

SHARING IDEAS/ CREATING VALUE/

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Part Two:
Annual Report and
Accounts 2008/09
**The BBC Executive's
review and assessment**



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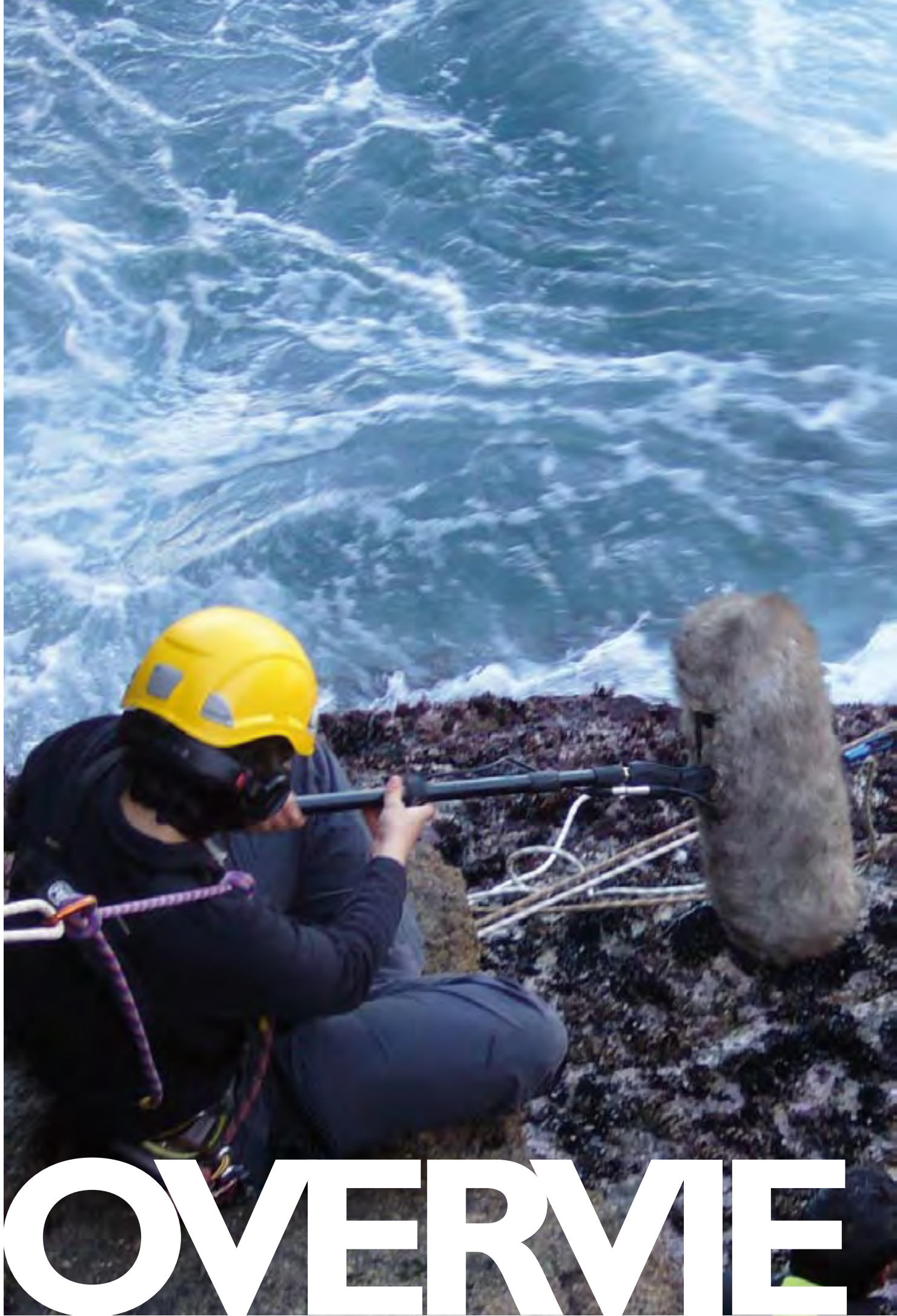
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OVERVIEW



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BBC PURPOSES/

THE BBC'S SIX PUBLIC PURPOSES – BUILT ON OUR PRINCIPLES TO 'INFORM, EDUCATE AND ENTERTAIN' – UNDERPIN ALL THAT WE DO, AND HELP US TO FOCUS ON OFFERING EVERYONE IN THE UK MEMORABLE AND DISTINCTIVE CONTENT AND SERVICES THAT ENRICH THEIR LIVES. SOME HIGHLIGHTS FROM THIS YEAR INCLUDED:

CITIZENSHIP

The BBC has a worldwide reputation for its reportage and analysis of the world we live in. Our UK-wide, international, national and local channels and services cover a wide range of stories tailored for a diverse range of users. This year we led the agenda on the banking crisis and recession, and the *Money Matters* advice roadshow to Manchester to explain the impact of the credit crunch to individuals there. Others are planned.

LEARNING

The BBC promotes and supports formal and informal education for children, teenagers and adults across television, radio and the web. People with a passion to learn – the school student needing online revision help with *Bitesize* or the young man wanting to brush up on his Francis Bacon so he can impress on a big date – will find engaging, entertaining and challenging content at the BBC. Our tie-up with Tate Britain on Francis Bacon last year is, in fact, just one of a range of creative partnerships that is taking existing content to new audiences.

CREATIVITY

The BBC offer includes unique and innovative content that entertains and engages audiences. Live music is key to our music offer – from Elbow on Radio 2 to hip hop on BBC 1Xtra. We commemorated the 250th anniversary of the death of Handel with a week of in-depth programming: highlights included Radio 3's Messiah from Westminster Abbey. And we marked the 250th anniversary of the birth of Robert Burns with new recordings of some of his works. We will be doing more poetry in the year ahead.

COMMUNITY

The UK is an incredibly diverse place, and we aim to reflect this diversity at national, regional and local levels. We offer services in English, Scottish Gaelic and Welsh, and programmes in over 30 languages from Bengali to Urdu. For communities united more by an enthusiasm than a geographical or linguistic heritage, we offer output like *Antiques Roadshow* and *Songs of Praise*, and websites where people can meet and chat like *The Archers*' 'Mustardland'. Not to mention Radio 5 live for all sports fans, and local and nations radio for Saturday football commentary.

GLOBAL

Our global news services provide independent and internationally respected news and analysis to audiences around the world, covering key stories like the Mumbai terrorist attacks and the Israel/ Gaza conflict. On a lighter note, Radio 2 covered major music festivals like Glastonbury and the best international artists like Burt Bacharach at *Electric Proms* and U2. BBC Worldwide launched a Spanish language CBeebies, taking the best of UK content to new audiences.

DIGITAL

Digital switchover is now under way in the UK, with the whole UK due to be fully converted by 2012. BBC Online is used by 22 million each week, and now listen to our radio services via digital platforms ten million. 'Extending the benefits of digital to all' means we support the people who are last to adopt new technology, as well as the first. Up to seven million people aged 75 or over, disabled or living in care homes will be offered help to switch to digital TV between now and 2012.

FINANCIAL PERFORMANCE/

COMMERCIAL COMPANIES ARE ACCOUNTABLE TO SHAREHOLDERS. IN THE SAME WAY WE HAVE A RESPONSIBILITY TO DELIVER VALUE FOR MONEY TO LICENCE FEE PAYERS, MANAGING OUR INCOME EFFICIENTLY AND OUR OUTGOINGS PRUDENTLY, ESPECIALLY IN AN UNCERTAIN ECONOMIC ENVIRONMENT.

LICENCE FEE COLLECTION

We want to make it easier for people to pay their television licence – online and telephone transactions now account for over one third of the total, and have helped us keep collection and evasion costs at 2007/08 levels.

Licence fee collection/evasion %

06/07	9.2
07/08	8.7
08/09	8.7

LICENCE FEE SPEND IN THE NATIONS AND REGIONS

Spend outside London is down very slightly year-on-year as we deliver efficiencies and implement plans to make 50% of our network television production outside London by 2016 – up from just over one third this year.

Licence fee spend in nations/regions £m

06/07	884
07/08	984
08/09	948

SPEND IN THE CREATIVE ECONOMY

Once more, we spent over £1 billion in the UK's creative economy – commissioning programmes from independents (37% of total eligible hours over the year) and collaborating with other creative partners.

Spend in creative economy £bn

06/07	1.1
07/08	1.1
08/09	1.1

BBC WORLDWIDE

Despite difficult trading circumstances for the industry, BBC Worldwide increased its sales to over £1 billion for the first time (including its share of joint ventures and intra-group sales), however its statutory profit was down – partly due to continuing investment as well as cost write-offs in relation to the collapse of Woolworths and the Competition Commission's rejection of Kangaroo, its video-on-demand proposal.

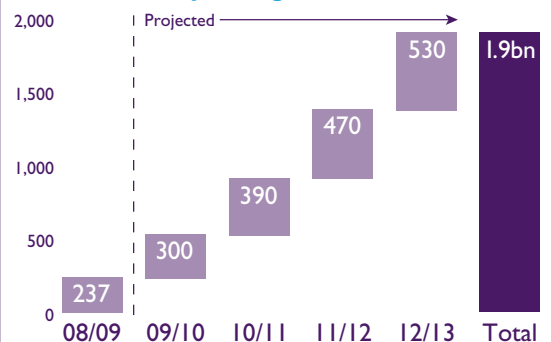
BBC Worldwide statutory profit before interest and tax £m

06/07	111
07/08	118
08/09	86

EFFICIENCY SAVINGS

We started our new efficiency programme in April 2008 – and have already saved £237 million (£192 million net of costs). We have a target to achieve 3% cumulative savings of £1.9 billion, which will be re-invested in better content and services.

Gross efficiency savings £m



THE YEAR AT A GLANCE/

BBC SERVICES ARE DESIGNED TO COMPLEMENT EACH OTHER AND OFFER VIEWERS, LISTENERS AND USERS CHOICE, RANGE AND VARIETY. NOT ALL SERVICES ARE FOR ALL AUDIENCES BUT ALL AUDIENCE MEMBERS SHOULD BE ABLE TO FIND SOMETHING TO INFORM, EDUCATE OR ENTERTAIN THEM WHEN AND WHERE AND HOW THEY WANT.

NETWORK TELEVISION/



NETWORK RADIO/



FUTURE MEDIA/

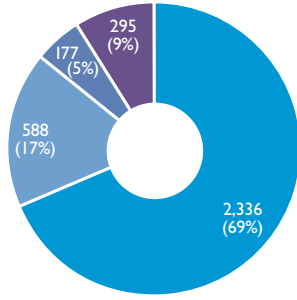


JOURNALISM/



LESS THAN
39p

EACH UK HOUSEHOLD PAYS LESS THAN 39 PENCE PER DAY FOR ALL BBC SERVICES



BREAKDOWN OF BBC SPEND/

	£m
Television	2,336
Radio	588
Online	177
Other	295
Total	3,396

PROPORTION OF MONTHLY LICENCE FEE 2008/09/

	£	%
Television	8.00	69
Radio	2.01	17
Online	0.61	5
Other	1.01	9
Total	11.63	100

For more detail see Note 2 in the financial statements.

TELEVISION

69%

Just over two thirds of the licence fee is invested in television programmes and services, equal to £8 per month per household.

RADIO

17%

Just over £2 (17%) of the monthly household licence fee is spent on radio. The ten UK-wide networks cost just £1.25 in total.

FUTURE MEDIA

5%

Just 5p in every pound of licence fee is invested in BBC Online, home to our extensive news and sport websites, and BBC iPlayer.

REACH/%

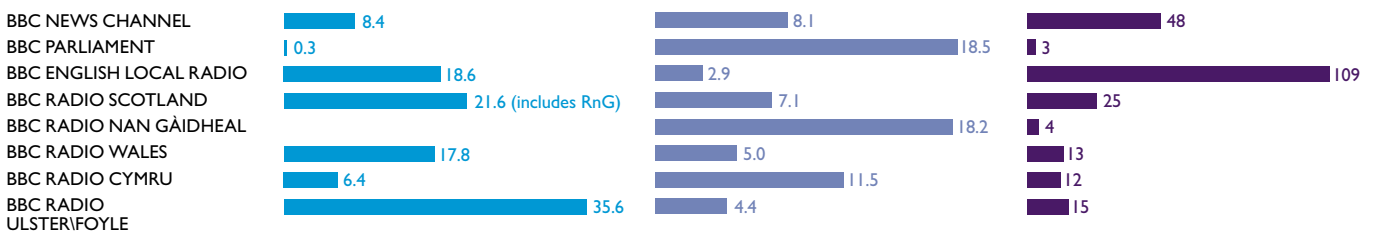
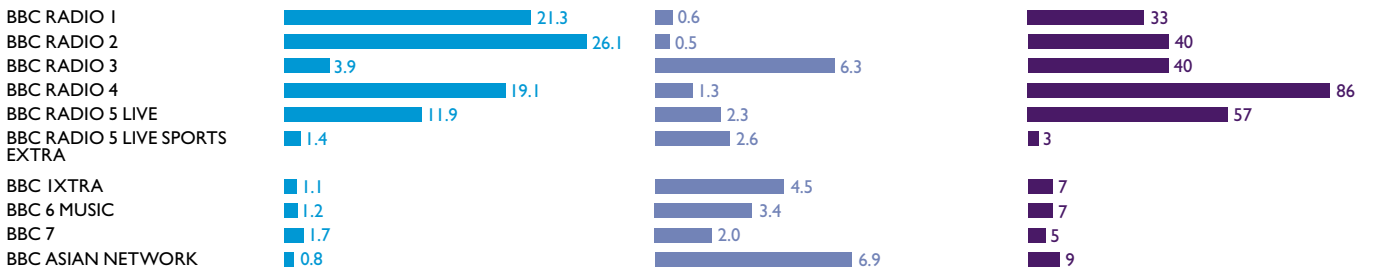
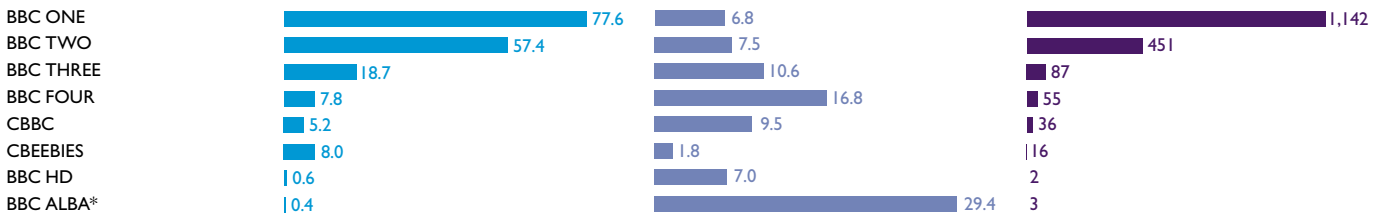
(UK population who use service each week)

COSTS PER USER HOUR/P

(How much to deliver service to users)

SPEND BY SERVICE/£M

(Total content spend)



* BBC ALBA is currently only available via Digital Satellite. It is not available to cable or Freeview households.
 ** The audience measurement metric changed in January 2008; the 2008/09 figure is more robust than historically reported comparators.

FORE

THIS HAS BEEN ONE OF THE BUSIEST YEARS IN THE BBC'S HISTORY. A YEAR OF CREATIVE SUCCESS ACROSS ALL OUR SERVICES. A YEAR OF DECISIVE ADVANCES ON THE ROAD TO FULLY DIGITAL BROADCASTING. BUT IT WAS ALSO A YEAR WHICH SHOWED WHAT CAN HAPPEN IF, EVEN FOR A FEW THOUGHTLESS MINUTES, THE BBC FORGETS ITS VALUES OR THE PEOPLE WHO OWN IT AND PAY FOR IT, THE BRITISH PUBLIC.

But I want to begin with a different theme. A few weeks ago, as part of a brilliant season celebrating poetry across television, radio and the web, Simon Schama presented a kind of love letter, in the form of a television documentary, to the poet John Donne. As well as Donne's sonnets and other poems, the programme touched on Donne's religious prose – notably *No man is an island*.

This year we have committed ourselves irrevocably to the belief that no broadcaster – and certainly not the British Broadcasting Corporation – is an island. In its own right, the BBC is one of the most formidable and respected broadcasters in the world, but the BBC should never forget that it is only one part of a wider media environment. Over the past 12 months, we have focused as never before on our responsibilities to that wider world.

In the UK, as around the world, commercially-funded media have been wrestling with the twin challenges of structural change – driven by the digital revolution and the competition that has followed in its wake – and the impact of an acute near-term recession. As a result, many companies are fighting for their lives. Rather than sit back and rely on the relative security of the BBC's licence fee

income, we've asked ourselves what we can do to help sustain, not just the rest of the public service broadcasting system, but the rest of the UK media sector:

Partnerships are not a new idea for the BBC. For decades, we've been jointly developing technologies in partnership – DAB and many of the technical standards behind Freeview are examples – with colleagues and competitors across the industry. But in 2008/09, not least in response to the Government's Digital Britain agenda, the BBC greatly increased its focus on a range of partnerships from ways to support alternative sources of regional news, to new digital platforms, to new cultural alliances to open up fresh creative opportunities and new archival treasures to the British public. We've signed agreements with partners ranging from ITV plc to Arts Council England.

The partnership agenda points to a new more open, more porous BBC. But that must never be at the price of any diminution of the quality of the programmes and services we offer to our audiences. In fact, this was a vintage year for BBC output, from the largest set-pieces like the Beijing Olympics and Paralympics – which went beyond

WORD



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MARK THOMPSON/
DIRECTOR-GENERAL/



“THE PARTNERSHIP AGENDA POINTS TO A NEW MORE OPEN, MORE POROUS BBC. BUT THAT MUST NEVER BE AT THE PRICE OF ANY DIMINUTION OF THE QUALITY OF THE PROGRAMMES AND SERVICES WE OFFER TO OUR AUDIENCES.”

“AUDIENCES WANT TO BE SURPRISED, INSPIRED, MOVED, SOMETIMES EVEN SHOCKED BY WHAT THEY SEE AND LISTEN TO, BUT THEY WANT IT ALL TO BE UNDERPINNED BY STRONG VALUES OF DIGNITY, HONESTY AND TRUST.”

outstanding coverage of sport itself to reveal some of the myriad faces of modern China – to outstanding television dramas like *Criminal Justice* and *Little Dorrit* – to some of the best themed seasons of programmes we've ever broadcast. The way the BBC marked the Darwin anniversary, for instance, showed what we can achieve in inspirational knowledge-building when we use our services and the great reservoirs of creative talent of our own programme-makers and our independent partners in concert.

For our journalists, serving hundreds of millions of people in the UK and around the world every day, it was an extraordinarily busy and successful year. As I write this, the wisdom of the decision to launch a new Persian television news service towards the end of the year is plain for all to see.

Our digital services had a year of startling growth. The iPlayer, launched just three months before the year began, became a regular, essential part of the viewing and listening lives of millions of licence payers. Video became much more widely available across our website and users responded immediately – so much so that we had served more video by the end of the opening ceremony of the Beijing Olympic Games than we did during the whole of Athens just four years earlier. Our mobile services broke numerous records. Digital television switchover, one of the biggest engineering and public information challenges the BBC has ever faced, got off to a solid start.

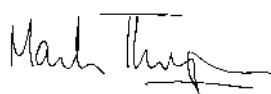
But it was also a year of intense controversy about the BBC. Controversy about our place in the future of public service broadcasting – where both BBC Trust and Executive made, and continue to make, the case that unique receipt of the licence-fee is critical to maintain the BBC's political and editorial independence. Controversy about my decision, as the BBC's Editor-in-Chief, not to broadcast the proposed DEC emergency appeal for Gaza – a reminder that strict adherence to the principle of impartiality, which we know is what the British public expect and demand of us, sometimes leads

to difficult and disputed decisions. And controversy, above all, about an edition of *The Russell Brand Show* which went far beyond all acceptable boundaries, not just of taste, but of behaviour and respect to others.

We took immediate steps to minimise the chances of anything like that happening on the BBC again. But extensive consultation with the public in the wake of the Brand affair has also made it clear to us that the public do not want the BBC to lose its nerve or its willingness to back the best writers and performers and producers when they want to take creative risks.

This is the central challenge the BBC faces – a challenge which is just as relevant and important in the digital world of 2009 as it was when the BBC first started commissioning ground-breaking comedy and drama before World War II: to recognise that there are absolute boundaries and to ensure that we always stay within them, but also to accept that audiences don't want the BBC to play safe either. They want to be surprised, inspired, moved, sometimes even shocked by what they see and listen to, but they want it all to be underpinned by strong values of dignity, honesty and trust.

It's a difficult line to walk, but at its best the BBC can rise to the challenge with confidence and panache. That's what we did in so much of what we broadcast in 2008/09. And it's what we intend to go on doing in the years to come.



Mark Thompson
Director-General
18 June 2009

DELIVERING CREATIVE FUTURES/

THE BBC IS PRIVILEGED TO BE ABLE TO TELL THE STORIES OF OUR AUDIENCES. WE REFLECT THEIR EXPERIENCES, AND REPORT THE NEWS AND EVENTS THAT SHAPE THEIR WORLD.

As their world is changing, so too is ours – we have to adapt to changing audience expectations. For example, BBC iPlayer helps to bridge the gap for many between linear broadcasting and embracing the on-demand world, and we are using mobile technology to reach, in particular, younger audiences who are traditionally less likely to use BBC services. Such initiatives represent part of our six-year Delivering Creative Futures strategy, a fundamental part of our root and branch restructure aimed at cutting costs to enable sustainable investment in new and innovative content and services.

A framework of measures was developed to support the delivery of the six primary Delivering Creative Futures objectives and to ensure that efficiency savings do not adversely impact what we offer audiences. The BBC Trust approved this framework in November 2007.

We have a broad range of commitments designed to support us as we deliver our public purposes, and as outlined in the Trust's review of our year. This is the first year of reporting performance against these particular key performance measures. The BBC Executive feels that although the signs are encouraging, with each metric across the BBC remaining steady or improving slightly, it is too early to say whether performance is robust or if the changes are established. We will continue to monitor performance, and will report more fully in the Annual Report following the National Audit Office's independent assessment in 2010.

In Part One of the Annual Report, the Trust provides a more comprehensive review of the BBC's performance against the six Delivering Creative Futures objectives. These are the main highlights.

INCREASE DISTINCTIVENESS AND QUALITY

One third of respondents (34%) agreed strongly that the BBC is High Quality, up slightly from last year. This is a stretching target and going beyond the requirement only to agree that the BBC is High Quality which attracted support from a total of 66%. The BBC's average score out of ten for high quality also rose slightly to 6.4.

Scoring 8+/10 for High Quality %



Average score /10 for High Quality



The proportion of people who agreed strongly that BBC television is 'original and different' has shown the biggest performance increase, up 4% from last year to 36%.

BBC television is original and different %



RESTORE TRUST IN OUTPUT

The average score out of 10 for 'I Trust the BBC' has risen to 6.0 for the 29% who strongly agree with the statement (also up slightly year-on-year).

Scoring 8+/10 for 'I Trust the BBC' %



Average score /10 for 'I Trust the BBC'



This target stretches beyond the requirement only to agree with the statement 'I Trust the BBC', which attracted support from a total of 57% (up from 55%). The proportion of those who trust BBC News is higher still at 78%.

MAINTAIN REACH

The BBC reached an average of 93% of the UK population each week last year, the same as the previous year. The reach figure by service is given in the following pages.

Weekly pan-BBC reach %



MAINTAIN VALUE AMONG HIGH APPROVERS AND IMPROVE VALUE AMONG LOW APPROVERS

There was a slight improvement in perception among both groups year-on-year.

