business continuity planning for all broadcast critical sites and processes, and liaison with unions over staffing issues.*

■ **Breach of editorial standards, or legal and other regulatory requirements.** *Mitigated by extensive training and support for staff on editorial standards and legal/regulatory compliance.*

■ **Breach of statutory financial borrowing limit.** *Mitigated by long-term cash forecasting and annual budgeting (including cashflow), with monthly financial reporting to the Executive Board and the Trust.*

### Key resources

The BBC has a number of valuable resources which enable it to address these risks and help deliver our strategic objectives:

■ **People.** As a creative organisation, our people are our most valuable asset, and our recruitment process, and training and development programmes (see page 81), ensure we attract and retain the best.

■ **Security of funding.** The licence fee settlement, backed up by continued growth in the Commercial Businesses, means that we can plan our spending on content and services with relative certainty.

■ **Brand and reputation.** Recently voted the UK's strongest business brand<sup>6</sup>, the BBC brand and reputation ensure that we stand out in the media landscape.

### Looking forward: the licence fee settlement

In January 2007 the Government announced the level of the TV licence fee for the next six years. The settlement puts the BBC in the privileged position of ensuring licence fee funding for the next six years, and we will aim to supplement it with around £3.6billion through further efficiency savings, more efficient licence fee collection, and income from the Commercial Businesses. It does, however, require us to pay for some of the costs associated with digital switchover such as Digital UK communications, and the Digital Switchover Help Scheme.

Moreover, the licence fee will now increase by fixed percentages rather than by increases linked to inflation. This means that we bear the risk that our real spending power will be reduced if inflation rises at a faster rate than the level of the licence fee – a 1% rise in inflation would reduce our spending power by around £30million per annum.

The key challenges now are to determine which mix of existing and new services will provide the best overall value to licence fee payers, and how to deliver those services as efficiently as possible without compromising on quality.



Zarin Patel  
Group Finance Director  
19 June 2007

<sup>6</sup>Superbrands UK Survey, February 2007



# Finance

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### BBC corporate governance framework

Effective governance is at the core of the BBC's ability to operate successfully in the global business environment. During the year, with the new Royal Charter coming fully into force on 1 January 2007, the BBC has made further progress in advancing its corporate governance agenda.

The new Charter makes radical changes to the governance of the BBC by replacing the Board of Governors with the BBC Trust and creating a new formally constituted Executive Board with its role and responsibilities defined in the Charter.

The previous Governors were required to satisfy themselves that the activities of the BBC were carried out in accordance with the highest standards of probity; both the Trust and the Executive Board are required to have regard to appropriate standards of corporate governance. Although the BBC is not a listed company it has voluntarily chosen to follow the relevant provisions of the Financial Services Listing Rules and the Combined Code on corporate governance issued by the Financial Reporting Council in 2003 ('the 2003 FRC Code') in order to be consistent with UK public limited companies.

Under the direction of the Board of Governors for the nine months to 31 December 2006, and the new Executive Board for the three month period to 31 March 2007, the BBC has complied with the 2003 FRC Code, except in the following areas where the 2003 FRC Code is not appropriate:

### Principle of the 2003 FRC Code

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

### BBC Position

The BBC has complied with this provision in the nine months to 31 December 2006.

From 1 January 2007 the Chairman of the Executive Board is the Director-General who is equivalent to the Chief Executive.

### Explanation

The Charter specifies that the Director-General may be the Executive Chairman of the Executive Board. In addition, the role of the BBC Trust in scrutinising strategies ensures that no one individual has unfettered powers.

Due to the roles of the Chairman and Chief Executive being held by the same individual, the Chairman holds no other significant commitments.

A.3 – The Board should include a balance of executive and non-executive directors (and in particular independent non-executive directors).

The BBC has complied with this provision from 1 January 2007 onwards with the exception of the requirement that at least half the Board, excluding the Chairman, should comprise non-executive Directors.

Under the previous charter, Governors were appointed by HM The Queen in Council on advice from Ministers in accordance with the Nolan principles that public appointments should be made on merit. The members of the Trust are appointed on the same basis.

The new Executive Board comprises ten executive Directors and five non-executive Directors. The new Charter specifies that non-executive Directors must not be less than one-third and not equal to or more than half the members of the Executive Board. Director biographies are detailed on page 25.

The Executive Board considers all of the non-executive Directors to be independent for the purpose of the 2003 FRC Code.

A.4 – There should be a formal and transparent procedure for the appointment of new directors to the Board.

The BBC has complied with this provision from 1 January 2007 onwards.

As stated above, Governors were appointed by the Queen in Council under the previous Charter. From 1 January 2007, members of the Executive Board are appointed by the newly formed Executive Board Nominations Committee and, in the case of non-executive directors, are approved by the BBC Trust. Where the Director-General is also the Chairman of the Executive Board, he is appointed directly by the BBC Trust; in other cases the appointment of the Director-General by the Executive Board must be approved by the Trust.

Principle of the 2003 FRC Code	BBC Position	Explanation
B.2 – There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.	The BBC has complied with this provision except in the following instance:  The Chairman of the Board of Governors was a member of the Remuneration Committee for the period to 31 December 2006.	All BBC Governors were independent of management and therefore the Governors determined the Chairman was independent for the purpose of setting the remuneration of the Executive Board.  How the BBC has applied the remuneration principles is detailed within the remuneration report on pages 92 to 95.
D – Relations with shareholders.	Principles contained within this provision are inapplicable.	Provisions relating to shareholders can only be applied by analogy to the licence fee paying public. The way in which the Trust upholds the interests of licence fee payers is detailed in Part One of the <i>Annual Report and Accounts</i> on pages 9 to 11.
E – Institutional shareholders.	Principles contained within this provision are inapplicable.	Provisions relating to shareholders can only be applied by analogy to the licence fee paying public. The way in which the Trust upholds the interests of licence fee payers is detailed in Part One of the <i>Annual Report and Accounts</i> on pages 9 to 11.

A revised 2003 FRC Code on Corporate Governance was issued on 23 June 2006. This code applies to reporting periods beginning on or after 1 November 2006 and supersedes the 2003 FRC Code. The BBC is compliant with the key provisions of the new code which will be considered for the forthcoming financial year in the 2007/2008 *Annual Report and Accounts*.

#### Board structure

Under the previous Charter for the period to 31 December 2006, the operations of the BBC were managed by the Executive Board, made up of BBC executive Directors and chaired by the Director-General. The Governors were members of the Corporation and acted as guardians of public interest. Further details of the role and responsibilities of the Board of Governors can be found in Part One of the *Annual Report and Accounts*.

Under the new Charter, fully in force from 1 January 2007, the Executive Board has been reconstituted and strengthened by the appointment of a significant minority of non-executive Directors, nominated by a Nominations Committee of the Board and approved by the Trust. The functions of the Executive Board and Trust are clearly defined. Operational responsibility rests with the Executive Board, and the Trust, as the body responsible for strategic direction of the BBC, scrutinises the performance of the Executive Board in delivering the BBC's

services and activities. More information on how the Executive Board operates is detailed below. Profiles of individual Trustees and the responsibilities of the Trust can be found in Part One of the *Annual Report and Accounts*. A register of interests for both Trustees and the members of the Executive Board is maintained. The Trustees' register of interests is available online at [bbc.co.uk/bbctrust](http://bbc.co.uk/bbctrust). The Executive Board's register may be inspected by written application to the Director, BBC People, MC2 B4 Media Centre, 201 Wood Lane, London W12 7TQ.

#### Operation of the Executive Board

The Executive Board is responsible for delivering the BBC's services in line with the priorities set by the BBC Trust. Its members meet monthly with the exception of August. Summary minutes of meetings from 1 January 2007 are available online at [bbc.co.uk/info/running/executive/minutes.shtml](http://bbc.co.uk/info/running/executive/minutes.shtml). The Executive Board is responsible for all aspects of operational management of the BBC (except the Trust Unit), including the following:

- delivering the BBC's services in accordance with purpose remits, service licences and other strategies
- directing the BBC's editorial and creative output
- ensuring compliance with all the BBC's legal and regulatory requirements (including initial handling of complaints

about the BBC), except where these areas specifically relate to the BBC Trust or the Trust Unit

- ensuring compliance with all the requirements which the Trust places on the Executive Board
- making proposals to the Trust for anything which the Trust is required to approve
- appointing and holding to account the management of the BBC and its subsidiaries
- conducting the BBC's operational financial affairs to ensure value for money
- accounting to the BBC Trust for its own performance and the performance of the BBC and its subsidiaries
- complying with any decision from the BBC Trust in relation to the exercise of its functions.

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

Assessment of the performance of the Executive Board in delivering the BBC's services and activities is conducted by the Trust in accordance with the new Charter. As the new Executive Board has only been in place from 1 January 2007, assessment of performance by the Trust has yet to be conducted.



In line with the provisions set out in the new Charter, four Executive Board sub-committees have been formed. The main responsibilities of these sub-committees are explained elsewhere in this *Annual Report and Accounts*.

- Audit Committee (page 91)
- Remuneration Committee (page 92)
- Nominations Committee (see below)
- Fair Trading Committee (page 77)

### Board appointments and the Nominations Committee

The Executive Board Nominations Committee was established in January 2007. The purpose of the Committee is to make recommendations on suitable candidates for appointment to the Executive Board, with the exception of the Chairman (who is appointed by the BBC Trust), and ensure an appropriate balance of expertise and ability.

The Nominations Committee is responsible for ensuring that the procedure for appointing new Directors is rigorous and transparent. The selection process will generally involve interviews with a selection of candidates, with appointments made on merit and against objective criteria.

The Senior Non-Executive Director is appointed for an initial term of three years. Non-executive Directors are appointed for two year terms. Executive Director terms of appointment vary with individual contracts of employment.

The Committee meets at least once a year. Membership of this Committee changes depending on whether non-executive or executive appointments are being made.

### Information and professional development

Directors receive an induction programme and a wide range of information about the company on joining. This includes background information on the BBC, its Directors, details of Board procedures and Directors' responsibilities. In addition the Directors' induction is supplemented via access to various external training programmes.

### Senior Independent Director's Report

I am pleased to have the opportunity to report on my activities during the period in my role as Senior Independent Director. The role of Senior Independent Director, created in December 2006, is a developing one which places particular emphasis on ensuring effective communication between members,

both executive and non-executive, of the Executive Board as well as with the Trust. It also carries the responsibility of chairing the Executive Nominations Committee for non-executive appointments.

Through the position, I have set out to provide a point of contact, in case of need, for the Trust to ensure that I am aware of their views. I have also met, separately, from time to time with the Director-General to ensure that I am aware of any relevant issues within the Executive Board.

In addition, during the period I have met with the non-executive Directors separately from the Executive Board to discuss the Executive Board's performance and chaired the Executive Nominations Committee, overseeing the establishment of the appointment framework for Executive Board members.

There are no issues arising from these discussions that I feel necessary to highlight in this report.

### Marcus Agius

Senior Independent Director  
19 June 2007

### Executive Board attendance

The attendance record of Executive Board members is detailed below. Attendance of Individual Governors at Board of Governors' meetings and sub-committee meetings up to December 2006 and of Trustees from January 2007 is recorded in Part One of the *Annual Report and Accounts*.

	Executive Board (to 31 December 2006)	Executive Board (from 1 January 2007)	Audit Committee <sup>1</sup>	Fair Trading Committee <sup>2</sup>	Nominations Committee <sup>3</sup>	Remuneration Committee <sup>4</sup>
Number of meetings for the period	7	3				
Mark Thompson	7	3		–		
Mark Byford	7	3	–	–		–
Jenny Abramsky	6	3	–	–	–	–
Jana Bennett	7	3	–	–	–	–
Tim Davie	6	3	–	–	–	–
Ashley Highfield	6	3	–	–	–	–
Stephen Kelly <sup>5</sup>	3	3	–	–	–	
Zarin Patel	4	3			–	–
John Smith	5	3	–	–	–	–
Caroline Thomson	6	3	–		–	–
Marcus Agius	–	2	–			
Dr Mike Lynch	–	3		–		
David Robbie	–	2		–	–	–
Dr Samir Shah	–	3			–	–
Robert Webb	–	3	–		–	
Jeremy Nordberg <sup>5</sup>	4	–	–	–	–	–

<sup>1</sup>Membership of the Committee: David Robbie (Chair), Mike Lynch and Samir Shah. Mark Thompson and Zarin Patel are regular attendees

<sup>2</sup>Membership of the Committee: Robert Webb (Chair), Samir Shah, Marcus Agius, Zarin Patel and Caroline Thomson

<sup>3</sup>Membership of the Committee differs depending on the appointment (non-executive or executive) being made. Marcus Agius, Mark Thompson and Mike Lynch are members for all appointments. Mark Byford is a member for executive appointments and a regular attendee for non-executive appointments. Mark Thompson chairs for executive appointments and Marcus Agius for non-executive appointments

<sup>4</sup>Membership of the Committee: Marcus Agius (Chair), Robert Webb and Mike Lynch. Mark Thompson and Stephen Kelly are regular attendees

<sup>5</sup>Jeremy Nordberg was Acting Director, BBC People until October 2006. Stephen Kelly joined the BBC as Director, BBC People in October 2006

# Finance

## Governance and financial statements

### Accountability and internal control

The Executive Board, newly formed on 1 January 2007 to include non-executive members, is now responsible for ensuring there is a process for managing significant risks to the BBC, and for maintaining an adequate system of internal control and reviewing its effectiveness. Until 31 December 2006, the Executive Direction Group, now known as the BBC Direction Group, carried this responsibility, although underlying processes have been continuous.

### Risk identification and management

An ongoing process for identifying, evaluating, managing, monitoring and reporting significant risks to the BBC, which accords with the Turnbull guidance, has been in place for the year ended 31 March 2007 and up to the date of approval of this BBC *Annual Report and Accounts*. The overall management of risk within the BBC is considered to be most effectively managed through the engagement of the entire Executive Board and, for that reason, risk management is not delegated to a sub-committee. Key elements of the process include:

- The Director of each BBC business group has a clear responsibility for identification and management of risks facing their business. Each business group maintains a register of identified key business risks which may have an impact on the accomplishment of its strategic objectives or achievement of its core business purposes, together with identified current controls and actions planned in response. Risk registers are subject to regular review and assessment throughout the year, and feed into consideration of risk exposure at both local and BBC board level.
- The Executive Board, the BBC Direction Group, and the Executive Direction Group before it, each receive regular reports on the BBC's risk exposure, including identification of controls currently in place and further actions planned to manage those risks effectively, and highlighting issues for their particular attention. These reports include: an annual baseline assessment, followed by quarterly updates, of the BBC's management of each of the risk categories currently deemed critical to the success of the BBC business; quarterly assessments of the key risks facing each BBC business group; and ad hoc reports in response to any major unexpected increase in exposure to any significant risk.

- Specialist business functions oversee the pan-BBC management of certain major areas of risk, ensuring appropriate frameworks and arrangements are in place to provide for consistency across the business, and ensuring appropriate executive sponsorship and management ownership of these. Such specialist functions include: the Business Continuity Unit; Occupational Risk; the Change@BBC Team (co-ordinating the BBC's change programme).
- The responsibility to minimise the risk of fraud and the consequential loss to the licence fee payer is taken very seriously: a clear fraud policy clarifies responsibilities for the controls in place to minimise the risk of fraudulent activity; all suspected incidents of fraud are investigated; anti-fraud workshops continue across the BBC to identify key fraud risks and to promote fraud awareness; application of the policy and of other measures is overseen by the Anti-Fraud Group, which reports to the Audit Committee.
- An internal risk management function works with management and the Executive Board to ensure the continued operation and appropriate development of processes to identify, evaluate and manage the significant risks facing the BBC. Periodic reports on the process are submitted to the Audit Committee.

### Internal control

The Executive Board, supported by senior management teams, is responsible for establishing and maintaining the BBC's system of internal control, for reviewing its effectiveness and for ensuring necessary actions are taken to remedy significant failings or weaknesses identified. The BBC's system of control is designed to manage rather than eliminate the risk of failure to achieve business objectives: although no system of internal control can provide absolute assurance against material misstatement or loss, the BBC's controls are designed to provide reasonable assurance that assets are safeguarded, transactions are appropriately authorised and material errors or irregularities are either prevented or detected on a timely basis. Key elements of the BBC's system of internal control include:

- Comprehensive financial and other reporting processes, within business groups and up to the Executive Board, including monthly management reporting, business reviews, an annual budget cycle with regular interim forecasts, long-term planning, performance review and exception reporting.
- Formalised authorisation processes, with the maintenance of proper records whenever these are necessary, covering all financial transactions, all programme commissioning and production, all major project expenditure, and all contracts, with clearly defined criteria when Executive Board approval is required.
- Processes to ensure compliance with all applicable laws and regulations, including Ofcom requirements.
- Processes to manage risks associated with the outsourcing of key business services (eg licence fee collection, finance transaction processing, HR services, technology systems and support) and to ensure continuity of ongoing business operations.
- Formalised policies and procedures concerning all material business processes, to ensure the flow of timely, relevant and reliable information across the business.
- Processes to ensure the professionalism and competence of staff, including recruitment policies, performance appraisal systems, and training programmes to develop and maintain required skills and knowledge.

### Internal Audit

The BBC has an Internal Audit department which is a core part of the Business Assurance function. Internal Audit's authority, and its independence, is assured by its separate reporting relationship to the Director-General and to the Audit Committee. The scope of Internal Audit includes the examination and evaluation of the adequacy and effectiveness of the BBC's system of internal control. The work programme of Internal Audit extends throughout all activities of the BBC and covers the exercise of the BBC's right of audit over external parties, including independent production companies and suppliers of key outsourced business services.

Internal Audit undertakes regular testing of control systems and core business processes, and the consistency of their application across the BBC, under a plan agreed annually with the Audit Committee. The audit plan is based on a continuing assessment of key risks, with due consideration to value for money to the licence fee payer; and covers all material financial, operational and compliance controls. Any significant control failings or weaknesses revealed by testing are reported promptly to appropriate levels of management. The results of testing are reported at each meeting of the Audit Committee, which scrutinises the operation of the BBC's internal controls over its key risks throughout the year.

#### Executive Board Audit Committee

Details of the membership and arrangements of the Governors' Audit Committee, which operated until 31 December 2006, are given in Part One of the *Annual Report and Accounts*.

The Executive Board Audit Committee consists of the following non-executive Directors: David Robbie (Chairman), Mike Lynch and Samir Shah. All were appointed by the Executive Board Nominations Committee in January 2007.

The Executive Board is satisfied that David Robbie has significant, recent and relevant financial experience. The Committee augments the broad range of skills of its three members with advice from financial professionals within the BBC's Internal Audit and Finance teams and from external advisers, including the external auditors, thus ensuring that the Committee is kept abreast of recent and relevant financial developments. Upon formation of the Committee, all members were provided with induction packs and met with members of BBC management, to extend their knowledge of the BBC business and the role of the Audit Committee within it.

Since its formation, the Audit Committee has set its Terms of Reference, and these have been approved by the Executive Board. It will, along with the Board, review its effectiveness annually. The Audit Committee's written terms of reference are available at [bbc.co.uk/info/running/executive/standing\\_orders.shtml](http://bbc.co.uk/info/running/executive/standing_orders.shtml). Its principal role is to review:

- the effectiveness of the system of internal control, considering reports from management and from internal and external auditors on processes for managing significant risks to the organisation, including subsidiary companies
- the BBC's financial statements, including accounting policies, compliance with legal and regulatory requirements, and the findings of the external and internal auditors
- the BBC's relationship with the external auditors, including their engagement, the scope of and approach to their work, their fees, their effectiveness and their independence, including the observance of the policy relating to the engagement of the external auditors in non-audit work
- the activities and plan of work and the effectiveness of Internal Audit.

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

- considered the findings of the internal and external auditors, sought assurance from management that control issues highlighted are being addressed and taken specific reports from management on matters of significant concern
- reviewed the BBC's financial statements, accounting policies and compliance
- reviewed and approved the policy for engaging the external auditor in additional work and the observance of that policy
- reviewed and approved the work plan of Internal Audit
- reviewed the processes in place for the management of risk and for whistle-blowing.

The Executive Board Audit Committee met twice from 1 January 2007 to the date of approval of the *Annual Report and Accounts*. The meetings were attended by the Director-General, the Group Finance Director, the Head of Business Assurance (also Head of Internal Audit) and representatives from the external auditors. The Committee meets regularly with the external auditors without any member of management present. The Chairman of the Audit Committee meets routinely with the Head of Business Assurance, alone or with the external auditors, but without management.

In considering legal and regulatory requirements, the Audit Committee has reviewed relevant developments, including receiving presentations from management on the impact of proposed changes in accounting and reporting standards.

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

#### Independence of external auditors

The BBC complies with the guidance governing the conduct of external audit set out in the 2003 FRC Code. The external auditors appointed by the BBC are KPMG LLP as auditors of the financial statements, and PricewaterhouseCoopers LLP as the fair trading auditors. The Audit Committee, the Fair Trading Compliance Committee, KPMG LLP and PricewaterhouseCoopers LLP themselves all have safeguards in place to avoid the possibility of the auditors' objectivity and independence being compromised.

The Audit Committee regularly reviews the independence of its external auditors. The Audit Committee holds discussions with the external auditors without management being present. The Audit Committee reviews the level of non-audit fees paid to KPMG LLP. Any significant consulting work is put out to competitive tender. Recruitment from KPMG LLP into any senior management position in the BBC requires the prior approval of the Audit Committee. The BBC's policies in relation to services procured from the external auditors are:

- non-audit services, above a £50,000 threshold, proposed to be commissioned from the external auditors must be notified to, and approved by, the Audit Committee
- above an established de minimis level the planned work must be submitted to competitive tender and, in the event that the external auditors are to be awarded the contract, the prior approval of the Audit Committee must be obtained



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# Governance and financial statements

- the external auditors are specifically excluded from being considered for certain types of work where their involvement could be perceived to prejudice their ability to express an independent and objective opinion.

### Whistle-blowing

The BBC has a 'whistle-blowing' or 'protected disclosure' policy. The policy facilitates the anonymous communication to the BBC of any incident in which there is a suspicion that there has been a breach of the BBC's codes. A 'whistle-blowing' hotline is administered by an independent external company to ensure anonymity. Each reported incident is notified to the Head of Business Assurance, who ensures that every incident is investigated, a response communicated and action taken as appropriate. Annually, the Audit Committee reviews both the process and the appropriateness of actions taken in regard to significant incidents.

### Executive Board remuneration report

This report sets out the BBC's remuneration policy and details the remuneration received by the members of the Executive Board. The BBC is exempt from the requirements of the Directors' Remuneration Report Regulations 2002 and those of the Financial Services Authority, but this report has been prepared as if those requirements apply wherever the disclosure provisions are relevant and applicable. The sections on pensions and remuneration received by the Executive Board members are audited by KPMG LLP.