Scoring 8+/10 for Overall Approval %



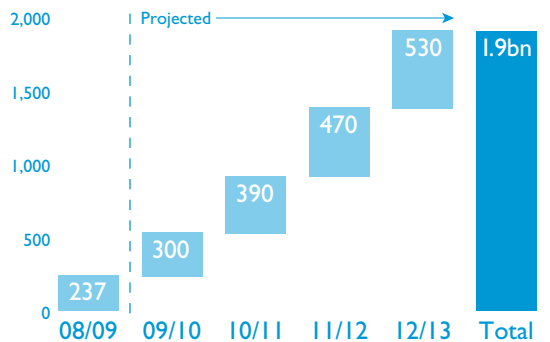
Scoring 1-4/10 for Overall Approval %



EFFICIENCY SAVINGS

We started our new efficiency programme in April 2008 – and have already saved £237million (£192million net of costs). We have a target to achieve 3% cumulative savings of £1.9billion, which will be re-invested in better content and services.

Gross efficiency savings £m



ADDING VALUE THROUGH PARTNERSHIPS/

FOR AT LEAST THE LAST 50 YEARS, THE UK HAS ENJOYED A DYNAMIC AND DIVERSE MEDIA INDUSTRY WHERE THE BBC, FUNDED BY THE LICENCE FEE, HAS SURVIVED AND THRIVED ALONGSIDE AN ENERGETIC AND COMPETITIVE COMMERCIAL SECTOR.

Together, they have been a flagship for British creativity, encouraged social and political debate, and earned a reputation for outstanding and objective journalism. And been the envy of the world.

THE NEW MEDIA LANDSCAPE

We were the first country to have a national broadcaster, and more recently one of the first to develop many of the new technologies and platforms that are now revolutionising the range of media available to our audiences, from the launch of multichannel satellite television and DAB radio in the 1990s, and BBC iPlayer more recently. The UK has also spent more on original, free-to-air programming than any other European country, becoming the leading European exporter of TV programmes in the process. All of this has helped this country evolve an extraordinarily rich broadcasting environment, both for the viewer and listener, and for programme makers, advertisers, media companies and other commercial stakeholders.

The licence fee has always played a major role in this, both by enhancing and broadening consumer choice, and by funding types of content that might not be readily financed by commercial operators or might be at best limited. Comedy is expensive to develop – and is high risk: without the licence fee we may never have had *TW3*, *Monty Python*, *Not the Nine O'Clock News* or *Little Britain* pushing boundaries. We may not have had the scale of some of our best costume dramas like *Pride & Prejudice*, *Cranford* or *Little Dorrit*. And landmark cultural and educational series like *Civilization* or

Life on Earth – where the return on investment in audience terms does not in itself justify the high investment of time and money – would not have delighted audiences.

The licence fee allowed the BBC to set a benchmark that others had to match. British audiences expected – and still expect – the best.

But now new challenges are forcing unprecedented change, and testing some long-held assumptions about the way UK broadcasting should operate. As in so many other areas of public life there are two key factors at work here: the impact of new technology and economic reality.

In little more than a decade digital has shifted from a 'nice to have', to being the primary technology driving the broadcasting agenda. From the BBC's perspective, digital now underpins everything we do at each stage of the programme-making process, as well as the way that content is broadcast, re-packaged and sold. And it opens up opportunities in everything from education and training, to business and commerce, to public engagement in the democratic process.

At the same time, digital has already transformed the wider broadcasting sector, blurring the boundaries between traditional forms of media, and making it harder to segment audiences, either in national, behavioural or demographic terms. As a result, the whole UK broadcasting sector needs to become more agile, more efficient and more responsive, and that includes the BBC. We are all having to work much harder to compete with all the different forms of entertainment and



Robot character 'Digit AI' promotes digital switchover and the Switchover Help Scheme.

communication now available, which is having a profound effect on what we make, how we make it, who we make it for, and who we sell it to.

Yet the context for these exciting developments could not be worse. Recessionary pressures have drastically reduced advertising revenues, making life less certain for the commercial sector. Although net advertising revenue should pick up again when the economy starts to recover, it is realistic to assume that advertising spend will never reach its historic levels again, which may threaten the continuing profitability of some of the major players, and make others unsustainable in the long term.

Our own position is very different: we know the licence fee gives us unique privileges, and that we enjoy steadier and more predictable revenues than the rest of the industry as a result. We have always taken our responsibilities seriously – we have been the major industry trainer, for example and last year provided training to over 20,000 from the commercial sector free of charge – but we need to do more to sustain a stable and successful broadcasting industry across the whole of the UK. And we can only do this if we play a more active and collaborative role than ever before.

If we are going to support the creation of high-quality content, and deliver even better value for licence fee payers, we will need to evolve new approaches to co-operation that may well challenge many of our established ways of working. But we are confident we can do this. After all, we can bring a great deal to both creative and technical partnerships, from access to unrivalled resources and services across the country, to proven R&D expertise.



More information on our initial Freesat partners can be found on their websites:

www.freesat.co.uk

www.harvardplc.com

www.panasonic.co.uk

www.humaxdigital.com/uk

www.arqiva.com

www.it-solutions.siemens.com

Sharing our expertise with others

Freesat – the new free-to-air satellite service for the UK – was launched in May after several years of planning and extensive collaboration between the BBC and partners Freesat UK Ltd, Digital TV Group (DTG) Testing Ltd and a small initial group of receiver manufacturers Panasonic, Humax, and Harvard (previously Alba plc).

We brokered our own technical knowledge and a range of competing expectations of the platform from all Freesat stakeholders to create the technical specification which all Freesat stakeholders must now follow. This specification is now freely available to any manufacturer that wants to enter the Freesat market – provided its final product is approved by independent test house DTG Testing Ltd.

We worked closely with all parties – in particular the manufacturers to understand the potential capabilities of their products, and with Freesat to understand their requirements for new features to enhance the user experience. We refined these often conflicting inputs, helping to debug problems, to get the products to prototype stage. We then involved Siemens and Arqiva to get the first transmissions on air.

This was 6 May 2008 – since when approximately 400,000 Freesat receivers have been sold. More manufacturers are getting on board, and from an initial three partners, there are now six Freesat receiver manufacturers with products in the shops, and more to come.

The BBC has more or less taken a back seat now, and our role has reduced. However, we still offer technical advice and are occasionally required to update the specification with new features.



BBC Writers Academy

Our BBC Writers Academy is the only course in the world that guarantees writers the opportunity to work on prime time television. Established in 2005 and run annually, each Academy aims to create a pool of writing talent to work on some of BBC One's best-loved and most popular shows: *EastEnders*, *Casualty*, *Holby City* and *Doctors* (shown here).

Students learn the tricks of the trade that work, and experience all aspects of drama production from editing to scheduling. But more importantly for them, they get to enjoy masterclasses from the best in the business, including writers such as: Tony Jordan (*EastEnders*), Jimmy McGovern (*The Street*), Dominic Minghella (*Robin Hood*), Jed Mercurio (*Bodies*), Tony McHale (*Holby City*), Ashley Pharoah (*Life on Mars*, *Ashes to Ashes*); as well as leading directors such as: Bharat Nalluri (*Spooks*, *Tsunami*) and Dearbhla Walsh (*Little Dorrit*).

Since its inauguration five years ago, 25 out of 32 graduates have gone on to gain full-time work in writing for TV, including 14 who are now established as core writers on continuing BBC drama shows.

The next Academy course starts in September. Places for 2010 will be advertised in April that year on the BBC writersroom and BBC Jobs websites.

The BBC is always on the lookout for fresh, new, talented writers and we do everything we can to get their voice heard and their work produced for BBC film, TV and radio – for drama, comedy, and children's programmes. If you have a script you want to send in, then you can do this via <http://www.bbc.co.uk/writersroom/writing/submissions.shtml>

Table 1/ Proportion of 'WOCC' hours produced by independent producers for BBC television

ENTERTAINMENT	COMEDY	CHILDREN'S	DRAMA	KNOWLEDGE	TOTAL SHARE OF WOCC
2007/08	2007/08	2007/08	2007/08	2007/08	2007/08
64%	62%	100%	45%	66%	74%
2008/09	2008/09	2008/09	2008/09	2008/09	2008/09
59%	76%	70%	59%	75%	73%
% CHANGE	% CHANGE	% CHANGE	% CHANGE	% CHANGE	% CHANGE
-5%	+14%	-30%	+14%	+9%	-1%

Note: The WOCC (Window of Creative Competition) is a creative space open to both in-house and independent producers, and is in addition to the 25% independent quota.

Table 2/ Top indies based on spend

TV

Kudos Film & Television Limited

Endemol UK PLC

Shine Limited

Talkback Thames

Hat Trick Productions

Radio

Somethin' Else

Smooth Operations

Unique

Above The Title Productions Ltd

Pier Productions

In 2008, BBC television commissioned content from 289 independent production companies – ten more than in the previous year. This includes both qualifying and non-qualifying independent producers, who together were responsible for making 39% of all eligible hours during the year.

PUTTING IT INTO PRACTICE

We believe that partnership will be crucial to the development of the UK media sector over the next few years. The BBC Trust shares this belief, and has asked us to look at how we might do this in a way that would benefit both licence fee payers, and UK public service broadcasting as a whole. They are particularly keen that we should look at collaborations with smaller firms and institutions, as well as our larger peers, and that more of these should be with organisations based outside London, as we are currently doing with Bradford's National Media Museum and Glasgow's Science Park, workplace to CBeebies' eponymous fictional character Nina from *Nina and the Neurons* and one of several locations for CBBC's *Do Something Different*.

So we have identified and researched a series of specific partnership proposals, and have developed more important possibilities for the future:

- using our know-how to create a common digital production standard for the whole UK broadcasting sector that includes both archive and production tools. Sharing such technology should generate significant cost savings for everyone involved, and would open up many new creative opportunities.
- at the same time, we have already announced that we want to share not just the technology, but also the brand and look and feel of iPlayer, which has been such a success for the BBC. This could deliver real and sustainable benefits to other broadcasters and content owners, offering them substantial savings on development costs of their own stand-alone sites, to increased audience access and higher advertising revenues. If successful, we could potentially end up with a 'federation' of on-demand public service broadcasting services on iPlayer, with each broadcaster exploiting its own rights as appropriate.
- we are also looking at ways in which the global scale and reach of BBC Worldwide could be used to generate revenue for other UK public service broadcasters, while its ability to deliver sustainable value to licence fee payers is protected.

These are in addition to our proposed collaboration with ITV on regional news, and our work with other broadcasters on internet-connected and High Definition TV.

At the end of 2008, Deloitte assessed all these proposals, as well as a number of other smaller initiatives, and they estimated that by 2014 these ideas could generate over £120million of additional benefits each year for the UK's other public service broadcasters. Some of this would come from new revenues, and some from reduced costs, or avoiding the loss of existing revenue streams.

Alongside these proposals we are also exploring partnerships with the wider media industry, as part of our response to the government's interim Digital Britain report.

For example, we are investigating whether there might be more we can do to support Britain's newspaper industry, which is one of the most competitive in the world. From this summer this will include training for local newspaper journalists, including free access to our College of Journalism online editorial training resource, and might be extended to include more online links, and more syndication of online content. Radio journalists too will have access to this training. And in addition to our existing good working partnerships on digital radio and DAB that date back several years, we are now proposing a series of new projects with commercial radio including the development of a standard interface for all digital radios which could handle both live and on-demand listening, and the creation of an online digital radio player which would offer high-quality live streamed radio services from the BBC and other commercial and community radio operators. These plans have been broadly welcomed across the commercial radio sector.

By bringing the UK's media providers together we can deliver increased public value by offering audiences open, simple-to-use, common digital standards and platforms.

LOOKING AHEAD

The UK broadcasting industry started this century with huge advantages over its main foreign competitors. Even in the face of a recession the UK still enjoys a unique public service broadcasting ecology, and can draw on a strong track record of digital innovation. The BBC is at the heart of both, and is opening up its resources and expertise to third party partners in a way it has never done before.

This is good for us, and good for them. But most important of all, it is good for our audiences.

Table 3/ Spend in the creative economy

	Total 2008/09 £m	2007/08 £m	2006/07 £m
Independent TV, radio and online productions	435	479	414
External programme facilities and resources	265	248	271
Acquired programmes transmitted	101	90	88
Artists, contributors and copyright	305	299	299
BBC Performing groups	23	22	28
	1,129	1,138	1,100

CREATING PRODUCTIVE PARTNERSHIPS: ADVANTAGES AND CHALLENGES

Many licence fee payers are unaware how much of their money is already invested by the BBC in the wider creative economy. More than a third of all licence fee income is spent on contracts with independent producers and other suppliers, and most of what remains pays directly for creative talent and creative content. This has been the case for many years; what we are contemplating now is a far more comprehensive and extensive commitment to partnerships, which could make a real difference to broadcasting in the UK.

While retaining the strong direct link between the licence fee and the BBC, the advantages of such an approach are obvious: it spreads the benefit of the licence fee investment even more widely, it offers a stable source of investment for the creative economy even in a recession, and it supports the creation of first-rate content that the market alone might not otherwise deliver.

Even in good times there are some areas where the commercial broadcasting sector will never want to participate – the numbers do not stack up and so the potential return does not justify the investment – but these are often areas that the BBC sees as central to its own output: if children's programming, live music, and orchestral performance still flourish in the UK, it is largely because of the BBC. And whether as a consequence of the downturn or not, there are signs that local and regional news, international newsgathering, indigenous television drama, comedy, and serious documentary may all be facing similar pressures.

Supplying the BBC

We aim to choose all our strategic suppliers carefully, to ensure that they have a specific expertise and deliver value for money.

Ongoing relationships have existed for many years with, for example, service providers that are directly critical to our broadcasting activities, such as Arqiva, Siemens and SES Astra who provide and maintain our distribution networks.

All our supply arrangements are managed through our specialised procurement teams, to ensure we comply with the relevant regulations, and use industry-standard terms of trade. Information on all our procurement needs – including new tenders – can be found on www.bbc.co.uk/supplying

Chart 1/ Spend in creative economy £bn

06/07	1.1
07/08	1.1
08/09	1.1

We spent £435million with the external independent sector in television and radio production and new media last year, just part of the total £1.1billion that we invested in the wider creative economies.

Our audiences tell us that these genres are still important to them, and so we have a responsibility to do what we can to protect and promote them. Hence our recent memorandum of understanding with ITV, which explores how we can pool our regional news resources and infrastructure to help sustain regional news on ITV. This might include sharing our eight main news centres in England and Wales, and accommodating most of ITV's small and medium-sized bureaux at our own regional and local offices. We are exploring how this could be used to support other providers of regional news were current obligations to change.

This is just one good example of the value to be gained from partnerships. But our approach also carries challenges and risks, even if they are less immediately apparent. If we are going to increase our partnership work substantially we need to do it in a way that does not result – even if unintentionally – in negative or adverse conditions for other stakeholders, especially other media players and programme makers.

We already have a history of profitable partnerships with independent writers, producers and programme makers, which has given us classics from comedy *Birds of a Feather* to entertainment with *University Challenge* and debate with *Question Time*; there have also been a number of successful technological joint ventures, like PAL, NICAM stereo, Freeview and Freesat. Indeed, we have always taken a lead role in the development and promotion of collective standards, technologies and platforms for the UK's public service broadcasters, and we have always shared our own technological advances and advantages with other industry players.

As we expand our work in this area through new partnerships we hope to help develop future technologies and services which can be used not just by the BBC, but by other broadcasters and media players, and in turn benefit our audiences and licence fee payers. For example, our R&D laboratories are working with ITV and BT to develop a simple, open standard for internet TV. If approved, this will allow people to use services like iPlayer, ITV player, and YouTube in their living-rooms, as well as on their PCs. We are also involved in developing the new standard for High Definition on digital terrestrial TV, and collaborating in other cutting-edge broadcast and internet protocol technologies.



“The digital age offers remarkable opportunities to widen access to objects through online resources. The planned *History of the World* website will be a unique and innovative partnership between the British Museum and the BBC, utilising the story-telling power of objects to engage both a UK and a global audience with world history. I am delighted to be working with the BBC across the UK to deliver this hugely exciting and ambitious project.”

Neil MacGregor, Director,
The British Museum

Opening up the archives

The UK’s many cultural and artistic archives are a priceless national resource, but many of them have not always been easily accessible to the public. We are working with some of the country’s foremost museums and art collections to put their treasures online, and so make their broadcast material available to a much wider audience across the whole UK, both for learning and education, and for entertainment.

For example, from September to January this year we linked up with Tate Britain on a Francis Bacon retrospective to mark the centenary of his birth – archive footage from the BBC which had never been broadcast before is still viewable on the Tate’s website.

In the coming year the British Museum is partnering with Radio 4 to create a multimedia package around a *History of the World in 100 Objects*, we have plans to make the Arts Council’s collection of films available on BBC Online, and we have a new partnership with the British Film Institute which will explore new ways of making archive material available on the widest possible range of platforms, and develop new industry standards for managing, storing and distributing content.



022 / **OUR OBJECTIVES/**
028 / **TELEVISION/**
046 / **RADIO/**
064 / **FUTURE MEDIA & TECHNOLOGY/**
070 / **JOURNALISM/**
080 / **COMMERCIAL/**

PERFOR



MANCE/

A PORTFOLIO OF DISTINCTIVE SERVICES DESIGNED TO MEET THE NEEDS OF OUR DIVERSE AUDIENCES.

From the hugely popular BBC One – watched by four out of five people in the UK every week last year – and Radio 2 (the most popular national radio station in the UK with over 13 million listeners) to those with smaller audiences such as BBC Parliament, CBBC and Radio 3, each drawing in its own discerning and loyal audience to its distinctive offer – the BBC seeks to connect with as many UK viewers and listeners as it can at some point each week.

We are funded by a licence fee – so it is only right that each household gets value back from us for their investment, and we are pleased to report that, last year, we were welcomed by 93% of the UK population into their homes in an average week...



IMPACT/



MEMORABLE AND ORIGINAL PROGRAMMES THAT STAND OUT.

...that 93% of British people who come to our content each week have a wide range of interests and passions, and our ambition is to offer them a range of programmes and content that they cannot find anywhere else.

So whether it's programmes that capture the mood of the nation – from the millions of viewers who secretly watch the *Eurovision Song Contest* (not to mention those who listened on Radio 2 or via BBC iPlayer) – or unique and original drama with *Little Dorrit* or programmes that unite communities of interest like *Antiques Roadshow*, shown here, or *Songs of Praise* or live sport – 42 million watched our coverage of the Olympics and a million more people visited our sports websites than in a normal week – we want audiences to know that the BBC has something distinctive that they want to experience, and that we are worth visiting.



QUALITY



QUALITY AND QUANTITY: AUDIENCES EXPECT BOTH.

Both on television and on radio, the BBC offers a range of programmes and titles that the market, left to its own devices, would not provide. Standout programmes this year included *Baroque*, shown here, and *The Art of Italy*, both from BBC Four; and the widest range of live performance found anywhere: The Proms, Electric Proms, Glastonbury, T in the Park. Elbow in concert with the BBC Concert Orchestra was the most successful digital music project in BBC history with nearly one million requests to see the concert via Red Button. And over half of all music output on BBC Radio 3 is either live or specially recorded.

Radio 4 comedy is peerless – except perhaps on BBC television, which adapted two original Radio 4 series from this year – *I've Never Seen Star Wars* and *Genius*. BBC One's perennially popular *My Family* is on its ninth series and still draws in around eight million viewers each week. During 2009 it will mark its 100th episode, only the third British sitcom in recent years to reach this milestone. The others were also from the BBC: *Birds of a Feather* and *Last of the Summer Wine*.

VALUE/

VALUE=REACH+QUALITY+IMPACT DELIVERING VALUE IS NOT JUST ABOUT SPENDING LESS.

But while we aim to spend carefully – we have improved our performance and our efficiency every year since 2000 – cost cutting does not in itself deliver value.

Last year we invested £1.1 billion in the UK's creative economy – more than ITV and Channel 4 combined over the same period. Just one of our great successes is *In The Night Garden*, made by Ragdoll for CBeebies. It became our most popular pre-school programme ever as soon as we started showing it two years ago. And through BBC Worldwide, we have been able to license and sell a range of toys and DVDs that help us make money on the brand and deliver a return to licence fee payers for their investment through us in programmes and content. BBC Worldwide also sells programmes and formats, and last year sold all 100 episodes of *In The Night Garden* to China, where Igglepiggle and friends will be seen by an estimated 300 million children later this year.



TELEVISION/



“GREAT PROGRAMMES AND SYMPATHETIC SCHEDULING AREN'T ENOUGH ANY MORE. DIGITAL AND 360 DEGREE COMMISSIONING EXTEND OUR OPTIONS AND HELP US TO BETTER MEET THE MODERN VIEWER'S NEEDS.”
JANA BENNETT, DIRECTOR OF VISION

HOW WE DID LAST YEAR

METRIC	HOW OUR SERVICES ¹ DID	WHAT THIS MEANS
REACH	85%	48 million people in the UK (85% of the population) watch BBC Television each week, more than watch any other television broadcaster, including one in five who watch BBC Three, and the nine million who watch CBeebies and CBBC.
QUALITY	64%	Nearly two thirds of programmes (64%) across BBC One, Two, Three and Four scored a high appreciation score of 80 and above – up by over a quarter on the previous year, signalling a recognition by audiences of increasing quality.
IMPACT	110	BBC Television won over 110 awards last year, from an International Emmy for David Suchet's lead performance in <i>Maxwell</i> and BAFTA's for <i>Cranford</i> and Andrew Marr's <i>History of Modern Britain</i> , to Festival Rose d'Or for BBC Two's <i>Kombat Opera Presents...</i> and a Grierson Award for science documentary <i>Parallel Worlds, Parallel Lives</i> .
VALUE	7.1p	The average cost per viewer hour (the total cost of programmes divided by number of viewer hours) across our portfolio of ten UK-wide television services is in line with the BBC One and BBC Two figures, and highlights the overall value delivered to licence fee payers by our distinctive mixed portfolio offering.



The schedule in Scotland, Wales and Northern Ireland for BBC One and BBC Two will sometimes differ from the UK network schedule.

¹ Figures are based on services, in line with the service licence regime monitored by the BBC Trust.

TELEVISION/

IT WAS A STRONG YEAR EDITORIALY FOR BBC TELEVISION, WITH A WIDE RANGE OF DISTINCTIVE, HIGH QUALITY PROGRAMMES ACROSS OUR CHANNELS AND SERVICES, FROM THE AWARD-WINNING *CRIMINAL JUSTICE TO JOURNEYS INSIDE THE MEDIEVAL MIND*; FROM THE INSPIRATIONAL *COMIC RELIEF* TO *BUGBEARS*, A NEW WEBSITE PROVIDING A UNIQUE SERVICE TO CHILDREN.

BBC One remains Britain's most popular channel and, across peak hours, BBC Two continues to expand its reach to younger adults. BBC Three has enjoyed a 10% growth amongst younger audiences, while reach on BBC Four continues to grow steadily. Our award-winning children's channels, CBBC and CBeebies, have held their lead in a very competitive marketplace and BBC HD has witnessed a highly successful first year.

Freshness, invention and originality are found across our schedules.

Highlights in drama include Kenneth Branagh's portrayal of Kurt Wallander; memorable performances from Andrea Riseborough and Lindsay Duncan, revealing two key periods in Margaret Thatcher's political life; the chilling *House of Saddam*; and *Being Human*, created for BBC Three's audiences on television and online, and one of our most popular shows on iPlayer.

Across factual programmes, it is the big, bold ideas that are engaging our viewers. Stephen Fry and Simon Schama each delivered his own unique perspective on events in America in the run up to 2008's historic elections, while natural history spectaculars, like *Lost Land of the Jaguar* and *Yellowstone*, impressed. Feature-length documentaries, *The Fallen*, Arena's *The Agony and Ecstasy of Phil Spector*, and Oscar-winning *Man on Wire*, produced in partnership with the UK Film Council and Discovery Films, proved just how impactful documentary can be. Arts remain a priority.

We are the UK's largest investor in original comedy. This year, we've supported new and fresh approaches, such as the critically acclaimed *Outnumbered* on BBC One, using children's improvisation to develop situation comedy for the first time. Right across the portfolio of channels we're able to give room for comedy entertainment to grow: *QI* and *Gavin and Stacey*, two successes on BBC One this year, were concepts that originated and flourished on BBC Two and BBC Three respectively.

It has been a year of innovation and invention for us as we are creating new ways for audiences to experience our output beyond the traditional linear broadcast, making our content more accessible and delivering a richer experience to them. As a result, we have won a host of major awards: the quality of sites such as *Survivors Interactive*, our climate change product *Bloom* and CBBC's *MI High* has been recognised worldwide. From *Britain from Above*, a Digital Emmy Award winner; to *The Darwin Season*, we have delivered complementary learning journeys on television and online. And for some of our biggest events, this year really has felt like a coming of age: from the Beijing Olympics to the first truly digital Red Nose Day, audiences are engaging with our content in fresh ways.

Major contributions to the UK-wide networks also came from colleagues and suppliers across the UK. *Sesame Tree* was a new series for young children about diversity and personal development themes from Northern Ireland, which got a later broadcast on network television. From Wales, the *Doctor Who* drama team worked with independent Shine and BBC One to launch a new series for Saturday nights, *Merlin*. And Scotland's *A History of Scotland*, co-produced with the Open University, had a successful run on BBC One in its home nation before an outing on BBC Two network.

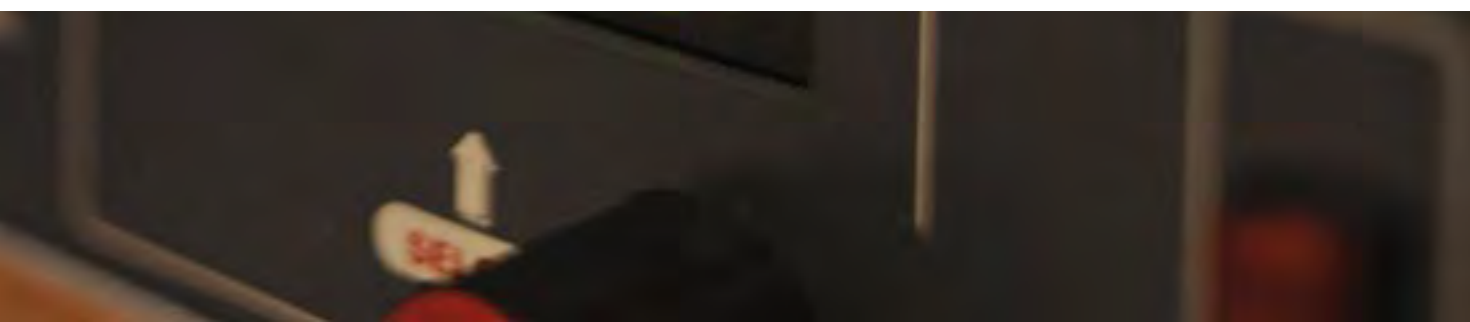
Our plan is for 50% of production spend to be outside London by 2016, from outside London by 2016, including 17% from Scotland, Wales and Northern Ireland in line with the proportion of UK population who live there.



Table 4/ BBC network television hours of output by genre

BBC networks have the broadest range of programme genres of all UK broadcasters.

	BBC One		BBC Two		BBC Three		BBC Four	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
Factual	1,993	2,021	1,854	1,757	1,427	1,333	991	969
Education (formal)	–	6	440	785	–	–	4	2
News and weather	2,330	2,400	850	559	32	32	12	6
Current affairs	237	206	287	260	167	126	160	194
Entertainment	638	481	594	681	1,160	1,170	168	274
Sport	755	603	915	951	27	25	–	–
Children's	475	496	1,673	1,619	–	–	–	–
Drama	937	1,114	507	322	364	329	441	340
Film	638	690	635	819	206	184	190	204
Music and arts	91	109	315	315	72	71	1,255	1,251
Religion	104	105	34	30	–	5	25	15
Continuity	230	236	292	295	114	110	71	78
Total network hours (excl. opt-outs)	8,428	8,467	8,396	8,393	3,569	3,385	3,317	3,333





BBC ONE AIMS TO BE THE UK'S MOST VALUED TELEVISION CHANNEL, WITH THE BROADEST RANGE OF QUALITY PROGRAMMES OF ANY UK MAINSTREAM NETWORK. WE OFFER A WIDE RANGE OF PROGRAMMES, AND ARE THE BBC'S PRIMARY OUTLET FOR MAJOR UK AND INTERNATIONAL EVENTS.

032

PERFORMANCE/

REACH
77.6%
COST PER VIEWER HOUR
6.8p

- Over the course of the year BBC One's average weekly all hours reach was **77.6%/44.0 million (2008: 78.2%/44.1 million)**. In peak hours (6pm–10.30pm), BBC One repeats were at **8.2% (2008: 8.3%)**. We were also the only terrestrial channel to improve performance in peak time over this period.
- Around **60%** of programmes on BBC One had an appreciation score **80+** and above.
- Our average cost per viewer hour was constant at **6.8p (2008: 6.8p)**.

Some highlights from last year included:

FRESH IDEAS

New and distinctive ideas are the lifeblood of BBC One. We continue to invest heavily in British comedy. Wallace and Gromit's *A Matter of Loaf and Death* was an outstanding success with a record 16.2 million people watching on Christmas Day (overall viewing levels on the day were the highest since 1999). Fresh comedy included *Sunshine*, written by Craig Cash, and *Life of Riley* and the *Old Guys* from BBC Scotland. The unique and award-winning *Outnumbered* returned for a second series.

We worked with other BBC channels to bring the best in comedy to a wider audience, migrating BBC Three's multiple award-winning *Gavin and Stacey* and *QI* from BBC Two into our schedules. The *Gavin and Stacey Christmas Special* had 7.2 million viewers and a 39% share of 16–34s. *QI* also did well at attracting younger viewers averaging 20% share of 16–34s, three share points above channel average.

Last Choir Standing was a different entertainment event that truly reflected diverse communities across the UK. Fifteen amateur choirs, ranging from the Welsh outfit Ysgol Glanaethwy to gospel singers Revelation showcased their talents on peaktime BBC One.

HIGH QUALITY AND AMBITIOUS DRAMA

Our drama included distinctive and ambitious pieces such as *The Diary of Anne Frank*, *Wallander*, *A Short Stay in Switzerland*, *Criminal Justice* and *Fiona's Story*. We successfully reached out to a younger audience with series such as Saturday evening's *Merlin* (6.3 million, 27% share) – and are keen to offer this audience more from across the genres. *No 1 Ladies' Detective Agency* was particularly popular with diverse audiences, getting a 29% viewing share amongst African and Caribbean communities, almost double

Top left: *Criminal Justice*, an insightful drama from writer Peter Moffatt.

Top right: Popular Saturday evening drama *Merlin*.



**Table 5/ BBC One
peaktime repeats**

2004/05	9.7%
2005/06	8.9%
2006/07	8.4%
2007/08	8.3%
2008/09	8.2%

Right top: *The Andrew Marr Show* shines a light on what is happening in the world.

Right bottom: As well as classic repeats from the archive, viewers understand that repeating original programmes later in the same week, or from our other channels gives further opportunities to see something they liked or missed, and often brings in bigger audiences than are available on the digital channels. Much of our content can be also be found on BBC iPlayer for seven days. Picture shows innovative comedy *Outnumbered*.

the average share of non-soap drama amongst these audiences.

In Daytime, we were the only UK channel to commission original drama, with *Doctors* and the five-part series *Missing*, both produced in Birmingham.

DISTINCTIVE AND POPULAR JOURNALISM

We provided high-quality news on weekdays at 1pm, 6pm, 8pm and 10pm to meet a range of different audience needs – plus further analysis and investigative journalism elsewhere in the schedule. We set the agenda and brought difficult topics to a broad audience, but also created change. Following *Pedigree Dogs Exposed* the BBC suspended the televising of the dog show *Crufts*. And after *Panorama's* expose, *Primark: On the Rack*, the company reacted swiftly by dropping suppliers found to use child labour. A news-reactive *Panorama* special examining the Shannon Matthews case drew an audience of 5.8 million.

The ONE Show reports each weekday from around the UK and continues to grow in popularity. The audience across the year averaged 4.5 million/22.5%, up nearly two share points on the average for the slot prior to launch.

We introduced a new documentary slot at 10.35pm on Tuesdays to report on contemporary Britain, and our weekly regional opt-out current affairs gives our audience an insight into stories of real significance to their home area.

Current affairs in our daytime schedule included a week of NHS-themed programmes and the return of *Missing*. Augmented by five new dramas, *Missing Live* attracted sizeable daytime audiences of 1.1 million, (24.3% share) and was directly responsible for seven missing people being found. We consolidated our consumer journalism slate with a refreshed *Watchdog*, a new series of *Rogue Traders* and new series *Rogue Restaurants*.

ACCESSIBLE FACTUAL PROGRAMMES

It's been a strong year for science with titles like *Super Doctors* with Lord Winston and Michael Mosley's *Make Me...* through to *Charles Darwin and The Tree of Life* (watched by over six million). Building on these successes, we will introduce a new peaktime science show from late 2009.

Alongside series such as *Nature's Great Events*, we introduced innovative formats that attracted younger audiences to natural history – both *Tiger Spy in the Jungle* and *Lost Land of the Jaguar* performed particularly well for this genre with 25–44 year olds (20% and 21% share respectively of this group, in line with general peaktime average).

Popular arts, culture and history are key to our schedule, and this year included Jeremy Paxman's take on *The Victorians*, *The Story of the Guitar* and the return of acclaimed arts strand *Imagine*.

MAJOR YEAR OF SPORT

Sport is perennially popular with our viewers and this was a big summer for BBC Sport. Last year our audience to the Wimbledon men's final peaked at 12.7 million viewers. Although none of the home nations featured in Euro 2008, our coverage attracted an average of over five million viewers and a particularly high 28% share of 16–34s. The Olympics achieved an average 35% share, and our biggest daytime audience in over eight years. And we marked the moment the Olympics were handed over from Beijing with the *London 2012 Party* with one in three of all TV viewers at the time tuning in to BBC One (32.9% share).

This year we relaunched both *Watchdog* and *The ONE Show* as true multiplatform propositions with their websites at the heart of the editorial content of the television shows. We will continue to incorporate different applications – from message boards to masterclasses – into our websites to enhance the audience experience, and draw in new viewers.

In the year ahead, we are also aiming to deliver programmes that extend our appeal and broaden our range of viewers. The new peaktime *Countryfile* will address the issues and concerns of under-served rural communities; new drama *Small Island* will reach out to ethnically diverse audiences; and our new science show will appeal to younger 25–44 year old viewers – all key groups that we would like to serve better.





BBC TWO BRINGS PROGRAMMES OF DEPTH AND SUBSTANCE TO A BROAD AUDIENCE. IT ORIGINATES THE GREATEST AMOUNT AND RANGE OF FACTUAL PROGRAMMING OF ALL OUR CHANNELS, COMBINED WITH DISTINCTIVE ARTS, COMEDY AND DRAMA.

Top: *Maestro*, where comic and writer Sue Perkins won the right to wield the baton in *Proms in the Park*.

Middle: Feature-length documentary *The Fallen* focused on the stories of the 300 British service personnel who died while serving in Afghanistan and Iraq.

Bottom: *Natural World* brought us the story of Titus the Gorilla King from Rwanda.



ARTS, COMEDY AND DRAMA

Our line-up of contemporary live musical performance – including *Later... with Jools Holland* and the *Electric Proms* – featured a diverse range of performers like The Stereophonics, The Killers and Al Green. Classical music series *Maestro* attracted audiences of over 1.7 million in peak time, and was one of our most talked about series of the year.

We maintained our commitment to arts journalism in *The Culture Show* – which also found a new, extended home in our peaktime schedule, we celebrated British originality in *British Style Genius*, and we went behind the scenes during the making of Wayne McGregor's new ballet *Infra*.

In comedy, we complemented established favourites like *Mock the Week* and *Never Mind the Buzzcocks* with Jonathan Harvey's touching and highly original sitcom *Beautiful People*. With an average of 1.2 million viewers, it will return for a second series.

Our dramas – notably the critically acclaimed *House of Saddam* – tackled some of the most important stories of our times. *Einstein and Eddington* presented viewers with a new interpretation of the development of one of the most important ideas in science: the Theory of Relativity; and *Moses Jones* probed the lives of Ugandan migrants in modern London.

In the year ahead, we will chronicle the effects of the continuing economic downturn with a documentary series *Recession Britain* and a drama inspired by the collapse of Lehman Brothers. We'll also offer *Andrew Marr's Age of Churchill* and a complementary feature-length drama inspired by Churchill's life in politics. Our science landmarks *How The Earth Made Us* and *Solar System* will give viewers a fresh insight into the origins of human life and our planet, while *Pyschoville*, a new series by the creators of *The League of Gentlemen*, and the medieval misadventures of accident-prone action hero *Krod Mandoon* promise to strengthen the comedy line-up on BBC Two.

- Over the year, BBC Two's average 15-minute weekly reach to viewers remained strong 57.4%/32.6 million (2008: 57.6%/32.5 million). Despite increasing competition from digital channels, we maintained our all hours share among 25–44 year olds (6.4% versus 6.5% in 2008).
- Over two-thirds of programmes on BBC Two had an appreciation score 80+ and above during the year.
- Cost per viewer hour last year was up year-on-year to 7.5p (2008: 7.0p).

BUILDING KNOWLEDGE

From John Prescott: *The Class System and Me* to *An Island Parish*, we celebrated the rich diversity of life in the UK. *Wonderland* presented glimpses of the extraordinary lives of 'ordinary' Britons while the debilitating impact of dementia was documented in Terry Pratchett: *My Life with Alzheimer's*.

Bruce Parry's award-winning series *Amazon* documented his epic journey from the Peruvian Andes to the Atlantic coast, while new series *Explore* combined distinctive travel journalism with intelligent analysis of international current affairs. Peter Owen Jones witnessed religious devotion in action for *Around the World in 80 Faiths* and *Across the Andes: Beyond Boundaries* followed the progress of disabled mountaineers tackling some of the world's most challenging peaks.

History landmarks included *World War II: Behind Closed Doors* and *A History of Scotland*, which averaged 1.5 million and 2.2 million viewers respectively.

One-off specials such as *Timewatch: Stonehenge* and *Hadrian's Wall* represented a highly distinctive offer, particularly on Saturday evenings, where we have seen a year-on-year share increase of 5% in this highly competitive part of the schedule.

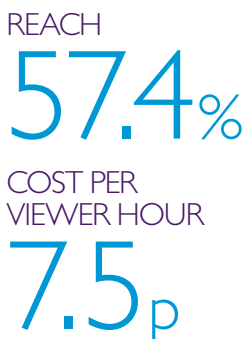


Table 6/ BBC Two peaktime repeats

2004/05	32.5%
2005/06	27.4%
2006/07	30.1%
2007/08	29.3%
2008/09	32.6%





BBC THREE IS DEDICATED TO INNOVATIVE BRITISH CONTENT AND TALENT. THE CHANNEL AIMS TO PROVIDE A BROAD MIX OF PROGRAMMES AIMED PRIMARILY AT YOUNGER AUDIENCES.

Top: An innovative storyline and characters made *Being Human* popular with viewers.

Middle: Sketch show *The Wrong Door*.

Bottom 1: Factual output included a range of personal stories in the *Born Survivors* season.

Bottom 2: Current affairs strand *Mischief*.



- BBC Three's average 15-minute reach in all homes was up to 18.7%/10.6 million (2008: 17.3%/9.7 million). Among our target audience of 16–34's reach was also up, to 26.0% (from 23%).
- Nearly one third of BBC Three's programmes during the year (31%) had an appreciation score 80+ and above.
- Cost per viewer hour for the year was 10.6p (down from 12.9p in 2007/08).

NEW UK TALENT

We have a key role in nurturing new talent, as demonstrated by the successful migration of the multi award-winning *Gavin and Stacey* to BBC One.

We employ a diverse range of UK talent from personalities such as Jamelia and Alesha Dixon to the youthful cast of *Scallywagga*. In comedy, *The Wrong Door* combined new British writing talent with innovative use of cutting-edge CGI technology. *Coming of Age* was a new sitcom written by 19 year old Tim Dawson and featured six new, young comic actors.

TAKING CREATIVE RISKS

In drama, our mould-breaking *Being Human* garnered large young audiences (average audience of 930,000 and 6.3% share of 16–34s – high for a digital channel) and critical acclaim. Originally a one-off pilot, a series was commissioned on the strength of innovative scripts and strong viewer response to exclusive online video 'prequels' ahead of launch. Listening to our audiences is key to our success with our target age range.

Not all risks bring in big audiences, though. *Our Belief Season*, which included the documentary *Deborah 13: Servant of God*, was creatively vibrant but did not pull in viewers to the channel. Even so, it is important that we commission such bold content others would not attempt.

NEWS, CURRENT AFFAIRS AND TOPICAL ISSUES

The hourly *60Seconds Bulletins* brought neatly packaged news content to 5.3 million viewers each week. Current affairs strand *Mischief* covered issues from housing to gang culture; the *Born Survivors* season looked at teenage pregnancy, child carers and self-harm. BAFTA-nominated documentary series *Blood Sweat and T-shirts* allowed us to explore globalisation and its impact on the developing world.

INTERACTIVE INNOVATION

Our development as a multiplatform network has led to a range of innovative projects. *Born Survivors'* mix of minisodes and online content has been used as a model across the BBC. And we syndicated BAFTA-nominated *Bryony Makes A Zombie Movie* to other websites – it had over half a million viewers on YouTube.

BBC Three's priority is to continue delivering distinctive, high quality programming that will be valued by our young target audience. *Where Our Food Comes From* will look at food provenance and the developing world. We will also be focusing on young people and vocational skills with a new factual format – *Young Butcher of the Year*. More new and original comedy is on the way with *The Gemma Factor*, and *We Are Klang*.

REACH

18.7%

COST PER VIEWER HOUR

10.6p





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.

Top: Andrew Graham-Dixon presented *The Art of Italy*.

Bottom: *Science and Islam* brought the story of scientific developments in the Islamic world from the 8th to 14th centuries.



- BBC Four's reach continues to grow steadily. In the 2008/09 our weekly 15-minute reach averaged 7.8%/4.4 million (2008: 7.0%/4.0 million).
- BBC Four has the highest appreciation scores of all BBC television networks – just under three quarters of its programmes (73%) had an appreciation score of 80+.
- The average cost per viewer hour was stable at 16.8p (2008: 16.7p).

Last year we broadcast over 3,300 hours of programming across the range of genres, excluding sport and children's output, but including:

DISTINCTIVE OUTPUT AND DIVERSE AGENDA

Seasons of programmes exploring subjects as eclectic as the Medieval Period, Literacy, Motoring and Japan delivered rich content and deeper knowledge to BBC Four audiences last year.

Our season of programmes on Britain's first female Prime Minister included *Margaret Thatcher: The Long Walk to Finchley*, which attracted just over a million viewers on its first outing alone. The drama was the centrepiece of the season, with other highlights including *The Thatcher Years*, *The Falklands Play*, and a special edition of *Dinner with Portillo*.

In science, programmes such as *The Story of Maths*, *Big Bang Night* and *Science and Islam*, provided some of the channel's most ambitious programmes of the year.

A wide range of programmes on the visual arts included art critic Andrew Graham-Dixon's celebration of *The Art of Italy*, and Waldemar Januszczak's examination of the cultural legacy of the *Baroque*.

Classical music featured prominently last year. There was extensive coverage of the annual *BBC Young Musician of the Year* competition, 17 concerts from this year's *BBC Proms*, two Mahler symphonies conducted by Russian maestro Valery Gergiev and the definitive film biography, *The Passions of Vaughan Williams*, on the life of a towering figure in twentieth century British music.

Popular music fared well on the channel too. Programmes here included the feature-length documentary *Prog Rock Britannia*, a season devoted to *American Folk*, film profiles on Quincy Jones and Neil Young, and coverage of Jazz and World music from Glastonbury.

A GLOBAL PERSPECTIVE

With films such as *Roman Polanski: Wanted and Desired*; *Operation Iraqi* Film-maker and *Shot in Bombay*, our international documentary strand *Storyville* told stories of ethical, cultural and political complexity.

For our *Traveller's Century* season, the explorer Benedict Anderson followed in the footsteps of the esteemed travel writers Eric Newby, Laurie Lee, and Patrick Leigh Fermor, while *The Thirties in Colour* showcased rare, previously unseen and historically-important footage shot all over the world.

Over the year we gave UK television premieres to 26 international movies in many different languages. In a single night dedicated to the German film director Werner Herzog, we screened some of his greatest films, including *Aguirre Wrath of God*, *Fitzcarraldo*, *The Enigma of Kaspar Hauser* and *Nosferatu The Vampyre*. Our major series of programmes on Japan included many acclaimed feature films, including the period drama *Gohatto*, the road movie *Kikujiro*, and the comedy *Ping Pong*.

In the year ahead, programmes will include a month-long *Poetry Season* (in partnership with BBC Two), complete with studies of the Anglo-Saxon classic *Beowulf*, the Middle English masterpiece *Sir Gawain and the Greene Knight*, and a six-part series on the inspiration that great poets have derived from the British landscape. New documentaries will cover subject-matter as varied as ancient African history, computer technologies and playground games.

REACH

7.8%

COST PER VIEWER HOUR

16.8p



THE CBBC CHANNEL OFFERS A DISTINCTIVE MIXED SCHEDULE FOR 6–12 YEAR OLDS. WE AIM TO ENCOURAGE EACH CHILD TO STRENGTHEN HIS OR HER EXISTING INTERESTS AND DEVELOP NEW ONES.



Top: *Dustbin Baby* was part of the 60 hours of original UK drama we showed this year.

Bottom: *Serious Oceans* took eight children on an epic voyage of a lifetime.



- CBBC is still Britain's most popular channel for young children, in a highly competitive multimedia market, with 32.2% reach among kids aged 6–12 (Disney: 26.7%). Our average 15-minute weekly reach to all viewers aged 4+ was 5.2%/2.9 million (2008: 5.6%/3.1 million).
- CBBC was the BAFTA Children's channel of the year this year.
- The average cost per viewer hour was stable at 9.5p (2008: 9.6p).

Last year we launched the CBBC iPlayer and our output included:

HELPING CHILDREN TO UNDERSTAND THEMSELVES AND THE WORLD AROUND THEM

Helping children to understand their place in the world and be active citizens is a key priority. Highlights this year included *Who Wants To Be A Superhero*, *Beat the Boss* and *My Wish*, giving children a voice and hearing their ambitions.

Newsround has now opened its Manchester bureau, ahead of our move to Salford. It provides 105 minutes of high-quality news live each week that encourages its viewers to assess the facts and make up their own minds. *Election*, CBBC's critically acclaimed leadership challenge, engaged 6–12 year olds in the political process on television and on the web.

INFORMAL LEARNING

Serious Oceans took a group of children around the South African Cape. *Sam and Mark's Guide to Dodging Disaster* used unique footage from the BBC's Natural History Unit, mixing live action, archive and blue screen to show the popular duo battle nature and perilous situations – they drew in 3.2 million viewers.

Popular entertainment shows have included the numerical quiz show *Get 100* and *Gastronuts* encouraged children's interest in the importance of food and diet through wild culinary adventures. *SMART* taught about the techniques of famous artists; it averaged just under four million viewers. *Me and My Movie* was our unique film making experience for children – the winning entry was unveiled at the Children's BAFTAs.

Laughter is a central part of CBBC. Programmes such as *Legend*, *Sorry I've Got No Head* and *TMI* continue to inspire young audiences in creative and innovative ways.

FRESH AND ORIGINAL APPROACHES

CBBC is the only significant investor in UK-produced programming for this audience. We commissioned over 60 hours of new, originated drama last year, including UK drama with distinct UK voices – series like *The Sarah Jane Adventures*, *Roman Mysteries* and *Tracey Beaker*, and the one-off drama based on the Jacqueline Wilson novel *Dustbin Baby: The Revenge Files of Alistair Fury* won the Children's BAFTA for drama, one of six we won last year.