### Remuneration Committees: constitution and operation

Until 31 December 2006, the Remuneration Committee was a sub-committee of the Board of Governors and was accountable for the overall remuneration policy for the BBC's Executive Board and for determining their base pay and any bonus awards. The Governors' Remuneration Committee was chaired by Anthony Salz and the other members were Deborah Bull and Michael Grade. Director-General (Mark Thompson) and Director, BBC People (Stephen Kelly from 3 October 2006), also attended to advise on matters relating to other members of the Executive Board and the overall performance of the BBC. Neither was present when matters concerning their own remuneration were considered.

From 1 January 2007, upon creation of the BBC Trust, the Governors' Remuneration Committee was replaced by two committees, the Remuneration and Appointments Committee of the Trustees and the Executive Remuneration Committee, which is a sub-committee of the Executive Board.

The Remuneration and Appointments Committee advises the Trust on the remuneration strategy for the executive Directors and Director-General, including the application of the strategy in relation to the Director-General's remuneration as well as the fees of the non-executive Directors.

The Executive Remuneration Committee is responsible for determining the remuneration of executive members of the Executive Board (excluding the Director-General) in accordance with agreed strategy, approved by the Trust. This includes setting the base pay and determining any bonus awards. The members of the Executive Remuneration Committee are non-executive Directors. The Committee is chaired by Marcus Agius and the other members are Mike Lynch and Robert Webb.

The meetings of the Executive Remuneration Committee are also attended, on invitation, by the Director-General (Mark Thompson) and Director, BBC People (Stephen Kelly), to advise on matters relating to other members of the Executive Board and the overall performance of the BBC. Neither is present when matters concerning their own remuneration are considered. The Executive Remuneration Committee has access to internal expertise through the BBC's Head of Reward, who also attends the meetings.

Complying with the 2003 FRC Combined Code on Corporate Governance, the Executive Remuneration Committee takes specialist advice from external professional advisers on remuneration matters, particularly market practice. During the year, the Remuneration Committee received advice from Hay Group on comparative market data in the determination of pay and benefits for the Executive Board.

### Non-executive Directors: remuneration policy

The non-executive Directors receive a fee, determined by the Trustees, reflecting the complexity of the role and the time required to execute the role effectively. The fee levels are set with reference to rates paid by other UK corporations, but at a level such that the non-executive Directors would not be financially dependent on the BBC. The fee levels are reviewed every other year, the next review being effective from 1 January 2009.

Each non-executive Director receives a base fee (currently £35,000 per annum). An additional fee (currently £5,000 per annum) is received by the Senior Independent Director and the chair of each Board committee for each role performed. They are additionally reimbursed for expenses incurred on BBC business, and any tax arising on those expenses is settled directly by the BBC. The fees and expenses are reported in the table on page 94.

### Executive Directors: remuneration policy

The Executive Remuneration Committee determines the remuneration of executive Directors (except in respect of the Director-General) in accordance with a strategy approved by the Trust. The remuneration strategy is to offer remuneration that attracts, motivates and retains the key talent required to lead the BBC and to deliver outstanding public service broadcasting. In doing so the remuneration policy seeks to:

- remunerate individuals fairly for individual responsibility and contribution;
- determine base pay. In setting base pay the Remuneration Committee takes into account the base pay of the BBC's principal competitors and the other organisations with which it competes for talent, without paying more than is necessary. The policy recognises that many competitor organisations are able to offer significant levels of variable pay, including financial performance-related bonuses and share-based awards which are not possible within the BBC. Therefore, determining base pay at a moderate premium to the median base pay of its competitors is deemed necessary;
- provide a limited element of variable pay linked to the achievement of key objectives and overall contribution to BBC performance; and

- take into account remuneration policy within the rest of the BBC and to consider the relationship between the remuneration of Executive Board members and that of other employees.

### Elements of remuneration

The main elements of remuneration are base pay, annual bonus and pension.

#### Base pay

Base pay is reviewed with effect from 1 August each year taking into account individual responsibilities and performance, competitive market pressures and internal comparators. The Executive Remuneration Committee receives specialist advice from external professional advisers, Hay Group, on remuneration matters, particularly comparative market data. In 2005, it was determined that 10% was the appropriate moderate premium to median market pay against which to benchmark salaries.

#### Annual bonus

Bonuses for executive Directors (except John Smith) are limited to 10% of base pay, and are based on the achievement of divisional value for money targets, accounting for up to 5% of base pay, with divisional transformational measures accounting for

the other 5% of base pay. These objectives were agreed by the previous Board of Governors and continued following transition to the BBC Trust.

It is intended that the bonus arrangements for 2007/2008 for all members of the Executive Board will follow a similar structure to 2006/2007.

#### Benefits

In addition to base pay, annual bonus and pension, the other main contractual benefits are a car and fuel allowance, private health insurance, and life assurance. It has been the policy for some years that new appointees to the Executive Board are not eligible for provision of a chauffeur-driven car. The Director-General's contract provides for a chauffeur-driven car, but no entitlement to a personal car or fuel allowance.

#### Executive pensions

Executive members of the Executive Board are eligible to participate in the BBC Pension Scheme, which provides for pension benefits on a defined benefit basis. For any employee joining on or before 1 November 2006, the accrual rate is 1/60th of the final pensionable salary per year of service. For an employee who joined after this date, the accrual is

1.67% of their average pay adjusted in line with price inflation. In each case, earnings are subject to a maximum annual limit (£108,600 per annum in 2006/2007) for those who joined the Pension Scheme after 31 May 1989. The Pension Scheme provides for early retirement on medical grounds and life assurance of four times base pay up to a prescribed limit.

For an executive member of the Executive Board who joined after 31 May 1989, where their base pay exceeds the maximum annual limit, a variety of arrangements were put in place, including funded and unfunded arrangements outside of the BBC Pension Scheme. Until 31 March 2006, for the Executive Board, all of these arrangements were funded through a Funded Unapproved Retirement Benefits Scheme (FURBS), but since 1 April 2006, a cash pension supplement of the same value has been paid instead.

With the new pensions regime effective from April 2006, any participating employee who reaches or exceeds the new Lifetime Allowance (LTA) may opt out of the Pension Scheme and instead receive a cash pension supplement replacing BBC contributions to the Pension Scheme. Details of defined benefit entitlements are shown below:

### Defined benefit schemes

	Annual values		Transfer values <sup>2</sup>		
	Accrued pension at 31 March 2007 £'000 pa	Increase in accrued pension over the year £'000 pa	Transfer value of accrued pension at 31 March 2007 £'000	Transfer value of accrued pension at 31 March 2006 £'000	Increase in transfer value less members' contributions over year £'000
<b>Executive Director</b> (age at 31 March 2007)					
<b>Executive Board</b>					
Jenny Abramsky (60)	190	13	3,887	3,849	29
Jana Bennett (51)	9	2	126	92	28
Mark Byford (48)	171	15	2,489	2,117	347
Stephen Dando (45)	8	–	87	76	10
Tim Davie (39)	4	2	27	12	9
Ashley Highfield (41)	12	2	96	74	16
Stephen Kelly (41) <sup>1</sup>	1	1	7	–	4
Zarin Patel (46)	16	3	159	126	27
John Smith (49)	173	20	2,637	2,195	413
Mark Thompson (49)	5	2	64	38	20
Caroline Thomson (52)	58	4	1,130	1,014	108

<sup>1</sup>Stephen Kelly was appointed an Executive Board member and joined the Pension Scheme on 1 October 2006. As at 31 March 2007, he had less than two years' service and so would not be entitled to a deferred pension if he had left the Pension Scheme on this date. However, for comparison with the other Executive Board members, his accrued benefits have been calculated and valued assuming that he will complete the two years' service requirement.

<sup>2</sup>The transfer value of accrued pension benefits represents the estimated cost to the Pension Scheme of providing the pension benefits accrued to date. The value is affected by many factors, including age, pensionable salary, pensionable service and investment market conditions at the date of calculation (in accordance with Actuarial Guidance Note GN11). It is not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration. The effect of the investment market conditions on the transfer value varies according to the member's age – for older members the calculation reflects the yields on index-linked gilts, whilst for younger members the dividend yield on the FTSE All-Share Index is the more significant determinant.

### Remuneration received

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

	Fee/base pay £'000	Annual bonus <sup>3</sup> £'000	Expenses/ benefits £'000	Other remuneration <sup>4</sup> £'000	Total remuneration 2006/2007 £'000	Remuneration before pension contributions 2005/2006 £'000	Pension contributions 2005/2006 £'000	Total remuneration and pension contributions 2005/2006 £'000
<b>Executive Directors</b>								
Jenny Abramsky	316	–	13	–	329	322	–	322
Jana Bennett	343	–	20	70	433	353	65	418
Mark Byford	425	–	12	–	437	456	–	456
Stephen Dando <sup>1</sup>	19	–	1	5	25	292	71	363
Tim Davie	291	–	15	100	406	287	–	287
Ashley Highfield	292	–	12	55	359	311	53	364
Stephen Kelly	155	–	8	105	268	–	–	–
Zarin Patel	312	–	13	61	386	324	64	388
Caroline Thomson	291	–	15	55	361	317	48	365
Mark Thompson	624	–	9	155	788	619	151	770
Executive Directors (excluding John Smith)	3,068	–	118	606	3,792	3,281	452	3,733
John Smith <sup>2</sup>	354	80	26	–	460	444	–	444
Total executive Directors	3,422	80	144	606	4,252	3,725	452	4,177
<b>Non-executive Directors</b>								
Marcus Agius <sup>5</sup>	17	–	–	–	17	–	–	–
Mike Lynch <sup>5</sup>	9	–	–	–	9	–	–	–
David Robbie <sup>5</sup>	10	–	–	–	10	–	–	–
Samir Shah <sup>5</sup>	9	–	–	–	9	–	–	–
Robert Webb <sup>5</sup>	10	–	–	–	10	–	–	–
Total non-executive Directors	55	–	–	–	55	–	–	–
<b>Total Executive Board</b>	3,477	80	144	606	4,307	3,725	452	4,177
Total Trustees <sup>6</sup>	192	–	17	–	209	–	–	–
Total Governors <sup>6</sup>	235	–	60	–	295	434	–	434
<b>Total</b>	3,904	80	221	606	4,811	4,159	452	4,611

<sup>1</sup>Stephen Dando resigned 23 April 2006

<sup>2</sup>John Smith's base pay, bonus and benefits are included at their full rate, although the cost to the BBC Public Service Broadcasting Group is restricted to 25% of base pay for the period up to 30 September 2006 and zero thereafter

<sup>3</sup>The executive Directors who primarily focus on licence fee funded business waived their contractual rights to be considered for an annual bonus for 2006/2007. John Smith waived his right to £18,000 of the annual bonus awarded to him. In addition to the annual bonus taken an equal amount has been foregone as was the case last year, and has been invested in the Long-Term Incentive Plan for BBC Worldwide, which may vest in March 2010 subject to future performance. Awards made in 2005 and 2006 under the LTIP may vest in 2008 and 2009 respectively.

<sup>4</sup>Other remuneration comprises the following:

a. In previous years, the BBC's contributions to FURBS for executive Directors were shown in the pensions table. From April 2006, the FURBS arrangements were replaced by a cash pensions supplement, and as such are not required to be shown in the summary of remuneration received and are shown under 'other remuneration'. Remuneration information in respect of 2006 has been expanded to present the FURBS contributions in order to demonstrate the comparability of Directors' rewards.

b. For Tim Davie it also includes a payment of £45,000 in respect of FURBS contributions relating to 2005/2006 which was not finalised in the previous year

c. For Stephen Kelly it also includes a payment of £75,000 which he received on joining (1 October 2006) as compensation for loss of performance related benefits from his previous employment. This is repayable (on a pro-rata basis) if he leaves the BBC within two years of joining

<sup>5</sup>Marcus Agius was appointed 1 December 2006, Mike Lynch, David Robbie, Samir Shah and Robert Webb were appointed 1 January 2007

<sup>6</sup>The remuneration of the new Trustees is for the period 1 November 2006 to 31 March 2007 and the remuneration of the Governors is for the period 1 April 2006 to 31 December 2006. Trustees that were previously Governors are included from 1 January 2007. Further details are provided in Part One of the Annual Report and Accounts

There were no payments in respect of termination or compensation for loss of office paid to or receivable by Trustees or Executive Board members during the year.



### BBC's Commercial Businesses

Separate remuneration arrangements apply for John Smith, the Chief Executive Officer (CEO) of BBC Worldwide, whose responsibility is for the BBC's Commercial Businesses. These arrangements have not changed since last year's report.

In his capacity as CEO of BBC Worldwide, John Smith participates in the annual bonus and long-term incentive plans of BBC Worldwide which are established by the Board of BBC Commercial Holdings. The annual bonus is limited to 50% of base pay and is determined by profit. The Long-Term Incentive Plan is driven by profit and return on sales targets, and out-performance against major international media sector businesses over one and three-year performance periods. These plans are not funded by the licence fee, the full costs of the annual bonus and the long-term incentive plans are self-funded by the commercial revenues of BBC Worldwide. For 2006/2007, the cost to the BBC Public Service Broadcasting Group was restricted to 25% of John Smith's base pay for the period to 30 September 2006, reflecting his public services responsibilities to that date. Since 30 September 2006, John Smith has remained a member of the BBC's Executive Board, but no cost is borne by the BBC Public Service Broadcasting Group.

### Employment contracts

Employment contracts of executive Directors do not include a notice period of more than one year, and are subject to earlier termination for cause.

As at 31 March 2007, the unexpired term and notice period of each Executive Board member was a maximum of 12 months. There is no entitlement to any additional remuneration in the event of early termination other than in the case of termination for reason of redundancy.

### Outside interests

Where there is no potential for conflict of interest and with the prior agreement of the Director-General and the Nominations Committee, executive members of the Executive Board may hold external directorships. In principle, no more than two external directorships can be held at the same time, of which only one should be in a commercial organisation. Any remuneration which arises from directorships is paid to the BBC. During the year, John Smith served

as a non-executive director of Severn Trent PLC and Caroline Thomson served as non-executive director of The Pensions Regulator. For information on how to obtain the Executive Board's register of interests see page 88. It is recognised that non-executive Directors will probably hold directorships and the restrictions applying to executive Directors do not apply to them.

### Executive Board responsibility statement Statement of Executive Board responsibilities in respect of the Annual Report and Accounts

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

In preparing those financial statements the Executive Board has undertaken to:

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

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

The Executive Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the BBC and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the BBC and to prevent and detect fraud and other irregularities.

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

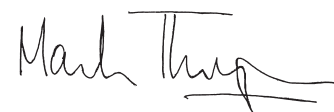
### Statement of disclosure of information to auditors

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

### Going concern

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

This statement was approved by the Executive Board.



**Mark Thompson**  
Director-General  
19 June 2007

### Independent auditor's report

#### Independent Auditor's report to the Trustees of the British Broadcasting Corporation (BBC)

We have audited the group and UK Public Service Broadcasting financial statements (the 'financial statements') of the BBC for the year ended 31 March 2007, which comprise the Group Income and Expenditure Account, the Group and UK Public Service Broadcasting Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes (pages 97 to 145). These financial statements have been prepared under the accounting policies set out therein.

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

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

#### Respective responsibilities of the Trustees and Executive Board and Auditors

The Trustees and Executive Board are responsible for preparing the *Annual Report and Accounts*, the Remuneration Reports and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Trustees' and Executive Board's Responsibilities on page 32 of Part One and page 95 of Part Two of this *Annual Report and Accounts*. Our responsibility, in accordance with the terms of our

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

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

In addition to our audit of the financial statements, the Trustees have engaged us to review the Corporate Governance statement as if the BBC were required to comply with the Listing Rules of the Financial Services Authority in relation to these matters. We review whether the Corporate Governance Statement on pages 82 to 95 reflects the BBC's compliance with the nine provisions of the 2003 Financial Reporting Council Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the BBC's corporate governance procedures or its risk and control procedures.

We read other information contained in the *Annual Report and Accounts*, and consider whether it is consistent with the audited financial statements. This information includes the Chairman's statement in Part One of the *Annual Report and Accounts*, the Director-General's report on page 1, the Trustees' review of services in Part One of the *Annual Report and Accounts*, the Financial overview on pages 82 to 85, the Corporate Governance Statement and the unaudited parts of the Remuneration Reports. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### Basis of audit opinion

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

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

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and UK Public Service Broadcasting's affairs as at 31 March 2007 and of the Group's surplus for the year then ended; and
- the financial statements and the parts of the Remuneration Reports which we have been engaged to audit have been properly prepared in accordance with the provisions of the Charter and the Companies Act 1985 as if that Act had applied to these financial statements.

#### KPMG LLP

Chartered Accountants  
Registered Auditor, London

19 June 2007

## Consolidated statement of income and expenditure

For the year ended 31 March 2007

	Note	2007 £m	2006 £m
<b>Income</b> (including share of joint ventures)		<b>4,415.8</b>	4,234.5
Less: share of joint ventures	13c	<b>(238.5)</b>	(229.5)
<b>Group income</b>	1	<b>4,177.3</b>	4,005.0
Operating expenditure excluding exceptional costs		<b>(4,262.9)</b>	(4,094.1)
Exceptional distribution costs	2d	<b>(46.0)</b>	–
Exceptional restructuring costs	4c	<b>(44.5)</b>	(119.1)
<b>Total operating expenditure</b>	2	<b>(4,353.4)</b>	(4,213.2)
<b>Group operating deficit</b>		<b>(176.1)</b>	(208.2)
Share of operating surplus of associates and joint ventures		<b>40.7</b>	31.2
<b>Operating deficit: Group and share of associates and joint ventures</b>	3	<b>(135.4)</b>	(177.0)
(Loss)/profit on sale and termination of operations	5	<b>(5.2)</b>	125.2
Profit on disposal of fixed assets	6	<b>55.7</b>	16.0
<b>Deficit before interest and taxation</b>		<b>(84.9)</b>	(35.8)
Interest receivable and similar items	7a	<b>14.4</b>	13.5
Interest payable and similar items	7b	<b>(7.5)</b>	(12.0)
Other net finance income (from defined benefit pension scheme)	8b ii	<b>162.6</b>	65.7
<b>Surplus before taxation and minority interest</b>	1	<b>84.6</b>	31.4
Taxation	9	<b>(23.9)</b>	(27.7)
<b>Surplus after taxation and before minority interest</b>		<b>60.7</b>	3.7
Minority interest		–	(0.1)
<b>Surplus for the financial year</b>	18	<b>60.7</b>	3.6

All results arise from continuing operations.

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

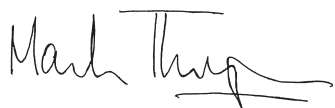


Finance  
**Financial statements**  
*Balance sheets*

at 31 March 2007

	Note	Group 2007 £m	Group 2006 £m	UK Public Service Broadcasting 2007 £m	UK Public Service Broadcasting 2006 £m
<b>Fixed assets</b>					
Intangible assets	10	10.2	19.3	–	–
Tangible assets	11	708.9	697.2	496.8	493.0
Investment in programmes for future sale	12	98.5	106.5	–	–
Interests in trade investments	13a	5.0	–	–	–
Investment in subsidiaries	13e	–	–	295.0	283.9
Interest in joint ventures					
– share of gross assets and goodwill		196.4	179.5	–	–
– share of gross liabilities		(129.5)	(134.3)	–	–
	13a	66.9	45.2	–	–
Interests in associates	13a	1.0	1.1	–	–
		890.5	869.3	791.8	776.9
<b>Current assets</b>					
Stocks	14	476.9	462.4	463.5	447.6
Debtors due after more than one year	15	74.4	45.9	38.9	26.9
Debtors due within one year	15	696.9	727.1	569.8	582.8
<b>Total debtors</b>		771.3	773.0	608.7	609.7
Cash at bank and in hand	21	144.7	160.2	93.4	104.6
		1,392.9	1,395.6	1,165.6	1,161.9
<b>Creditors – amounts falling due within one year</b>	16b	(1,015.6)	(919.8)	(751.2)	(729.5)
<b>Net current assets</b>		377.3	475.8	414.4	432.4
<b>Total assets less current liabilities</b>		1,267.8	1,345.1	1,206.2	1,209.3
<b>Creditors – amounts falling due after more than one year</b>	16c	(60.4)	(116.8)	(26.9)	(33.3)
<b>Provisions for liabilities</b>	17	(143.2)	(196.2)	(115.7)	(164.5)
<b>Net assets excluding pension asset/(liability)</b>		1,064.2	1,032.1	1,063.6	1,011.5
Pension asset	8b i	339.7	170.2	–	–
Pension liability	8b i	(5.2)	(5.3)	–	–
<b>Net assets</b>		1,398.7	1,197.0	1,063.6	1,011.5
<b>Represented by</b>					
Operating reserve excluding pension reserve	18	279.3	257.5	278.7	237.0
Pension reserve	18	334.5	164.9	–	–
Total operating reserve	18	613.8	422.4	278.7	237.0
Capital reserve	18	782.5	771.3	782.5	771.3
Revaluation reserve	18	2.4	3.2	2.4	3.2
		1,398.7	1,196.9	1,063.6	1,011.5
Minority interest		–	0.1	–	–
		1,398.7	1,197.0	1,063.6	1,011.5

The financial statements were approved by the Executive Board and signed on 19 June 2007 on its behalf by:



Mark Thompson *Director-General*



Zarin Patel *Group Finance Director*

## Financial statements

## Consolidated statement of total recognised gains and losses

For the year ended 31 March 2007

	Note	2007 £m	2006 £m
Group surplus for the financial year		<b>60.7</b>	3.6
Exchange differences on retranslation	18	<b>(2.7)</b>	1.9
Actuarial gain on defined benefit pension schemes	8b iii	<b>143.8</b>	661.1
<b>Total recognised gains and losses relating to the year</b>		<b>201.8</b>	666.6

## Reconciliations of movement in reserves

For the year ended 31 March 2007

	Group 2007 £m	Group 2006 £m	UK Public Service Broadcasting 2007 £m	UK Public Service Broadcasting 2006 £m
Surplus for the financial year	<b>60.7</b>	3.6	<b>52.1</b>	41.4
Other recognised gains and losses relating to the year (net)	<b>141.1</b>	663.0	–	–
Increase in reserves during the year	<b>201.8</b>	666.6	<b>52.1</b>	41.4
Opening reserves	<b>1,196.9</b>	530.3	<b>1,011.5</b>	970.1
<b>Closing reserves</b>	<b>1,398.7</b>	1,196.9	<b>1,063.6</b>	1,011.5

## Finance

### Financial statements

#### Consolidated cash flow statement

For the year ended 31 March 2007

#### Reconciliation of Group operating deficit to net cash flow from operating activities

	2007 £m	2006 £m
Group operating deficit	(176.1)	(208.2)
Depreciation and amortisation	221.6	197.3
Difference between pension charge and cash contribution	136.8	135.1
(Profit)/loss on disposal of tangible fixed assets	(1.1)	2.4
Increase in stocks	(16.7)	(6.8)
Increase in debtors	13.6	(28.7)
Increase in creditors	21.6	47.5
(Decrease)/increase in provisions	(66.1)	77.5
<b>Net cash inflow from operating activities</b>	<b>133.6</b>	<b>216.1</b>

#### Cash flow statement

	Note	2007 £m	2006 £m
<b>Net cash inflow from operating activities</b>		<b>133.6</b>	<b>216.1</b>
<b>Dividends received from joint ventures and associates</b>	13a	<b>22.4</b>	<b>19.8</b>
<b>Return on investments and servicing of finance</b>			
Interest received		12.6	13.5
Interest paid		(7.0)	(9.2)
Interest paid on finance leases		(0.5)	(0.5)
<b>Net cash inflow from return on investments and servicing of finance</b>		<b>5.1</b>	<b>3.8</b>
<b>Taxation</b>			
Taxation paid		(21.1)	(12.0)
<b>Capital expenditure and financial investments</b>			
Purchase of tangible fixed assets		(144.7)	(130.7)
Investment in programmes for future sale		(109.5)	(73.6)
Investment in intangible fixed assets		–	(0.4)
Repayment of loan to associate undertaking		0.3	0.4
Drawdown of loan to joint venture		(0.8)	–
Proceeds from the sale of tangible fixed assets		79.9	20.2
<b>Net cash outflow from capital expenditure and financial investments</b>		<b>(174.8)</b>	<b>(184.1)</b>
<b>Acquisitions and disposals</b>			
Purchase of a subsidiary		–	(0.8)
Purchase of trade investment		(0.9)	–
Purchase of interest in associates and joint ventures		(5.5)	(4.1)
Proceeds from sale of operations	19	26.6	166.1
<b>Net cash inflow from acquisitions and disposals</b>		<b>20.2</b>	<b>161.2</b>
<b>Net cash (outflow)/inflow before use of liquid resources and financing</b>		<b>(14.6)</b>	<b>204.8</b>
<b>Management of liquid resources</b>			
Sale of other liquid resources		–	41.9
<b>Net cash inflow from management of liquid resources</b>		<b>–</b>	<b>41.9</b>
<b>Financing</b>			
Increase in loans		20.4	57.0
Repayment of loans		(7.0)	(135.0)
Capital repayment of finance leases		(9.5)	(9.4)
Repayment of loan notes		(4.8)	(0.5)
<b>Net cash outflow from financing</b>		<b>(0.9)</b>	<b>(87.9)</b>
<b>(Decrease)/increase in cash in the year</b>	20	<b>(15.5)</b>	<b>158.8</b>



This section explains the BBC's main accounting policies, which have been applied consistently throughout the year and in the preceding year except where stated. A footnote in italics follows some policies to explain technical aspects of the accounting treatment in plain English.

The financial statements have been prepared in accordance with the provisions of the BBC's Charter and Agreement, which requires them to be prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

Although not mandatory, the BBC has in previous years chosen to follow the accounting and disclosure provisions of the Companies Act 1985 and the Financial Services Authority Listing Rules to ensure that its financial statements were prepared on a basis consistent with those of UK public limited companies.

Following changes in company law, if it had continued to report as if it were a public limited company, the BBC would have prepared its Group financial statements in accordance with EU-adopted International Financial Reporting Standards (IFRS) from 1 April 2005. However, reporting under IFRS would be inconsistent with the BBC's Charter and Agreement and with Government reporting. Instead, the current financial statements have been prepared in accordance with UK GAAP and the provisions of the Companies Act 1985, as applicable to a listed company not preparing its financial statements in accordance with EU-adopted International Financial Reporting Standards.

In line with other companies, the BBC files with Companies House audited financial statements for all its subsidiary companies.

#### Basis of accounting

The financial statements have been prepared under the historical cost accounting convention, as modified by the revaluation of certain plant, machinery, furniture and fittings, financial instruments, derivatives and the investment in BBC World Service and BBC Monitoring.

#### Adoption of amendments to accounting standards

The BBC has adopted the following amendments to applicable UK accounting standards for the first time in these Group accounts.

- Amendment to FRS 23 (IAS 21) 'The Effects of Changes in Foreign Exchange Rates' *Net Investment in a Foreign Operation*: This has had no impact on the statement of income and expenditure or the balance sheet.
- Amendment to FRS 26 (IAS 39) 'Financial Instruments: Measurement' *Recognition and Derecognition*. This has required consideration of whether certain liabilities that had previously been derecognised in accordance with normal practice, as there was a remote likelihood of settlement, need to be reinstated pending legal extinguishment. This has had no significant impact on the statement of income and expenditure or the balance sheet. The effect on prior years was not significant and therefore no prior year adjustment has been made.

The BBC has not adopted the amendments to FRS 26 (IAS 39) 'Financial Instruments: Measurement' *Various Amendments* in relation to financial guarantee contracts. Where one entity within the Group enters into financial guarantee contracts to guarantee the indebtedness of other entities within the Group, the BBC considers these to be insurance arrangements, and accounts for them as such. In this respect, the BBC treats the guarantee contract as a contingent liability until such time as it becomes probable that a payment will be required under the guarantee.

#### Adoption of new accounting standards

The BBC has adopted FRS 29 (IFRS 7) 'Financial Instruments: Disclosures' for the first time in these Group accounts. The adoption of FRS 29 requires a change in disclosure in certain notes to the financial statements, principally Note 23. As a result comparative figures in the notes have been represented accordingly, but this has not changed any of the amounts recorded in the primary financial statements for financial instruments.

#### Basis of consolidation

The Group comprises:

- UK Public Service Broadcasting (the deemed parent entity) and those subsidiaries incorporated to act on its behalf, notably Centre House Productions Limited, BBC Property Limited, BBC Free to View Limited and Digital UK Limited (UK Public Service Broadcasting Group)

- BBC World Service (and its subsidiaries) and BBC Monitoring
- Commercial subsidiary companies comprising BBC Commercial Holdings Limited and its various subsidiaries (notably BBC Resources Limited, BBC World Group and BBC Ventures Group – which includes BBC Worldwide)

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiaries acquired or disposed of in the year are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal.

The Group accounts include the results of UK Public Service Broadcasting, BBC World Service, BBC Monitoring and all other businesses controlled by the BBC (subsidiaries) together with the BBC's share of the results of businesses over which the BBC has influence but not control (associates) and those which the BBC jointly controls (joint ventures).

An **associate** is an undertaking in which the Group has a long-term interest, usually between 20% and 50% of the equity voting rights, and over which it exercises significant influence. A **joint venture** is an undertaking in which the Group has a long-term interest and over which it exercises joint control.

#### UK Public Service Broadcasting income and expenditure account

A separate statement of income and expenditure reflecting the results of UK Public Service Broadcasting has not been presented, as permitted by Section 230 of the Companies Act 1985 as if it were a company.

#### Investments in Group undertakings

Other than the BBC World Service and BBC Monitoring, investments are recorded on the balance sheet of UK Public Service Broadcasting at cost less provision for any impairment in value.

The funding of UK Public Service Broadcasting, BBC World Service and BBC Monitoring is legally separate and cross-subsidisation is not permissible. Accordingly, for the purposes of preparing UK Public Service Broadcasting's balance sheet, UK Public Service Broadcasting is considered to have investments in BBC World Service and BBC Monitoring equal to the net assets of these entities.

#### Income

Income, which excludes value added tax, trade discounts and sales between Group companies, is comprised of the following key classes of revenue, which are recognised as follows:

##### ■ Television licences

Income derived from television licences is recognised when receivable from the Department for Culture, Media and Sport. This represents the value of licences issued in the year. The amount which can be paid in cash to the BBC for any year cannot exceed the total amount voted by Parliament for that year. Any excess between the value of licences issued and the amount voted is recognised in the following year.

##### ■ Grants from Government departments

Grants are recognised when receivable from the relevant Government department. The BBC World Service receives Grant-in-Aid from the Foreign and Commonwealth Office and BBC Monitoring receives a grant from the Cabinet Office. These grants are intended to meet estimated expenditure in the year but unexpended receipts for the year, within predetermined limits, are not liable to surrender.

##### ■ Provision of equipment, facilities and services (including programme-making facilities and services)

With the exception of long-term contracts, income is recognised when the equipment, facilities and services are provided to customers.

For long-term contracts, the amount of profit attributable to the stage of completion is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in prior years. Provision is made for any future losses as they are foreseen.

##### ■ Distribution and advertising income, licence fees from international television programme sales and sale of promotional merchandise and income from publishing

This income is recognised on provision of services, the start of the licence period or delivery of merchandise respectively. Where programme rights have not been delivered by the start of the licence period, revenue is recognised on delivery of the rights.

Sales of merchandise are stated after deduction of the sales value of actual and estimated returned goods.

*The distinction between the various income sources is important. The BBC is careful not to cross-subsidise commercial, UK Public Service Broadcasting or Grant-in-Aid and grant funded activities. More information on these BBC fair trading requirements and policies can be found on pages 77 and 78 of this report.*

#### Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 31 March. Surpluses and deficits arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the statement of income and expenditure.

The profit and loss accounts and cash flows of overseas subsidiaries are translated into sterling at average rates for the year. Exchange differences arising on consolidation from the retranslation of the opening net assets of overseas subsidiaries and any related long-term foreign currency borrowings together with the differences arising when the profit and loss accounts are retranslated at the rates ruling at the year end, are taken to the operating reserve through the statement of total recognised gains and losses.

*As these financial statements are prepared in sterling, the BBC's foreign currency transactions and balances must be translated, at appropriate exchange rates, into sterling.*

#### Pension costs

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

The amounts charged as expenditure for the defined contribution schemes represent the contributions payable by the BBC for the accounting periods in respect of these schemes.

The defined benefit schemes, of which the majority of staff are members, provide benefits based on final, or career average,

pensionable pay. The assets of the BBC's main pension scheme are held separately from those of the Group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses. Amounts are charged to expenditure so as to spread the cost of pensions over employees' working lives with the BBC.

The BBC Pension Scheme is a Group-wide scheme and UK Public Service Broadcasting and its subsidiary undertakings are unable to identify their shares of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. Therefore as required by FRS 17 'Retirement benefits', UK Public Service Broadcasting accounts for the scheme as if it were a defined contribution scheme. As a result the expenditure charged for UK Public Service Broadcasting represents the contributions payable in the year.

*On retirement, members of the BBC's main pension scheme are paid their pensions from a fund which is kept separate from the Group. The BBC makes cash contributions to that fund in advance of members' retirement.*

#### Research and development

Research and development expenditure is written off as incurred.

#### Intangible fixed assets

##### Goodwill

Purchased goodwill (representing the excess of the fair value of the purchase consideration plus any related costs of acquisition over the fair value attributable to the separable net assets acquired) arising on acquisition of a subsidiary or business, is capitalised and amortised on a straight line basis over its useful economic life (usually 20 years), subject to reviews for impairment. On the

subsequent disposal or termination of a business, the surplus or deficit is calculated after charging the unamortised amount of any related goodwill. As is permitted by FRS 10 'Goodwill and intangible assets' goodwill arising in periods up to 1 April 1998 remains offset against the operating reserve. On disposal, goodwill previously written off against reserves is transferred to the statement of income and expenditure for the year.

*Goodwill arises when the BBC pays more for a business than the sum of that business' net assets acquired, representing the fact that the Group places more value on the business entity as a whole (usually due to expected synergies or earning potential of that business). This premium is treated as an asset in its own right and held on the Group's balance sheet, with an assumed economic life of 20 years. As with any other asset, the profit or loss on sale or disposal (in this case sale/disposal of the business) is calculated after writing off the amount still held on the Group's balance sheet.*

#### Other intangibles

Other intangibles are capitalised and amortised on a straight line basis over their useful economic life (usually 2–4 years) subject to reviews for impairment.

#### Tangible fixed assets

Expenditure on tangible fixed assets is capitalised together with incremental internal direct labour costs incurred on capital projects. Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation and any provision for impairment.

UK Public Service Broadcasting's plant and machinery is stated at the estimated current replacement cost of the assets, as at 31 March 1993, adjusted for remaining service potential, or cost if acquired later, less accumulated depreciation.

BBC World Service's and BBC Monitoring's plant and machinery and furniture and fittings are stated at the estimated current replacement cost of the assets, as at 1 April 1996, as adjusted for remaining service potential, or cost if acquired later, less accumulated depreciation. There is no significant difference between the net book value of these tangible fixed assets and their value as determined on an historical cost basis.

Depreciation is calculated so as to write off the cost or valuation, less estimated residual value, of fixed assets on a straight line basis over their expected useful lives. Depreciation commences from the date an asset is brought into service. The BBC's useful lives for depreciation purposes for the principal categories of assets are:

#### ■ Land and buildings

- Freehold land – not depreciated
- Freehold and long-leasehold buildings – 50 years
- Short-leasehold land and buildings – unexpired lease term

#### ■ Plant and machinery

- Computer equipment – 3 to 5 years
- Electrical and mechanical infrastructure – 10 to 25 years
- Other – 3 to 10 years

#### ■ Furniture and fittings – 3 to 10 years

*The BBC has revalued its assets once, when the internal market was introduced, but has chosen not to revalue them on an ongoing basis. This reflects the fact that they are used within the BBC rather than being held for resale or their investment potential. Assets are therefore included at the amount they cost when purchased or constructed (in either case less subsequent depreciation).*

#### Investment in programmes for future sale

Investment in programmes for future sale is stated at cost, after writing off the costs of programmes that are considered irrecoverable, less accumulated amortisation. Amortisation of investment in programmes for future sale is charged to the statement of income and expenditure over the estimated average marketable life of the programme genre which is generally between two and ten years. The cost and accumulated amortisation of investment in programmes for future sale are reduced by programmes which are fully written off.

*The cost of programmes for sale is charged to the statement of income and expenditure to match the expected timing of income from future sales.*

#### Impairment of fixed assets

The Group reviews the carrying amounts of its fixed assets when there is an indication that those assets may have suffered an impairment loss.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the resulting impairment loss is recognised in the statement of income and expenditure immediately.

*An impairment occurs when an asset would otherwise be recorded in the financial statements at an amount greater than is recoverable from its use or sale.*

#### Originated programme stocks and work in progress

Originated programme stocks and work in progress, including those commissioned from independent producers, are stated at the lower of cost and net realisable value. With the exception of the costs of prepaid repeats of independent programmes, the full stock value is written off on first transmission.

Cost includes all direct costs, production overheads and a proportion of other attributable overheads.

Programme development costs are expensed to the statement of income and expenditure until such time as there is a strong indication that the development work will result in a commissioned programme when any further costs are capitalised as work in progress.

Net realisable value is based upon arm's length contract prices negotiated between the channel controllers and programme makers.

#### Acquired programmes and film stocks

The costs of acquired programmes and film stocks are written off on first transmission except to the extent that further showings are likely in the foreseeable future, when they are written off according to their expected transmission profile. Assets and liabilities relating to acquired programmes are recognised at the point of payment or commencement of the licence period, whichever is earlier. Agreements for the future purchase of programmes whose licence period has not commenced and where there has been no payment by the balance sheet date are disclosed as purchase commitments.

#### Other stocks

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



#### Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation arising from past events and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions that are payable over a number of years are discounted to net present value at the balance sheet date using a discount rate appropriate to the particular provision concerned.

#### Taxation

Deferred tax is computed under the liability method. Full provision, without discounting, is made in respect of timing differences between certain items in the financial statements and their treatment for taxation purposes at the balance sheet date except as otherwise required by FRS 19 'Deferred tax'. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

*Deferred tax is corporation tax which is not payable at a specific time but which is expected to become payable in the future.*

#### Operating leases

Operating lease rentals are written off on a straight line basis over the term of the lease. The BBC receives operating lease income which is also accounted for on a straight line basis over the term of the lease.

*An operating lease is a lease in which the lessee has not taken on the risks and rewards of owning and operating the asset. The lessee – the BBC – has not acquired an asset but is hiring it, so the hire charge is included in the BBC's costs.*

#### Finance leases

Assets acquired under finance leases are included within fixed assets at the total of the lease payments due over the life of the lease discounted at the rate of interest inherent in the lease. The same amount is included in creditors. Rental payments are apportioned between the finance element, which is charged in the statement of income and expenditure, and the capital element, which reduces the lease creditor.

*A finance lease is a lease that transfers substantially all the risks and rewards of owning and operating an asset to the lessee. Effectively the lessee owns the asset and has financed it by borrowing, so the asset and borrowing are included separately in the balance sheet.*

#### Reserves

Each year an amount equivalent to the costs expended by UK Public Service Broadcasting, BBC World Service and BBC Monitoring on capital assets over and above depreciation, adjusted for disposals, is transferred to the capital reserve so that, at the balance sheet date, the amount of the capital reserve is equivalent to the historical cost net book value of UK Public Service Broadcasting, BBC World Service and BBC Monitoring fixed assets.

The revaluation reserve reflects the difference between the net book value of the fixed assets of BBC World Service and BBC Monitoring at historic cost compared with their revalued amount.

The pension reserve represents the net surplus or liability of the Group's defined benefit pension schemes.

#### Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are readily convertible into known amounts of cash at, or close to, their carrying values. They comprise money market deposits and liquidity funds with a notice period in excess of one working day.

#### Financial instruments

The Group does not enter into speculative derivative contracts. However some derivative financial instruments are used with a view to managing the BBC's exposure to fluctuations in foreign currency exchange rates and interest rates.

Derivative financial instruments are initially recognised at cost and are subsequently remeasured to fair value at the balance sheet date with movements recorded in the statement of income and expenditure.

A limited number of derivative financial instruments are used to hedge the Group's exposure to fluctuations in interest rates. The fair value of interest swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of swap counterparties.

Some hedging contracts are undertaken in order to limit the Group's exposure to foreign exchange fluctuations. The fair value of foreign currency forward contract rates is determined by using forward exchange market rates at the balance sheet date.

The Group does not apply hedge accounting but instead allows movements in the fair values of the hedging contracts to flow to the statement of income and expenditure as they arise.

The Group's loans are stated at amortised cost using the effective interest rate.

*Financial instruments include all contractual arrangements to deliver or receive cash. Therefore they include trade debtors and creditors and loans as well as more complex instruments such as derivatives. Forward exchange contracts provide certainty over the sterling amount of future expenses and income denominated in a foreign currency by fixing the exchange rate rather than waiting for the prevailing exchange rate at the time of the transaction or payment. Interest rate swaps effectively swap a floating rate loan into a fixed rate loan, or vice versa.*

*Depending on how exchange rates and interest rates move between the time the Group enters into the transaction and the year end, these derivatives can either be profitable ('in the money') or loss-making in their own right. However, the rationale in entering into these derivatives is not to profit from currency markets or interest rate fluctuations, but to provide stability to the BBC's cashflows. The movements relating to these derivatives (ie where they are either in profit or loss-making) are taken to the Group's statement of income and expenditure for the year.*

# Finance

## Financial statements

### Notes to the financial statements

Note 1 provides analysis of the different business areas within the BBC. The business areas have been chosen on the basis of the services provided and the separation of activities financed by different income sources.

UK Public Service Broadcasting Group comprises the UK Public Services (as defined in the Agreement) and those subsidiary companies incorporated to act solely on behalf of those public service operations.

BBC World Service and BBC Monitoring comprise broadcasting and media monitoring activities.

Commercial Businesses comprise businesses which generate external income from exploitation of the BBC's programmes, other assets and skill base.

#### I Analysis of income, surplus/(deficit) and net assets

##### Ia Analysis of income, surplus/(deficit) and net assets by activity

	Note	UK Public Service Broadcasting Group £m	BBC World Service and BBC Monitoring £m	Commercial Businesses £m	Total £m
<b>2007</b>					
Total income		3,386.8	271.1	974.2	<b>4,632.1</b>
Less: Intra-group income		(115.0)	(1.5)	(99.8)	<b>(216.3)</b>
Total external income		3,271.8	269.6	874.4	<b>4,415.8</b>
Less: Share of joint ventures		–	–	(238.5)	<b>(238.5)</b>
Group income	1b,d,g,h	3,271.8	269.6	635.9	<b>4,177.3</b>
(Deficit)/surplus before interest, taxation and non-cash pension costs	1e,h	(63.3)	10.8	104.4	<b>51.9</b>
Defined benefit pension scheme					
– additional operating costs*†	4b				<b>(136.8)</b>
– other net finance income*	8b ii				<b>162.6</b>
Net interest receivable					<b>6.9</b>
Surplus before taxation and minority interest	1f,h				<b>84.6</b>
Net assets (excluding pension asset)		774.8	169.7	119.7	<b>1,064.2</b>
Net pension asset*					<b>334.5</b>
Net assets					<b>1,398.7</b>
<b>2006</b>					
Total income		3,242.1	260.5	976.6	4,479.2
Less: Intra-group income		(117.3)	(0.3)	(127.1)	(244.7)
Total external income		3,124.8	260.2	849.5	4,234.5
Less: Share of joint ventures		–	–	(229.5)	(229.5)
Group income	1b,d,g,h	3,124.8	260.2	620.0	4,005.0
(Deficit)/surplus before interest, taxation and non-cash pension costs	1e,h	(105.7)	(1.9)	206.9	99.3
Defined benefit pension scheme					
– additional operating costs*†					(135.1)
– other net finance income*					65.7
Net interest receivable					1.5
Surplus before taxation and minority interest					31.4
Net assets (excluding pension asset)	1f,h	730.5	158.6	143.0	1,032.1
Net pension asset*					164.9
Net assets					1,197.0

\*In accordance with FRS 17 these items are not split between business classes because they are managed centrally across the Group and it is not possible to allocate them on a reasonable and consistent basis

†The actual employer cash contribution to the defined benefit pension scheme is included in the surplus/(deficit) before interest, taxation and non-cash pension costs of each entity. The additional operating cost is the cost to the Group over and above these cash contributions

# Finance

## Financial statements

### Notes to the financial statements

#### Ib UK Public Service Broadcasting Group income

	2007 £m	2006 £m
<b>Licence fee income</b>		
Colour	2,737.1	2,622.3
Monochrome	1.5	1.8
Concessionary	0.9	0.9
Over 75s	486.6	459.2
Quarterly payment scheme premium	16.8	16.4
<b>Total licence fee income</b>	<b>3,242.9</b>	<b>3,100.6</b>
Other income*	28.9	24.2
<b>Total external income</b>	<b>3,271.8</b>	<b>3,124.8</b>

\*Included within other income is £1.4million contributed by other broadcasters towards the costs of Digital UK Limited (see Note 2a)

During the year 3.4 million (2006 3.3 million) colour licences were issued under the quarterly payment scheme at a premium of £5 each (2006 £5). Households in which one or more persons over the age of 75 reside, as their primary residence, are entitled to a free licence. The BBC is reimbursed for these free licences by the relevant Government departments.