We offer a safe online experience for children through our personalised online space *MyCBBC* and pre-moderated web pages. Our multiplatform commissioning process means that many of our television programmes extend their offering into the online space. *Escape from Scorpion Island* and *MI High* both delivered online gaming.

Next year, we will strengthen the delivery of our citizenship purpose (identified in the BBC Trust's Review of Children's Services) through a new commission – *Tronji* – which will encourage children to discover their own particular skills and use them in problem solving situations and with more *Newsround* specials on subjects like bullying. Online, new commission *Gamebuilder* will provide a toolkit that enables children to create, publish and share their own online games.

REACH
5.2%
COST PER VIEWER HOUR
9.5p



CBEBBIES OFFERS A MIX OF HIGH QUALITY, MOSTLY UK-PRODUCED PROGRAMMES DESIGNED TO ENCOURAGE LEARNING THROUGH PLAY IN A CONSISTENTLY SAFE ENVIRONMENT FOR CHILDREN UNDER SIX YEARS OLD.

Top: *Poetry Pie* brings the world of poetry to life with games, songs and lots to make and do.

Middle: *Nina and the Neurons*: fun science, with more to make and do on the website.

Bottom: *The Green Balloon Club*, part of a multiplatform initiative on the environment.



- **CBeebies remains the UK's most popular channel for 0–6 year olds in digital homes, with 3-minute weekly reach to its target age range on average 47.5% (Nick Jr: 19.8%). Our average 15-minute weekly reach to all viewers aged 4+ was 8.0%/4.5 million (2008: 7.7%/4.3 million).**
- **Our average cost per viewer hour last year was 1.8p (2008: 1.9p).**

Highlights for the year included:

NEW AND IMAGINATIVE IDEAS

CBeebies is the key investor in original programming for under six-year olds in the UK – spending £12.4million last year on original UK content, more than any other broadcaster.

Returning strands this year included the art, drawing and discovery animation *Louie* and the BAFTA award-winning *In The Night Garden*, one of four BAFTAs won in 2008. New shows included a familiar face in a new guise *Postman Pat SDS*, the vibrant pre-school animation *3rd & Bird* and *Chuggington*, which opens children's imaginations to new discoveries and the true meaning of friendship.

We aim to explore new avenues for pre-school television. June saw the launch of the multiplatform initiative *EcoBeebies*, introducing our youngest audiences to nature and the environment. 186,000 viewers watched the special launch edition *Easy Peasy EcoBeebies*. *The Green Balloon Club* on television and the *Green Stars Club* online led the content.

We commissioned our first ever comedy-drama for pre-schoolers *Grandpa in My Pocket*, starring James Bolan. Other new comedy included the sitcom *Nuzzle and Scratch*. We have built a strong record in educational entertainment, with programmes including *Something Special*. We also continue to engage our youngest audiences in storytelling. Derek Jacobi narrated *Bedtime Story* over the Christmas period and Rob Brydon read during Comic Relief Week.

LEARNING THROUGH PLAY

We work with pre-school specialists to create learning opportunities for our viewers. Content is carefully crafted to stimulate a child's interest in a range of subjects including mathematics, literacy, art and music appreciation.

We originated over 100 hours of new programming last year. New shows included the beautifully animated musical animation *3rd & Bird* from award-winning Little Airplane Productions. *TellyTales* brings to life fables and fairytales featuring real children and using their own artwork for the backgrounds, and *LazyTown Extra* builds on the talents of Magnus Scheving as *Sportacus* in a new sports magazine format.

Mister Maker inspired creativity, *Numberjacks* introduced audiences to problem solving and *Space Pirates* brought musical styles and compositions to screens. *Kerwhizz*, a ground-breaking, multimedia entertainment show launched in October and the comedy puppet show *Big and Small* encouraged pre-schoolers to become more aware of the different views around them and so learn to be more sensitive to the needs of others.

The CBeebies website remains one of the BBC's most visited online sites – with just over 780,000 UK visitors each week – and is an integral part of our brand. We will continue to use and develop interactive platforms to encourage the audience to engage in its offer more deeply, specifically commissioning a high quality fun literacy series.

A key priority for the coming year is to address the recommendations in the BBC Trust's review of our service and to consider options for the future of CBeebies radio by exploring different models of audio content creation and distribution.



REACH
47.5%
COST PER
VIEWER HOUR
1.8p



THE BBC HD CHANNEL OFFERS A MIXED GENRE SCHEDULE OF PROGRAMMING IN HIGH DEFINITION (HD) FORMAT, MOST OF WHICH HAS BEEN ORIGINATED BY THE BBC'S OTHER TELEVISION CHANNELS – BBC ONE, BBC TWO, BBC THREE, BBC FOUR, CBEEBIES, CBBC AND BBC RED BUTTON – AND WHICH WE EITHER BROADCAST SIMULTANEOUSLY WITH THEM, OR AS A REPEAT.

Top: *A History of Scotland*, from BBC Scotland, got a network outing on both BBC Two and BBC HD.

Bottom 1: Kenneth Branagh played the title role in Swedish detective drama *Wallander*.

Bottom 2: *Euro: 2008* was presented by Gary Lineker and colleagues from Austria and Switzerland.

Bottom 3: New BBC comedy this year included *Beautiful People*.

- **This is the first full year of channel operation; we reached the target nine hour/day service in March 2009 by when we had built average weekly 15-minute weekly reach to 528,000.**
- **The cost per user hour for the service was 7.0p (2008: n/a).**

Our service licence was granted in April 2008. We had no service licence priorities for the year, but did have a role to play in ensuring that the relevance and appeal of programmes from the BBC's television channels were maintained as consumer expectations for HD content grew.

During the year, our focus was on:

SUPPORTING HIGH QUALITY AND ORIGINAL PROGRAMMING

Our output covered all television genres, from drama to documentary, film to comedy, children's to sport, entertainment to major national and international events.

Programmes included Saturday night entertainment shows such as *Strictly Come Dancing*, *I'd Do Anything*, and *Last Choir Standing*. We also captured many key milestones for the first time, including live coverage of the US presidential inauguration.

Over the last year, BBC HD has attracted more than 9% of all viewing in homes with access to HD for programmes such as *Hustle* and *Nature's Great Events*. Other highlights included *Tiger Spy in the Jungle* and *Yellowstone* in natural history, and in drama *Wallander*, *Tess*, *Diary of Anne Frank* and, for children, *Dustbin Baby*. We offered full coverage of all BBC Two's ten Proms, as well as a range of *Electric Proms* (seven in total), and November's ceremonies of Remembrance.

Sport dominated our summer schedule, with Wimbledon, European Football Championships, the Olympics and Paralympics. Our coverage of the Beijing Olympics won the 2008 HD programme of the year award.

NURTURING UK TALENT

We supported new commissions like BBC Three's *Being Human* and comedies such as *Freezing*, *Beautiful People*, and *Trexx and Flipside*. We have showcased programmes produced across the UK: *Saxondale* and *Massive* (Manchester), *Gardener's World* and *Doctors* (Birmingham) and *A Question of Genius* and *A History of Scotland* (Glasgow), one episode of which was among the most watched programmes of the week.

BBC HD will work to extend the range of content available in HD in the UK, focusing particularly on factual and factual entertainment areas. We aim to continue to grow reach for BBC HD, and we will launch the channel on the Freeview platform as soon as technological upgrading is completed.



DAILY HOURS

9

COST PER VIEWER HOUR

7.0p



BBC ALBA OFFERS A DISTINCTIVE COVERAGE OF SUBJECTS AS DIVERSE AS LIVE CONTEMPORARY AND TRADITIONAL MUSIC, FOOTBALL AND CHILDREN'S PROGRAMMING.

ORIGINATED PROGRAMMING REFLECTS AND SUPPORTS GAELIC CULTURE, IDENTITY AND HERITAGE TO GAELIC SPEAKERS AND TO THOSE LEARNING THE LANGUAGE (OR WHO MIGHT WISH TO LEARN).

IT ALSO OFFERS AN OUTLET FOR SOME ARCHIVE MATERIAL.

REACH

4%

COST PER
VIEWER HOUR

29.4p

- **BBC ALBA launched in September 2008, and has had a weekly reach in Scotland of 4%, with an average audience of 220,000. Full annualised audience figures will be available for the 2009/10 Annual Report.**

- **BBC ALBA's average cost per viewer hour for the period it was broadcasting was 29.4p.**

We had no specific service licence priorities for 2008/09. Our business priority this year was to establish the service among our core target audience, with our distinctive offer of daily news and content for younger viewers.

Our 30-minute news bulletin, *An Là*, is broadcast each weekday evening and offers viewers inclusive coverage of Scottish, UK and world events.

Our children's programming – which also doubles as learning content for younger viewers – and bi-lingual programmes, such as *Cuide ri Cathy*, offered a valuable access point for new speakers and those interested in learning the language. Our use of links between Gaelic radio, television and online resources offered audiences a uniquely rich programme and content offer:

In building towards a weekly reach of 250,000 – from fluent speakers to beginners – we will look to reflect a wide range of aspects of Gaelic life and culture in our programming and content across 2009/10. Factual series and style documentaries, such as *Trusadh*, will feature personal stories from communities across the country; and music, live and recorded, from key music festivals featuring established new bands and musicians, will feature prominently in the schedules, seeking to link with our audiences' interest in home-grown musical output and talent.

Top: *A Rèir na h-Aimsir* explored Scotland's relationship with the weather.

Middle: *'Eilbhis'*, an original drama set in 1970's Lewis, part of our opening night schedule.

Bottom left: We featured live coverage of the ALBA Challenge Cup, including the semi-final between Airdrie United and Partick Thistle (players pictured here with presenter Evelyn Coull). Airdrie went on to win the cup.

Bottom right: *Rapal* showcased the best of Scottish musical talent, including up and coming band Frightened Rabbit.



OFCOM/

AS WELL AS BEING ANSWERABLE TO LICENCE PAYERS VIA THE BBC TRUST, BBC TELEVISION IS ALSO SUBJECT TO A NUMBER OF PROGRAMME PRODUCTION QUOTAS FROM OFCOM, WHICH CAN REQUIRE A DELICATE BALANCING ACT AS WE TRY TO DELIVER BEST VALUE TO LICENCE FEE PAYERS WHILE AT THE SAME TIME MEETING A REGULATORY OBLIGATION.

Table 7/ TV programming spend by Region as a % of eligible spend

	2008	2007
London	65.1%	67.4%
Scotland	3.7%	3.3%
Wales	3.6%	2.7%
Northern Ireland	0.6%	0.4%
Total Nations	7.9%	6.4%
Midlands	3.9%	4.1%
N. England	8.9%	10.2%
S. England	14.2%	11.9%
Total Regions	27.0%	26.2%
Total Nations and Regions	34.9%	32.6%
Total Regional Base	100.0%	100.0%

Based on Ofcom definitions, by calendar year.

Table 8/ Ofcom Tier 2 quotas

	Quota	2008 Actual
Independent production quota		
Hours of qualifying programmes across all channels	25%	37%
Hours of qualifying programmes on BBC One	25%	31%
Hours of qualifying programmes on BBC Two	25%	45%
Regional programme making		
Spend on qualifying programmes	30%	35%
Hours of qualifying programmes	25%	33%
Network news and current affairs programmes		
Hours of News on BBC One	1,380	1,557
Hours of News on BBC One in peak	275	276
Hours of current affairs on BBC One and BBC Two	365	520
Hours of current affairs on BBC One and BBC Two in peak	105	111
Levels of Original Production		
BBC One	70%	86%
BBC One in peak	90%	99%
BBC Two	70%	82%
BBC Two in peak	80%	95%
BBC Three	70%	86%
BBC Three in peak	70%	78%
BBC Four	70% approx	84%
BBC Four in peak	50%	81%
CBeebies	80% approx	81%
CBBC Channel	70%	79%
BBC News 24	90%	97%
BBC Parliament	90%	97%
Regional Programming		
Hours of regional programming	6,580	7,212
Hours of programmes made in the relevant area	95%	99.9%
Hours of BBC One news	3,920	4,799
Hours of BBC One news in peak	2,010	2,355
Hours of non-news programming in peak	1,030	1,060
All non-news programmes adjacent to peak	355	375

We exceeded all our Ofcom quotas once more last year. Note, however, that these figures are the BBC's own assessment. Ofcom will formally report on our performance in its Communications Market 2009 Review, due to be published later in the year.

Chart 2/ Network television reach versus main competitor groups %

The UK has a dynamic television broadcast sector, with no one player dominating the market to the detriment of others. UK audiences expect – and value – choice and quality, and exercise that choice.

All BBC Television

07/08	85.0
08/09	84.6

Total other channels

07/08	70.6
08/09	75.0

All ITV

07/08	75.4
08/09	75.1

All Channel 4

07/08	66.6
08/09	66.7

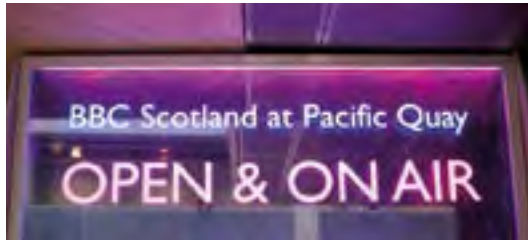
All five

07/08	42.8
08/09	44.4

All Sky

07/08	32.5
08/09	35.2

NON-NETWORK BBC TELEVISION/



BBC ONE

The BBC in Scotland, Wales and Northern Ireland also offers more bespoke national services to viewers. Each week, programmes are made by each of the three nations to complement the networked BBC One schedule in terms of distinctiveness, breadth and quality – but which are designed to reflect and support national culture within the nation. These programmes displace or replace content otherwise available on BBC One network. Each of the three nations is expected to fulfil the expectations of a national service licence. These are written to ensure that our Nations’ offers remain consistent each year, and reflect the key issues and developments affecting the lives of audiences there. Last year, the specific priorities noted for BBC One in the Nations were:

Scotland: history project

A third of people living in Scotland (1.6 million) watched the landmark television series *A History of Scotland*. Produced in partnership with the Open University, it had an average audience of 526,000 and a further 210,000 tuned in to the Sunday evening repeat. The series was also broadcast on BBC Two network in early 2009 and each of the five episodes averaged more than two million viewers, making it one of the channel’s most popular Saturday night network shows since the turn of the year.

The series was complemented by schools’ television, concerts by the BBC Scottish Symphony Orchestra, radio programmes and an accompanying website, incorporating audio guides around sites of historical interest and video clips from BBC Scotland’s rich programme archive.

Next year our priorities include increased coverage of business news, and coverage of the UK and European elections, as well as a focus on developing and showcasing new comedy and drama.

Wales: promoting learning to broad audiences

In 2007, *Coal House* captured the imagination of our viewers. Last year we extended this and *Coal House at War* brought 1944 in a south Wales mining community to life and made modern history accessible to audiences of all ages. Stripped four times a week over three weeks, the series was particularly successful in attracting young families.

In the week-long series *Hospital 24/7*, BBC Wales opened the doors of the largest teaching hospital in Wales, revealing the personalities and specialists that deliver core health services in Wales.

Looking to 2009/10, our priorities include new pre-watershed drama to attract a broader audience profile and to continue to act as a powerhouse for new talent.

Northern Ireland: coverage of the Northern Ireland Assembly and political issues

We reflected a changing and sometimes complex news agenda, including the work of the Northern Ireland Assembly. Our investigative current affairs strand *Spotlight* looked at the impact of the economic downturn and the continuing extent of community divisions, including a special report on the fatal shootings in Antrim and Craigavon. *BBC Newsline* improved its audience share and undertook a number of theme-based reports on social issues and concerns – some of them suggested by members of its e-panel. Audience appreciation scores for *BBC Newsline* remained consistently higher than those achieved by comparator news programmes. We delivered 491 hours of television news and current affairs in 2008/09.

Table 9/ All BBC television spend outside London – Network and Nations and Regions

The table shows our spend on BBC television programmes made in the Nations and Regions.

	08/09 £m	07/08 £m
England	329	339
Northern Ireland	36	36
Scotland	98	97
Wales	53	60
	516	532





“MAKING PROGRAMMES WITH THE BEST EXISTING AND EMERGING LOCAL TALENT FOR OUR VIEWERS IS A PRIVILEGE. WE ACTIVELY SUPPORT LOCAL CREATIVITY AND SKILLS TRAINING IN ORDER TO EXTEND OUR NATIONAL TALENT BASE.”
 MENNA RICHARDS, DIRECTOR,
 BBC CYMRU WALES

Northern Ireland: reflect changes and diversity of Northern Ireland

We explored events from the recent past in documentaries about the Maze escape and the establishment of the civil rights movement in 1968. These programmes were broadcast as part of a new television schedule which included landmark local programming in peak time. Other commissions sought to reflect the diversity of community life and included an affectionate portrait of a group of children and their enthusiasm for disco dancing in *Disco Babes*, a *Season Ticket Special* on local Olympians and *Dying for a Drink* which looked at issues around alcohol misuse and its cost to individuals and society. Our non-news local programming for BBC television audiences in Northern Ireland achieved an average share of 28.1% – a modest increase on the 2007/08.

In the year ahead we will examine a broad range of political and non-political issues and developments across our news and current affairs programming, including the continuing effects of the Troubles, local education, teenage parents and suicide.

BBC TWO

BBC Two in Scotland, Wales and Northern Ireland also provide opportunities for targeted programming that meets the needs and interests of local audiences across the range of genres. Last year only BBC Scotland had a specific priority for BBC Two:

Scotland: well-being programmes for the over-50s

In an innovative programme initiative, we partnered with The Big Lottery Fund to produce *PrimeTime*, a six part series to celebrate and promote health and well-being for the over-50s in Scotland. With £3million available to the most deserving projects, 150 groups, from across Scotland applied: 18 made it through to the finals with six eventually chosen by public vote. Supported by a dedicated media literacy campaign, the series attracted an average weekly audience of 75,000.

PROGRAMMES NOT AVAILABLE ANYWHERE ELSE

Each of the nations also supplied a broad range of programmes – from arts to drama, from live performance to history, from comedy to politics – that engaged with and delighted their viewers across all our channels and services.

In Scotland, the three part *World According to Robert Burns* drew an average audience of 180,000, with plaudits from viewers, many of whom told us they found the series to be original and different. It formed part of BBC Scotland’s celebration of the 250th anniversary of the birth of the bard which included a comedy ‘mockumentary’ and a Burns Celtic Connections concert on BBC One Scotland, special programming on Radio Scotland and the first audio recordings made to an online archive of the 600 plus poetic works of Burns, with contributions from HRH Prince of Wales, the First Minister and other well-known figures.





“THE BBC PROVIDES COMPREHENSIVE SERVICES IN EACH NATION WHICH VIEW THE WORLD FROM A SHARED PERSPECTIVE WITH THEIR AUDIENCES. WE REFLECT OUR PART OF THE UK BACK TO ITSELF.”
KEN MACQUARRIE, DIRECTOR,
BBC SCOTLAND

In Wales, our childhood season *What Are We Doing to Our Kids?* explored a range of contemporary social issues, and included the series *Changing Lives* which saw teenage siblings swap homes for a week, exposing contrasting approaches to discipline, diet and housework. Peaktime documentary, *One Family in Wales* highlighted the often corrosive impact of poverty on childhood and levels of personal aspiration. A quarter of a million viewers in Wales saw this challenging programme. The South Wales Valleys-based sitcom *High Hopes*, written by Boyd Clack, returned and the final series of long-running drama *Belonging* once more proved popular.

The landscape and history of Wales is important to our heartland audience, and last year we explored *Secret Wales* while *Big Country* reflected life in the three national parks of Wales. Monty Python's Terry Jones followed John Ogilby's trail through Wales – he was the man who in 1675 produced the world's first road atlas. Using new technology and an array of experts, layers of the Welsh countryside were peeled back to expose some surprising *Hidden Histories*.

BBC Northern Ireland developed a new series for young children about diversity and personal development themes. *The Sesame Tree* project was brought to our screens in association with Sesame Street Workshop and produced by local independent company Sixteen South. Other learning-related output included *Na Doai*, an Irish language series for 3–5 year olds.

Irish language output became a more consistent feature of our weekday evening schedule and included a mix of drama and magazine-style programmes. Ulster-Scots output included a further series of *A Dander with Drennan*. All of our programming in this area reflects the additional commitments arising out of a review exercise initiated by the BBC Trust.

The work of the Northern Ireland Assembly and local political developments were covered as part of *Stormont Live* and within *Hearts and Minds*. Its combination of reports, extended interviews and contributor comments remains popular with local audiences and reaches a secondary audience with a later repeat screening on BBC One.

New talent, programme ideas and production techniques have been showcased in the 10pm slot on Friday evenings, as part of our commitment to reaching younger audiences with programming that reflects their lives and interests and which provides opportunities for new talent and innovation. Slot share among 16–24s went up from 4.1% to 4.6%.

The BBC has different priorities for audiences in Scotland, Wales and Northern Ireland. Some of these are given below. For more information about our services in each Nation, or for up-to-the-minute news, weather and sport information, check out their websites.

In the year ahead:

BBC Scotland will look to address this year's slight share underperformance on BBC Two with programming that connects closely with our audiences in Scotland, including documentaries *The Scots Who Made the Modern World*, *The Lighthouse Stevensons* and *Walking Wounded*, which will follow the personal stories of the rehabilitation into society of recent Scottish war veterans. New comedy and drama will also be a feature of the schedules and we will broaden our range of sports coverage with programmes such as *Sport Monthly*.

See www.bbc.co.uk/scotland

BBC Cymru Wales' series *Telly Tales*, co-commissioned with CBeebies, was created by children for children. It uses innovative animation and live action techniques to bring popular folk stories from around the world to life for the children of today. We will continue to seek out further opportunities for innovation.

See www.bbc.co.uk/wales





BBC Northern Ireland will seek to consolidate recent scheduling developments and to maintain the diversity and appeal of our indigenous minority language programming. *Stormont Live* will remain an important feature of our output and will be complemented by developments associated with the BBC's *Digital Democracy* project. Local comedy talent will be showcased in a new television series and we will continue to explore how BBC Two can facilitate new and innovative programming aimed at more specialist audiences.

See www.bbc.co.uk/northernireland

BBC CYMRU WALES ON S4C

We contribute more than ten hours of programming to S4C each week. Highlights this year included:

Daily news service *Newyddion* and *Ffeil* (news for children), both saw increased audiences.

Pawb a'i Farn (*Question Time*) averaged 36,000 viewers: we adapted the format for Radio Cymru.

131 hours of the *National Eisteddfod*, including some Red Button content. The week's Top 20 most watched programmes on S4C were all from the BBC.

Daily drama *Pobol y Cwm* remains S4C's most watched programme – weekday audiences were at their highest levels for six years (50,000).

In *America 08: Dewi Llwyd ar Daith*, the *Newyddion* presenter, travelled the breadth of the USA to discuss the Presidential Election with Welsh speaking Americans.

New children's programming included magazine *Mosgito* and a children's version of Mastermind called *Mastermind Plant Cymru*, with the familiar black chair and format.

The Welsh language interface to the BBC iPlayer was launched, offering most of our Welsh language television programmes after S4C's exclusive seven day window.

In the year ahead, the news provision will be extended to provide a regular news service throughout the day with additional daily and evening bulletins.

Table 10/ BBC network and local television hours of output from the nations and regions

The table shows where 2008/09 originated programmes were made and broadcast.