	2007 Number m	2006 Number m
<b>Licences in force</b>		
Colour	20.9	20.8
Monochrome*	–	0.1
Over 75s	4.0	3.9
Concessionary	0.2	0.2
	<b>25.1</b>	<b>25.0</b>

\*There are 33,000 monochrome licences in force at 31 March 2007

	2007 £	2006 £
<b>Licence fees</b>		
Colour	131.50	126.50
Monochrome	44.00	42.00
Concessionary	5.00	5.00

From 1 April 2007 the colour, monochrome and concessionary licence fees were increased to £135.50, £45.50 and £7.50 respectively.

#### Ic Geographical analysis of UK Public Service Broadcasting Group

UK Public Service Broadcasting Group income and deficit arise in the UK. The net assets used by these operations are located in the UK.

#### Id BBC World Service and BBC Monitoring income

	2007 £m	2006 £m
BBC World Service*	242.0	241.5
BBC Monitoring**	27.6	18.7
<b>Total external income</b>	<b>269.6</b>	<b>260.2</b>

\*Includes Grant-in-Aid receivable from the Foreign and Commonwealth Office of £239.5million (2006 £239.1million)

\*\*Includes Grant of £24.6million receivable from the Cabinet Office (2006 subscriptions of £15.8million from various Government bodies)

The income from licences represents the value of all licences issued in the year.

Other income includes the provision of content and services to overseas broadcasters, concert ticket sales and exploitation of the programme archive.

Licences in force are those which are still valid as at 31 March each year.

Licence fees are set by the Department for Culture, Media and Sport.



### le BBC World Service and BBC Monitoring surplus/(deficit) before interest and taxation by activity

	2007 £m	2006 £m
BBC World Service	11.4	0.7
BBC Monitoring	(0.6)	(2.6)
Total surplus/(deficit) before interest and taxation	10.8	(1.9)

BBC World Service's surplus of £11.4million arose due to a timing difference between providing for exceptional restructuring costs relating to a strategic review in 2006 and making the relevant cash payments in 2007. Provision was made for the cost in 2006 but the cash spend made and paid out of 2007 Grant-in-Aid.

### If Geographical analysis of BBC World Service and BBC Monitoring

BBC World Service and BBC Monitoring income, operating expenditure and surplus arise primarily in the UK.

Location of BBC World Service net assets:	2007 £m	2006 £m
UK	52.1	44.2
Overseas	94.5	90.4
Net assets	146.6	134.6

Location of BBC Monitoring net assets:	2007 £m	2006 £m
UK	20.8	21.6
Overseas	2.3	2.4
Net assets	23.1	24.0
Total net assets	169.7	158.6

### lg Analysis of Commercial Businesses' income by activity

	2007 £m	2006 £m
New media and home entertainment	86.3	109.6
Television sales	249.4	209.3
Magazines	157.9	160.2
Entertainment and news television channels	118.1	112.1
Provision of playout and channel management services	–	31.5
Provision of programme-making facilities and services	124.0	124.4
Less intra-Group income	(99.8)	(127.1)
Total external income	635.9	620.0

### lh Geographical analysis of Commercial Businesses

	United Kingdom £m	Americas £m	Rest of the world £m	Total £m
<b>2007</b>				
External income by destination	273.8	169.4	192.7	635.9
Surplus before interest and taxation	42.2	16.5	45.7	104.4
Net assets	102.0	17.2	0.5	119.7
<b>2006</b>				
External income by destination	302.4	147.6	170.0	620.0
Surplus before interest and taxation	167.5	7.6	31.8	206.9
Net assets	106.8	35.9	0.3	143.0

All commercial income originates in the UK as this is where rights for exploitation and the skills and services of the Commercial Businesses are developed.

## 2 Operating expenditure

### 2a Analysis of operating expenditure by activity

UK Public Service Broadcasting activities are funded by the licence fee. The Charter and Agreement between the BBC and Department for Culture, Media and Sport describes the BBC's UK Public Services (including television, radio and online services) and also sets certain obligations on the BBC in relation to digital switchover; both activities are funded by the licence fee. However, part of the licence fee income has been specified as being for the purpose of digital switchover and as a result the total UK Public Service Broadcasting Group expenditure is shown below allocated between these categories.

	Note	2007 £m	2006 £m
Expenditure on licence fee funded activities			
UK Public Services	2b	3,315.7	3,232.7
Digital switchover (Digital UK Limited)*		11.6	4.0
Total UK Public Service Broadcasting Group		3,327.3	3,236.7
BBC World Service and BBC Monitoring**	2c	258.8	262.1
Commercial Businesses	2d	630.5	579.3
Non-cash pension scheme operating costs***		136.8	135.1
		4,353.4	4,213.2

\*As set out in Note 13f the BBC controls 56% of the voting rights of the company Digital UK Limited (formerly Switchco Limited), and therefore consolidates its results with those of the BBC. As a result, these costs represent the full expenditure by Digital UK Limited, which is financed by contributions from the BBC and other broadcasters. The BBC contributed £10.2million (2006 £2.9million) being 100% of the communication expenditure and 56% of all other costs incurred by Digital UK Limited

\*\*BBC World Service and BBC Monitoring expenditure of £258.8million (2006 £262.1million) excludes £1.5million (2006 £0.3million) of expenditure on the provision of services to other BBC Group companies

\*\*\*In accordance with FRS 17 the non-cash operating costs are not split between the business activities as it is not possible to do this on a reasonable and consistent basis

### 2b UK Public Services expenditure

A new framework of service licences, issued by the BBC Trust to the BBC's management, came into effect from 1 January 2007. The table below sets out the total expenditure for each group of service licences. Details of expenditure on each individual service can be found in Note 28.

2007		Content £m	Distribution £m	Infrastructure/ support £m	Other £m	Total £m
Services	Note					
Television	28	1,836.9	99.1	383.1	–	2,319.1
Radio	28	432.6	42.6	88.4	–	563.6
Online	28	115.0	8.8	29.9	–	153.7
<b>Regulated spend</b>		<b>2,384.5</b>	<b>150.5</b>	<b>501.4</b>	<b>–</b>	<b>3,036.4</b>
Other	28	71.6	14.2	15.1	134.1	235.0
Exceptional restructuring costs	28	–	–	–	44.3	44.3
Digital UK Limited expenditure	2a	–	–	–	11.6	11.6
<b>Total</b>		<b>2,456.1</b>	<b>164.7</b>	<b>516.5</b>	<b>190.0</b>	<b>3,327.3</b>

The BBC's online services were bbc.co.uk and BBC jam.

2006						
Services	Note	Content £m	Distribution £m	Infrastructure/ support £m	Other £m	Total £m
Television	28	1,761.4	101.4	347.3	–	2,210.1
Radio	28	419.7	42.6	82.3	–	544.6
Online	28	108.2	8.6	34.1	–	150.9
<b>Regulated spend</b>		<b>2,289.3</b>	<b>152.6</b>	<b>463.7</b>	<b>–</b>	<b>2,905.6</b>
Other	28	43.1	14.3	9.6	153.4	220.4
Exceptional restructuring and redundancy costs	28	–	–	–	106.7	106.7
Digital UK Limited expenditure	2a	–	–	–	4.0	4.0
<b>Total</b>		<b>2,332.4</b>	<b>166.9</b>	<b>473.3</b>	<b>264.1</b>	<b>3,236.7</b>

#### 2c BBC World Service and BBC Monitoring expenditure

	2007 £m	2006 £m
BBC World Service:		
Radio	170.4	178.4
Transmission and distribution costs	43.3	42.8
Internet activity	16.8	14.4
	<b>230.5</b>	235.6
BBC Monitoring	28.3	26.5
<b>Total</b>	<b>258.8</b>	262.1

BBC World Service and BBC Monitoring expenditure excludes expenditure on intra-Group activities.

#### 2d Commercial Businesses' expenditure

	Note	2007 £m	2006 £m
Cost of sales		300.4	320.1
Distribution costs		136.3	147.0
Exceptional distribution costs		46.0	–
Administrative and other costs		37.5	21.3
Amortisation of programme investment	12	107.1	82.3
Restructuring costs		3.2	8.6
<b>Total</b>		<b>630.5</b>	579.3

The expenditure shown for Commercial Businesses relates only to external income and excludes expenditure relating to sales within the BBC.

Exceptional distribution costs of £46.0million relate to a payment by the BBC America television channel ('BBCA') to Discovery Communications Inc ('DCI'). BBCA was launched in the USA in March 1998. \$139million was provided by DCI, an unrelated third party, to finance the launch and operating costs of the channel. DCI did not have an equity interest in BBCA, but earned a variable commission on advertising sales and affiliate sales at levels designed to be sufficient to recover its sales service cost and its expenditure in BBCA (but with no guaranteed level of return from BBCA).

On 30 June 2006, BBCA paid DCI £51.5million to reduce the level of future commission that DCI would earn for the services provided. This payment, net of amounts accrued in prior years, has resulted in an exceptional charge for the year of £46.0million. This charge is made on the basis that the future benefits are uncertain and do not justify it being carried forward as an asset.



**3 Operating deficit****3a Operating deficit excluding auditors' remuneration**

The operating deficit before interest and taxation is stated after charging/(crediting) the following items:

	2007 £m	2006 £m
Payments under operating leases		
– land and buildings	64.2	60.8
– plant and machinery	3.3	4.3
– other	13.7	12.5
Depreciation		
– owned assets	106.8	107.1
– leased assets	6.4	6.5
(Profit)/loss on disposal of tangible fixed assets*	(1.1)	2.4
Amortisation of intangible fixed assets	1.3	1.4
Amortisation of investment in programmes for future sale	107.1	82.3
Programme development	29.4	31.7
Research and development	14.6	16.2
Fair trading auditors' remuneration (PricewaterhouseCoopers LLP)	0.3	0.4
Net exchange differences	3.7	(0.5)
Impairment of trade debtors	0.7	(0.3)
Fair value losses on embedded derivatives	2.1	5.1
Fair value gains on open forward foreign currency contracts	(0.3)	(4.3)

\*The (profit)/loss on disposal of tangible fixed assets represents adjustments to depreciation on disposals in the ordinary course of business. Exceptional profit on disposals is disclosed separately in Note 6

**3b Auditors' remuneration**

The BBC has reported its auditors' remuneration in accordance with The Companies (Disclosure of Auditor Remuneration) Regulations 2005 and the comparative has been restated accordingly.

	2007 £m	2006 £m
Fees payable for the audit of the BBC's annual accounts	1.0	0.7
Fees payable to the BBC's auditor and its associates for other services		
– The audit of the BBC's subsidiaries pursuant to legislation	0.5	0.5
– Other services relating to taxation	0.1	0.3
– Services relating to corporate finance transactions	0.1	0.1
All other services	0.6	0.6
	2.3	2.2

## 4 Employees and remuneration

### 4a Persons employed

The average number of persons employed in the year was:

	Average for the year	
	2007 Number	2006 Number
UK Public Service Broadcasting	17,914	18,860
BBC World Service and BBC Monitoring	2,214	2,367
Commercial Businesses	2,909	4,150
<b>Group total</b>	<b>23,037</b>	<b>25,377</b>

The decrease in headcount during 2007 is due to the Value for Money programme closures, BBC World Service language service closures and staff transferring to Red Bee Media Limited.

Within the averages above, 2,743 (2006 2,981) part-time employees have been included at their full-time equivalent of 1,566 (2006 1,717).

In addition to the above, the Group employed an average full-time equivalent of 872 (2006 823) persons on a casual basis and the BBC Orchestra and BBC Singers, employed on programme contracts, totalled 380 (2006 382) full-time equivalents.

### 4b Staff costs

	Note	2007 £m	2006 £m
Salaries and wages		969.0	988.4
Social security costs		88.9	88.4
Pension costs			
– main scheme (defined benefit)*		204.9	184.9
– other schemes	8b ii	1.0	1.1
Redundancy costs	4c	21.2	129.5
		<b>1,285.0</b>	<b>1,392.3</b>
Comprising:			
UK Public Service Broadcasting		915.6	986.9
BBC World Service and BBC Monitoring		78.9	100.6
Commercial Businesses		153.7	169.7
Main pension scheme additional operating cost (defined benefit)**		136.8	135.1
		<b>1,285.0</b>	<b>1,392.3</b>

\*£230.9million represents all employer pension contributions made to the BBC Pension Scheme in 2007 (per Note 8b ii), of which £26.0million was provided for as part of the exceptional redundancy cost in 2006

\*\*The actual employer cash contributions to the defined benefit pension scheme are borne by each business. The additional operating cost is the cost to the Group over and above these contributions. It is not possible to allocate this to each business on a reasonable and consistent basis

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#### 4c Restructuring costs

	Note	2007 £m	2006 £m
Exceptional redundancy costs:			
– UK Public Service Broadcasting	4b	11.0	106.7
– BBC World Service and BBC Monitoring	4b	0.2	12.4
Other exceptional restructuring costs		33.3	–
		<b>44.5</b>	119.1
Non-exceptional redundancy costs:			
– UK Public Service Broadcasting		5.0	–
– BBC World Service and BBC Monitoring		1.1	3.9
– Commercial Businesses		3.9	6.5
	4b	<b>10.0</b>	10.4
		<b>54.5</b>	129.5

Exceptional restructuring costs relate to the Value for Money programme occurring within UK Public Service Broadcasting and the strategic review of BBC World Service. 2007 is the second year of the three-year Value for Money programme which aims to deliver £355million of ongoing annual cash savings by the end of 2008. The cost of the majority of post closures resulting from this programme was provided for in 2006 and £83.6million paid during 2007. Other exceptional restructuring costs incurred represent expenditure on one-off implementation costs of which £31.8million was paid in 2007.

#### 4d Remuneration of the BBC Trust members, the Board of Governors and the Executive Board

The total emoluments of the members of the Executive Board are disclosed on page 94 in the Remuneration report. The details of emoluments of the members of the BBC Trust and the Governors are disclosed in Part One of the *Annual Report and Accounts*.

#### 5 (Loss)/profit on sale and termination of operations

	Note	2007 £m	2006 £m
Profit on disposal of books business	19	13.3	–
Profit on sale of Origin Publishing	19	0.2	–
BBC jam		(15.9)	–
Loss on termination of retail shops business		(1.9)	–
Loss on termination of business learning operations		(0.9)	–
Profit on sale of BBC Broadcast Limited		–	108.8
Profit on sale of BBC Technology Holdings Limited		–	15.2
Profit on disposal of learning business		–	1.7
Loss on termination of teacher learning business		–	(0.5)
(Loss)/profit on sale and termination of operations		<b>(5.2)</b>	125.2

On 20 March 2007 the Executive Board, following a decision by the BBC Trust, suspended BBC jam, the BBC's online interactive learning service for 5 to 16 year olds. The Trust's decision followed extensive discussions with Government and the European Commission about how to address allegations from some in the industry that BBC jam was damaging their interests. Accordingly provisions of £14.4million for the costs of redundancy and terminating contracts with content suppliers and £1.5million to write off stocks held at 31 March 2007 have been made.

In March 2007, BBC Worldwide announced its intention to terminate its Retail shops business. During the year ended 31 March 2007 termination costs totalling £1.9million were charged to the profit and loss account in respect of redundancy, lease property termination provisions and other costs of exit.

In 2006, BBC Worldwide announced its intention to terminate its business learning operations. During the year ended 31 March 2007 termination costs totalling £0.9million were charged to the profit and loss account, of which £0.5million was in respect of the write off of assets held at 31 March 2006. The balance of £0.4million comprised the cash costs of exiting the business.



In July 2005, the Group sold BBC Broadcast Limited, a wholly owned subsidiary, for £166.0million consideration to Creative Broadcast Services Limited, a company owned by Macquarie Capital Alliance Group and Macquarie Bank Limited. BBC Broadcast Limited provided playout and channel management services, and has since been renamed Red Bee Media Limited.

In September 2004 the Group sold BBC Technology Holdings Limited to Siemens Business Services Limited. A profit of £32.4million was recorded in 2005 after providing £21.1million for the estimated pension liability in respect of the expected number of BBC Pension Scheme members transferring to Siemens Business Services Limited. During 2006, after confirmation of the actual staff transferred from the BBC to the Siemens pension schemes, the value of the pension liability was confirmed as £5.9million, resulting in a further profit of £15.2million.

In October 2005 BBC Worldwide entered into an agreement with Pearson Education Limited to form a partnership named Educational Publishers LLP. In return for the transfer of the assets of its learning division to the partnership, BBC Worldwide acquired a 15% share in the new partnership together with cash consideration (net of transaction costs) of £6.3million. The profit on disposal was £1.7million.

## 6 Exceptional profit on disposal of fixed assets

	2007 £m	2006 £m
Disposal of Animal Planet LLC	45.8	–
Disposal of properties	9.9	6.7
Disposal of music publishing rights	–	9.3
Exceptional profit on disposal of fixed assets	55.7	16.0

On 30 April 2004, BBC Worldwide exercised a put option to require Discovery to purchase the Group's entire 25% shareholding in Animal Planet LLC. On 3 April 2006 the sale and purchase was completed and a consideration of £45.8million was received by BBC Worldwide. The profit on disposal was £45.8million.

A property at Kendal Avenue was sold in March 2007 for consideration of £12.8million, realising a profit of £9.9million. In 2006 the BBC entered into a sale and leaseback of two regional properties and also disposed of Melbourne House, the Hippodrome and Mottspur Park properties realising a combined profit of £6.7million.

In May 2005 BBC Worldwide completed the sale of its current catalogue of music publishing rights held within investment in programmes for future sale. Consideration of £10.3million was received, realising a profit of £9.3million.

## 7 Interest

### 7a Interest receivable and similar items

	2007 £m	2006 £m
Interest receivable	12.6	13.5
Fair value gains on interest rate swaps	1.8	–
Interest receivable	14.4	13.5

### 7b Interest payable and similar items

	2007 £m	2006 £m
Interest payable on bank and other loans	(7.0)	(9.2)
Finance charges payable in respect of finance leases	(0.5)	(0.5)
Fair value losses on interest rate swaps	–	(2.3)
Interest payable and similar items	(7.5)	(12.0)

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#### 8 Pensions

##### 8a Group pension schemes

The Group operates several pension schemes. The BBC Pension Scheme, to which most employees belong, and a small unfunded scheme (which is closed to new members) are contributory defined benefit schemes. Additionally the Group Personal Pension Scheme and several small schemes are defined contribution schemes.

Note 8b sets out the assets and liabilities and charges for the period for each scheme. Note 8c provides further details on the BBC Pension Scheme.

##### 8b Pension charges and balances within financial statements

###### 8b i Pension asset/(liability) included in the balance sheet

	BBC Pension Scheme 2007 £m	Unfunded scheme 2007 £m	Total 2007 £m	BBC Pension Scheme 2006 £m	Unfunded scheme 2006 £m	Total 2006 £m
Market value of scheme assets	8,128.3	–	8,128.3	7,846.1	–	7,846.1
Actuarial value of scheme liabilities	(7,788.6)	(5.2)	(7,793.8)	(7,675.9)	(5.3)	(7,681.2)
Closing net pension asset/(liability)	339.7	(5.2)	334.5	170.2	(5.3)	164.9

###### 8b ii Pension (charges)/income in statement of income and expenditure

	Defined benefit schemes		Defined contribution schemes £m	All schemes £m
	BBC Pension Scheme £m	Unfunded scheme £m		
<b>2007</b>				
Current service cost	(192.7)	–	(1.0)	(193.7)
Past service cost	(39.8)	–	–	(39.8)
Gain on settlements and curtailments*	1.6	–	–	1.6
<b>Total operating charge**</b>	<b>(230.9)</b>	<b>–</b>	<b>(1.0)</b>	<b>(231.9)</b>
Expected return on pension scheme assets	541.3	–	–	541.3
Interest on pension scheme liabilities	(378.4)	(0.3)	–	(378.7)
<b>Net finance income/(cost)</b>	<b>162.9</b>	<b>(0.3)</b>	<b>–</b>	<b>162.6</b>
<b>Net cost in statement of income and expenditure</b>	<b>(68.0)</b>	<b>(0.3)</b>	<b>(1.0)</b>	<b>(69.3)</b>
<b>2006</b>				
Current service cost	(194.1)	(0.2)	(0.9)	(195.2)
Past service cost	(9.8)	–	–	(9.8)
Gain on settlements and curtailments	19.0	–	–	19.0
<b>Total operating charge</b>	<b>(184.9)</b>	<b>(0.2)</b>	<b>(0.9)</b>	<b>(186.0)</b>
Expected return on pension scheme assets	431.8	–	–	431.8
Interest on pension scheme liabilities	(365.8)	(0.3)	–	(366.1)
<b>Net finance income/(cost)</b>	<b>66.0</b>	<b>(0.3)</b>	<b>–</b>	<b>65.7</b>
<b>Net cost in statement of income and expenditure</b>	<b>(118.9)</b>	<b>(0.5)</b>	<b>(0.9)</b>	<b>(120.3)</b>

\*There was a curtailment gain of £1.0million in 2007 in respect of the transfer for 80 employees to Siemens, six of whom have elected to transfer their past service benefits to the Siemens Benefits Scheme. In addition, there was a settlement gain of £0.6million in respect of the bulk transfer payment on 30 June 2006 of £16.8million, for the transfer of BBC Broadcast Limited employees to the Red Bee Media Pension Plan

\*\*£230.9million represents all employer pension contributions made to the BBC Pension Scheme in 2007, of which £26.0million was provided for as part of the exceptional redundancy cost in 2006

The net cost in the statement of income and expenditure has decreased by £51.0million. This is due to an increase in the net finance income, consistent with the movements in assumptions, estimated cashflows and discount rate, partly offset by an increase in past service costs which is largely due to pension augmentation costs.

The **current service cost** is the underlying cost to the BBC of pension rights earned by employees during the year.

The **past service cost** arises from members of the scheme becoming entitled to improved defined retirement benefits, resulting in a charge for years of service before the award of the improvement.

The **expected return on pension scheme assets** comprises estimates based on predictions of future performance and economic conditions.

**8b iii Pension gains/(losses) in statement of total recognised gains and losses**

	2007 £m	2006 £m
Actual return less expected return on pension scheme assets	(113.3)	1,249.2
Experience (losses)/gains arising on scheme liabilities	(164.6)	208.6
Changes in assumptions underlying present value of scheme liabilities	421.7	(796.7)
<b>Net gain recognised in statement of recognised gains and losses</b>	<b>143.8</b>	<b>661.1</b>

These gains and losses arise from actual performance being different from that predicted – for example changes in economic conditions or the demographic profile of BBC employees. Only defined benefit schemes give rise to gains and losses in the statement of recognised gains and losses.

The actuarial gain has arisen due to changes in assumptions relating to the calculation of the Scheme's liabilities and also the introduction of an allowance for commutation. The key change in assumption is that the discount rate (taken to be the yield on the iBOXX AA Corporate Bond over 15 years index) has risen from 5.0% to 5.4%.

With effect from 6 April 2006 ('A Day') a new tax regime applied to UK Pension Schemes. The maximum amount of benefit that can be taken as tax-free cash has increased. Members of the BBC Pension Scheme tend to take their tax-free cash from several sources, including by commutation of pension. The allowance for commutation has been estimated to have a financial effect of reducing liabilities, at 31 March 2007, by just over £100million.

The actuarial gains are offset in part by a lower than expected return on scheme assets, due to a reduction in net dividend yield in the year; and an experience loss on scheme liabilities due to experience over the year being less favourable than estimated, partially due to an increase in members taking early retirement.

**8b iv Movement in surplus/(deficit) during the year**

	BBC Pension Scheme 2007 £m	Unfunded scheme 2007 £m	Total 2007 £m	BBC Pension Scheme 2006 £m	Unfunded scheme 2006 £m	Total 2006 £m
Surplus/(deficit) in scheme at start of the year	170.2	(5.3)	164.9	(421.8)	(5.0)	(426.8)
Movement in the year:						
Current service cost	(192.7)	–	(192.7)	(194.1)	(0.2)	(194.3)
Contributions (from employer)*	93.7	0.4	94.1	49.8	0.2	50.0
Past service costs	(39.8)	–	(39.8)	(9.8)	–	(9.8)
Gain on settlements and curtailments	1.6	–	1.6	19.0	–	19.0
Net finance income/(cost)	162.9	(0.3)	162.6	66.0	(0.3)	65.7
Actuarial gain recognised in statement of total recognised gains and losses	143.8	–	143.8	661.1	–	661.1
Surplus/(deficit) in scheme at the end of the year	<b>339.7</b>	<b>(5.2)</b>	<b>334.5</b>	170.2	(5.3)	164.9

\*The contribution shown for the unfunded scheme represents the pensions paid to members during the year. The assumptions for pension scheme liabilities of the unfunded scheme are the same as the main scheme. As the scheme is unfunded there are no assets and hence no expected return on assets

The BBC Pension Scheme has seen an increase of £169.5million. Contributions have increased by £43.9million, largely due to redundancy payments comprising pension augmentations and severance pay waivers. The movements in past service costs and net finance income are explained in Note 8b ii and the actuarial gain is explained in Note 8b iii.

The defined contribution schemes do not give rise to balance sheet pension assets/liabilities as there is no ongoing liability for the employer from these schemes once the contributions due for the year have been settled.



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#### 8b v History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the actual and expected return on scheme assets:					
Amount (£million)	<b>(113.3)</b>	1,249.2	198.7	778.4	(1,607.9)
Percentage of scheme assets	<b>1.4%</b>	15.9%	3.1%	13.2%	32.8%
Experience (loss)/gain on scheme liabilities:					
Amount (£million)	<b>(164.6)</b>	208.6	(1.4)	0.1	(12.4)
Percentage of present value of scheme liabilities	<b>2.1%</b>	2.7%	0.0%	0.0%	0.2%
Total actuarial gain/(loss) recognised in statement of recognised gains and losses:					
Amount (£million)	<b>143.8</b>	661.1	80.9	778.5	(2,013.4)
Percentage of present value of scheme liabilities	<b>1.8%</b>	8.6%	1.2%	12.3%	33.7%

This note shows trends over a five year history for experience gains and losses.

#### 8c BBC Pension Scheme

The BBC Pension Scheme is the main pension scheme of the Group and covers the majority of employees. This scheme provides salary related benefits on a defined benefit basis funded from assets held in separate trustee-administered funds. The pension scheme trustees manage the scheme in the short, medium and long term. They make funding decisions based on valuations which take a longer-term view of the assets required to fund the scheme's liabilities. Valuations of the scheme are performed by Watson Wyatt, consulting actuaries. Formal valuations are undertaken at least every three years.

#### 8c i Scheme membership analysis and maturity profile

	2007 Number	2006 Number	2005 Number
Contributors	<b>19,974</b>	19,864	21,093
Pensioners	<b>17,372</b>	16,803	16,567
Dependants	<b>3,744</b>	3,676	3,622
Deferred pensioners	<b>17,723</b>	16,890	16,241

The maturity of a scheme provides an indication of the cash requirements of the scheme and the likely attitude of the Trustees to risk within their investment policy. The more mature a scheme, the more likely that Trustees will favour low risk investments.

#### 8c ii Funding the scheme

As a result of the 2005 market-based valuation by Watson Wyatt, it has been agreed between the Group and the Trustees that employer contributions will increase to 18.8% on 1 April 2007. It is proposed that employee contributions will rise from 6% to 7.5% on 1 September 2008 at which point, employer contributions will decrease from 18.8% to 17.3%. In addition, the BBC and the Trustees have agreed that the BBC will make good the estimated actuarial shortfall as at 1 April 2007 by making an additional payment of £23million (index-linked) per annum from that date for a period of eight years. Ordinarily the next formal actuarial valuation would be performed on 1 April 2008, however, it has been brought forward to 1 April 2007 and the contribution levels, including the additional payment, will be reviewed again once the results of that valuation are known.

Contribution rates	Projections		2007 %	2006 %	2005 %	2004 %
	2009 %	2008 %				
Employer	18.8/17.3	18.8	7.5	6.0	5.5	5.0
Employee	6.0/7.5	6.0	5.5/6.0	5.5	5.0	4.5
Underlying cost of scheme to BBC as % of pensionable salaries*	18.8/17.3	18.8	19.3/18.8	19.3	19.0	19.5

\*Excludes the cost effectively paid for by the employee

### 8c iii Scheme cash flows (day-to-day liquidity)

In 2007 cash inflows of the pension scheme exceed its cash outflows, largely as a result of the increase in the employer's contribution rate from 6.0% to 7.5% from 1 April 2006 and the employee's contribution rate from 5.5% to 6.0% from 1 September 2006. Offset against this, was a £16.8million transfer to the Red Bee Media pension scheme on 30 June 2006.

In 2006 cash outflows of the pension scheme exceeded its cash inflows, however, this includes an outgoing of £29.8million due to transfers out relating to the sale of BBC Technology.

	2007 £m	2006 £m	2005 £m
Contributions (employer and employee)	163.6	112.0	99.0
Investment income	206.4	189.0	187.0
Cash inflows	370.0	301.0	286.0
Payments of pensions and transfers out	(303.6)	(275.0)	(239.0)
Expenses	(33.5)	(29.0)	(22.0)
<b>Net cash inflow/(outflow)</b>	<b>32.9</b>	<b>(3.0)</b>	<b>25.0</b>

### 8c iv Ability to meet long-term commitments and scheme financial position

FRS 17 valuation	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Scheme assets (Note 8c v)	8,128.3	7,846.1	6,341.7	5,880.0	4,903.0
Scheme liabilities (Note 8c vii)	(7,788.6)	(7,675.9)	(6,763.8)	(6,311.6)	(5,973.1)
Surplus/(deficit)	339.7	170.2	(422.1)	(431.6)	(1,070.1)
Percentage by which scheme assets cover liabilities	104%	102%	94%	93%	82%

The FRS 17 valuation takes assets at their market value and discounts the accrued liabilities by reference to the discount rate of an AA rated corporate bond.

The movement in surplus from £170.2million to £339.7million is explained in Note 8b iv.

A deferred tax asset or liability will not arise for the Group because most of the Group's public service activity is not subject to taxation.

### 8c v Scheme assets

The allocation of assets by the Trustees is governed by a need to manage risk against the desire for high returns and any liquidity needs. A high percentage of assets are held in equities which the Trustees expect will produce higher returns in the long term. The target allocation, based on market values, for equities is 60%, bonds and gilts 30% and property 10%.

Type of asset	2007		2006		2005	
	£m	%	£m	%	£m	%
Equities	5,337	66	5,687	73	4,333	68
Bonds and gilts	1,575	19	1,116	14	1,050	17
Property	981	12	890	11	737	12
Cash	235	3	153	2	222	3
<b>Total assets</b>	<b>8,128</b>		<b>7,846</b>		<b>6,342</b>	

Long-term rate of return expected at 31 March (used for market value)	2007 %	2006 %	2005 %
Equities	7.8	7.7	7.7
Bonds and gilts	4.8	4.4	4.7
Property	6.3	6.1	6.2
Cash	4.6	3.9	3.7

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#### 8c vi Actuarial valuation

The most recent formal valuation was carried out as at 1 April 2005 and, consistent with changes in the valuation methodology used by other pension schemes, the actuarial valuation of the assets was changed and was carried out using a market-based method. The previous formal valuation (April 2002) was carried out on the basis of an assessed value method. The valuation was performed by Watson Wyatt Limited, professionally qualified actuaries.

The 2005 actuarial valuation shows a surplus of £13.0million (with assets sufficient to cover just over 100% of the benefits due to members). The 2007 actuarial valuation is due to be completed in early 2008.

The key financial and demographic assumptions made by the actuaries were:

Key financial and demographic assumptions	2005 Final %	2002 Final %
<b>Actuarial valuation</b>		
Rate of increase in salaries	4.7	4.5
Rate of increase in pension payments*	2.5/2.7	2.5
Inflation assumption	2.7	2.5
Discount rate**	5.45/6.7	6.25
Longevity assumption post-retirement (age 60) – Males***	23.5 years	22.0 years
Longevity assumption post-retirement (age 60) – Females***	25.7 years	24.5 years

\*The increase in New Benefit pension payments have been held at 2.5% as in previous years, however, Old Benefits have been increased in line with the inflation assumption. New Benefits members' pension increase with RPI up to a limit of 5% (for Old Benefits the limit is 10%). This assumption is adopted on the basis that in some years RPI may increase above 5% and New Benefit pension increases will be capped, so on average the increases for New Benefits will be lower than actual RPI.

\*\*A dual discount has been adopted since the assets backing the post-retirement benefits have a different split between equities, bonds, property and cash to those backing the pension liabilities in payment, with the investment assumptions for post-retirement funding being more risk averse and therefore leading to a lower discount rate.

\*\*\*The longevity assumptions have been selected to reflect the characteristics and experience of the membership of the scheme. This has been done by adjusting standard mortality tables (PMA92C05+1 and PFA92C05+1) which reflect recent research into mortality experience in the UK. An allowance has been made for future improvements in longevity.

The **discount rate** used in the actuarial valuation of liabilities is that of the expected return on assets held by the scheme and is considered to be a prudent long-term average.

#### 8c vii Scheme liabilities

The calculation of the scheme liabilities, for FRS 17 purposes, requires a number of assumptions, both financial and demographic, to be made. The actuarial valuation, described in Note 8c vi, has been updated by the actuaries to 31 March 2007. The key assumptions made by the actuaries were:

Key financial and demographic assumptions	2007 %	2006 %	2005 %
<b>FRS 17 valuation</b>			
Rate of increase in salaries	5.0	4.9	4.7
Rate of increase in pension payments	3.1	2.9	2.7
Inflation assumption	3.1	2.9	2.7
Discount rate	5.4	5.0	5.5
Longevity assumption post-retirement (age 60) – Males	23.5 years	23.5 years	22.0 years
Longevity assumption post-retirement (age 60) – Females	25.7 years	25.7 years	24.5 years
<b>Scheme liabilities at present value</b>			
FRS 17 valuation	2007 £m	2006 £m	2005 £m
	7,789	7,676	6,764

The **discount rate** for the FRS 17 value is taken as the rate for an AA rated corporate bond.



### 8d UK Public Service Broadcasting pension charge

UK Public Service Broadcasting, in accordance with FRS 17 'Group Pension Provision', accounts for the BBC Pension scheme as if it were a defined contribution scheme. This is because it is not possible to identify the UK Public Service Broadcasting's share of the underlying assets and liabilities of the Scheme on a reasonable and consistent basis. The expenditure for UK Public Service Broadcasting of £87.5million (2006 £38.2million) therefore represents the contributions payable in the year. In addition, at 31 March 2007, contributions totalling £20.1million had been prepaid (2006 nil). The contributions are set based on the funding needs identified from the actuarial valuation and they may therefore vary from the underlying cost after taking into account factors such as the actuarial surplus.

## 9 Taxation

### 9a Analysis of charges for the year

The charge for the year, based on the rate of corporation tax of 30% (2006 30%) comprised:

	Note	2007 £m	2006 £m
<b>Current tax</b>			
UK corporation tax		20.7	17.6
Deduct: double tax relief		(3.3)	(3.2)
		17.4	14.4
Adjustments in respect of prior years		1.1	0.3
		18.5	14.7
Foreign tax		6.1	8.2
Share of associates and joint ventures tax		11.1	8.9
<b>Total current tax</b>	9b	35.7	31.8
<b>Deferred tax</b>			
Origination and reversal of timing differences		(8.4)	(0.4)
Adjustments in respect of previous years		(3.4)	(3.7)
<b>Total deferred tax</b>	9d	(11.8)	(4.1)
<b>Total charge for the year</b>		23.9	27.7

### 9b Factors affecting the tax charge

The Group is only liable to taxation on those activities carried out with a view to making a profit and on rent, royalties and interest receivable. The BBC does not therefore receive relief for all its expenditure, and the tax assessed for the year consequently differs from the standard rate of corporation tax in the UK. The differences are explained below:

	Note	2007 £m	2006 £m
Surplus before tax		84.6	31.4
Surplus before tax multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)		25.4	9.4
<b>Effects of</b>			
Public Services taxable external income		5.1	(2.1)
Disallowable costs of Public Services		11.5	38.4
Non-cash element of net Group pension charge		(7.7)	20.8
<b>Commercial activities</b>			
Non-taxable income		(1.4)	(38.4)
Disallowed expenditure		6.4	2.1
Capital allowances in excess of depreciation		(1.2)	(3.8)
Tax differential regarding overseas earnings		(2.7)	1.6
Utilisation of losses brought forward		(0.7)	—
Other		—	3.5
Adjustments in respect of previous periods		1.0	0.3
<b>Current tax charge for the year</b>	9a	35.7	31.8

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#### 9c Factors that may affect future tax charges

The Group anticipates that the future tax charge will not alter significantly since all licence fee income is free of tax.

#### 9d Deferred tax analysis

Movement on deferred tax (asset)/provision in the year	Note	2007 £m	2006 £m
Net provision at start of year		3.1	10.0
Exchange adjustment		(0.9)	(0.4)
Deferred tax credit	9a	(11.8)	(4.1)
Disposal of subsidiary		–	(2.4)
Net (asset)/provision at end of year		(9.6)	3.1
<b>Analysis of deferred tax (asset)/provision at end of year</b>			
Accelerated capital allowances		11.1	13.1
Other timing differences		(0.1)	(3.6)
Deferred tax provision	17	11.0	9.5
Deferred tax asset	15	(20.6)	(6.4)
Net deferred tax (asset)/provision at year end		(9.6)	3.1

#### 10 Intangible fixed assets

	Goodwill £m	Other intangibles £m	Group total £m
<b>Cost</b>			
At 1 April 2006	22.9	0.7	23.6
Disposals	(5.3)	–	(5.3)
Transfers to investment in associate	(3.4)	–	(3.4)
<b>At 31 March 2007</b>	<b>14.2</b>	<b>0.7</b>	<b>14.9</b>
<b>Amortisation</b>			
At 1 April 2006	3.8	0.5	4.3
Charge for the year	1.1	0.2	1.3
Disposals	(0.5)	–	(0.5)
Transfers to investment in associate	(0.4)	–	(0.4)
<b>At 31 March 2007</b>	<b>4.0</b>	<b>0.7</b>	<b>4.7</b>
<b>Net book value</b>			
<b>At 31 March 2007</b>	<b>10.2</b>	<b>–</b>	<b>10.2</b>
At 31 March 2006	19.1	0.2	19.3

**Goodwill** is the difference between the value paid for a business and the fair value of its net assets. It represents the premium the purchaser is prepared to pay for the business.

In relation to the sale of Origin Publishing Limited, goodwill with a net book value of £3.0million was transferred to associates (see Note 13a) and goodwill with a net book value of £4.8million was disposed of (see Note 19).

Other intangibles comprise a customer list of names and brand names and this is amortised on a straight line basis over 2–4 years subject to reviews for impairment.

## 11 Tangible fixed assets

### 11a Group

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
<b>Cost or valuation</b>					
At 1 April 2006	426.3	955.9	155.2	88.4	<b>1,625.8</b>
Additions	4.5	62.3	8.8	69.1	<b>144.7</b>
Brought into service	0.2	33.4	5.0	(38.6)	<b>–</b>
Disposals	(3.7)	(29.1)	(7.3)	(13.5)	<b>(53.6)</b>
<b>At 31 March 2007</b>	<b>427.3</b>	<b>1,022.5</b>	<b>161.7</b>	<b>105.4</b>	<b>1,716.9</b>
<b>Depreciation</b>					
At 1 April 2006	235.1	615.3	78.2	–	<b>928.6</b>
Charge for the year	14.1	85.9	13.2	–	<b>113.2</b>
Disposals	(1.1)	(25.4)	(7.3)	–	<b>(33.8)</b>
<b>At 31 March 2007</b>	<b>248.1</b>	<b>675.8</b>	<b>84.1</b>	<b>–</b>	<b>1,008.0</b>
<b>Net book value</b>					
<b>At 31 March 2007</b>	<b>179.2</b>	<b>346.7</b>	<b>77.6</b>	<b>105.4</b>	<b>708.9</b>
At 31 March 2006	191.2	340.6	77.0	88.4	697.2

### 11b UK Public Service Broadcasting

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
<b>Cost or valuation</b>					
At 1 April 2006	355.0	569.0	128.2	61.4	<b>1,113.6</b>
Additions	2.5	33.2	7.2	51.5	<b>94.4</b>
Brought into service	–	19.9	2.2	(22.1)	<b>–</b>
Disposals	(3.4)	(6.0)	–	(9.5)	<b>(18.9)</b>
<b>At 31 March 2007</b>	<b>354.1</b>	<b>616.1</b>	<b>137.6</b>	<b>81.3</b>	<b>1,189.1</b>
<b>Depreciation</b>					
At 1 April 2006	193.0	366.1	61.5	–	<b>620.6</b>
Charge for the year	11.0	53.8	10.4	–	<b>75.2</b>
Disposals	(0.9)	(2.6)	–	–	<b>(3.5)</b>
<b>At 31 March 2007</b>	<b>203.1</b>	<b>417.3</b>	<b>71.9</b>	<b>–</b>	<b>692.3</b>
<b>Net book value</b>					
<b>At 31 March 2007</b>	<b>151.0</b>	<b>198.8</b>	<b>65.7</b>	<b>81.3</b>	<b>496.8</b>
At 31 March 2006	162.0	202.9	66.7	61.4	493.0

### 11c Land and building at net book value

	Group 2007 £m	Group 2006 £m	UK Public Service Broadcasting 2007 £m	UK Public Service Broadcasting 2006 £m
Undepreciated land	<b>16.8</b>	18.3	<b>16.5</b>	18.0
Freehold buildings	<b>96.6</b>	105.2	<b>87.8</b>	95.5
Total freeholds	<b>113.4</b>	123.5	<b>104.3</b>	113.5
Long leaseholds	<b>25.5</b>	22.2	<b>22.5</b>	22.2
Short leaseholds	<b>40.3</b>	45.5	<b>24.2</b>	26.3
	<b>179.2</b>	191.2	<b>151.0</b>	162.0

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#### 11d Finance leases

Assets held under finance leases, capitalised and included in tangible fixed assets:

	Group 2007 £m	Group 2006 £m	UK Public Service Broadcasting 2007 £m	UK Public Service Broadcasting 2006 £m
Cost	22.5	15.6	20.4	14.2
Accumulated depreciation	(12.9)	(6.5)	(11.7)	(5.9)
<b>Net book value</b>	<b>9.6</b>	<b>9.1</b>	<b>8.7</b>	<b>8.3</b>

The finance leases relate to IT equipment leased to the BBC.

#### 12 Investment in programmes for future sale

	Group £m
<b>Cost</b>	
At 1 April 2006	247.0
Exchange adjustment	(0.5)
Financing benefit	0.2
Additions	103.6
Disposals	(5.9)
Elimination in respect of programmes fully amortised	(104.5)
<b>At 31 March 2007</b>	<b>239.9</b>
<b>Amortisation</b>	
At 1 April 2006	140.5
Charge for the year	107.1
Disposals	(1.7)
Elimination in respect of programmes fully amortised	(104.5)
<b>At 31 March 2007</b>	<b>141.4</b>
<b>Net book value</b>	
<b>At 31 March 2007</b>	<b>98.5</b>
At 31 March 2006	106.5

Investment by BBC Worldwide in programmes for future sale relates to programmes provided by the BBC and external producers. The additions figure above includes £96.3million direct investment in BBC programmes (2006 £89.0million).



### 13 Other investments (including BBC World Service and BBC Monitoring net assets)

#### 13a Movements in the year for the Group

	Note	Interests in joint ventures £m	Interests in associates £m	Trade investments £m	Group Total £m
<b>Cost</b>					
At 1 April 2006		12.2	0.2	–	12.4
Additions	13b	13.4	(3.4)	5.0	15.0
<b>At 31 March 2007</b>		<b>25.6</b>	<b>(3.2)</b>	<b>5.0</b>	<b>27.4</b>
<b>Share of post acquisition reserves</b>					
At 1 April 2006		6.3	0.6	–	6.9
Exchange adjustment		(0.2)	–	–	(0.2)
Share of profits/(losses) after taxation		38.2	(13.6)	–	24.6
Provision for unrealised profit		(0.8)	–	–	(0.8)
Dividends received		(22.1)	(0.3)	–	(22.4)
Adjustment to reflect effective obligations		(1.8)	14.7	–	12.9
<b>At 31 March 2007</b>		<b>19.6</b>	<b>1.4</b>	<b>–</b>	<b>21.0</b>
<b>Loans receivable from joint ventures/associates</b>					
At 1 April 2006		–	0.3	–	0.3
Additions	13b i	0.8	–	–	0.8
Repayments		–	(0.3)	–	(0.3)
<b>At 31 March 2007</b>		<b>0.8</b>	<b>–</b>	<b>–</b>	<b>0.8</b>
<b>Goodwill</b>					
At 1 April 2006		26.7	–	–	26.7
Transfer from intangible fixed assets	10	–	3.0	–	3.0
Additions	13b i	1.7	–	–	1.7
Amortisation		(7.5)	(0.2)	–	(7.7)
<b>At 31 March 2007</b>		<b>20.9</b>	<b>2.8</b>	<b>–</b>	<b>23.7</b>
<b>Net book value</b>					
<b>At 31 March 2007</b>	13b,c,d	<b>66.9</b>	<b>1.0</b>	<b>5.0</b>	<b>72.9</b>
At 31 March 2006		45.2	1.1	–	46.3

**13b Additions to joint ventures, associates and trade investments****13b i Additions to joint ventures**

With effect from 1 April 2006, BBC Worldwide entered into an agreement with Ragdoll Limited to form a new joint venture company, Ragdoll Worldwide Holdings Limited, which is 50% owned by BBC Worldwide. The purpose of the joint venture is to bring together intellectual property rights in certain children's properties, including *Teletubbies* and *In the Night Garden*. No gain or loss arose.