	London (ER only)		England (excl. London)		Northern Ireland		Scotland		Wales		Total	
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
First Transmission:												
Originated programmes Network												
BBC	–	–	844	963	9	10	193	139	74	92	1,120	1,204
Independents	–	–	848	948	5	21	50	93	27	15	930	1,077
BBC ALBA in-house	–	–	–	–	–	–	194	–	–	–	194	–
BBC ALBA independents	–	–	–	–	–	–	394	–	–	–	394	–
Sub-total	–	–	1,692	1,911	14	31	831	232	101	107	2,638	2,281
First Transmission:												
Originated programmes Nations and Regions												
BBC	316	314	3,797	3,760	564	556	657	723	580	642	5,914	5,995
Independents	13	13	54	61	98	101	152	134	140	124	457	433
Sub-total	329	327	3,851	3,821	662	657	809	857	720	766	6,371	6,428
Total	329	327	5,543	5,732	676	688	1,640	1,089	821	873	9,009	8,709

Note: based on Ofcom definitions and therefore excludes News and Foreign productions.

RADIO/



“EVEN IN A WORLD OF GROWING CHOICE, OUR FOCUS ON OUTSTANDING QUALITY MEANS THAT BBC RADIO REMAINS AT THE HEART OF MILLIONS OF PEOPLE’S LIVES AND CENTRAL TO OUR CULTURE.”

TIM DAVIE, DIRECTOR OF AUDIO & MUSIC

HOW WE DID LAST YEAR

METRIC	HOW OUR SERVICES ¹ DID	WHAT THIS MEANS
REACH	66%	Two thirds of all radio listeners (66%) tune in to BBC radio each week – around one in four listeners go to Radio 4, our most distinctive speech radio service and the biggest commissioner of original drama by hours in the world: 661 hours last year. Radio 3's audience grew slightly to two million last year.
QUALITY	48%	Nearly half (48%) of all programmes on BBC radio (including output on nations and local radio services) had a high appreciation score of 80+, up from 42% the previous year.
IMPACT	115	BBC radio services, orchestras and presenters won a host of awards last year – over 115 in total – including a Walpole Award for Radio 3's Proms coverage and The Midem Opera Award for the BBC Symphony Orchestra's recording of Janáček's <i>The Excursion of Mr Broucek</i> . Simon Mayo was the Broadcasting Press Guild Award's Radio Broadcaster of the year, while Sony's UK Station of the Year went to Radio 4.
VALUE	1.6p	The average cost per listener hour (number of hours of programmes divided by number of listener hours) across our portfolio of radio channels is 1.6p. Our most expensive services, by this metric, are the important and unique national language services Radio nan Gàidheal and Radio Cymru; the cheapest – notwithstanding the amount of live music they each offer – are the popular Radio 2 and Radio 1.



¹ Figures are based on services, in line with the service licence regime monitored by the BBC Trust.

RADIO/

2008/09 WAS A STRONG YEAR FOR BBC NETWORK RADIO, WITH NEARLY 60% OF ALL ADULTS IN THE UK (29.8 MILLION) TUNING IN FOR AT LEAST 15 MINUTES EACH WEEK.

The consistency of this performance with previous years reflects the distinctive and high-quality content the BBC offered to audiences across our portfolio during the year.

The highlights of our 2008/09 output have included a sell-out Proms season, a succession of landmark factual programmes on BBC Radio 4 – including *Big Bang Day*, broadcasting live from the control room at CERN as the Large Hadron Collider was switched on – high-impact social action campaigns on BBC Radio 1 and BBC iXtra, and exceptionally detailed, in-depth reporting on the UK and global economic situation across our stations. BBC Radio 3 had a year of outstanding programming with 600 full concerts and operas, and 40 new dramas.

Realising the enormous benefits digital listening can offer to audiences remains a key priority for BBC Network Radio. Our digital stations have continued to develop and ten million people now listen to our services via digital platforms each week. We have continued to develop our online and interactive offering, integrating our radio services into iPlayer and building a varied portfolio of podcast services including popular shows such as Radio 4's *Friday Night Comedy* as well as offerings such as the Arts and Ideas podcast from Radio 3's *Night Waves*. Last year we had 7.6 million podcast downloads on average each month in the UK – and a further ten million or so globally as listeners everywhere gained access to the best of UK speech and music audio content.

In the next 12 months and beyond, subject to Trust approval in some instances, we will be collaborating with providers of commercial radio companies on a range of projects aimed at growing the market and ensuring that radio as a whole has a voice in the new media environment.

We will, for example, work to establish an online radio player that enables listeners to access all UK-originated radio from a single location on the web, and we shall seek opportunities to increase access to the player through syndication to other websites (such as social networking sites). At the same time, the BBC will set up a new industry forum with the leadership of the UK's commercial radio sector. We will use BBC expertise and technology to benefit the sector as a whole and, together, we will continue to give our audiences a high-quality and diverse choice of listening.

Overall, during 2008/09 BBC network radio has continued to inform, educate and entertain listeners with an exceptional breadth and quality of output, and we shall continue to extend our creative ambition across all our services over the coming year.

The Russell Brand Show on Radio 2

Two editions of *The Russell Brand Show* from October elicited nearly 43,000 complaints. The BBC Trust's Editorial Standards Committee found that there had been a number of serious breaches of the BBC's Editorial Guidelines. A subsequent investigation by Ofcom resulted in fines of £80,000 (for unwarranted infringements of privacy) and £70,000 (harm and offence).

Since then action has been taken across the group to strengthen editorial controls. The areas we have been looking at include:

- strengthening compliance processes
- additional production support in some production areas
- clearer accountability and referral
- new guidance for talent-owned Independent production companies
- bespoke training

This review is ongoing and we will be re-visiting all our processes on a regular basis.



Chart 3/ BBC radio reach versus main competitor groups %

All BBC Radio

07/08	66.3
08/09	65.6

All Commercial Radio

07/08	62.1
08/09	61.6

Virgin AM/FM*

07/08	4.9
08/09	4.3

Classic FM

07/08	11.3
08/09	11.0

TalkSPORT

07/08	4.8
08/09	4.8

* Now broadcasting under the Absolute brand.

Table II/ BBC Network Radio hours of output by genre

The table shows the number of hours of each genre broadcast in total from all our radio stations.

	2008/09	2007/08
Music	40,626	40,540
News and weather	12,138	12,127
Sport	4,408	4,517
Factual	2,103	2,059
Current affairs	2,542	2,511
Drama	4,529	4,660
Arts	904	927
Entertainment	6,435	6,620
Religion	1,118	1,114
Schools	128	168
Children's	1,484	1,373
Presentation	2,000	2,084
National Opts	286	258
Total hours	78,701	78,958

As a result of changes in the classification of some entertainment programmes the comparatives have been restated.

We welcomed the National Audit Office's review of radio production efficiency last year, which recognised that some savings have already been achieved. However, we are determined to increase efficiency further, without compromising the quality of our programmes. We will be reporting progress to the Trust on this next year.



BBC
RADIO

1

BBC RADIO 1 AIMS TO OFFER 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.

REACH

21.3%

COST PER
LISTENER HOUR

0.6p

- Last year, average weekly reach to the station was 21.3%/10.8 million (2008: 21.5%/10.8 million). We play a particularly important role in engaging younger audiences with BBC Radio, and reach among our target 15–29s was 42.4%.
- Last year around one quarter (23%) of Radio 1 programmes had high appreciation scores of 80+.
- The average cost per listener hour was constant at 0.6p (2008: 0.6p).

Highlights from the year included:

INNOVATION AND CREATIVITY

Key projects included *Radio 1 Presents Metallica*, visualised radio experiments including *ScottCam* and *The Chris Moyles Show* during January, a Bank Holiday ‘takeover’ of our daytime output by some specialist presenters, and the *International Radio 1* documentaries focused on the music and culture of a series of foreign city and countries. We developed more in-depth coverage of UK and international films in Edith Bowman’s weekday show, a more comprehensive ‘blog’ online and several movie-themed days.

YOUNGER AUDIENCES

Our collaborations with BBC Switch included the first *Switch Live* music event which saw 4,000 under-18s enjoy a varied live line-up of UK and international acts – we broadcast performances and backstage interviews on the night. We also re-vamped the Switch website, linking all elements of the Switch family including the radio and TV editions of *The Surgery*.

SOCIAL ACTION

For three weeks across August and September, Radio 1’s *Alcohol Experiment* looked at the risks of excessive drinking. *Surgery* presenter Aled Jones drank twice the recommended daily amount of alcohol for the course of the experiment, reporting the short-term ill-effects of excessive alcohol consumption on air and in an online video diary. A careers campaign in November featured a range of celebrities, including Sir Alan Sugar and Louis Walsh, talking about their careers and answering listeners’ questions. We also ran a high-profile money and finance campaign in January.

MORE CONTENT ACROSS THE WEB

Alongside our own website, we continue to seek opportunities to exploit the web as a whole. We offered free ‘Christmas Presents’ – exclusive BBC session and live lounge performances, each available to download for 24 hours – and had around 600,000 UK downloads over the 12 days. We have an active presence on several third-party sites, including Facebook and Bebo, and we explore opportunities to syndicate audio and video where it is appropriate to do so.

In the coming year we shall ensure that BBC Radio 1 continues to engage with the next generation of young listeners, with initiatives including an under-18s club tour in the summer and a second *Switch Live* event in the autumn, alongside social action campaigns that we will run in conjunction with *Switch* and *BBC iXtra*.

Top: Country Acid House from Alabama3 formed part of our coverage from Glastonbury.

Middle and bottom: *Radio 1’s Big Weekend 2008*, from Maidstone in Kent. One of the many live events we were involved with this year.



BBC RADIO 2 BRINGS LISTENERS A BROAD RANGE OF POPULAR AND SPECIALIST MUSIC WITH A PARTICULAR FOCUS ON BRITISH TALENT AND LIVE PERFORMANCES, COMPLEMENTED BY SPEECH OUTPUT THAT COVERS CURRENT AFFAIRS, DOCUMENTARIES, RELIGION AND THE ARTS.



Top: Elaine Paige with one of her Sunday afternoon guests, singer Johnny Mathis.

Bottom: Performances this year included Neil Diamond in concert for Radio 2 Live.



- Radio 2 remains the UK's most popular radio station with average weekly reach to the station last year of 26.1%/13.3 million (2008: 26.2%/13.2 million).
- Nearly two thirds (63%) of Radio 2 programmes had a high appreciation score of 80+.
- The average cost per listener hour in 2008/09 was constant at 0.5p (2007: 0.5p).

Last year our priorities included:

BRITISH SONGWRITING

We explored and celebrated British songwriting throughout the year. *The Great British Songbook* was launched at a live event in November, with the performers – The Feeling, Duffy, Adele, James Morrison and Keane – all including a cover track in their sets that was featured in daytime programming the following week. We took the initiative online with video interviews with new and emerging artists (such as Gary Go and Daniel Merriweather), and in March we offered the Great British Songbook Player, showcasing all the online content in a single easy-to-access module.

LIVE PERFORMANCE

Our live events covered a wide range of performances, from the large scale events of *Proms In The Park* and the Blackpool Lights to intimate sessions at the Maida Vale Studios. There were outstanding concerts from the likes of Neil Diamond, and Elbow in concert with the BBC Concert Orchestra (the most successful digital music project in BBC history, with nearly one million requests to see the concert via Red Button). Other live music was featured in programmes such as *Big Band Special*, *Friday Night Is Music Night* and in programmes from Bob Harris, Dermot O'Leary and Paul Jones, contributing to 260 hours of live music per year.

COMMITMENT TO UK COMEDY

We have extended our commitment to UK comedy talent, seeking out a new generation of performers whilst developing new formats with established artists. We featured emerging talents including Jason Byrne and Miranda Hart, and one-off pilots with Rhod Gilbert and Ivan Brackenbury, whilst returning strands included *Clive Anderson's Chat Room*, *Out To Lunch*, *On The Blog* and *The Blogger's Guide*.

SPEECH PROGRAMMES

Alongside our music and comedy programmes, our listeners have enjoyed a wide range of speech content this year. Our presenters interviewed personalities including the Prime Minister and the leaders of the other major political parties, ABC's Martin Fry and Scottish folk star Dick Gaughan. Meanwhile, our music documentaries covered the full range of popular genres and their social context, with highlights this year including actress Sue Johnston's exploration of the history and impact of the song *You'll Never Walk Alone* during our Liverpool Season; Paul Gambaccini's six-part series *Jac Holzman's Elektra Story* charting the history of the influential US label; and comedian Lee Mack's *Soup in a Basket* that looked back to the 1960s heyday of Northern clubs.

PROGRAMMING FOR SPECIAL AUDIENCES

Once again, we broadcast programmes linking British servicemen overseas with their families in the UK. As in previous years, Jeremy Vine's final show before Christmas featured Jeremy and Canon Roger Royle reading special messages from families to their loved ones and service personnel sharing their own Christmas plans. We also broadcast a special edition of Chris Evans' show live from the army base at Dhekelia in Cyprus, hosted by the Princess of Wales's Royal Regiment, Second Battalion.

Next year we plan to extend our focus on jazz, with documentaries celebrating the 70th anniversary of the founding of Blue Note Records and the life of Billie Holiday, as well as programmes exploring the work of artists including Miles Davis, Benny Goodman and Nat King Cole.

REACH
26.1%

COST PER
LISTENER HOUR
0.5p



BBC
RADIO



90 – 93FM

BBC RADIO 3 CENTRES ON CLASSICAL MUSIC, AROUND WHICH WE PROVIDE A BROAD OFFERING OF JAZZ, WORLD MUSIC, ARTS PROGRAMMES AND DRAMA; WE ALSO PLACE A STRONG EMPHASIS ON MUSICAL PERFORMANCE FROM ACROSS THE UK.

Top: There are five BBC orchestras, plus the BBC Singers – the UK's only full-time professional choir.

Middle top: Bands Tuung and Tinariwen recording a session for *Late Junction*.

Middle bottom: *World Roots in China* included music from these Uyghur musicians.

Bottom: Presenter, writer and producer Suzy Klein, pictured outside the Royal Albert Hall, home of the BBC Proms.



SPEECH AND IDEAS

Our speech programmes regularly offered international perspectives, particularly through the broad agenda of *Night Waves* and contributions to the pan-BBC China Season, including reports from remote areas on threatened musical cultures. *Rites of Spring* considered aspects of the season in music and speech, ranging from a new nature-inspired commission to consideration of global warming. The third edition of *Free Thinking*, a festival of ideas examining contemporary issues, provided a forum for public engagement with our ideas output. Staged in the 2008 European Capital of Culture, Liverpool, audiences were able to debate with public figures, such as Trevor Phillips and Tony Benn. In preparation for the event, Radio 3 broadcast provocative daily reflections from leading thinkers, *Free Thoughts*.

ORIGINAL DRAMA

In another wide-ranging year for drama, we broadcast over 40 new productions, including works by Racine, Marlowe, Lorca and Lampedusa, as well as contemporary drama about Piper Alpha, the Good Friday Agreement and the 7/7 bombings.

During 2009/10 Radio 3 will focus particularly on four leading composers who had close associations with the UK: Purcell (b.1659), Handel (d.1759), Haydn (d.1809) and Mendelssohn (b.1809).

REACH

3.9%

COST PER LISTENER HOUR

6.3p

- Last year, reach to Radio 3 was 3.9%/2.0 million (2008: 3.7%/1.9 million).
- Radio 3 has the highest appreciation scores of all BBC radio networks – 82% of its programmes had an appreciation score of 80+.
- The network's cost per listener hour was stable at 6.3p (2008: 6.4p).

Our highlights during 2008/09 included:

MUSICAL PERFORMANCE, BRITISH CULTURE AND CREATIVITY

We broadcast over 600 complete concerts and operas from venues and festivals across the UK and beyond, and used major anniversaries as a means of deepening engagement with British culture. The 50th anniversary of Vaughan Williams' death was reflected through new insights and Proms concerts, while – 400 years after his birth – John Milton was celebrated in an extended season, including a complete reading of *Paradise Lost*. The Proms provided deeper context for music performances through *Proms Plus*, a daily series of related talks and discussions. We sought to develop public creativity by extending the New Generation Artist Scheme and by providing spaces for audience participation, for instance through 'Pianothons' in various UK centres.



BBC
RADIO



92-95 FM

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.



REACH
19.1%

COST PER
LISTENER HOUR
1.3p

- Last year, average weekly reach to Radio 4 was 19.1%/9.7 million (2008: 18.7%/9.4 million).
- 59% of Radio 4 programmes had a high appreciation score last year.
- The average cost per listener hour last year was stable at 1.3p (2008: 1.3p).

Our priorities during the year included:

REPORTING THE ECONOMY

As the global economic downturn deepened, daily news and weekly current affairs programmes offered continuing coverage and analysis, while challenging prominent figures on their record. Evan Davis's arrival at *Today* was welcomed, both for his distinctive tone and for his expertise in the biggest story of the year. Listener numbers increased by about a quarter of a million year-on-year to 6.7 million in Quarter 1 2009, the programme's highest weekly reach figure in over seven years.

INNOVATIVE COMEDY

New formats included *Act Your Age*, with different generations of comics pitting their wits against each other; and *I've Never Seen Star Wars* – a twist on the chat show, hosted by Marcus Brigstocke in which guests such as Phil Jupitus, Barry Cryer and Dame Joan Bakewell undertook a set of activities for the first time. The format has already been adapted for TV, as has another original radio format, Dave Gorman's *Genius*.

LANDMARK FACTUAL PROGRAMMING

World on the Move, the most ambitious radio natural history project ever, was a 34-part series of live reports on animal migrations across five continents. September's *Big Bang Day* saw our schedule focus on the switch-on of the world's largest particle accelerator, with unique access to the control room at CERN and extended coverage of the event alongside related comedy and drama programmes. The website had 252,000 unique users. An extensive season of programmes about 1968 remembered and debated a turbulent year, and included *1968 Day by Day*, a four-minute archive-based programme presented by John Tusa and broadcast daily for six months. The weekly omnibus achieved a 18.4% share, a record in the slot.

HIGH IMPACT DRAMA

Our drama continued to attract big names including Jim Broadbent, Johnny Vegas and John Prescott in *The Ragged Trousered Philanthropists*, Juliet Stevenson, Jeremy Irons and Bill Nighy. *The Hunchback of Notre Dame* was a unique collaboration with Graeae, the disabled-led theatre company. We experimented with visualisation (via Red Button) in *The City Speaks*. Over the year we extended our range of podcasts, achieving 72,000 downloads for the sci-fi drama *Torchwood*, a record for a one-off BBC radio programme.

In 2009/10, *Americana*, a new weekly series, will offer fresh perspectives on the culture and politics of the US. We will also launch a large scale drama project: a dramatisation of the complete series of George Smiley novels by John le Carré, with Simon Russell Beale as the master spy.

Top: H.H. The Dalai Lama interviewed by Evan Davis of the *Today* programme.

Middle: Marcus Brigstocke, host of Radio 4's *I've Never Seen Star Wars* (now also on BBC Two – shown here).

Bottom left: John Tusa, who presented *1968 Day by Day* daily for six months.

Bottom right: Cast members of *The Ragged Trousered Philanthropists*, Andrew Lynch's adaptation of Robert Tressell's celebrated masterpiece.





BBC RADIO 5 LIVE BROADCASTS LIVE NEWS AND SPORT 24 HOURS A DAY, COVERING EVENTS AS THEY HAPPEN IN AN ACCESSIBLE STYLE THAT EMBRACES CONTRIBUTIONS FROM OUR LISTENERS.

Top: Victoria Derbyshire, presenter of the weekday morning show.

Middle: Gabby Logan was part of our Wimbledon team, bringing daily live coverage of the tournament.

Bottom: Simon Mayo interviews Prime Minister Gordon Brown.



DEVELOPING INVESTIGATIVE JOURNALISM

We launched the new investigative programme *Donal MacIntyre*, which has built the profile of our investigative journalism and engaged a wider audience. Topics investigated included social housing fraud with reports from Reading, Northampton, Exeter and Northern Ireland; the sex industry, with an unusual report on women who pay for male escorts; the complex tax practice of 'carousel fraud' which costs European taxpayers an estimated £170 billion each year; and an investigation into places which have become no-go areas for ambulance crews.

INNOVATIVE SPORTS COVERAGE

We provided live coverage of all 47 medal-winning performances by Team GB at the Beijing Olympics. During the event, reporters made a series of special short films and placed them on our website and on YouTube. A special 'Behind the Scenes' programme and podcast explored how coverage of major sporting events is made. Elsewhere, the Football Player, a customisable online service aggregating all the latest news on teams around the UK, launched in August and accumulated almost a million unique users and 7.5 million page impressions by the end of March.

In 2009/10 5 live will offer innovative multiplatform sports content around the key events of the year, including Wimbledon and the Winter Olympics, and we will make even more sports content available on the Red Button, mobile and online. We will also develop new ways to foster audience participation, with a particular focus on coverage of the next UK General Election.

- Last year, average weekly reach to BBC Radio 5 live was 11.9%/6.0 million (2008: 11.7%/5.9 million), with 1.3 million listeners who listened to no other BBC Radio station. We have the highest proportion of digital listening (25.8%) of all BBC stations that are also available via analogue broadcasts.
- The average cost per listener hour in 2008/09 was 2.3p, constant on 2008 figures.

In 2008/09 highlights included:

HIGH-QUALITY AND DISTINCTIVE NEWS OUTPUT

We have created a core news team to provide bulletins and coverage of breaking news tailored to our audience. Our coverage of the US presidential election provided a unique perspective to our listeners by basing our coverage outside Washington D.C., and by capturing the stories and opinions of voters from across the US and of black listeners in the UK. Our programming on the economic downturn explained the issues underneath the technical language, including the two hour-long specials *Fighting The Credit Crunch* which provided immediate practical advice in response to listeners' questions.

REACH
11.9%

COST PER LISTENER HOUR
2.3p



BBC RADIO 5 live sports extra IS A PART-TIME NETWORK THAT PROVIDES ADDITIONAL SPORTS COVERAGE USING RIGHTS ALREADY OWNED BY THE BBC, TO DELIVER GREATER VALUE TO LICENCE FEE PAYERS.

Top: Cricket commentator Jonathan Agnew.

Bottom: We are the home of cricket on BBC radio.



In 2009/10 we shall increase our focus on promoting digital listening by providing high-quality and distinctive programmes that are unique to digital radio, including coverage of every ball of the Ashes series and special coverage of the first-ever Ashes test in Wales, and an increased focus on Football League coverage.

REACH
1.4%

COST PER LISTENER HOUR
2.6p

- Radio 5 live sports extra's weekly broadcast and listening hours vary across the year in accordance with the sporting calendar. On average during 2008/09, the channel had a 15-minute weekly reach to adults aged 15+ of 1.4%, equal to 0.7 million (2008: 1.5% or 0.7 million).
- The average cost per listener hour was stable year-on-year at 2.6p (2008: 2.4p).

Our priorities last year included:

THE HOME OF CRICKET

We have continued to develop and promote the station as the home of cricket on BBC Radio. In particular, we developed a new style of 'access all areas' cricket commentary for the Twenty20 Finals Day at the Oval in July, called '3-D cricket', with commentators placed on the boundary edge and in the players' dug-outs as well as in the commentary box. We also provided full commentary on the England team's high-profile one-day and Test series in India and the West Indies.

PROMOTING 5 LIVE SPORTS EXTRA

We have identified new ways to build awareness of the station and increase its audience, broadcasting replays and highlights loops from major live sporting events – including boxing world title fights, the US Open men's tennis and Formula 1 Grands Prix – for listeners unable to listen at the time of the original broadcast. This new form of content has proven popular with audiences – over 270,000 listened to Formula 1 from Melbourne via iPlayer – and has given us further opportunities to promote the station from Radio 5 live.



BBC
RADIO



BBC iXTRA PLAYS THE BEST IN CONTEMPORARY BLACK MUSIC, WITH A STRONG EMPHASIS ON DELIVERING HIGH-QUALITY LIVE MUSIC AND SUPPORTING NEW UK ARTISTS.

Top: Jay-Z headlining the Saturday night at Glastonbury.
Bottom: *MistaJam* on weekday evenings – featuring the top 10s.



- Last year, average weekly reach to BBC iXtra was 1.1%/0.6 million (2008: 0.9%/0.5 million).
- The average cost per listener hour was stable at 4.5p (2008: 4.8p).

Highlights have included:

BREAKFAST AND EARLY-EVENING SCHEDULE

iXtra Breakfast and *MistaJam*'s early evening programme are now firmly established as key showcases for the network and create focal points for our audience. Trevor Nelson's show is a high-profile entry point to the station for listeners at the start of the day, whilst *MistaJam* provides a 'key to the underground' to deepen audiences' engagement with contemporary black music. BBC iXtra's audience profile is thus distinct from many traditional radio stations, with two 'peaks': one in mid-morning and another in the evening.

LIVE MUSIC

Our live music coverage included Jay-Z's much talked-about headline performance at Glastonbury, as well as extensive highlights from the Notting Hill and Leeds carnivals. We supported up-and-coming talent through a series of sessions throughout the year; and a *HomeGrown Introducing* tour, featuring new and developing UK artists.

SOCIAL ACTION CAMPAIGNS

We have worked with Radio 1 and BBC Switch to increase the impact of our social action campaigns. As with Radio 1, BBC iXtra's Alcohol Experiment examined the dangers of excessive alcohol consumption for three weeks during August and September; and a campaign focusing on personal finance in January featured breakfast presenter Gemma Carney attempting to survive on a strict and limited budget.

BUILDING THE STATION'S PROFILE

We have increased awareness of the station over the year by sharing content and expertise. In particular, Trevor Nelson's Saturday evening show is broadcast on both BBC iXtra and Radio 1 simultaneously, and we have shared programming from key events including the coverage of Glastonbury and the Notting Hill and Leeds carnivals.

Next year we aim to increase the impact of our social action campaigns, and we are planning a special on-air 'takeover' project for the autumn in which a group of young people will be invited to undergo training and then participate in the station's output and share their perspectives on modern black and urban culture in the UK.

REACH

1.1%

COST PER LISTENER HOUR

4.5p



BBC 6 MUSIC AIMS TO ENGAGE WITH LOVERS OF POPULAR MUSIC BY OFFERING THE BEST OF THE BBC SOUND ARCHIVE ALONGSIDE CURRENT RELEASES OUTSIDE THE MAINSTREAM, COMPLEMENTED BY MUSIC NEWS AND DOCUMENTARIES.

REACH
1.2%

COST PER LISTENER HOUR
3.4p

- BBC 6 Music's reach has increased steadily over the last few years and climbed to a record 681,000 in the final quarter of 2008/09. Overall last year's average weekly reach to the station was 1.2%/0.6 million compared to 1.0%/0.5 million during 2007/08.

- The average cost per listener hour in 2008/09 was down year-on-year to 3.4p (2008: 3.9p).

Our priorities last year included:

NEW BRITISH ARTISTS

We have continued to foster new British artists across our output, with 80% of artists recorded by 6 Music being British and 90% of the new music on *Tom Robinson's Introducing* originating in and recommended by UK listeners. In addition, the *Tom Robinson Unsigned* show exclusively uses content from artists' websites, whilst the live performances broadcast via *The Hub* are a particularly distinctive feature of our offer:

LIVE MUSIC

Over the year we broadcast 330 new sessions, nearly half of which were commissioned from outside London (including regular performances from Manchester for the *Marc Riley* show), and we explored new ways of enhancing the traditional session format to create exciting multimedia experiences for our audience. In particular, the visualisation of Paul Weller and Adele's *Hub Combo* performance was viewed on Red Button by over 530,000 people, 300,000 of whom stayed for an average viewing time of 29 minutes – almost the full session.

SOCIAL ACTION

We addressed listeners' concerns relating to the housing market with the *Gimme Shelter* campaign during November; responding to our audience's priorities by focusing on first-time buying and renting. Presenter Jon Richardson underwent an online diagnosis of his potential as a first-time buyer; whilst Steve Lamacq explored the issues raised by sharing properties with friends, with Matthew Priest of Dodgy and The Bluetones' Mark Morris.

MUSIC NEWS AND DOCUMENTARIES

Our music news service provides a comprehensive view of developments in music, including news of releases, concerts and wider industry developments. In order to make our content available when and where listeners find it most useful, we recently introduced a daily podcast, and have ensured that our online content is distributed as widely as possible through more extensive links with BBC News online.

We will work with BBC newsgathering colleagues across the UK to develop our music news service in 2009/10, tailoring bulletin services to match the changing needs of our audience at different times of the day, potentially leading to changes in the style and format of delivery.

Top: Tom Robinson presents *BBC Introducing*, with internet finds, sessions, interviews and tips.

Middle: Adam Buxton and Joe Cornish, presenters of Saturday morning show *Adam and Joe*.

Bottom: Steve Lamacq plays new music and classic tracks.





BBC
RADIO



BBC 7 IS A SPEECH-BASED DIGITAL RADIO SERVICE OFFERING COMEDY, DRAMA AND READINGS MAINLY FROM THE BBC ARCHIVE. WE ALSO BROADCAST PROGRAMMES FOR CHILDREN.

REACH

1.7%

COST PER
LISTENER HOUR

2.0p

- BBC Radio 7 reach is consistently the highest performing of our digital-only stations, averaging 1.7% last year compared to 1.6% during 2007/08 (0.9 million listeners, up from 0.8 million listeners year-on-year).

- Radio 7's average cost per listener hour in 2008/09 was down to 2.0p (2008: 2.4p).

Last year our highlights included:

HIGH-IMPACT SEASONS

We have worked on improving the impact of our programming by increasing co-ordination with other BBC services. In early 2009 we ran a science fiction season in collaboration with Radio 3 and Radio 4, including the new commission *Planet B*, which was well received and generated nearly 25,000 podcast downloads. A second series has been commissioned for 2009/10. We also participated in pan-BBC Charles Darwin programming, with *The Beagle Diary* and *Voyages of Descent*. In addition, the winning play from the Peter Tinniswood Drama Awards was included in our output commemorating 90 years of Remembrance, as part of pan-BBC Remembrance coverage.

COMEDY

During the year we launched the new series *I Did It My Way*, a new format to explore the BBC's archive. Established comedy performers and writers including Roy Hudd, Andy Hamilton and Graeme Garden introduced and discussed five of their archive comedy programmes. We commissioned a further 20 hours of new comedy, mostly from artists new to radio, and we introduced *Witty and Twisted*, a comedy competition for new talent.

CHILDREN'S PROGRAMMING

In June, we amended our output aimed at younger listeners to offer an innovative three hour CBeebies branded show every day, featuring songs, quizzes, games and simple picture-book/TV tie-in stories. Additionally, the daily one hour *Big Toe Books* offers older children stories by popular children's authors such as Jacqueline Wilson, Roald Dahl and Michael Morpurgo. In order to serve the CBeebies audience better, the programme was moved to an early morning slot in April 2009.

CO-ORDINATION WITH KEY EVENTS AROUND THE UK

We are continuing to improve our engagement with the UK's nations, regions and communities by scheduling programmes to coincide with major local events. Among a range of initiatives, we shared programming with BBC Radio Scotland during two weeks of the Edinburgh Festival; partnered with BBC Merseyside for our Liverpool Season, tying in with the European Capital of Culture celebrations; and recorded a preview programme and interviews with performers at the Leicester Comedy Festival.

Over the coming year we will schedule seasons that deepen audiences' appreciation of the work of writers and artists who have made major contributions to UK culture, including a John Mortimer season introduced by his son, Jeremy, and a celebration of the work of Alan Bennett to mark his 75th birthday.

Top: Kirsten O'Brien, one of the presenters of *Big Toe Books*.

Bottom: Archive content included Simpson and Galton's classic *Hancock's Half Hour*.





BBC ASIAN NETWORK OFFERS CHALLENGING DEBATE, INFORMED JOURNALISM, MUSIC, SPORT, ENTERTAINMENT AND DRAMA TO AUDIENCES OF BRITISH ASIANS FROM DIFFERENT GENERATIONS.



REACH
0.8%

COST PER LISTENER HOUR
6.9p

- Reach to BBC Asian Network has declined over the past year, averaging 0.8%/0.4 million last year compared to 1.0%/0.5 million during 2007/08.
- Asian Network's average cost per listener hour over the year was constant at 6.9p (2008: 6.9p).

We have faced a number of challenges in fulfilling these aims over the past year, but have already taken several major steps to enable us to serve our audiences better, with a particular focus on improving two key areas of our schedule:

NEWS

Our comprehensive news service targets original and distinctive stories at young British Asians. The agenda is set during our breakfast news bulletins, and expanded into *The Wrap*, two 30-minute news programmes at 12.30pm and 6pm on weekdays. Many of the stories feed into wider BBC coverage, for example on British Asians turning to surrogacy in India and the impact of illegal downloads on the Asian music industry.

BREAKFAST PROGRAMMING

We re-launched the weekday breakfast programme in January 2009 to improve its reflection of the editorial breadth of the station and enable it to connect more fully with the audience. In line with the new overall approach for the station as a whole, it aims to make the station's output inclusive, engaging and light, with humour and spontaneity, and broad and national in outlook. Since the re-launch, the programme's reach has increased slightly to 0.3% from 0.2% (by about 20,000 listeners).

MUSIC AND ENTERTAINMENT

We revised and re-launched the weekend schedule in May 2008, to incorporate broader coverage of the key music and entertainment genres. This included a new Breakfast show, followed by a shorter and more focused *Love Bollywood* on Saturdays and Sundays. And we launched a new music request show on Saturday afternoons.

DRAMA

Our daily soap *Silver Street* is set in a Midlands Asian urban community, enabling us to bring together different cultures and generations in stories that cover relationships, family, business, sport and religion. Recent story lines have featured one character's search for his estranged family in Pakistan, a band recording rock versions of Bollywood hits, and a character performing the Hajj (Muslim pilgrimage to Mecca). We transmitted the 1,000th episode last year.

This year we shall continue to refresh the weekday schedule with a new early programme, a later start to *Breakfast* and a time slot swap between the debate and arts/entertainment shows. We shall also increase our coverage of key news stories relating to and affecting the UK's Asian communities, including commissioning 15 new documentaries.

Top: *The Adil Ray Show* at breakfast offers a mix of music, chat and entertainment.

Bottom: Music, star interviews and reviews with Raj and Pablo in *Love Bollywood*.

NATIONS AND REGIONS RADIO/

BBC LOCAL RADIO IN ENGLAND

- BBC Local Radio in England had an average weekly reach of 18.6%/7.1 million (2008: 18.7%/7.5 million in local transmission area).
- We produce and broadcast around 250,000 original hours of live radio each year at an average cost per hour of £0.4k and cost per listener hour of 2.9p – both steady on the previous year (£0.4k and 2.7p).

BBC Local Radio is a primarily speech-based service of news, information and debate. There is a strong emphasis on interactivity, and audience involvement. Our aim is to inspire, inform and entertain, helping our audience to engage with the BBC and get the most out of being a part of their local community.

Attracting underserved audiences

BBC Local Radio in England is aimed at audiences which the BBC does not always reach effectively with its other services. Last year we had an average weekly audience of 7.1 million over the year, over one third of whom (2.8 million) heard no other BBC Radio and one in five (1.5 million) heard no other radio at all. We are working to improve our offer to current and potential audiences, standardise and share best practice and create a distinctive and attractive sound across our portfolio. We aim to build our audience size back to eight million in the next five years.

Continuing to improve information services

Speech journalism sets us apart from local commercial providers, and all our 39 stations are speech-only during the key breakfast period. Our listeners tell us they value highly our information services (giving an average AI of 7.9/10) – and this year we further developed each of our news, sport, weather and travel services. For example, we created a new weather service with more staff to increase and improve output, and we established more informative travel bulletins at the heart of our breakfast and drivetime programmes, from Cornwall to Newcastle.

Embedding Local Radio in our multimedia proposition

As well as a unique local radio content offer, we also provide local multimedia and regional TV output with daily news and our weekly current affairs programme *Inside Out*, both on BBC One peaktime. We have recently begun a process of driving our audience more efficiently between these three offerings, using radio, TV and the web to support each other to offer the most dynamic and effective service to our audience. We will report on how successful this has been in next year's Annual Report.

Our ambition for the year ahead is to work to increase BBC Local Radio audiences in England back to eight million. Each of our stations is crafting its own service plan – under the umbrella of our master Service Licence – which covers, among other things, sharing best practice behaviours and talent management strategies. We aim to build listener numbers with improved editorial and presentational line-ups.

BBC RADIO SCOTLAND

- Radio Scotland remains Scotland's most popular speech based radio station, and increased its reach year-on-year to 21.6%/932,000 (2008: 21.5%/918,000).
- The average listener spends nearly seven and a half hours with us each week. Cost per listener hour was down to 7.1p from 8.5p the year before.

Radio Scotland offers a speech-led service for adults, covering a wide range of genres and reflecting the issues, events, culture and interests of the people of Scotland, and addresses matters of UK and international significance from a Scottish perspective. The channel's service licence commits us to a range of priorities that are designed to ensure that our offer remains consistent as we try to meet this challenge.

Chances to debate issues and ask questions

Our audiences increasingly expect greater opportunities to understand, interrogate and contribute to debate on the decisions that shape modern Scotland and impact their lives. In response, Radio Scotland extended the *Morning Extra* strand, offered live debate with politicians, commentators and opinion formers in *Riddoch Questions* and the flagship news programme, *Good Morning Scotland* saw its average weekly listenership increase.

The Business, which offers a focus on local, national and international business news, *First Minister's Questions*, now on MW and DAB on Thursdays,

RADIO IN ENGLAND

REACH

18.6%

COST PER LISTENER HOUR

2.9p

RADIO SCOTLAND

REACH

21.6%

COST PER LISTENER HOUR

7.1p

Table 12/ All BBC radio spend outside London – Network and Nations and Regions

The table shows the cost of BBC radio programmes made in the Nations and Regions.

	08/09 £m	07/08 £m
England	130	136
Scotland	31	35
Wales	25	27
Northern Ireland	16	15
	202	213



“LOCAL AND NATIONS RADIO IS WHERE LISTENERS CAN HOLD THEIR POLITICAL REPRESENTATIVES TO ACCOUNT, OR ENGAGE CIVIC LEADERS IN DEBATE.”

DAVID HOLDSWORTH, CONTROLLER, BBC ENGLISH REGIONS



and political editor Brian Taylor's daily blog have further strengthened our output, as has the monthly *Investigations* strand.

Produce new comedy and drama, and encourage new writing

Drama and comedy are particularly popular with our radio audiences. Eleven new dramas were broadcast in 2008, including works by Liz Lochhead and Alexander McCall Smith. Innovative comedy was a feature across the year, with new sketch shows *North by North North and Ellis & Clarke*, the four part comedy drama *No Hard Feelings*, with John Gordon Sinclair and Armando Iannucci's reflections on his early career in *The Radio Scotland Years*.

In the year ahead, we intend to increase the impact of our original journalism by increasing our local investigatory documentaries to an average of two per month, with phone-ins to follow each and online blogs to offer more opportunities for audiences to comment and contribute. Subjects will cover public policy, crime, health, education, economics and politics.

Our commitment to new comedy will be maintained and drama, from new and established writers, will feature in our schedule across the year.

RADIO NAN GàIDHEAL

- Last year Radio nan Gàidheal reached 69% of all Gaelic speakers in Scotland in an average week
- The average cost per user was 18.2p (2008: 21.5p).

Radio nan Gàidheal aims to deliver a comprehensive speech and music service for Gaelic speakers, reflecting the issues, events, cultures and interests of the people of Scotland from a Gaelic perspective and through the medium of the Gaelic language. We are Scotland's only dedicated national radio service for Gaelic listeners, offering a wide range of traditional and contemporary content that reaches out to audiences of all ages, from news and current affairs programming to comedy, music and documentary.

RADIO WALES REACH

17.8%

COST PER LISTENER HOUR

5.0p

RADIO NAN GàIDHEAL REACH

69%

COST PER LISTENER HOUR

18.2p

Impartial news and analysis

We offer a unique daily news service. In current affairs issues, we lead a complementary week of special programming across all BBC platforms that focused on this key topic and the impact of spiralling prices on Scotland's rural economies. Recorded on location, our programmes were complemented by, among others, items within BBC Two Scotland's *Eòrpa*, the Gaelic radio and television children's programmes *Aileag* and *Dè a-nis?* and Radio nan Gàidheal's *Thought for the Day*.

Our coverage of the European elections in June will seek to consider, in particular, those issues that impact on the Highlands and Islands, as well as on Gaels wherever they may live.

Learning opportunities, for young and old alike, will be threaded throughout our schedules across the year and we will continue to find different ways of linking radio, television and online platforms further to enrich our audiences' involvement in our output.

RADIO WALES

- BBC Radio Wales is the only national radio station for Wales in the English language, with more listeners than any other Wales-based station. Last year we had an average weekly 15-minute reach of 17.8%/444,000 (2008: 17.9%/437,000).
- The cost per listener hour to Radio Wales was stable year-on-year at 5.0p (2008: 5.3p).

Radio Wales is a speech-led service for adults, covering a wide range of genres and reflecting the issues, events, culture and interests of the people of Wales. Our programmes focus on local and national concerns, but also address matters of UK and international significance.

High-quality, distinctive and topical debates

The economic challenges facing Wales in the recession have been widely discussed from business, political, and consumer viewpoints in *Good Morning Wales*, *Wales@work*, the lunchtime phone-in and *Jamie and Louise*. As part of our involvement in the pan-BBC Wales multiplatform project 'What are we doing to our kids?' we invited young people from across Wales to guest edit the phone-in and to lead debate.

Our community reporters have added to the geographical coverage of Wales with a range of local accents and stories, bringing local and personal texture to stories that are relevant to our listeners across Wales.



Multiplatform projects

Coal House at War saw a series of programmes from Blaenavon, Brecon, Pwllheli and Swansea – as well as coverage across daily output. The BBC Wales Childhood season featured across daily programmes and long form features. The content is now published permanently online. Lolo Williams has been a regular voice on Radio Wales with a companion series to the multiplatform project *Not in my Nature*; as the presenter of short form features on the station.

The Rhod Gilbert Show, *Celtic Heartbeat* and drama *Aberystwyth Mon Amour* are among our most requested podcast content, and *The All Things Considered* and *Scrum V* podcasts continue to perform well. *The Evening Show* published online a series of exclusive performances from Welsh artists.

Next year, we will concentrate on maintaining the growth of the 45–64 target audience for listeners living and working in Wales, consolidating our new daytime schedule. We will use presentation talent to grow new audiences and embrace new technology to support this.

RADIO CYMRU

• BBC Radio Cymru is the BBC’s national Welsh language radio station for Wales. Last year, the station reached 6.4%/158,000 of all listeners in Wales in an average week (in line with 6.2%/151,000 the previous year). 32.7% of fluent Welsh speakers.

• The cost per listener hour for Radio Cymru was down from 13.2p in 2008 to 11.5p last year.

BBC Radio Cymru is a comprehensive speech and music radio service for Welsh speakers, covering a wide range of genres and reflecting the issues, events, culture and interests of the people of Wales. Our programmes focus on local and national concerns, but also address matters of UK and international significance.

Independent news, current affairs and political programming

In 2008 we extended our access and public debate programme *Taro'r Post*, and moved it to an earlier time in our new afternoon schedule. Listener numbers have increased. Our breakfast and drivetime news programme *Post Cyntaf* and *Post Prynawn* continued to perform well, retaining audience appeal despite a highly competitive environment. *Post Cyntaf* remains our best performing show, with an average of 45,000 listeners each morning.

New for 2008 was a Radio Cymru and S4C television simulcast of a debate about climate change. Current affairs programme *Manylu* ran a series of well attended public debate programmes during the year, recorded on location all over Wales. The continuing debate in Westminster and the Welsh Assembly regarding Legislative Competence Orders has been a regular feature within news and current affairs programmes during the year.

Reflect the diverse communities and cultures of Wales

Religious affairs programme *Bwrw Golwg* reflects the diversity of faith groups in Wales, with features on Ramadan and a discussion on the faith festivals of December. Live coverage of key events included the National Eisteddfod, the Urdd Eisteddfod, the National Young Farmers Eisteddfod and Gwyl Gerdd Dant Cymru. Events coverage was enhanced by more multiplatform content than ever before, which did particularly well at the National Eisteddfod in Cardiff where our results service attracted around 11,000 unique users each to our Welsh language and English language services.

Support established talent and introduce new talent

We have reflected the growing popularity of choirs in Wales with our own competition for the *Radio Cymru Male Voice Choir of 2008*. We broadcast 12 new plays, a six part drama series and 12 classical music programmes featuring the BBC National Orchestra of Wales, including two concerts to note the opening of the BBC Hoddinott Hall at the Wales Millennium Centre in Cardiff. New bands and musicians were also supported through session recordings, a Battle of the Bands competition and Gwobrau RAP Radio Cymru (Rock and Pop Awards judged by the music industry in Wales).

We will continue to prioritise new ways of working by using digital and interactive technologies creatively to offer enhanced radio programmes which will also be used to attract new listeners.

RADIO CYMRU
REACH

6.4%

COST PER
LISTENER HOUR

11.5p



RADIO ULSTER/
FOYLE
REACH
35.6%
COST PER
LISTENER HOUR
4.4p

BBC RADIO ULSTER/FOYLE

- **Over 2008/09 BBC Radio Ulster/Foyle maintained an average weekly 15-minute reach of 35.6%/501,000 (38.6%/533,000).** Our popularity helps to drive higher levels of local radio consumption in Northern Ireland relative to the UK average. Our listener profile is broader than other BBC radio and commercial comparators and we attract a large and diverse cross-section of the Northern Ireland audience.
- **The average cost of BBC Radio Ulster/Foyle per listener hour was stable year-on-year at 4.4p (2008: 4.5p).**

BBC Radio Ulster/Foyle is a speech-led service that covers a wide range of genres and reflects all aspects of contemporary life in Northern Ireland. We combine extensive coverage of local issues, interests and events – live music to topical debate – with coverage of national and international developments. Our distinctive service engages, and reflects the needs of, the whole community.

Explain the Northern Ireland Assembly

A range of programming, including *Talk Back*, *Inside Politics* and *Today at the Assembly* reflected the work of the Northern Ireland Assembly and local political developments and issues including: the long interruption to meetings of the Executive; continuing debate about post-primary education; and developments relating to the devolution of policing and justice.

More general programming reflected the impact of economic difficulties on local communities and reaction to the recommendations within the Eames-Bradley report on Troubles' legacies. Our discussion and other programmes about political issues retain their popularity with listeners and audience peaks in our daytime programming generally coincide with news sequences and listener-led discussion strands, including the perennially influential *Stephen Nolan Show*.

Reflect the interests and concerns of listeners across the region

We undertook an extensive programme of 55 outside broadcasts from locations throughout Northern Ireland in the summer. Sports coverage included rugby, soccer, GAA and motorcycling from the North-West 200, as well as the achievements of local athletes competing in the Beijing Olympics. Editorial priorities and commissioning arrangements for our Ulster-Scots output were reviewed and Irish language programmes featured a number of

community-based events. Religious life and themes were reflected in different ways, including William Crawley's series on the Book of Genesis *In the beginning...*

Support formal and informal learning and social action

Rhythm and Rhyme was a specially commissioned week of programmes and features to coincide with National Poetry Day. *Learning Tea Break* explored media literacy issues for an older audience whilst *More Musical Mysteries* and *Hurley Burley Radio* addressed the curriculum needs of younger listeners. A record number of local schools took part in *BBC School Report* and we undertook a number of projects and events as part of other BBC-wide initiatives, including *Breathing Places* and *Raw*. BBCNI's Community Bus was additionally involved in work to record and celebrate the work of volunteers and community organisations.

Showcase local arts activities and encourage new talent

New and established musical talent was showcased in programmes including *ATL* and *Strike up the Band*. Ulster Orchestra programming included the annual Proms in the Park event and a series of summer concerts – all of them aimed at engaging the broadest possible audience with classical music. We also celebrated the work of local writers Seamus Heaney, John Hewitt and David Hammond and launched a new 50-part series on the story of Irish literature. *Folks on the Hill* returned with its parody of issues and personalities at Stormont and new comedy included *Colin Murphy's Great Unanswered Questions*.