Further details in respect of this transaction are as follows:

	Note	£m
Assets contributed to joint venture:		
– Investment in programmes for future sale		10.7
– Cash consideration paid		1.0
Interest in joint venture undertaking at time of exchange		<b>11.7</b>
Analysed between:		
Fair value of share of business acquired		5.8
Retained share of net assets contributed to joint venture		5.9
Interest in joint venture undertaking	13a	<b>11.7</b>

The transaction has been accounted for under Urgent Issues Task Force (UITF) Abstract 31: Exchange of business or other non-monetary assets for an interest in a subsidiary, joint venture or associate. The accounting reflects BBC Worldwide's retention of 50% of its business and divestment of the other 50% in return for a 50% interest in Ragdoll Worldwide Holdings Limited's business.

Also with effect from 1 April 2006, BBC Worldwide entered into a second agreement with Ragdoll Limited to form a second joint venture company, Ragdoll Developments Limited, which is 50% owned by BBC Worldwide. The purpose of the joint venture is to invest in the development of new intellectual property rights. Further details in respect of these transactions are as follows:

	Note	£m
Investment in joint venture:		
– Share of net assets of joint venture		1.7
– Goodwill		1.7
– Loan to joint venture		0.8
Total investment in joint venture		<b>4.2</b>
Comprising:		
Cash consideration paid in the year		1.7
Deferred consideration		2.5
Total investment in joint venture	13a	<b>4.2</b>

The deferred consideration is payable between April 2007 and March 2009.

**13b ii Additions to associates and trade investments**

Additions to associates and loans receivable from associates include £(3.7)million relating to the disposal of a majority interest in Origin Publishing Limited (see Note 19). In May 2006 BBC Worldwide sold 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 39% stake in Origin Publishing Limited.

In July 2006 BBC Worldwide also entered into an arrangement with Random House Limited to operate a company named Woodlands Books Limited. In return for the transfer of its books division's assets, BBC Worldwide has a 15% share in the company together with cash consideration (see Note 19).

Additions to trade investments of £5.0million relate to BBC Worldwide's investment in Radio Mid-Day (West) India PVT. Limited, a company registered in India. The principal activity of Radio Mid-Day (West) India PVT. Limited is to obtain and operate FM radio licences in India.

### 13c Group share of joint ventures results and net assets

The following disclosures represent the Group's equity shares of the assets and liabilities of its joint ventures based on the results for the latest accounting periods as shown above. Where the latest accounting period for the joint venture is more than three months prior to the Group's accounting reference date of 31 March the latest interim financial information has been used.

Group share of:	2 entertain Limited £m	UK Gold Holdings Limited* £m	UK Channel Management Limited* £m	Other joint ventures £m	Total joint ventures £m
<b>2007</b>					
Turnover	115.3	43.7	33.2	46.3	<b>238.5</b>
Profit/(loss) before tax	36.3	9.9	8.4	(0.9)	<b>53.7</b>
Taxation	(9.4)	(3.5)	(2.6)	–	<b>(15.5)</b>
Profit/(loss) after tax	<b>26.9</b>	<b>6.4</b>	<b>5.8</b>	<b>(0.9)</b>	<b>38.2</b>
Fixed assets	5.3	–	–	8.4	<b>13.7</b>
Goodwill	15.6	–	–	5.3	<b>20.9</b>
Current assets	63.3	19.7	33.4	44.6	<b>161.0</b>
Liabilities less than one year	(47.7)	(7.6)	(10.3)	(13.9)	<b>(79.5)</b>
Liabilities more than one year	–	(18.4)	(19.5)	(44.4)	<b>(82.3)</b>
Loan receivable from joint ventures	–	–	–	0.8	<b>0.8</b>
Adjustment to reflect effective obligations	–	6.3	–	26.0	<b>32.3</b>
Net book value	<b>36.5</b>	<b>–</b>	<b>3.6</b>	<b>26.8</b>	<b>66.9</b>
<b>2006</b>					
Turnover	115.2	40.8	36.3	37.2	229.5
Profit/(loss) before tax	28.2	7.8	11.7	(1.7)	46.0
Taxation	(8.5)	(3.8)	(3.5)	(0.2)	(16.0)
Profit/(loss) after tax	19.7	4.0	8.2	(1.9)	30.0
Fixed assets	5.2	–	–	7.9	13.1
Goodwill	22.6	–	–	4.1	26.7
Current assets	59.3	16.4	34.5	29.5	139.7
Liabilities less than one year	(53.5)	(8.9)	(13.4)	(6.4)	(82.2)
Liabilities more than one year	–	(22.7)	(25.1)	(41.5)	(89.3)
Adjustment to reflect effective obligations	–	15.2	4.0	18.0	37.2
Net book value	33.6	–	–	11.6	45.2

\*The figures are based on unaudited financial statements

**13d Group share of associates' turnover and net assets**

The following additional disclosures are based on the results of the Discovery associates for the year ended 31 December 2006 and the remaining associates' disclosures are based on the results at the date of their individual financial statements. These additional disclosures represent the Group's equity share of assets and liabilities of those entities.

	2007 £m	2006 £m
<b>Group interests in associates</b>		
Share of turnover	41.9	49.6
Share of fixed assets	11.2	52.0
Share of current assets	36.6	28.2
Share of liabilities due within one year	(20.1)	(22.5)
Share of liabilities due after more than one year	(125.2)	(160.9)
Adjustment to reflect effective obligation	95.7	104.3
Goodwill	2.8	–
<b>Net interests in associates</b>	<b>1.0</b>	<b>1.1</b>

Under the terms of the agreements with Discovery and Alliance Atlantis, the Group has no obligation to fund losses incurred by the entities or to make good their net liabilities. As a result, the Group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2007 (2006 £nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation, with the exception of JV Network LLC. JV Network LLC was formed for the purpose of providing debt funding from Discovery to the other Discovery joint ventures and BBC Worldwide is not entitled to any profits arising within this entity. The share of net liabilities not recognised comprises £95.7million (2006 £104.3million) shown in the table as 'adjustment to reflect effective obligation'.

**13e Movements in the year for UK Public Service Broadcasting**

	Interest in BBC World Service and BBC Monitoring net assets £m	Interests in subsidiaries £m	Total £m
At 1 April 2006	158.6	125.3	283.9
Surplus for year	11.1	–	11.1
<b>At 31 March 2007</b>	<b>169.7</b>	<b>125.3</b>	<b>295.0</b>



Joint ventures are businesses the BBC jointly controls with other parties.

### 13f Interests on joint ventures, associates and subsidiaries

#### 13f i Significant joint ventures and their activities

The Group has a 50% equity interest in the following joint ventures which are all incorporated in Great Britain and registered in England and Wales, unless otherwise stated:

Name of entity	Activity	Partner	Accounting date
2 entertain Limited <sup>1</sup>	Video/DVD	Woolworths	28 January 2007
UK Gold Holdings Limited	Channels	Flextech	31 March 2007
UK Gold Services Limited	Channels	Flextech	31 March 2007
UK Channel Management Limited	Channels	Flextech	31 March 2007
UKTV New Ventures Limited	Channels	Flextech	31 March 2007
UKTV Interactive Limited	Channels	Flextech	31 March 2007
JV Programmes LLC <sup>2</sup>	Channels	Discovery	31 December 2006
BBC Haymarket Exhibitions Limited	Publishing	Haymarket Exhibitions Limited	31 December 2006
Worldwide Media Limited <sup>3</sup>	Magazines	Bennett, Coleman and Company Limited	31 July 2006
Dovetail Services (UK) Holdings Limited	Magazines	Dennis Publishing Limited	31 March 2007
DTV Services Limited <sup>4</sup>	Marketing	Crown Castle UK Limited, British Sky Broadcasting Limited	31 August 2006
Insight Property Partnership	Property	Land Securities Trillium (Media Services) Limited	31 March 2007
Daunus Limited <sup>5</sup>	Property	Land Securities Trillium (BH) Limited, Morgan Stanley Delta LLC, Structured Finance Management Limited	30 November 2006
Ragdoll Worldwide Holdings Limited	Intellectual Property Rights	Ragdoll Limited	31 March 2007
Ragdoll Developments Limited	Intellectual Property Rights	Ragdoll Limited	31 March 2007

<sup>1</sup>60% equity interest

<sup>2</sup>Incorporated in the USA

<sup>3</sup>Incorporated in India

<sup>4</sup>20% equity interest

<sup>5</sup>100% holding of 'A' class shares, representing 10% of the total issued shares of Daunus Limited. The rest of the shares in Daunus Limited are held by the other partners. The BBC holds its investment in Daunus Limited through a subsidiary, BBC Property Development Limited

Under the terms of the agreements with Flextech and Discovery, the Group has no obligation to fund losses incurred by the entities nor to make good their net liabilities. As a result, the Group does not share in losses/net liabilities of the relevant entities and accordingly no share of these is included in the financial statements for the year ended 31 March 2007 (2006 £nil). The Group is entitled to its share of any profits or net assets only once the ventures' cumulative profits exceed cumulative losses since incorporation. The share of net liabilities not recognised comprises the £32.3million (2006 £37.2million) shown in Note 13c as 'adjustment to reflect effective obligations'.

**13f ii Significant associates and their activities**

The Group holds (directly and indirectly) significant interests in the associates listed below which, except where otherwise stated, are incorporated in Great Britain and registered in England and Wales. A full list of associates is available on request from the General Counsel and Secretary, BBC, The Media Centre, 201 Wood Lane, London W12 7TQ.

	Holding of issued ordinary shares %	Activity
<b>Discovery associates:</b>		
People and Arts (Latin America) LLC (incorporated in the USA)	50	Channels
Animal Planet (Asia) LLC (incorporated in the USA)	50	Channels
The Animal Planet Europe Partnership	50	Channels
Animal Planet (Latin America) LLC	50	Channels
Animal Planet Japan KK (incorporated in Japan)	33	Channels
JV Network LLC	50	Channels
Animal Planet Japan LLP	50	Channels
Animal Planet Canada Company ULC	23	Channels
<b>Other associates:</b>		
Parliamentary Broadcasting Unit Limited	50	Content provider
Broadcasters Audience Research Board Limited (BARB)	*	Audience research
The Commonwealth Broadcasting Association	*	Broadcasting forum
Radio Joint Audience Research Limited (RAJAR)	50	Audience research
Frontline Limited	23	Publishing
OPL Holdings Limited	39	Publishing
Origin Publishing Limited	39	Publishing
UKTV Pty Limited (incorporated in Australia)	20	Channels
Jasper Broadcasting Inc (incorporated in Canada)	20	Channels
Jasper Junior Broadcasting Inc (incorporated in Canada)	20	Channels
Childrens Character Books Limited	25	Books
Woodlands Books Limited	15	Books
Educational Publishers LLP	15	Education
3sixtymedia Limited	10	Production
White City Development Partnership	**	Property

\*Broadcasters Audience Research Board Limited and The Commonwealth Broadcasting Association are companies limited by guarantee, of which the BBC is a joint member with other broadcasters

\*\*50% partnership share

**Associates** are businesses over which the BBC exerts significant influence but does not have overall control.

Subsidiary undertakings are businesses the BBC controls.

### 13f iii Subsidiary undertakings

The principal subsidiary undertakings of the BBC at 31 March 2007 are listed below. All are wholly owned and incorporated in Great Britain and registered in England and Wales. A full list of subsidiaries is available on request from the General Counsel and Secretary, BBC, The Media Centre, 201 Wood Lane, London W12 7TQ.

Name of entity		Activity
BBC Commercial Holdings Limited	*	Holding company
BBC Worldwide Limited	**	Publishing, channels and programme distribution
BBC World Limited	**	Channels
BBC Ventures Group Limited	**	Holding company
BBC Resources Limited	**	Programme making facilities and services
BBC Free To View Limited	*	Holding company for digital licence
BBC Property Limited	*	Property
BBC Property Development Limited	*	Property
BBC Property Investment Limited	*	Property
Centre House Productions Limited	*	Production financing
Digital UK Limited <sup>1</sup>	*	Digital switchover

\*Directly owned

\*\*Indirectly owned

<sup>1</sup>The BBC controls 56% of the voting rights of Digital UK Limited (previously known as Switchco Limited). Its results have been consolidated into the Group accounts. Digital UK Limited is a company limited by guarantee of which the BBC is a joint member. The other members and their shareholdings in Digital UK Limited are: ITV 11%, Channel Four Television Corporation 11%, Channel Five Broadcasting Limited 8.75%, National Grid Wireless 6.25%, SON Limited 3.5%, S4C 2.25% and Teletext Limited 1.25%.

### 14 Stocks

	Group 2007 £m	Group 2006 £m	UK Public Service Broadcasting 2007 £m	UK Public Service Broadcasting 2006 £m
Raw materials	1.7	1.7	0.1	0.2
Work in progress				
– originated programmes	305.3	287.9	305.4	287.8
– other	1.5	1.9	–	0.1
Finished programmes				
– acquired programmes and films	94.5	98.5	94.5	98.5
– originated programmes	63.5	61.0	63.5	61.0
Other	10.4	11.4	–	–
<b>Total</b>	<b>476.9</b>	<b>462.4</b>	<b>463.5</b>	<b>447.6</b>

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**15 Debtors**

	Note	Group 2007 £m	Group 2006 £m	UK Public Service Broadcasting 2007 £m	UK Public Service Broadcasting 2006 £m
<b>Receivable within one year</b>					
Trade debtors		124.8	114.9	17.5	17.1
Department for Culture, Media and Sport – licence fee debtors		353.9	318.2	353.9	318.2
Amounts owed by subsidiaries		–	–	47.5	27.2
Amounts owed by associates and joint ventures		22.1	34.9	2.3	14.5
VAT recoverable		22.1	36.0	20.2	33.9
Deferred tax asset	9d	3.0	6.4	–	–
Other debtors		17.8	22.4	10.0	6.6
Prepayments		148.0	190.8	118.4	165.3
		691.7	723.6	569.8	582.8
<b>Financial assets</b>	23c	5.2	3.5	–	–
<b>Total current debtors</b>		<b>696.9</b>	727.1	<b>569.8</b>	582.8
<b>Receivable after more than one year</b>					
Deferred tax asset	9d	17.6	–	–	–
Other debtors		6.3	2.7	–	–
Prepayments		49.5	40.0	38.9	26.9
		73.4	42.7	38.9	26.9
<b>Financial assets</b>	23c	1.0	3.2	–	–
<b>Total long-term debtors</b>		<b>74.4</b>	45.9	<b>38.9</b>	26.9
<b>Total</b>		<b>771.3</b>	773.0	<b>608.7</b>	609.7

**16 Creditors**

**16a Prompt payment policy**

It is the BBC's policy to comply with the Better Payment Practice Code in relation to the payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of their contracts. The BBC monitors compliance against the terms of this code. Payments for programme acquisitions are made in accordance with contractual terms. The Group's number of creditor days outstanding in respect of other trade creditors at 31 March 2007 was 38 days (2006 35 days).

Residual creditors and associated costs have been excluded for the purpose of this calculation, as they relate to payments to artists and contributors other than trade creditors.



### 16b Amounts falling due within one year

	Note	Group 2007 £m	Group 2006 £m	UK Public Service Broadcasting 2007 £m	UK Public Service Broadcasting 2006 £m
<b>Bank and other loans</b>					
Bank loan	21,23	65.4	–	–	–
Unsecured loan notes	21,23	0.5	5.3	–	–
		<b>65.9</b>	5.3	–	–
<b>Trade creditors</b>					
Programme creditors		70.9	74.9	70.9	74.7
Programme acquisitions		27.8	31.3	27.5	31.0
Salaries and wages		65.0	64.4	38.4	41.4
Residual copyright payments		27.9	25.6	–	–
Other trade creditors		198.8	169.8	137.0	119.6
		<b>390.4</b>	366.0	<b>273.8</b>	266.7
<b>Other creditors</b>					
Amounts owed to subsidiaries		–	–	36.6	37.2
Corporation tax		16.6	11.5	6.0	4.7
Other taxation and social security		28.2	28.7	25.8	26.8
Obligations under finance leases	23b	5.2	4.8	4.8	4.7
Other		16.6	14.7	7.9	11.4
		<b>66.6</b>	59.7	<b>81.1</b>	84.8
<b>Accruals and deferred income</b>					
Accruals and deferred income		416.8	393.5	324.1	285.9
Licence savings stamps deposits and direct debit instalments		72.2	92.1	72.2	92.1
		<b>489.0</b>	485.6	<b>396.3</b>	378.0
Financial liabilities	23c	3.7	3.2	–	–
<b>Total</b>		<b>1,015.6</b>	919.8	<b>751.2</b>	729.5

### 16c Amounts falling due after more than one year

	Note	Group 2007 £m	Group 2006 £m	UK Public Service Broadcasting 2007 £m	UK Public Service Broadcasting 2006 £m
<b>Bank and other loans</b>					
	21,23b	20.0	72.0	–	–
<b>Trade creditors</b>					
Programme acquisitions		–	3.6	–	3.6
<b>Other creditors</b>					
Obligations under finance leases	23b	25.5	28.5	4.1	3.8
Amounts owed to subsidiaries		–	–	11.5	25.9
Other		11.3	8.7	11.3	–
		<b>36.8</b>	37.2	<b>26.9</b>	29.7
Financial liabilities	23c	3.6	4.0	–	–
<b>Total</b>		<b>60.4</b>	116.8	<b>26.9</b>	33.3

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**17 Provisions for liabilities**

Group	Note	At 1 April 2006 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2007 £m
Licence fee		19.5	20.5	(18.6)	(1.5)	<b>19.9</b>
Restructuring		129.4	32.8	(93.1)	(11.6)	<b>57.5</b>
Litigation and insurance		16.6	2.8	(1.9)	(0.3)	<b>17.2</b>
Property		13.2	2.7	(0.3)	(1.5)	<b>14.1</b>
Deferred tax		9.5	5.0	(3.5)	–	<b>11.0</b>
BBC jam	5	–	14.4	–	–	<b>14.4</b>
Other		8.0	13.1	(10.9)	(1.1)	<b>9.1</b>
<b>Total</b>		<b>196.2</b>	<b>91.3</b>	<b>(128.3)</b>	<b>(16.0)</b>	<b>143.2</b>

Licence fee provisions are made for the expected level of refunds (money repayable on the unexpired portion of a licence where the licence is no longer required) and revocations (where no money is received in relation to a licence sold).

The restructuring provision includes a net charge for the year of £11.2million (2006 £119.1million) of exceptional redundancy costs relating to the change programme occurring within the BBC and non-exceptional redundancy costs of £10.0million (2006 £10.4million).

Property provisions relate to the cost of returning leasehold properties to their original condition at the end of the lease, and include BBC World Service's liability of £3.5million (2006 £3.4million) to restore Bush House to its original condition.

Other provisions consist of a number of balances arising across the BBC in the normal course of business.

UK Public Service Broadcasting		At 1 April 2006 £m	Charge for the year £m	Utilised during the year £m	Released during the year £m	At 31 March 2007 £m
Licence fee		19.5	20.5	(18.6)	(1.5)	<b>19.9</b>
Restructuring		116.1	24.8	(79.6)	(8.8)	<b>52.5</b>
Litigation and insurance		11.3	1.6	(0.9)	(0.3)	<b>11.7</b>
Property		9.8	2.6	(0.3)	(1.5)	<b>10.6</b>
Deferred tax		3.5	–	(3.5)	–	<b>–</b>
BBC jam		–	14.4	–	–	<b>14.4</b>
Other		4.3	11.4	(8.0)	(1.1)	<b>6.6</b>
<b>Total</b>		<b>164.5</b>	<b>75.3</b>	<b>(110.9)</b>	<b>(13.2)</b>	<b>115.7</b>

## 18 Reserves

Group	Operating reserve excluding pension reserve £m	Pension reserve £m	Total operating reserve £m	Capital reserve £m	Revaluation reserve £m	Total £m	
At 1 April 2006	257.5	164.9	<b>422.4</b>	771.3	3.2	<b>1,196.9</b>	
Exchange difference	(2.7)	–	<b>(2.7)</b>	–	–	<b>(2.7)</b>	
Surplus for financial year	60.7	–	<b>60.7</b>	–	–	<b>60.7</b>	
Actuarial gain on defined benefit pension schemes	–	143.8	<b>143.8</b>	–	–	<b>143.8</b>	
Revaluation reserve transfer	0.8	–	<b>0.8</b>	–	(0.8)	–	
Pension reserve transfer	(25.8)	25.8	–	–	–	–	
Capital reserve transfer	(11.2)	–	<b>(11.2)</b>	11.2	–	–	
<b>At 31 March 2007</b>	<b>279.3</b>	<b>334.5</b>	<b>613.8</b>	<b>782.5</b>	<b>2.4</b>	<b>1,398.7</b>	
<b>Represented by:</b>							
General Group reserves	268.1	334.5	<b>602.6</b>	621.8	–	<b>1,224.4</b>	
BBC World Service and BBC Monitoring reserves	11.2	–	<b>11.2</b>	160.7	2.4	<b>174.3</b>	
	<b>279.3</b>	<b>334.5</b>	<b>613.8</b>	<b>782.5</b>	<b>2.4</b>	<b>1,398.7</b>	
				Operating reserve £m	Capital reserve £m	Revaluation reserve £m	Total £m
<b>UK Public Service Broadcasting</b>							
At 1 April 2006			237.0	771.3	3.2	<b>1,011.5</b>	
Surplus for financial year			52.1	–	–	<b>52.1</b>	
Revaluation reserve transfer			0.8	–	(0.8)	–	
Capital reserve transfer			(11.2)	11.2	–	–	
<b>At 31 March 2007</b>			<b>278.7</b>	<b>782.5</b>	<b>2.4</b>	<b>1,063.6</b>	
<b>Represented by:</b>							
UK Public Service Broadcasting reserves			267.5	621.8	–	<b>889.3</b>	
BBC World Service and BBC Monitoring reserves			11.2	160.7	2.4	<b>174.3</b>	
			<b>278.7</b>	<b>782.5</b>	<b>2.4</b>	<b>1,063.6</b>	

UK Public Service Broadcasting, BBC World Service and BBC Monitoring are funded from different sources. As such, the reserves relating to BBC World Service and BBC Monitoring are maintained separately from the rest of the Group and are restricted for use solely on BBC World Service or BBC Monitoring activities.

Under FRS 10 'Goodwill and intangible assets' any newly arising goodwill must be capitalised and amortised over its useful life. As is permitted by the standard, goodwill arising in periods prior to 1999 of £6.8million (2006 £6.8million) remains offset against the operating reserve.

The cumulative translation differences at 31 March 2007 were £(0.8)million (2006 £1.9million), of which £(2.7)million arose during the year (2006 £1.9million). In accordance with FRS 23, any differences relating to years prior to 2006 have not been separated out and remain within the operating reserve.

**19 Sale of businesses**

In July 2006 BBC Worldwide entered into an arrangement with Random House Limited to operate a company named Woodlands Books Limited. In return for the transfer of the assets of its books division to this company, BBC Worldwide has a 15% share in the company together with cash consideration of £21.2million, realising a profit of £13.3million.

In May 2006 BBC Worldwide sold a majority 61% shareholding in Origin Publishing Limited ('Origin') to a management buy-out team, led by Origin's Managing Director, for consideration of £9.3million, realising a profit of £0.2million. BBC Worldwide has retained a 39% stake in Origin.

Details of the disposal transactions are as follows:

	Books business 2007 £m	Origin Publishing 2007 £m	Total 2007 £m
Investment in programmes for future sale	0.8	–	<b>0.8</b>
Goodwill disposed	–	4.8	<b>4.8</b>
Net assets disposed/written off	4.3	0.4	<b>4.7</b>
Interest in associated undertaking recognised	(0.3)	3.7	<b>3.4</b>
Profit on disposal	13.3	0.2	<b>13.5</b>
	<b>18.1</b>	<b>9.1</b>	<b>27.2</b>
Of which:			
Cash consideration received	21.2	6.0	<b>27.2</b>
Less transaction costs	(0.4)	(0.2)	<b>(0.6)</b>
Net proceeds from sale of operations	20.8	5.8	<b>26.6</b>
Accrued costs	(2.7)	–	<b>(2.7)</b>
Deferred consideration	–	3.3	<b>3.3</b>
<b>Total consideration, net of transaction costs</b>	<b>18.1</b>	<b>9.1</b>	<b>27.2</b>

**20 Reconciliation of net cash flow to movement in net funds/(debt)**

	2007 £m	2006 £m
(Decrease)/increase in cash in year	<b>(15.5)</b>	158.8
Net cash inflow from management of liquid resources	–	(41.9)
Net cash outflow from financing	<b>0.9</b>	87.9
Change in net debt resulting from cash flows	<b>(14.6)</b>	204.8
Non-cash increase in finance leases	<b>(6.9)</b>	(15.6)
Non-cash increase in unsecured loan notes	–	(4.3)
<b>Change in net debt</b>	<b>(21.5)</b>	184.9
Net funds/(debt) at the beginning of the year	<b>49.6</b>	(135.3)
<b>Net funds at the end of the year</b>	<b>28.1</b>	49.6



## 21 Analysis of changes in net funds

	At 1 April 2006 £m	Cash flows £m	Non-cash changes £m	At 31 March 2007 £m
<b>Net cash</b>				
Cash at bank and in hand	160.2	(15.5)	–	144.7
<b>Gross funds</b>	<b>160.2</b>	<b>(15.5)</b>	<b>–</b>	<b>144.7</b>
<b>Debt</b>				
Loans from third parties	(72.0)	(13.4)	–	(85.4)
Unsecured loan notes	(5.3)	4.8	–	(0.5)
Finance leases	(33.3)	9.5	(6.9)	(30.7)
<b>Net funds</b>	<b>49.6</b>	<b>(14.6)</b>	<b>(6.9)</b>	<b>28.1</b>
Made up of:				
Public Service (including BBC World Service and BBC Monitoring)	110.2	(1.3)	(6.9)	102.0
Commercial Businesses	(38.6)	(16.0)	–	(54.6)
Centre House Productions Limited	(22.0)	2.7	–	(19.3)
<b>Net funds</b>	<b>49.6</b>	<b>(14.6)</b>	<b>(6.9)</b>	<b>28.1</b>

The debt and repayments on finance leases held by Centre House Productions Limited are offset directly by cash held on matching deposits, and the income from them, such that there is no long-term cash flow effect.

## 22 Reconciliation of net funds/(debt) to the Department for Culture, Media and Sport (DCMS) borrowing ceilings

	Note	Public Services 2007 £m	Public Services 2006 £m	Commercial Businesses 2007 £m	Commercial Businesses 2006 £m
Net funds/(debt)	21	102.0	110.2	(54.6)	(38.6)
Licence savings stamps deposits and direct debit instalments	16b	(72.2)	(92.1)	–	–
<b>Funds/(borrowings) as defined by DCMS borrowing ceiling</b>		<b>29.8</b>	<b>18.1</b>	<b>(54.6)</b>	<b>(38.6)</b>
<b>Borrowing ceiling</b>		<b>(200.0)</b>	<b>(200.0)</b>	<b>(350.0)</b>	<b>(350.0)</b>

Public Services in this context represent the UK Public Service Broadcasting Group (excluding Centre House Productions Limited – see Note 23b) BBC World Service and BBC Monitoring.

The Public Service borrowing limit of £200million is set by the Secretary of State in accordance with the Agreement between the BBC and DCMS. As at 31 March 2007 and 31 March 2006, and throughout the financial year, the BBC was in compliance with this borrowing ceiling.

Under the new Charter and Agreement outstanding licence savings stamp deposits and direct debit instalments are no longer included in the Public Services borrowings. Under the new definition, at 31 March 2007, the Public Services had net funds of £102.0million (2006 £110.2million).

When the DCMS granted a £350million borrowing limit for BBC Commercial Holdings Limited in July 2002, three financial covenants were defined which are required to be met as at 31 March each year. As at 31 March 2007 and 31 March 2006 BBC Commercial Holdings Group was in compliance with each of these covenants.

### 23 Financial instruments

The Group has adopted FRS 29 (IFRS 7) 'Financial Instruments: Disclosure' for the first time in this financial year. Accordingly the comparatives have been restated on a consistent basis, but the standard does not require any changes to the recognition or measurement of financial instruments.

#### 23a Financial risk management

The Group's financial risk management operations are carried out by a Group Treasury function, within parameters defined formally within the policies and procedures manual agreed by the Executive Board. Group Treasury's activity is routinely reported and is subject to review by internal and external auditors.

Group Treasury uses financial instruments to raise finance and to manage financial risk arising from the BBC's operations in accordance with its objectives which are:

- to ensure the business of the BBC, both Public Services and Commercial, is funded in the most efficient manner and remains compliant with borrowing limits
- to protect the value of the BBC's assets, liabilities and cash flows from the effects of adverse interest rates and foreign exchange fluctuations
- to maximise the return on surplus funds, whilst ensuring sufficient cash is retained to meet foreseeable liquidity requirements

The Group's financial instruments, other than those used for treasury risk management purposes, comprise cash and liquid resources, borrowings and various items such as trade debtors and creditors that arise directly from its operations. The Group finances its operations from these financial instruments. The Group does not undertake speculative treasury transactions.

#### Market risk

##### ■ Currency risk

The Group is principally a domestic organisation with the majority of transactions, asset and liabilities arising in the UK and being sterling based. However, the Group undertakes some transactions in currencies other than sterling. Due to movements in exchange rates over time, the amount the Group expects to receive or pay when it enters into a transaction may differ from the amount that it actually receives or pays when it settles the transaction.

The Group enters into forward currency contracts, for all significant contracts, to manage this currency risk. These allow the Group to settle transactions at known exchange rates, thereby eliminating much of this uncertainty. As a result of this certainty in exchange rates the Group has no significant underlying sensitivity to currency fluctuations and hence no sensitivity analysis is presented. The Group's largest overseas operation is BBC Worldwide America, which operates in the USA and whose revenues and expenses are denominated exclusively in US dollars. However, due to the relative size of BBC Worldwide America and the stability of the US dollar, the BBC does not consider this to be a significant exposure to currency fluctuations for the Group.

##### ■ Interest rate risk

The Group's main exposure to interest rate fluctuations arises on external borrowings. Since March 2003 the Group has been borrowing at floating rates of interest and then using interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. Interest rate swaps are taken out based on projected borrowing requirements, therefore differences will occur between the value of swaps and the actual borrowing requirements.

##### ■ Other price risk of financial assets

The Group invests surplus cash in money market funds and money market deposits, therefore it is not subject to other price risks, such as market price risk.

#### Credit risk

The majority of the Group's financial assets are trade receivables (£474.4million). The largest element is the licence fee debtor (£353.9million) which is received directly from DCMS (not directly from the licence fee payer) and therefore no significant credit risk attaches to this debtor. The amount of income that the BBC receives from DCMS is directly related to the amount of licence fee collected from households in the UK.

Of the remaining £120.5million receivables, £14.0million is past due and not impaired. £1.5million has been provided for during the year against the £2.1million trade receivables which are considered impaired. However, the Group does not consider this to be a significant impairment of financial assets. The Group enters into financial guarantees for intra-Group purposes only therefore the credit risk exposure, as a result of this, is not considered significant.

**Market risk** comprises currency risk, interest rate risk and other price risks.

A **forward currency contract** is a contract to buy or sell foreign currency in exchange for sterling at a specific rate on a specific date. By locking into a particular exchange rate, the currency risk that may be associated with a future purchase or sale is eliminated.

An **interest rate swap** is a contract between two parties to change the basis of their interest rate payment or receipts either from fixed to floating rates or vice versa. By fixing a floating interest rate certainty about the level of future interest payments can be achieved.

**Other price risk** is any price change other than those arising from changes in currency or interest rates.

**Credit risk** is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

**Liquidity risk** is the risk that the Group will not be able to meet its financial obligations as they fall due.

### Liquidity risk

The BBC is subject to limits on its borrowings set by the Secretary of State in accordance with the Agreement between the BBC and DCMS (see Note 22). The BBC's Group Treasury manages the Group's borrowings in order to comply with these limits together with the terms of any individual debt instruments. The BBC holds its surplus liquidity in readily convertible financial instruments with highly rated financial institutions.

### 23b Fair values of financial instruments

The following table shows the fair value and carrying value of the Group's financial instruments, in categories according to how the financial instrument is measured. It also shows the maturity profile for each category of financial asset and liability.

	Amounts due in less than 1 year £m	Amounts due between 2 and 5 years £m	Amounts due after more than 5 years £m	Total £m
<b>2007 – Carrying value and fair value</b>				
<b>Financial assets at fair value through income and expenditure:</b>				
Derivative financial instruments	5.2	1.0	–	6.2
<b>Loans and receivables:</b>				
Trade debtors	474.4	–	–	474.4
Other debtors	0.2	–	–	0.2
<b>Cash at bank and in hand</b>	<b>144.7</b>	<b>–</b>	<b>–</b>	<b>144.7</b>
<b>Financial liabilities at fair value through income and expenditure:</b>				
Derivative financial instruments	(3.7)	(3.6)	–	(7.3)
<b>Financial liabilities measured at amortised cost:</b>				
Loans	(65.9)	(20.0)	–	(85.9)
Trade creditors	(294.3)	–	–	(294.3)
Programme acquisitions	(27.8)	–	–	(27.8)
Obligations under finance leases	(5.2)	(4.5)	(21.0)	(30.7)
Provisions for liabilities	–	(3.5)	–	(3.5)
<b>2006 – Carrying value and fair value</b>				
<b>Financial assets at fair value through income and expenditure:</b>				
Derivative financial instruments	3.5	3.2	–	6.7
<b>Loans and receivables:</b>				
Trade debtors	427.7	–	–	427.7
Other debtors	4.9	–	–	4.9
<b>Cash at bank and in hand</b>	<b>160.2</b>	<b>–</b>	<b>–</b>	<b>160.2</b>
<b>Financial liabilities at fair value through income and expenditure:</b>				
Derivative financial instruments	(3.2)	(3.9)	(0.1)	(7.2)
<b>Financial liabilities measured at amortised cost:</b>				
Loans	(5.3)	(72.0)	–	(77.3)
Trade creditors	(252.8)	–	–	(252.8)
Programme acquisitions	(36.6)	(3.6)	–	(40.2)
Obligations under finance leases	(4.8)	(4.4)	(24.1)	(33.3)
Provisions for liabilities	–	(3.4)	–	(3.4)

As at 31 March 2007 there are no differences between the fair value and carrying value of any of the Group's financial instruments. The fair value of forward currency contracts, interest rate swaps and embedded derivatives are based on market prices and exchange rates at the balance sheet date. These are recorded in the statement of income and expenditure (see Notes 3 and 7). The remaining financial instruments are carried at cost or amortised cost in accordance with FRS 26 which approximates to fair value.

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The finance leases include £21.0million (2006 £24.1million) relating to Centre House Productions Limited. Centre House Productions Limited enters into finance leases as a means of financing drama productions which result in lower production costs for the BBC. These finance leases are matched by defeasance deposits which may only be used to settle the finance lease liabilities and therefore do not represent separate assets and liabilities. Consequently they are netted off the finance lease creditor to show the net unmatched liability at the year end. These defeasance deposits, £235.8million at 31 March 2007 (2006 £250.4million), are structured such that the principal on deposit and interest earned will be sufficient to cover the rental obligations on the finance leases until the end of the lease. Accordingly it is not included as borrowing for the purposes of compliance with the BBC's borrowing limits.

**Defeasance deposits** are amounts deposited with banks which earn the exact amount of interest needed to cover the capital repayment and interest element of each of the finance leases. The defeasance deposits are 'ring-fenced' and therefore cannot be used for any transactions apart from the agreed capital and interest payments.

#### 23c Derivative financial instruments

	Assets £m	Liabilities £m
<b>2007</b>		
<b>Greater than one year</b>		
Forward foreign currency contracts	1.0	(3.5)
Interest rate swaps	–	–
Embedded derivatives	–	(0.1)
	<b>1.0</b>	<b>(3.6)</b>
<b>Less than one year</b>		
Forward foreign currency contracts	2.5	(3.7)
Interest rate swaps	2.7	–
Embedded derivatives	–	–
	<b>5.2</b>	<b>(3.7)</b>
<b>2006</b>		
<b>Greater than one year</b>		
Forward foreign currency contracts	1.3	(3.4)
Interest rate swaps	1.2	(0.2)
Embedded derivatives	0.7	(0.4)
	<b>3.2</b>	<b>(4.0)</b>
<b>Less than one year</b>		
Forward foreign currency contracts	1.6	(3.0)
Interest rate swaps	–	–
Embedded derivatives	1.9	(0.2)
	<b>3.5</b>	<b>(3.2)</b>

At 31 March 2007 the Group had entered into a net commitment to purchase foreign currencies amounting to £65.8million (2006 £90.0million) that mature in the period through to 2012 in order to fix the sterling cost of commitments through this period (mainly euros and US dollars). After taking into account the effects of these forward foreign exchange contracts, the Group had no significant currency exposure.

Sterling fixed rate borrowings are achieved by entering into interest rate swap transactions; all outstanding swaps mature in March 2008. In total, £246.0million (2006 £246.0million) of swaps were entered into which covers all borrowing facilities. This is £161.0million (2006 £174.0million) more than the current level of borrowings of £85.0million (2006 £72.0million).

In accordance with FRS 26, the Group has reviewed contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. Any such embedded derivatives have been recognised at fair value.



### 23d Borrowing facilities

Money market lines are short-term borrowings.

Facility	Interest rate	Total available £m	Amount drawn down at 31 March 2007 £m	Amount drawn down at 31 March 2006 £m	Expiry or review date
<b>UK Public Service Broadcasting</b>					
LIBOR-based loan or overdraft	Loan – margin of 0.2% Overdraft – bank base rates plus 1%	100	–	–	May 2007**
Uncommitted money market lines (short-term borrowings)	Margin of between 0.125% and 0.5% over LIBOR	24	–	–	
<b>BBC Commercial Holdings Limited</b>					
Multicurrency, revolving credit facility agreement for loans and letters of credit	LIBOR plus 0.375% rising to LIBOR plus 0.45% when the facility is more than 50% utilised Letter of credit fee is the same as the bank lending margin, but does not include LIBOR	350***	40	47	March 2008*
Loan with European Investment Bank (secured by letters of credit)***	European Investment Bank's own funding cost	25	25	25	by June 2007
Overdraft or money market lines	Money market line – margin of 0.3% Overdraft – bank base rates plus 1%	20	–	–	January 2008
<b>BBC Worldwide Limited</b>					
Loan with European Investment Bank (50% secured by letters of credit)***	European Investment Bank's own funding cost plus a margin of 0.09% on unsecured loans	50	20	–	November 2011

\*The BBC Commercial Holdings Limited multicurrency facility agreement is currently under review and the new agreement is due to be signed in June 2007

\*\*The UK Public Service Broadcasting LIBOR-based loan has the option to extend to May 2008

\*\*\*Of this amount, up to £100million is available to issue letters of credit in favour of the European Investment Bank to support its lending under facilities to the Group. At 31 March 2007, in addition to the drawings of £40.0million, £35.9million (2006 £25.0million) was utilised by way of letters of credit issued to support borrowing under these facilities; £25.6million against the BBC Commercial Holdings Limited loan and £10.3million against the BBC Worldwide Limited loan

There have been no defaults or breaches of loan covenants during the year (2006 none).

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#### 24 Commitments

##### 24a Contracts placed for future expenditure

	Group 2007 £m	Group 2006 £m	UK Public Service Broadcasting 2007 £m	UK Public Service Broadcasting 2006 £m
Fixed asset additions	50.0	79.9	40.4	67.5
Programme acquisitions and sports rights	994.1	918.3	939.0	861.9
Independent programmes	112.1	96.3	101.5	85.7
	<b>1,156.2</b>	<b>1,094.5</b>	<b>1,080.9</b>	<b>1,015.1</b>

Fixed asset additions includes a commitment of £13.9million (2006 £43.3million) for the design, build and installation of the full technology solution for BBC Scotland's new broadcasting headquarters at Pacific Quay, which is expected to be paid within one year.

##### 24b Operating leases

Operating lease commitments payable in the following year, analysed according to the period in which the lease expires:

	Land and buildings 2007 £m	Land and buildings 2006 £m	Other 2007 £m	Other 2006 £m
<b>Group</b>				
Within one year	3.0	2.7	9.7	1.4
In two to five years	15.5	8.3	39.8	8.5
After five years	58.6	41.4	8.0	3.2
	<b>77.1</b>	<b>52.4</b>	<b>57.5</b>	<b>13.1</b>
<b>UK Public Service Broadcasting</b>				
Within one year	2.1	2.1	8.1	0.5
In two to five years	12.6	6.1	34.2	2.6
After five years	57.5	40.9	8.0	1.0
	<b>72.2</b>	<b>49.1</b>	<b>50.3</b>	<b>4.1</b>

An **operating lease** is a lease where the lessee has not taken on the risks and rewards of owning and operating the asset. The lessee (the BBC) is hiring rather than buying an asset.

##### 24c Other financial commitments

In the ordinary course of business the BBC enters into a large number of contracts with artists and writers and with providers of other services including licence fee collection and channel distribution.

#### 25 Contingent assets and liabilities

At 31 March 2007 the Group had not provided for contingent liabilities estimated to be £5.6million (2006 £6.3million) in respect of guarantees and indemnities. Of this, £1.3million relates to UK Public Service Broadcasting. The remainder relates to BBC Worldwide's joint venture, Worldwide Media Limited. BBC Worldwide Limited has guaranteed bank loans in respect of this joint venture which were rupees 366million (£4.3million) on 31 March 2007. This debt may rise to rupees 400million (£4.7million) over the next two years.

The Group has a number of contingent liabilities arising from litigation. The BBC makes specific provision (see Note 17) for its best estimate of any damages and costs which may be awarded.

## 26 Post balance sheet events

On 7 June 2007 the BBC invested in BBC Free To View (Satellite) Limited, a wholly owned subsidiary, and a joint venture, Freesat (UK) Limited, 50% owned by BBC Free To View (Satellite) Limited. These companies have been established to provide a free to air satellite television service.

On 5 June 2007 the BBC invested in DSHS Limited, a wholly owned subsidiary. This company has been incorporated to provide help with the digital switchover to people aged 75 and over; people with significant disabilities and people who are registered blind or registered partially sighted.

## 27 Related party transactions

The related party transactions of the Group have been presented in accordance with FRS 8 'Related party disclosures'. Under the provisions of FRS 8 the BBC has not disclosed transactions between Group entities where more than 90% of those entities' voting rights are controlled within the Group.

In all transactions, the terms of trade were negotiated on an arm's length basis.

### 27a Transactions with subsidiaries, joint ventures and associated undertakings

Income from joint ventures and associated undertakings	Nature of services provided	2007 £m	2006 £m
UKTV	Sale of programmes	38.1	37.3
UKTV	Dividends	4.5	4.0
JV Programmes LLC	Sale of programmes	38.9	29.6
2 entertain Limited	Licensing of programmes and other commissions	9.1	8.4
2 entertain Limited	Dividends	17.6	15.1
Danus Limited	Reimbursement of Broadcasting House development costs	9.9	1.0
BBC Haymarket Exhibitions Limited	Management fees and dividends	0.2	0.8
Dovetail Services (UK) Limited	Dividends	–	0.5
Frontline Limited	Dividends	0.3	0.4
Other	Sale of programmes	6.3	6.8
Charges payable to subsidiaries, joint ventures and associated undertakings	Nature of services received	2007 £m	2006 £m
Insight Property Partnership and the White City Development Partnership	Property services	22.9	104.8
Danus Limited	Rent	16.6	11.5
Digital UK Limited	Digital switchover	10.2	2.9
Frontline Limited	Distribution of BBC Worldwide's magazines	2.1	2.0
JV Programmes LLC	Marketing services	1.7	1.7
DTV Services Limited	Marketing services	1.2	1.3
Parliamentary Broadcast Unit Limited	Purchase of broadcast licences	0.4	0.3

Note 13 provides details of the other partners in the BBC's joint ventures.

Amounts owed by/to joint ventures and associated undertakings at the year end are disclosed within Notes 15 and 16.

#### 27b Other transactions

The BBC's related parties, as defined by FRS 8, the nature of the relationship and the extent of the transactions with them are summarised below. In the normal course of business the BBC transacts with other parties which are related to it by virtue of its senior employees being married or closely related to employees of the BBC or individuals who own or are employed at other media, production and broadcasting companies. The BBC has set procedures for dealing with situations to avoid any conflict of interest. Where transactions have arisen between connected parties, the BBC Trustee, Governor or employee is not a party to the approval process.

#### 27b i Trustees (from 1 January 2007)

During the period, Diane Coyle and Richard Tait had close family members who were employed by the BBC. Their remuneration was based on the BBC's standard terms and conditions applicable to other staff employed in similar capacities.

#### 27b ii Governors (to 31 December 2006)

Deborah Bull is sole Director of Deborah Bull Limited. Deborah Bull Limited received payments totalling £5,258 for the period to 31 December 2006 (for the year ended 31 March 2006 £2,853) for contributions to various BBC programmes. No amounts were outstanding at 31 March 2007 (2006 £nil).

Michael Grade, who was Chairman of the BBC Board of Governors until 27 November 2006, is non-executive Chairman of Pinewood Shepperton and non-executive Chairman of Hemscott plc. In the period to 27 November 2006 the BBC paid £2,217,956 (for the year ended 31 March 2006 £2,494,051) to Pinewood Shepperton for the use of studios and related facilities. At the year end no amounts were outstanding (2006 £16,105).

During the period, Baroness Deech, Professor Merfyn Jones and Ranjit Sondhi had close family members who were employed by the BBC. Their remuneration was based on the BBC's standard terms and conditions applicable to other staff employed in similar capacities.