Develop and promote digital and online content

A key objective for us is to develop and extend listener engagement across our schedule using new technologies. We plan to do more of this in 2009/10, as well as continuing our variety of 'old technology' community-based and face-to-face events.

Over the coming year we will seek to refresh our weekend schedule, taking account of audience needs and availability while maintaining the diversity of our output, with greater emphasis on live programming and more opportunities for audience interactivity as part of our Saturday morning output.

Table 13/ BBC radio hours from the nations and regions (network and local)

	08/09	07/08
London	8,760	8,784
England	246,172	255,081
Scotland	14,860	13,588
Wales	16,073	16,572
Northern Ireland	9,357	9,329
	295,222	303,354

FUTURE MEDIA & TECHNOLOGY/



“IT’S ABOUT CREATING AN ENVIRONMENT WHERE IDEAS CAN FLOURISH, AND THEN TAKING THE BEST OF THEM AND MAKING THEM WORK FOR AUDIENCES.”

ERIK HUGGERS, DIRECTOR,
FUTURE MEDIA & TECHNOLOGY

HOW WE DID LAST YEAR

METRIC	HOW OUR SERVICES ¹ DID	WHAT THIS MEANS
REACH	43%	Over 22 million people visit BBC Online each week – just over two out of every five people online in the UK, and up by over one third year-on-year. Many now come to us to experience the benefits of BBC iPlayer. Almost ten million use BBC Red Button to enhance their television experience every week, one in four of those with digital television.
QUALITY	70%	BBC Red Button offers complementary and supplementary content not available elsewhere – from live coverage of Wimbledon’s outer courts to up-to-the-minute local weather and travel information, including the ever-popular flight information. With a 70% appreciation score, BBC Red Button is consistently higher scoring than competitor services Sky Text and Digital Teletext. BBC iPlayer won a Prix Italia during the year for Best Cross Media Public Service.
IMPACT	400k	BBC iPlayer launched on BBC Online in 2007 and now averages over 400,000 visitors every day, transforming the way people watch and listen to BBC programmes. It is still growing. BBC Red Button is home to our access services – ensuring that those viewers who rely on subtitles, audio description or signing can opt-in to these services and get more from their television.
VALUE	7.6p	Combined, BBC Online and BBC Red Button cost 7.6p per user reached. Most costs are driven by BBC Online, where individual user costs were down to 9.7p from 13.2p in 2008.



¹ Figures are based on services, in line with the service licence regime monitored by the BBC Trust.

FUTURE MEDIA & TECHNOLOGY/

AUDIENCES ARE CENTRAL TO OUR THINKING. WORKING INTEGRALLY WITH THE BBC CONTENT DIVISIONS, WE DELIVER THE BBC'S RANGE OF DISTINCTIVE CONTENT TO THEM IN INNOVATIVE AND COST-EFFECTIVE WAYS THAT SUIT THEIR EVOLVING NEEDS IN TODAY'S INTERACTIVE, ON-DEMAND WORLD.

The media industry is experiencing fundamental changes driven by technology. The importance of digital media services is growing at a rapid pace, playing a key role in audiences' lives and their relationship with the BBC. Our digital future will be IP enabled, social and rooted in an always-on broadband connected world. The BBC is leading the industry in developing new innovative services.

We have a proud history of technical innovation – since foundation, we have pioneered a whole range of services and products such as colour TV, NICAM Stereo, DAB, Ceefax, High Definition TV, and Red Button. We launched bbc.co.uk when the Internet was in its infancy and have since built a series of digital services for web, mobile and red button.

Today, 43% of the UK's online population access our sites every week, making us the UK's biggest online content destination. Since BBC iPlayer launched on Christmas Day 2007, on-demand media consumption has become mainstream. By March 2009 total views had passed 390 million and iPlayer was available on a wide range of devices including computers, television and mobile phones.

During the year, we continued to refresh BBC Online, redesigning our homepage, adding customisation, more video streams and improvements in search and navigation. BBC Mobile grew significantly to 4.1 million users each month on the back of personalised services like News, Sport, Weather and iPlayer.

BBC Red Button continued to bring interactivity to the TV sets in Sky, Virgin Media, Freeview and, since 2008, Freesat homes. Just under ten million adults use the Red Button every week to access BBC text information such as news and weather, and record numbers watched Olympics coverage on the service.

Our Digital Media Initiative will enable the BBC to move to digital production. This long-term project will simplify multiplatform delivery, ease access to archive material, and ultimately lead to lower production costs. The technology will also be opened to the wider industry.

Partnership, developing technology and standards collaboratively, allows us to share our innovation more widely. As a result, in a challenging economic climate, and a fragmenting, multiplatform media landscape, our partners can focus their investment; and our audiences benefit from increased choice of content and services. We have a range of plans to extend our partnership work this year, and we remain aware of our impact on the wider market. We have adopted stronger management controls to help us deliver more positive benefits to our markets and licence fee payers.

Table 14/ All BBC online spend outside London

The table shows the spend on BBC online content made in the nations and regions outside London.

	2008/09 £m	2007/08 £m
England	11	9
Scotland	5	6
Wales	5	5
Northern Ireland	3	6
	24	26



BBC innovation over the years

1920s

1922 British Broadcasting Company – a private limited company – is formed by group of leading wireless manufacturers.

1927 First Royal Charter, and first BBC Prom from Queen's Hall, opening up classical music to all – over 280,000 tickets were sold, from only £5, last year; 12 million viewers watched live on BBC television and via BBC iPlayer.

1930s

1932 Empire Service launches, to become the World Service, broadcasting impartial news around the globe – with 238 million regular listeners last year.

1932 Broadcasting House opens, the UK's first purpose-built broadcast centre – a refurbished Broadcasting House is scheduled to re-open in 2012, re-fitted for the digital age.

1940s

1940 Winston Churchill makes his famous speech "This was their finest hour..." on the BBC airwaves.

1948 First television of the Olympic Games from Wembley – in 2008, the BBC's coverage of the Beijing Olympics reached 42 million people in the UK.

1950s

1951 First national broadcast of *The Archers*, the world's longest running soap.

1953 First total television of a coronation ceremony, Elizabeth II: 22 million people watch on newly acquired TV sets.

1960s

1960 Television Centre opens, the world's first ever purpose-built television building – the first purpose built digital broadcast centre was opened at Pacific Quay in Glasgow in 2007.

1967 Colour TV launched on BBC Two, the first service in the world – over 32 years after the BBC first trialled it.

1970s

1973 *Morecambe and Wise* break records with their Christmas special: 28 million viewers. The peak audience in 2008 was 16.2 million, for Wallace and Gromit.

1980s

1985 BBC alerts the world to Ethiopian famine, triggering the Live Aid concert which raises £60million. Over the last year the *Children in Need* telethon and Sport Relief raised £20million and £59million on the night of broadcast.

1990s

1990 Radio 5 launches covering sport and news, the first new network for 25 years.

1991 bbc.co.uk domain is registered – BBC's online transformation begins. With 22 million weekly visitors, it's the UK's most visited content site.

2000s

2002 Freeview launches in partnership with Crown Castle International and BSkyB, saving the DTT platform.

2002 Original BBC digital television and radio stations launches.

2007 BBC iPlayer launches – and has over 360 million visitors between then and March 2009.

For more information on the technological and other developments that the BBC has been part of over the years, visit our history website at www.bbc.co.uk/historyofthebbc



BBC ONLINE AIMS TO PROMOTE THE BBC'S PUBLIC PURPOSES THROUGH THE PROVISION OF INNOVATIVE AND DISTINCTIVE ONLINE CONTENT, AND THROUGH DISTINCTIVE PROPOSITIONS THAT REFLECT AND EXTEND THE RANGE OF THE BBC'S BROADCAST SERVICES.

AVERAGE WEEKLY
UNIQUE USERS

22.2M

COST PER USER
REACHED

9.7p

- BBC Online's average weekly unique users last year was 22.2 million (2008: 16.5 million). The US Presidential Election comfortably broke audience records with 9.2 million individual users viewing 73 million election pages on 5 November, around ten times more than on the day of the 2000 US election (7.1 million) and nearly double 2004 (40 million).
- User costs were down this year to 9.7p (from 13.2p in 2008).

Just some highlights from our year included:

CITIZENSHIP

Newsround's Election site took youngsters through the process of an election, with one user getting the opportunity to interview the Prime Minister. The *Today* and *Panorama* sites both re-launched, and now reach out to new, younger audiences via Twitter, Facebook and Stumbleupon. By March, an average of 1.0 million users were visiting News blogs from our editors and correspondents like Nick Robinson, Mark Mardell and Robert Peston.

Our Remembrance site guided people to the many local events marking the 1918 Armistice. Users contributed memories and photographs of soldiers to an archive of recollection of the First World War.

FORMAL AND INFORMAL LEARNING

GCSE Bitesize continues to perform very strongly across the curriculum, with 0.4 million weekly users. Our French and Spanish sites for beginners and intermediates were refreshed. For older users as well, *Britain from Above* gives the opportunity to discover or re-experience Andrew Marr's series, and film sequences presented by theme or location can be downloaded and consumed at the user's own pace.

HIGH IMPACT EVENTS

Our *Autumnwatch* and *Springwatch* sites celebrate nature across the UK, encouraging users to share video, photographs and observations. They were fully integrated to our *Breathing Places* campaign, aimed at getting people involved in caring for their local environment. Over the season, around 23,000 users visited the *Springwatch* and *Autumnwatch* sites.

BBC Sport achieved its highest ever reach during the Beijing Olympics, with 8.5 million weekly unique users. 'Tips and Tactics' encouraged sports participation. A range of external links encouraged users to take their interest further; an important learning point for us in advance of London 2012.

A PLACE FOR COMMUNITIES TO MEET AND SHARE

Disability issues were covered on *Ouch!*, re-launched to be even more accessible to its wide audience and to provide more opportunities for users to contribute their own stories and opinions. The site receives an average of 20,000 weekly unique users. The year also saw the iPlayer on PC extended to users of Macs or Linux PCs, and an increasing range of mobile, hand-held and gaming devices also now feature the service.

The BBC Trust reviewed our service last year, and we are working to meet user expectations that they highlighted. New technical architecture will go live during 2009/10, improving interactivity and enabling users to shape their experience of BBC Online to a greater degree than before including helping us to deliver on our earlier promise to give our users the ability to build their own playlists. We will also seek to become more integrated with the wider internet, making it easier for users to find our content, and improve click through to external sites.

We believe that we have some of the most distinctive content and services available online – and in the months ahead we will launch refreshed services in science, natural history and comedy, and our *Democracy Live* site will seek to engage users with the political processes which affect their lives.

Top: Andrew Marr's *Britain from Above* showed a striking new perspective of this land.

Bottom: The *Ouch!* website relaunched this year.





BBC RED BUTTON IS THE NEW NAME FOR BBCi, WHICH HAS BEEN DELIVERING INTERACTIVE SERVICES TO BBC TELEVISION VIEWERS FOR TEN YEARS.

WE OFFER ALL DAY, UP-TO-THE-MINUTE CONTENT AND INFORMATION, INCLUDING NEWS, WEATHER, LEARNING, ENTERTAINMENT AND INTERACTIVE PROGRAMMING TO DIGITAL TELEVISION AUDIENCES.



AVERAGE WEEKLY UNIQUE USERS

9.7M

COST PER USER REACHED*

2.7p

*The audience measurement metric changed in January 2008; the 2008/09 figure is more robust than historically reported comparators.



- BBC Red Button is used by an average of 9.7 million UK adults weekly, 25% of those with digital TV. Around one third of users do not access BBC Online, making BBC Red Button an important access point to digital platforms for these viewers.
- Cost per user hour was 2.7p in 2008/09.

Highlights from last year included:

WIDE RANGE OF SPORT

An improved Sports portal was launched in time for Wimbledon, offering an aggregated service. Sports viewing figures were strong for Wimbledon and other perennial favourites football (Euro 2008), Darts, Six Nations Rugby and Masters Snooker. Viewers could also watch minority sports like MotoGP, Women's Open Golf and the Burghley Horse Trials, not available anywhere else. Record numbers (11.8 million viewers) tuned in for our Beijing Olympic coverage offering full on-demand Sports News and 2,500 hours sporting event coverage across digital satellite, cable and terrestrial platforms.

MEETING AUDIENCES WHERE THEY WANT US TO BE

The switchover from analogue to digital television is underway, and we ensured that the first areas making change had our full service available to them. As part of the process, we have added new pages from Ceefax including Community News with Read, Hear, additional Business data including farm prices, and the very popular Flight Arrival information, ensuring viewers continue to get this content as they switch over to digital TV.

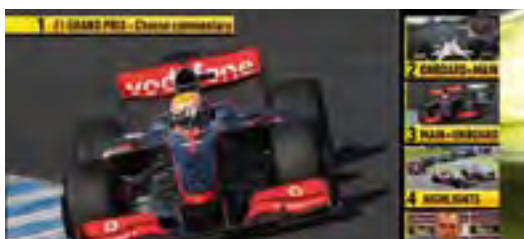
BBC Red Button service was available on Freesat from its launch in May, and has always been available on digital satellite, cable and terrestrial.

In 2009/10 we will continue to work to improve the overall performance of our service across all platforms whilst continuing to offer a wide range of interactive programming from Formula 1 to *Electric Proms*. With internet-connected TVs and devices now arriving in the UK, plans are underway to take the very best of BBC Red Button content and features onto these platforms.

Top: Olympics coverage included alternative events to those being shown on the main BBC One and BBC Two channels.

Middle: *Electric Proms* returned for a second year, with concerts from Liverpool and London.

Bottom: Formula 1 returned to the BBC for the first time in 12 years – every on-track session from the 17 2009 Grands Prix can be watched on the red button.



JOURNALISM/



“THE QUALITY AND DEPTH OF NEWS AND INFORMATION AVAILABLE FROM THE BBC – FROM POLITICS AND ECONOMICS TO AFGHANISTAN TO FOOTBALL – OFFERS EVERYONE SOMETHING OF VALUE.”
MARK BYFORD, DEPUTY DIRECTOR-GENERAL

HOW WE DID LAST YEAR

METRIC	HOW OUR SERVICES ¹ DID	WHAT THIS MEANS
REACH	34M	Three quarters of the UK population use our news services each week, including 34 million adults who watch our weekday television news, 25 million individuals who listen on the radio, and ten million who go online.
QUALITY	238M	Globally, our news services reach 238 million adults – more than any other international broadcaster.
IMPACT	74%	74% of UK respondents, when asked, said that their understanding of the economy had been improved by BBC news coverage. The economy was the biggest news story of the year. Robert Peston and other colleague's coverage of the global economy and its impact in the UK continues to win awards. We won nine out of the 15 RTS awards open to us last year.
VALUE FOR MONEY	8.4p	This is the combined cost per viewer hour for BBC News channel and BBC Parliament. The overall journalism figure would drop further if we factored in the viewing figures from BBC One's peaktime weekday bulletins: the 6.30pm nations and regional programmes are the most popular news bulletins in the UK with 5.4 million viewers, and the 10 O'Clock News is the most popular UK-wide news programme with 4.9 million viewers every night.



¹ Figures are based on services, in line with the service licence regime monitored by the BBC Trust. The 75% reach figure given here excludes additional sports audiences.



JOURNALISM/

BBC JOURNALISM COVERS A WIDE RANGE OF NEWS, CURRENT AFFAIRS AND SPORTS OUTPUT AND SERVICES, AND OPERATES AT LOCAL, UK-WIDE AND GLOBAL LEVELS, IN VIDEO, AUDIO AND INTERACTIVE.

We provide the most watched, listened to and used news and sports journalism service in the UK – around four in five of the UK population used us in a typical week last year – a year in which the BBC won nine awards at the RTS Journalism awards, including Scoop of the Year for coverage on the HBOS/Lloyds TSB merger on the BBC News Channel – which was also named news channel of the year.

It was an extraordinary year for sport on the BBC, with outstanding major event coverage and sports journalism. The quality and originality of our Olympic and Paralympic programming drew praise from many quarters: 75% of the UK – around 42 million people – watched at least 15 minutes of our television coverage and 11.8 million used the Red Button during the Games. 13.5 million watched the Paralympics on BBC Television.

A new BBC Persian television channel launched in January, offering accurate and impartial news and information as well as programming and interactive debates on key political, social and cultural issues for Farsi-speakers in Iran, Afghanistan, Tajikistan and diaspora groups around the globe. The BBC Arabic television channel, now a year old, has broadcast 24 hours a day from January. Early indications of an independent audience survey indicates that BBC Arabic television audiences have doubled the previous combined radio and online total across the region.

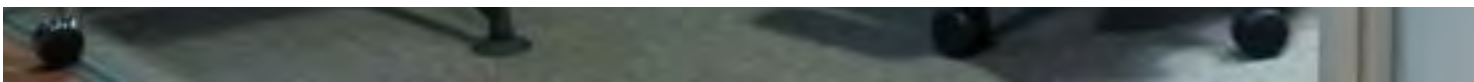
We have led the field on many of the big stories, combining strong reporting, commentary and analysis with breaking stories and original journalism across all media to explain and analyse all dimensions of the stories.

The UK and International news agenda was dominated by the implications of the credit crunch, banking bail-outs and the recession. Our UK-wide, global and local outlets provided a complete picture of the impact of the economic events and highlighted the strength and depth of our economic and business specialist team. Research showed that around two-thirds of those in the UK who expressed a preference thought that we had the best coverage of the economy on television and on radio.

The US presidential election was a major global story throughout the year. Our election-bus crossed the US over two months with radio, web and television journalists onboard seeking out and representing the views of a wider America to the world. Research showed that 35% rated BBC as best for television coverage of the US elections, compared to Sky's 13% and ITV's 10%.

In the last year, we have made significant progress on strengthening UK-wide news coverage of the devolved nations, following a review by the BBC Trust, and we are taking more opportunities to reflect devolution and key political developments in the nations, to a UK-wide audience. We responded to the recommendations of the BBC Trust's report on our reporting of the UK's nations and regions in network television news, and are working hard to get an appropriate balance on screen. The Scottish political story of the summer broke on *The Politics Show* when the leader of the Labour party in the Scottish Parliament made her infamous 'bring it on' call for a referendum on independence. And the importance of our coverage across the nations and regions was highlighted most vividly in early February when nine million viewers tuned in to the 6.30pm BBC One bulletins following the heavy snowfalls.

In the year ahead, we will build on our political coverage, launching our *Democracy Live* website, bringing together for the first time live and on demand video content from the UK's key political institutions, as well as the European Parliament.



BBC NEWS

AUDIENCES STILL TURN TO TRADITIONAL PROGRAMMES AND PLATFORMS IN ENORMOUS NUMBERS:

- BBC news services and programmes are the most watched, listened to and used news services in the UK.
- the most watched UK-wide news bulletin is the BBC's *Ten O'Clock News* with 4.9 million viewers each night.
- our 6.30pm weekday nations and regional news bulletin on BBC One attracts 5.4 million viewers daily.
- from *Newsbeat* on Radio 1 to *PM* on Radio 4, half of the UK (52%, or 25 million individuals) listen to our news on the radio each week.

AT THE SAME TIME, THEY ARE ALSO INCREASINGLY CHOOSING BBC NEWS VIA DIGITAL SERVICES:

- BBC News Online reaches around ten million UK unique users each week – up by 40% on the previous year.
- on average 7.5 million people visit our sports pages each week, going up to 8.5 million during the Olympics.
- 11.7 million used the BBC weather site during February's 'snow week'.
- our journalism content on mobile phones is now used by an average of 3.8 million, up from 2.9 million a year ago.

ADULTS WATCHING
BBC TELEVISION NEWS
EACH WEEK

34M

PEOPLE LISTENING
TO BBC RADIO
NEWS EACH WEEK

25M

UNIQUE UK USERS
OF BBC NEWS
ONLINE

10M

GLOBAL REACH
OF BBC NEWS
SERVICES

238M



THE CHANNEL IS THE BBC'S 24 HOUR TELEVISION NEWS SERVICE, PROVIDING COMPREHENSIVE COVERAGE AND ANALYSIS OF THE BIGGEST AND MOST SIGNIFICANT STORIES IN THE UK AND INTERNATIONALLY.

IT AIMS TO PROVIDE FAST AND ACCURATE BREAKING NEWS, HEADLINES EVERY 15 MINUTES AND REGULAR SPORTS, BUSINESS AND ENTERTAINMENT NEWS.

Top: US President Barack Obama at April's G20 summit in London.

Bottom: Award-winning business editor Robert Peston.



- the unfolding global economic crisis, including a *World Economy on the Brink* one-hour special, simulcast on BBC World News, World Service Radio, and streamed on the BBC News website.

REPORTING FROM WESTMINSTER AND THE DEVOLVED PARLIAMENT AND ASSEMBLIES

Straight Talk with Andrew Neil is the only long form, one-to-one political interview programme available on UK channels. It runs three times each week.

We covered the resignation of the Labour leader in Scotland and the election of a replacement. The Scottish Government's new legislative programme was analysed in depth, and we ran the BBC Scotland special on the Glenrothes by-election, and carried the result live overnight.

Correspondents across England and Wales covered local council elections. Huw Edwards anchored coverage of the London Mayoral and Assembly elections from City Hall.

In Northern Ireland, we ran coverage as the deal was brokered for the power-sharing Executive and Northern Ireland Assembly to meet again at Stormont.

We offered live coverage and analysis from all three main party conferences, as well as some coverage from smaller parties' conferences: Plaid Cymru, UKIP, Green Party.

Our ambition is to continue to build our audience, provide a wider range of international stories than our main competitors, and to present live from the scene of major news stories and events around the world. We will continue to cover the devolved politics and institutions of the UK, reflecting the diversity of opinion and experience from around the country.

- Audiences continue to grow. Average weekly 3-minute reach over the year was 7.5 million (2008: 6.6 million). Viewing figures for live streaming of the channel have also improved.
- This year we regained the Royal Television Society News Channel of the Year award, and won the RTS Scoop of the Year for the Lloyds/HBOS story.
- The average cost per user hour was down year-on-year to 8.1p (2008: 9.1p).

There were two priorities for 2008/09:

INTERNATIONAL NEWS

We offered extensive coverage of the 2008 US Presidential campaign, election and inauguration, and events surrounding the 2008 Beijing Olympics (sporting achievements and impact of the Games on rural and urban China). We responded quickly to the Israel/Gaza conflict as it unfolded, with live location presentation from Lyse Doucet, live reporting and features from Jerusalem and at the Israel/Gaza border; and – eventually – inside Gaza. Other major stories of the year included:

- the unrest in Zimbabwe, the elections and power-sharing agreement (including John Simpson reporting undercover inside the country).
- Mumbai terrorist attacks: Ben Brown presenting from the city.
- Russia/Georgia conflict, including live broadcasting from Sevastopol.
- the ongoing situation in Afghanistan, including three days of special broadcasting from around the country anchored by George Alaghiah.

REACH
7.5M
COST PER
USER HOUR
8.1p

Table 15/ Weekly reach

The quality and variety of our news offer draws in over two-thirds more viewers each week than to our closest 24 hour news competitor Sky.

	000s
BBC News channel	7,587
Sky News	4,429



BBC
PARLIAMENT

BBC PARLIAMENT'S AIM IS TO MAKE ACCESSIBLE THE WORK OF THE UK'S PARLIAMENTARY AND LEGISLATIVE BODIES, AND THE EUROPEAN PARLIAMENT.

WE ARE A UNIQUE SERVICE, COMMITTED TO PROVIDING DIRECT UNMEDIATED ACCESS TO PARLIAMENTARY DEBATES, AS WELL AS ANALYSING AND SETTING IN CONTEXT THE ISSUES AND POLITICS BEHIND THOSE DEBATES.

Top: The European Parliament building in Strasbourg.

Middle: Main chamber at the House of Commons.