#### 27b iii Members of the Executive Board and other senior management

Menna Richards is Controller of BBC Wales. Her sister has a controlling interest in Torpedo Limited. The BBC made payments on contracts to the value of £360,551 (2006 £275,711) with Torpedo Limited for the provision of independent radio and television programmes in the year. These amounts had been paid in full by 31 March 2007. Also, the BBC entered into artists' contracts worth £54,867 (2006 £47,887) with her husband Patrick Hannan. These amounts had been paid in full by 31 March 2007 (2006 paid in full).

Juniper Communications Limited is co-owned by BBC non-executive Director Samir Shah (70%), his wife Belkis Shah (20%) and the husband of Jana Bennett (Director BBC Vision) Richard Clemmow (10%). During the year Juniper Communications Limited has had transactions with the BBC to the value of £623,881 with £68,000 outstanding at 31 March 2007.

During the year, Jenny Abramsky (Director, BBC Audio & Music), Anne Gilchrist (Creative Director, CBBC), Jane Tranter (Controller, Drama Commissioning) and Jay Hunt (Controller Daytime) had close family members who were employed by the BBC. Their remuneration was based on the BBC's standard terms and conditions applicable to other staff employed in similar capacities.

**Related parties** include Trust members, Governors, the Executive Board and other senior managers, their immediate families and external entities controlled by them.

Transactions between the BBC and these related parties are explained in this note.



## 28 UK Public Services expenditure by service

The following tables show the BBC's Public Service Broadcasting expenditure analysed both by service licence, and by certain types of expenditure. Content expenditure includes direct programme costs and programme-related spend. It is reported on the same basis as that used by the BBC Trust to determine the service budgets within the service licence framework. The service licence framework came into effect from 1 January 2007 and requires this approach to reporting expenditure; as a result the comparatives for the year ended 31 March 2006 have been presented on the same basis.

2007 Service	Note	Content £m	Distribution £m	Infrastructure/ support £m	Other items £m	Total £m
BBC One	i	1,143.4	45.0	223.3	–	1,411.7
BBC Two	ii	433.1	26.2	92.7	–	552.0
BBC Three		92.9	2.4	23.7	–	119.0
BBC Four		49.8	2.0	15.2	–	67.0
CBBC	iii	39.1	2.2	11.0	–	52.3
CBeebies		14.0	2.1	4.4	–	20.5
BBC News 24	iv	42.9	4.2	7.9	–	55.0
BBC Parliament		2.1	3.4	0.4	–	5.9
BBCi		19.6	11.6	4.5	–	35.7
<b>Television</b>		<b>1,836.9</b>	<b>99.1</b>	<b>383.1</b>	<b>–</b>	<b>2,319.1</b>
BBC Radio 1		30.8	3.9	8.1	–	42.8
BBC Radio 2		38.1	4.2	7.8	–	50.1
BBC Radio 3		33.9	4.2	6.6	–	44.7
BBC Radio 4		81.0	9.3	14.7	–	105.0
BBC Radio Five Live		56.3	6.0	10.9	–	73.2
BBC Radio Five Live Sports Extra		2.4	0.3	0.5	–	3.2
1Xtra		6.4	0.5	2.1	–	9.0
BBC 6 Music		5.4	0.5	1.4	–	7.3
BBC 7		5.1	0.5	1.4	–	7.0
BBC Asian Network		8.9	0.7	2.0	–	11.6
BBC Local Radio*		103.5	4.7	21.1	–	129.3
BBC Radio Scotland		22.6	2.8	4.3	–	29.7
BBC Radio nan Gàidheal		3.2	1.1	0.6	–	4.9
BBC Radio Wales		11.7	1.2	2.4	–	15.3
BBC Radio Cymru		10.7	1.6	2.3	–	14.6
BBC Radio Ulster/BBC Radio Foyle		12.6	1.1	2.2	–	15.9
<b>Radio</b>		<b>432.6</b>	<b>42.6</b>	<b>88.4</b>	<b>–</b>	<b>563.6</b>
bbc.co.uk	v	83.2	8.8	24.0	–	116.0
BBC jam	vi	31.8	–	5.9	–	37.7
<b>Online</b>		<b>115.0</b>	<b>8.8</b>	<b>29.9</b>	<b>–</b>	<b>153.7</b>
<b>Spend regulated by service licence</b>		<b>2,384.5</b>	<b>150.5</b>	<b>501.4</b>	<b>–</b>	<b>3,036.4</b>
Licence fee collection costs		–	–	–	134.1	134.1
Orchestras and performing groups		18.8	–	3.3	–	22.1
S4C	vii	20.8	–	3.8	–	24.6
Development spend	viii	32.0	–	5.6	–	37.6
DAB digital radio		–	8.7	0.2	–	8.9
Digital text		–	5.5	2.2	–	7.7
<b>Other</b>		<b>71.6</b>	<b>14.2</b>	<b>15.1</b>	<b>134.1</b>	<b>235.0</b>
Exceptional restructuring costs	ix	–	–	–	44.3	44.3
<b>Total UK Public Services expenditure</b>		<b>2,456.1</b>	<b>164.7</b>	<b>516.5</b>	<b>178.4</b>	<b>3,315.7</b>
Digital UK Limited expenditure	x	–	–	–	11.6	11.6
<b>Total</b>	xi,xii	<b>2,456.1</b>	<b>164.7</b>	<b>516.5</b>	<b>190.0</b>	<b>3,327.3</b>

\*The service licence for BBC Local Radio in England covers all of the individual stations

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2006 (as represented) Service	Note	Content £m	Distribution £m	Infrastructure/ support £m	Other items £m	Total £m
BBC One	i	1,048.4	45.9	200.6	–	1,294.9
BBC Two	ii	447.1	27.3	88.8	–	563.2
BBC Three		93.6	2.5	20.7	–	116.8
BBC Four		47.4	2.1	11.9	–	61.4
CBBC	iii	52.5	2.3	12.4	–	67.2
CBeebies		12.0	2.1	3.4	–	17.5
BBC News 24	iv	42.7	4.2	5.9	–	52.8
BBC Parliament		1.9	3.4	0.3	–	5.6
BBCi		15.8	11.6	3.3	–	30.7
<b>Television</b>		<b>1,761.4</b>	<b>101.4</b>	<b>347.3</b>	<b>–</b>	<b>2,210.1</b>
BBC Radio 1		30.8	4.3	6.7	–	41.8
BBC Radio 2		35.7	4.4	7.2	–	47.3
BBC Radio 3		35.9	4.5	6.8	–	47.2
BBC Radio 4		77.5	9.4	15.2	–	102.1
BBC Radio Five Live		60.2	5.5	10.2	–	75.9
BBC Radio Five Live Sports Extra		1.6	0.1	0.4	–	2.1
1Xtra		5.8	0.4	1.1	–	7.3
BBC 6 Music		4.5	0.5	1.2	–	6.2
BBC 7		5.0	0.4	1.2	–	6.6
BBC Asian Network		8.1	0.2	1.7	–	10.0
BBC Local Radio*		96.3	6.1	19.0	–	121.4
BBC Radio Scotland		20.7	2.3	4.1	–	27.1
BBC Radio nan Gàidheal		3.5	1.0	0.7	–	5.2
BBC Radio Wales		10.7	1.1	2.1	–	13.9
BBC Radio Cymru		10.0	1.5	2.0	–	13.5
BBC Radio Ulster/BBC Radio Foyle		13.4	0.9	2.7	–	17.0
<b>Radio</b>		<b>419.7</b>	<b>42.6</b>	<b>82.3</b>	<b>–</b>	<b>544.6</b>
bbc.co.uk	v	72.7	8.6	27.5	–	108.8
BBC jam	vi	35.5	–	6.6	–	42.1
<b>Online</b>		<b>108.2</b>	<b>8.6</b>	<b>34.1</b>	<b>–</b>	<b>150.9</b>
<b>Spend regulated by service licence</b>		<b>2,289.3</b>	<b>152.6</b>	<b>463.7</b>	<b>–</b>	<b>2,905.6</b>
Licence fee collection costs		–	–	–	153.4	153.4
Orchestras and performing groups		19.0	–	3.2	–	22.2
S4C	vii	21.7	–	3.6	–	25.3
Development spend	viii	2.4	–	0.4	–	2.8
DAB digital radio		–	8.7	0.2	–	8.9
Digital text		–	5.6	2.2	–	7.8
<b>Other</b>		<b>43.1</b>	<b>14.3</b>	<b>9.6</b>	<b>153.4</b>	<b>220.4</b>
Exceptional restructuring costs	ix	–	–	–	106.7	106.7
<b>Total UK Public Services expenditure</b>		<b>2,332.4</b>	<b>166.9</b>	<b>473.3</b>	<b>260.1</b>	<b>3,232.7</b>
Digital UK Limited expenditure	x	–	–	–	4.0	4.0
<b>Total</b>	xi,xii	<b>2,332.4</b>	<b>166.9</b>	<b>473.3</b>	<b>264.1</b>	<b>3,236.7</b>

\*The service licence for BBC Local Radio in England covers all of the individual stations

Infrastructure/support costs	Note	2007 £m	% of output spend (note xiv)	2006 £m	% of output spend
Marketing, press and publicity		45.4	1.5	40.3	1.4
On-air trails		22.2	0.7	23.7	0.8
Market research and consumer services		14.3	0.5	12.1	0.4
Libraries, learning support and community events		77.5	2.6	85.7	3.1
Overheads (excluding restructuring)	xiii	340.4	11.5	311.5	11.1
Other change costs	xv	16.7	0.6	–	–
		<b>516.5</b>		<b>473.3</b>	

(i) Spend on BBC One has increased in 2007 due to the coverage of the Football World Cup and reinvestment of savings from the BBC Change Programme.

(ii) The reduction in spend on BBC Two reflects no major sporting events being aired on this channel in 2007. In 2006 The Commonwealth Games and Winter Olympics were transmitted on BBC Two.

(iii) Spend on CBBC has reduced compared to last year as some titles in 2006 were broadcast simultaneously on both BBC One and CBBC and hence programme costs were split between both channels. However, in 2007 simultaneous broadcasting was not used and as such certain programmes were premiered on BBC One only, thereby reducing the spend on CBBC. This represents a change between channels only and not a reduction in overall spend on children's programming.

(iv) Included within BBC News 24 content costs are production costs of £24.3million, Newsgathering costs of £18.1million and other costs of £0.5million (2006 production costs of £23.1million, Newsgathering £19.1million, other costs £0.5million).

(v) Spend on bbc.co.uk has increased due to additional investment on online activities.

(vi) BBC jam, formerly known as the Digital Curriculum, launched in January 2006 with content available in four subject areas. On 2 March 2007, the BBC Executive Board, following a decision by the BBC Trust, suspended BBC jam. The cost of suspension of BBC jam is shown as a loss on termination of operations (see Note 5) and is therefore not included in this analysis.

(vii) As part of the licence fee funding, the BBC is required to provide Welsh language programming to S4C (the Welsh language channel).

(viii) Development spend is not regulated by service licences and as such has been separately identified. 2007 numbers include costs on the development of new on-demand technology applications.

(ix) Restructuring costs include those costs relating to the change programme occurring within the BBC which will deliver £355million savings per annum from 2009.

(x) Digital UK Limited expenditure represents the running costs and marketing expense for Digital UK Limited, the company that will drive switchover in the UK, in line with Government strategy.

(xi) Newsgathering costs of £86.9million (2006 £89.5million) are allocated within content spend across all relevant services.

(xii) Of the distribution costs, £74.8million relates to analogue services (2006 £77.2million) and £89.9million to digital services (2006 £89.7million).

(xiii) Overheads includes expenditure on the BBC's central non-content functions, for example the Director-General's office, BBC People, BBC Finance, policy and legal departments. Spend incorporates accommodation and staff costs relating to those functions. The proportion of these costs which are directly attributable to programme-making are included within total programme spend, whilst the costs of services provided across the BBC as a whole are shown as overhead spend.

(xiv) In 2000 the BBC adopted a target to increase the proportion it spends on programmes, in relation to its output spend. Output spend excludes licence fee collection costs, distribution costs, exceptional restructuring costs and Digital UK Limited costs. The BBC targeted to increase the proportion of spend on programming to 85% which was achieved in 2003, and in 2007 the proportion of output spend incurred on programming was 88%.

(xv) These costs comprise other one-off change costs.

## International Financial Reporting Standards Reconciliation

(this page does not form part of the financial statements)

The BBC's Charter and Agreement requires the BBC to prepare its audited statement of accounts in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

For a number of years the BBC voluntarily prepared its financial statements on a basis consistent with that of UK public limited companies; however European and UK legislation now require UK listed companies to adopt International Financial Reporting Standards as adopted by the EU (IFRS) in their group financial statements for years beginning on or after 1 January 2005<sup>1</sup>, which would be inconsistent with the BBC's Charter and Agreement. Nevertheless, the BBC has continued to review the impact that adoption of IFRS would have on the group accounts and has presented a summary of the impact that adopting IFRS would have had on the financial statements.

As at 31 March 2007 the BBC calculated that if it had adopted IFRS its net assets would be reduced by £211million to £1,188million (2006 net assets would have reduced by £145million to £1,052million).

	2007 £m	2006 £m
Net assets as reported under UK accounting standards	1,398.7	1,197.0
Lease reclassification	(194.4)	(132.8)
Goodwill non-amortisation	6.7	3.1
Employee benefits	(22.3)	(15.3)
Deferred tax	(0.7)	(1.0)
Other	0.4	1.2
<b>Net assets as they would be reported under IFRS</b>	<b>1,188.4</b>	<b>1,052.2</b>

Some of the IFRS accounting changes, principally the reclassification of certain operating leases as finance leases, would have an effect on the calculation of Public Service Broadcasting borrowings as defined by the DCMS borrowing ceiling. The Public Service Borrowing limit of £200million is set by the Secretary of State in accordance with the Agreement between the BBC and DCMS and is determined by reference to UK GAAP not IFRS. Borrowings under IFRS would have been £731million, compared with net funds of £30million under UK GAAP (2006 borrowings under IFRS would have been £676million, compared with net funds of £18million under UK GAAP). The Agreement definition of borrowings is based on UK accounting standards effective in July 2006.

For the year ended 31 March 2007 the BBC calculated that if it had adopted IFRS the surplus for the year would be reduced by £58million to a surplus of £3million (2006 the surplus for the year would have been reduced by £43million to a deficit of £39million).

	2007 £m	2006 £m
Surplus as reported under UK accounting standards	60.7	3.6
Lease reclassification	(61.7)	(46.6)
Goodwill non-amortisation	3.6	3.1
Other	0.4	1.0
<b>Surplus/(deficit) as it would be reported under IFRS</b>	<b>3.0</b>	<b>(38.9)</b>

A more detailed reconciliation between the BBC's results and financial position under UK accounting standards and what would have been reported if IFRS had been adopted, along with further details of the adjustments, including the IFRS accounting policies and significant assumptions made in implementing those policies (such as the date of transition to the IFRS accounting policies) are available on the BBC's website at [bbc.co.uk](http://bbc.co.uk).

<sup>1</sup>For the BBC the first relevant year would have been the year ended 31 March 2006



# Getting in touch with the BBC

## BBC Information

If you have a question or comment about BBC programmes or services, you can contact BBC Information.

Write to:  
BBC Information  
PO Box 1922  
Glasgow G2 3WT  
Telephone: 08700 100 222\*  
(24 hours a day, seven days a week)  
Textphone: 08700 100 212  
Fax: 0141 307 5770  
Website: [bbc.co.uk/info](http://bbc.co.uk/info)

## For information about how to receive the BBC's digital services

Telephone: 08700 10 10 10\*  
Website: [bbc.co.uk/digital](http://bbc.co.uk/digital)

## For general television and radio reception advice

Write to:  
BBC Reception Advice  
PO Box 1922  
Glasgow G2 3WT  
Telephone: 08700 100 123\*  
Textphone: 08700 100 212  
Website: [bbc.co.uk/reception](http://bbc.co.uk/reception)

## To share your views on our television programmes

Write to:  
*Points of View*  
BBC Birmingham  
Birmingham B1 1RF  
Telephone: 0870 908 3199  
(operational when programme is on air)  
Email: [pov@bbc.co.uk](mailto:pov@bbc.co.uk)  
Website: [bbc.co.uk/pov](http://bbc.co.uk/pov)

## To share your views on our radio programmes

Write to:  
*Feedback*  
BBC  
PO Box 2100  
London W1A 1QT  
Telephone: 08700 100 400\*  
(24 hours a day, seven days a week)  
Fax: 020 7436 2800  
Email: [feedback@bbc.co.uk](mailto:feedback@bbc.co.uk)  
Website: [bbc.co.uk/radio/feedback](http://bbc.co.uk/radio/feedback)

## Programme and editorial complaints

If you think a BBC programme or website has fallen below the BBC's editorial standards

Write to:  
BBC Complaints  
PO Box 1922  
Glasgow G2 3WT  
Telephone: 08700 100 222  
Textphone: 08700 100 212  
Website: [bbc.co.uk/complaints](http://bbc.co.uk/complaints)

Or you can contact the Office of Communications (Ofcom), an independent regulatory body, one of whose responsibilities is to consider complaints about standards, fairness and privacy in broadcasting.

Write to:  
Ofcom Contact Centre  
Riverside House  
2A Southwark Bridge Road  
London SE1 9HA  
Telephone: 020 7981 3040  
Fax: 020 7981 3334  
Email: [contact@ofcom.org.uk](mailto:contact@ofcom.org.uk)  
Website: [www.ofcom.org.uk](http://www.ofcom.org.uk)

## BBC Audience Councils

The Audience Councils in England, Northern Ireland, Scotland and Wales help the BBC Trust to understand the needs, interests and concerns of audiences throughout the UK, and to identify ways in which the BBC can better serve its audiences. If you want to contact the Audience Councils you can write to them at the addresses below:

Head of Governance and  
Accountability Scotland  
BBC Audience Council Scotland  
Zone G.11  
40 Pacific Quay  
Glasgow G5 12 IDA

Head of Governance and  
Accountability Wales  
BBC Audience Council Wales  
Room E5108  
BBC Broadcasting House  
Llandaff  
Cardiff CF5 2YQ

Head of Governance and  
Accountability Northern Ireland  
BBC Audience Council Northern  
Ireland  
BBC Broadcasting House  
Ormeau Avenue  
Belfast BT2 8HQ

Head of Governance and  
Accountability England  
BBC Audience Council England  
BBC Birmingham  
The Mailbox  
Birmingham B1 1RF

## Free tickets

For free tickets to BBC radio and television shows

Write to:  
BBC Studio Services  
PO Box 3000  
BBC Television Centre  
London W12 7RJ  
Telephone: 0870 901 1227  
Textphone: 020 8225 8090  
Fax: 0141 307 5701  
Email: [tv.ticket.unit@bbc.co.uk](mailto:tv.ticket.unit@bbc.co.uk)  
or [radio.ticket.unit@bbc.co.uk](mailto:radio.ticket.unit@bbc.co.uk)  
Website: [bbc.co.uk/tickets](http://bbc.co.uk/tickets)

## Visiting the BBC

The BBC runs tours of BBC Television Centre in London. For more information and to book  
Telephone: 0870 603 0304\*  
Textphone: 0870 903 0304  
Email: [bbctours@bbc.co.uk](mailto:bbctours@bbc.co.uk)  
Website: [bbc.co.uk/tours](http://bbc.co.uk/tours)

BBC Scotland, BBC Wales, BBC Northern Ireland and English regional centres and local radio stations will arrange tours for media students, professional organisations and other groups. Please contact your local centre for details.

## BBC products

You can buy DVDs, videos, books, toys and other merchandise for some BBC programmes. For copyright reasons, getting tapes of other BBC programmes is not generally possible. For products and sales information  
Telephone: 0870 600 7080\*

You can also buy BBC products from BBC Shops located around the country.  
Write to:  
BBC Shop  
PO Box 308  
Sittingbourne  
Kent ME9 8LW  
Telephone: 08700 777 001\*  
(8.30am–6pm Monday–Friday)  
Website: [www.bbcshop.com](http://www.bbcshop.com)

## Contributing to programmes

The BBC has a Diversity Database of potential contributors to help BBC programme makers find new faces and voices, and to better reflect the full diversity of UK society. We are particularly interested in hearing from people with disabilities, ethnic minorities and older people. Contact us if you are interested in joining as a potential contributor:

Write to:

Diversity Database Project  
Administrator  
BBC  
MC2 C5 Media Centre  
Media Village  
201 Wood Lane  
London W12 7TQ  
Telephone: 020 8008 4287  
Fax: 020 8008 4282  
Email: [diversity.database@bbc.co.uk](mailto:diversity.database@bbc.co.uk)  
Website: [bbc.co.uk/info/policies](http://bbc.co.uk/info/policies)

## To find out about getting work experience at the BBC

Write to:  
BBC Work Experience  
MC2 C6 Media Centre  
Media Village  
201 Wood Lane  
London W12 7TQ  
Email: [work.experience@bbc.co.uk](mailto:work.experience@bbc.co.uk)  
Website:  
[bbc.co.uk/jobs/workexperience](http://bbc.co.uk/jobs/workexperience)

## To find out about job vacancies at the BBC

Write to:  
BBC Recruitment  
PO Box 48305  
London W12 6YE  
Telephone: 0870 333 1330\*  
(9.30am–5.30pm Monday–Friday)  
Email: [recruitment@bbc.co.uk](mailto:recruitment@bbc.co.uk)  
Website: [bbc.co.uk/jobs](http://bbc.co.uk/jobs)

## For queries about your TV Licence

For general enquiries or direct debit payments  
Telephone: 0870 240 3294  
Fax: 0870 240 1187  
Email: [tvlicsc@capita.co.uk](mailto:tvlicsc@capita.co.uk)  
Website: [www.tvlicensing.co.uk](http://www.tvlicensing.co.uk)

This BBC *Annual Report and Accounts* is available in public libraries throughout the UK and on the BBC Trustees' website at [bbctrust.co.uk](http://bbctrust.co.uk). It is also available in Welsh, in an audio version and in Braille. *Annual Reviews* for BBC Scotland, BBC Wales, BBC Northern Ireland, BBC English Regions and the BBC World Service are also published.

The BBC also publishes the *BBC Statements of Programme Policy* which sets out the BBC's commitments and plans for the year ahead. This is available on the BBC's website at [bbc.co.uk/info/statements2007](http://bbc.co.uk/info/statements2007). It is also available in Welsh, in an audio version, and in Braille.

\*Calls to this number may be monitored or recorded for training purposes

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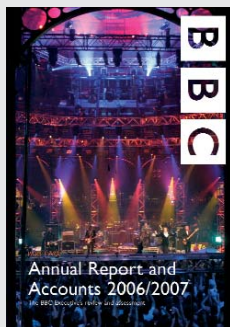
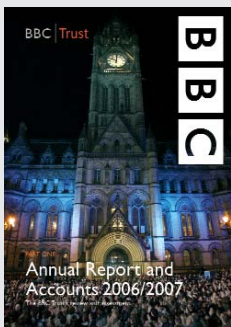
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