Bottom: Newly elected Prime Minister Margaret Thatcher arrives at 10 Downing Street in 1979, part of our '30 years on' retrospective.



COVERAGE OF DEVOLVED INSTITUTIONS

We have introduced a weekday 11.30pm strand for Questions in each devolved parliament and assembly, in addition to our extended coverage on Saturdays. We showed the debate which led to the rejection of Scotland's Budget and through *Dragon's Eye* have reported the work of the Labour-Plaid coalition in Wales. Live coverage included the Statements in the Northern Ireland Assembly on the killing of two soldiers in Antrim.

EXTENSIVE COVERAGE OF THE US ELECTION CAMPAIGN

In partnership with C-SPAN we offered extended coverage of the Conventions and of campaign trail speeches. We showed all the presidential and vice-presidential debates in full. Former Bush Deputy Chief of Staff Karl Rove appeared in an *Intelligence Squared* debate on the motion: 'George W Bush is the worst American president of the last 50 years'.

In the year ahead, the focus for our planned editorial changes on Westminster coverage will see us continue to offer prominent and extensive coverage of the Committees investigating turmoil in the financial markets and the wider economy. We will also improve our on-screen delivery of divisions (votes). Looking to Europe, we will give a clear account of the issues facing the electorate to the European Parliament in the UK and continental Europe.

- BBC Parliament had an average weekly 3-minute reach of 0.45 million last year (2008: 0.38 million). We broadcast round the clock, with 96% of the total hours originated on BBC Parliament.
- BBC Parliament saw a slight rise in costs per user hour last year to 18.5p (2008: 17.3p).

Our priorities for 2008/09, designed to help us meet our remit, were:

TOPICAL PROGRAMMES AND CLEAR SIGNPOSTING

This year, more than before, we have used our weekend schedules to cover the work of the parliamentary committees – for example, we highlighted the work of the Treasury Committee and three other parliamentary committees focused on the banking crisis and recession.

In graphics and captions, we now show the predicted timings for parliamentary events, including votes, and we also run an on-screen moving 'ticker' of information to alert viewers to upcoming urgent statements. The ticker is signposted on the front page of the channel's website. Both changes enhance the viewer's experience.

REACH

0.45M

COST PER USER HOUR

18.5p



BBC GLOBAL NEWS BRINGS TOGETHER BBC WORLD SERVICE, BBC WORLD NEWS TELEVISION CHANNEL, THE BBC'S INTERNATIONAL FACING ONLINE NEWS SERVICES IN ENGLISH, BBC MONITORING AND BBC WORLD SERVICE TRUST, THE BBC'S INTERNATIONAL DEVELOPMENT CHARITY.

Top: Wadea Mansoor presenting on BBC Arabic television, distributed to North Africa, the Middle East and the Gulf on the Arabsat, Eutelsat and Nilesat satellite systems. For more information see www.bbcarabic.com

Middle and bottom: BBC Persian television (with its website and two radio strands) broadcasts in Farsi to Iran, Tajikistan and Afghanistan.



BBC World Service attracted a record weekly audience of 185 million. This figure was boosted by the new BBC Arabic TV channel but masked an overall decline in radio listening which was down five million to 177 million in 2008/09.

BBC World News can now be received in 287 million homes; attracting 74 million viewers a week. The channel has experienced a significant improvement in its underlying commercial performance during the year, although progress towards full year profitability was constrained in the final quarter by the severe downturn of the global advertising market.

Major development and enhancement of our international facing news sites and mobile phone offer was rewarded with a record 17 million unique online users – a 28% increase on last year; and a tenfold increase in mobile page impressions.

BBC Monitoring systematically monitored more than 3,000 open-sourced radio, TV, press, internet and news agency sources, translating up to 100 languages.

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 2008/09.

In the year to come, BBC Global News will continue to deliver impartial and trusted news to audiences and around 2,000 partners across the globe. Distinctive and innovative programming initiatives include authoritative analysis of the global economy, the instability in Iraq, Afghanistan and Pakistan; Obama's first year; and the many geo-politically important elections.

- **The BBC's international news services delivered a record weekly global audience in 2008/09 of 238 million people, despite both increasing competition and declining radio listening.**

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.

BBC World Service is becoming increasingly multimedia. It launched the BBC Persian television channel in January for Farsi-speakers in Iran, Afghanistan, Tajikistan and around the globe. The channel offers accurate and impartial news and information from a global perspective; as well as programming and interactive debates on key political, social and cultural issues.

The BBC Arabic television channel – also from BBC World Service and launched in March 2008 – doubled its broadcast hours to 24 hours a day in January. Surveys of key Arabic-speaking markets indicated a audience of at least eight million weekly viewers across those specific markets.

REACH
238M



BBC SPORT

BBC SPORT PROVIDES NETWORK COVERAGE OF UK SPORT, INCLUDING BIG NATIONAL SPORTING EVENTS AND A WIDE RANGE OF SPECIALIST SPORTS ACROSS TELEVISION, RADIO AND INTERACTIVE MEDIA. WE ALSO PROVIDE COMPREHENSIVE SPORTS NEWS.

REACH
16.3M

- **40% of UK used BBC Sport on average each week last year: 15-minute reach on television was 16.3 million/28.8% (2008: 16.3 million/28.9%); on radio, reach on BBC Radio 5 live was 3.9 million/7.5%, stable year-on-year from 3.8 million/7.5%; and online, we reached 6.8 million, up from 6.3 million in 2007/08.**

BBC Sport does not have a service licence, but is fundamental to the delivery of the service licences for BBC One, BBC Two, BBC Radio 5 live and BBC 5 live sports extra. Last year we provided live and recorded highlights coverage of 25 sports, plus an additional 19 minority sports like table tennis and archery during the Olympics and Paralympics.

It was an extraordinary year for sport from the BBC, with outstanding major event coverage. The quality and originality of our Olympic and Paralympic programming drew praise from many quarters: 74% of the UK – around 42 million people – watched at least 15 minutes of our coverage from Beijing. We had 32 million requests for online video streams in the UK and a total of 11.8 million used the Red Button during the Games. 13.5 million watched the Paralympics on BBC TV.

Sport's ability to draw together the nation around major events was also reflected in the Wimbledon fortnight. This culminated in a peak television audience of 12.7 million – 48% of the total TV audience at the time – tuning in to watch Rafael Nadal's stunning five-set victory in the final over the defending champion, Roger Federer.

Our coverage of the European Football Championships was also an audience highlight, despite the failure of any home nations in qualifying for the final stages. Our multiplatform offering drove an above average 6.7 million unique users to the website. The final of Euro 2008 also marked John Motson's last major TV showpiece, after nine World Cups and nine European Championships.

The BBC constantly strives to deliver value, by investing well in the challenging sports rights market. Our biggest renewal in 2008/09 was *Match of the Day*, ensuring Premier League highlights on the BBC until 2013. The University Boat Race is to return to the BBC after five years and we renewed successfully our contracts for Wimbledon and the Six Nations.

There was continued improvement in the BBC's sports journalism over the 12 months, with its unprecedented sports news offering from Beijing. The website's weekly reach expanded to 8.5 million.

BBC Sport aims to deliver real choice and variety to sports fans, whenever and wherever they want. We will build on this approach for 2012 – and the appointment of a director and project team will assist full integration across the BBC for London's Olympics in three years' time.

Top: Olympic marketing campaign included animation and music especially produced by Gorillaz.

Middle: Jack Charlton presents The Lifetime Achievement award to his brother Sir Bobby Charlton at 2008's *Sport's Personality of the Year*.

Bottom: Dame Tanni Grey-Thompson, a key member of our Paralympics presentation team.



NATIONS AND REGIONS JOURNALISM/

Around 60% of the BBC's total staff who live and work outside London provide local and national news on television, radio and online. The 6.30pm weekday bulletins from Scotland, Wales, Northern Ireland and 15 areas in England are viewed on average by 5.4 million viewers each day, the biggest news audience to any single television news programme in the UK.

ENGLAND

Over the last year television bulletins across 15 regions and sub-regions have responded to a wide range of stories ranging from the recession to February's 'snow day' – where viewer numbers nearly doubled the usual – as well as covering a wide range of original journalism like BBC London's series of exclusives on the mayoral election including secret transport fare increase plans and the resignations of Ken Livingstone's director of equalities and policing and Boris Johnson's deputy mayor.

In England the impact of the recession on market towns was highlighted by the South West's *Politics Show* and the North West, North East and West Midlands, amongst others, followed the significant developments in the motor industry with the West Midlands linking up with *Newsnight* for a live outside broadcast at a factory in Castle Bromwich, Birmingham.



“OVER THE YEARS, THE BBC'S INDEPENDENT NEWS COVERAGE HAS REMAINED VITAL TO AUDIENCES ACROSS THE UK AND THE WORLD, AND NO MORE SO THAN IN NORTHERN IRELAND WHERE IT HAS RECORDED AND REPORTED THE TRANSFORMATION OF POLITICAL ENGAGEMENT IN RECENT YEARS.”

PETER JOHNSTON, DIRECTOR, BBC NI

Investigative journalism in daily news included a BBC North West investigation that led to Justice Secretary Jack Straw intervening in the case of a Liverpool fan jailed for attempted murder in Bulgaria following the Champions League Final three years ago. And in current affairs – via weekly strand *Inside Out* – the West Midlands team filmed inside a Sharia Court (only the second time this has been allowed in the UK). *Inside Out* had an average audience of 2.8 million last year (2008: 2.7 million).

Our 39 local radio stations are speech-only during the key breakfast period and this sets us apart from all other local commercial services. Key stories have included BBC Guernsey's extensive coverage of the island's elections, a four-yearly event. Our news teams have a particular aptitude for finding their way into communities who are often unrepresented or hard to reach, as seen in BBC Radio Leicester's coverage of a forced marriage conference in the city.

The BBC England news website reached 4.1 million in 2008/09. Some of the more memorable content included BBC South's video content around the QE2's final sailing, and BBC North West's Grand National website which offered a jockey's eye view of the race and 360 degree panoramic views of the racecourse.

SCOTLAND

Reporting Scotland is Scotland's most watched news programme with an average audience of 472,000 for the 6.30pm edition last year.

Our news website is also the first choice for many, with 1.5 million average weekly unique users.

The period was dominated by the stories of the banking crisis and the economy. Our investigations team produced several notable TV documentaries, including a 60-minute special report into the Glasgow Terror Attack and a documentary by MSP Margo Macdonald on assisted suicide. We also delivered several programmes for the network *Panorama*, including a half hour on the Royal Bank of Scotland, and special investigations into criminals' assets and the security industry. Other documentaries included *Truth, Lies, Oil and Scotland* and a programme analysing Scotland's relationship with Mrs Thatcher.

Radio Scotland is Scotland's most popular speech-based radio station, with flagship breakfast news programme *Good Morning Scotland* attracting a weekly reach of 455,000 in 2008. *Good Morning Scotland* provided special coverage of the US elections and the Obama inauguration, including live presentation from Washington.



The Politics Show set the agenda on several occasions, including Wendy Alexander's 'bring it on' call for a referendum on independence, which was made in a live interview on the programme.

Radio nan Gàidheal delivers a comprehensive news and current affairs service to the Gaelic community. A week of special programming centred on energy and the impact of spiralling prices on rural economies. The weekly children's programme *Aileag* offers a newsround slot.

During this period, a 30-minute nightly Gaelic TV news programme *An Là* was launched on BBC ALBA, the first televised news service in Gaelic.

WALES

Our BBC One 6.30pm weekday bulletin *BBC Wales Today* averaged 274,000 viewers each week (2008: 267,000). The *Newyddion* bulletin we provide to S4C averaged 14,000 viewers, down year-on-year from 17,000.

Our BBC One current affairs series *Week In Week Out* performed well both in terms of viewing figures (average viewers up to 71,000 from 66,000) and editorial impact. The series included programmes about hospital hygiene and C.diff; a Bafta-nominated undercover investigation that found contamination in abattoirs; and a hard-hitting programme on poverty in the South Wales valleys which revisited a family a decade on.

BBC Wales Today's Your Stories strand revealed the widespread problems facing communities and businesses without broadband access. As a result, the Assembly Government and BT got together and announced they were going to fix several of the worst 'hot-spots' we had identified.



Good Morning Wales on BBC Radio Wales had an average weekly reach of 220,000 over the year (2008: 228,000), while Radio Cymru's *Post Cyntaf* had an average weekly reach of 81,000 in the same period (2007: 80,000).

The BBC Wales and BBC Cymru news websites has 1.3 million and 27,000 unique users respectively. Our online team's coverage of the controversial switch-off of street lights in parts of mid Wales was picked up by other outlets, including Radio 4's *Today* programme and Network Television.

NORTHERN IRELAND

***BBC Newsline* improved its audience weekly reach to 443,000/27.5% last year (2008: 428,000/26.8%). Investigative and original journalism are defining features of its output. Several themed investigations involved the programme's e-panel and included extended reports on a range of subjects including religion, ageing and the impact of new technologies. *BBC Newsline* also examined issues around the work of the Northern Ireland Events Company, the increased threat from dissident republican activity, safety standards at local sports grounds and some of the problems being faced by the Irish Football Association. The range and depth of its news coverage benefitted from the appointment of new specialist correspondents.**

Good Morning Ulster increased its weekly audience reach to 99,250 listeners. It featured breaking news stories from across Northern Ireland, making use of outside broadcast capabilities and our network of area-based reporters. The programme investigated concerns about the treatment of migrant workers in the local fishing industry and featured a special report on one family's experience of cancer. This prompted a commitment from the Health Minister to provide additional funding for research.

Our news website had 920,094 unique users in April 2009 – a year-on-year increase of 50%. Its remit is to provide depth of coverage for breaking news stories and links to related material. The website was developed across the year to include additional news from Foyle and West. It also features embedded film and audio reports about stories affecting local people. The *BBC Newsline* website provides extended reports and footage to support its weekday television programme and to support its interactive relationship with the audience.

COMMERCIAL/



“BBC WORLDWIDE ADDS SIGNIFICANT NEW VALUE TO EVERY LICENCE FEE EVERY YEAR BY MAKING THE BEST POSSIBLE RETURN ON SELLING BBC PROGRAMMES AND PRODUCTS ACROSS THE WORLD. TO GROW TURNOVER BY NEARLY 10% IN DIFFICULT TRADING CONDITIONS DEMONSTRATES THAT OUR DIVERSIFICATION STRATEGY IS PAYING OFF.”

JOHN SMITH, CHIEF EXECUTIVE OFFICER, BBC WORLDWIDE

BBC WORLDWIDE

BBC Worldwide is the main commercial arm of the BBC. It exists to ensure that opportunities to drive commercial income from BBC rights and properties are appropriately managed, from a business, BBC brand-protection and social responsibility point of view.

Successive governments have urged the BBC to maximise income from commercial sources to offset the licence fee. Direct investment in BBC-commissioned programmes and dividend payments increased by 23% to £153million (2008: £125million).

Trading conditions last year were affected by the worsening global economic climate and a number of UK media industry challenges. BBC Worldwide found itself at the centre of a number of domestic debates about its remit, growth strategy, and the part it might play in supporting public service broadcasting beyond the BBC. Despite these difficulties, it nonetheless managed to increase turnover by 9.5% and, thanks to strict cost control, underlying profitability held steady year-on-year. The channels business and a number of major brands such as *Dancing with the Stars* (the international TV format based on *Strictly Come Dancing*) delivered particularly good returns.

Overall sales including its share of joint venture income passed the £1 billion mark for the first time, up by 9.5% to £1,003.6million, including intra-group income of £7.5million. Within this, advertising revenues came under pressure but as a consequence of the company's broad diversification, growth in other areas offset this.

The insolvency of its DVD publishing partner, Woolworths Group plc, impacted on profits, and Kangaroo, a commercial online video player developed in conjunction with Channel 4 and ITV, was prohibited by the Competition Commission with a write off cost of £9.1million.

Strategic investments in current and future growth areas such as channels, online and production, combined with the world recession, meant that statutory profit was down by 27% to £85.7million but underlying performance was stable despite market challenges. However, these investments will ensure growth in the mid to long term and also ensure a strong flow of commercial rights to exploit in the years ahead – 35% of total turnover is now coming from businesses created over the last five years.

Top and bottom: *Doctor Who* and *Dancing with the Stars* (the international format based on *Strictly Come Dancing*) are just two of the brands we exploited this year on behalf of the BBC and its licence holders. Bottom picture show rapper Lil' Kim and partner Derek Hough.

After recognising non-cash losses on foreign exchange financial instruments, BBC Worldwide's profit before interest and tax in the group accounts is adjusted to £66.2million.

BBC Worldwide operates in a global landscape. Tasked by the BBC in 2007 with driving up profits, it developed a growth strategy with five key targets:

- increase overseas revenues to two thirds of the total: in 2008/09 these increased from 49% to 51%.
- grow online revenues to more than 10% of the total: online sales were up to 4.6% compared to 2.7% last year.
- build a channels business: it now has 44 wholly owned and joint-venture channels operating around the world, providing an excellent platform for UK TV talent.
- develop a global TV production business in key markets to ensure better returns from TV format sales: further production bases were set up in Canada and Paris.
- acquire businesses and develop partnerships to help achieve the overall plan: minority investments in independent production companies including Sprout and Baby Cow were undertaken this year bringing our equity stakes in UK indies to seven, and we bought out our joint venture partners FOXTEL and Freemantle in UK.TV, our drama and entertainment channel in Australia.

During the year major strides were taken towards its goal of becoming an exploiter of a range of global media brands. Major brands (*Top Gear*, *Earth*, *Doctor Who*, *Lonely Planet*) accounted for £171.1million (17%) of all revenues.

In 2007 it bought a majority stake in the well-respected travel information business Lonely Planet in order to maximise the BBC's extensive archive of travel-related programming through Lonely Planet's online site and to introduce BBC-produced content to new audiences. During the year it completely overhauled and relaunched lonelyplanet.com and BBC clips became available on the site just after year end. In addition, it launched a Lonely Planet



Chart 4/ **BBC Worldwide sales £m**

06/07	810
07/08	916
08/09	1,004

Chart 5/ **BBC Worldwide statutory profit before interest and tax £m**

06/07	111
07/08	118
08/09	86

magazine in the UK that offers a distinctive new monthly publication for travellers and promotes BBC programming about travel and culture. Despite the core travel guide book business being affected by the recession, Lonely Planet has gained market share in several territories and is the number one travel guide brand in the UK and Australia.

Top Gear has built its popularity outside the UK considerably over the past year with the launch of the series on iTunes in the US where it went straight to number one in the television chart. A live show toured the UK, Johannesburg, Sydney, Auckland and Hong Kong and we launched local versions of the television series in Australia and Russia. *Top Gear Australia* magazine is now the most widely-read men's monthly magazine in Australia. In 2008 the UK edition of the magazine increased circulation to over 200,000.

One of BBC Worldwide's highest points of the year was receiving, in April 2009, a Queen's Award for Enterprise, which recognised its outstanding record in international trade and the contribution it makes to the UK's creative industry sector. The award highlighted the part played in providing a global showcase for the best UK content and bringing the benefits back to Britain.

BBC Worldwide and Channel 4 discussions regarding potential partnerships continue. BBC Worldwide is looking at potential ventures based on activities that represent sound business opportunities and that will deliver new revenue to both the BBC and Channel 4.

This has been a year of considerable external interest in BBC Worldwide's activities and what part the company should and could play in the UK media industry. The BBC Trust commissioned a review of its remit last year and while the conclusions are not yet finalised at time of writing, pending the outcome of the Digital Britain review, the Trust has stated that it intends to make changes to BBC Worldwide's detailed control framework to establish a more contained focus for its operations. BBC Worldwide also contributed, with the BBC and the BBC Trust, to various external inquiries during the year including one by the Commons Select Committee for Culture, Media and Sport.

Below: *Top Gear* is a hugely successful international brand. Picture shows Sir Tom Jones talking to Jeremy Clarkson.



BBC STUDIOS AND POST PRODUCTION (formerly BBC Resources)

Last year was a challenging year throughout the broadcast facilities market. The economic climate has declined and both Studios and Post Production have seen reducing revenues and volumes of business as productions cut costs and look for savings, and shows move out of London in line with the wider BBC strategy to deliver 50% of production spend out of London by 2016.

During 2008/9 the company:

- partnered BBC Sport to provide coverage for the 2008 Beijing Olympic Games and Paralympic Games, with the BBC's coverage fully HD and tapeless for the first time.
- supported *Comic Relief*, over seven hours of live transmission from Studio One.
- post produced the award winning HD drama *Criminal Justice*.
- supported the science series *Oceans*, made in HD with 5.1 sound, the first major project to go through Post Production's new Dub 4 sound suite.
- provided studio facilities for BBC One Saturday night entertainment programming – *Strictly Come Dancing*, *I'd Do Anything* and *Last Choir Standing*.
- upgraded a third studio to HD with nearly £2million investment in HD cameras, lenses, vision and monitoring equipment in Studio Four.
- launched a second 5.1 sound suite in response to growing customer demand for 5.1 mixing and to support the BBC's HD channel requirements.

During 2007/08 the company was offered for sale. The Outside Broadcasts business was sold to SIS LIVE on 1 April 2008. The Studios and Post Production businesses were retained and restructured, with the Bristol and Birmingham Post Production operations closing on 1 April 2009.

This year BBC Studios and Post Production Limited made an operating loss before exceptionals of £0.4million on turnover of £76.3million (2007/08: profit £2.0million, turnover on continuing operations £74.4million). Net assets total £39.9million including net pooled cash balances with group companies of £31.0million.

Exceptional items incurred are significant restructuring intended to address historical capacity issues and a charge for fixed asset impairment.

On 1 April 2009 the company was renamed BBC Studios and Post Production Limited. This year we will be merging our Studios and Post Production divisions together to create a united business that is better able to respond to the changing needs of our customers and the challenges of the evolving market, and keep the business at the heart of the creative process.

For more information see www.bbcstudiosandpostproduction.com

Right and below: BBC Studios and Post Production helped the BBC to deliver a wide range of programmes this year including BBC One's Saturday peaktime shows *Strictly Come Dancing*, *I'd Do Anything* and *Last Choir Standing*.





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GOVERNANCE/

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MARK THOMPSON

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



MARK BYFORD

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



ZARIN PATEL

Chief Financial Officer since January 2005. Trustee of the BBC Pension Scheme and non-executive Director of BBC Worldwide Limited.



CAROLINE THOMSON

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



LUCY ADAMS

Director of BBC People. Joined the BBC Board in June 2009 from Eversheds LLP where she was HR Director.



SHARON BAYLAY

Director of Marketing, Communications & Audiences. Joined the BBC Board in May 2009 from Microsoft, where she was General Manager of Microsoft Online Services Division UK.



MARCUS AGIUS

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



VAL GOODING CBE

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

THE EXECUTIVE BOARD MANAGES THE BBC AND IS RESPONSIBLE FOR THE DELIVERY OF BBC SERVICES AND DAY-TO-DAY OPERATIONS ACROSS THE ORGANISATION.



JANA BENNETT OBE

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



TIM DAVIE

Director of Audio & Music since September 2008. Board member since April 2005.



ERIK HUGGERS

Director of BBC Future Media & Technology. Board member since August 2008. Prior to this he was Group Controller, BBC FM&T.



JOHN SMITH

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



DR MIKE LYNCH OBE

Appointed non-executive Director in January 2007. Technology entrepreneur and founder and CEO of Autonomy plc.



DAVID ROBBIE

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



DR SAMIR SHAH OBE

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



ROBERT WEBB QC

Appointed non-executive Director in January 2007. Chairs the BBC Executive Board's Fair Trading Committee. Appointed QC in 1988. Chairman of Autonomy Corporation plc and non-executive Director of the London Stock Exchange, Hakluyt & Co Ltd and of Argent Group plc. Visiting Professor at Bournemouth University.

SUMMARY GOVERNANCE REPORT/

THE EXECUTIVE BOARD HAS COMPLIED WITH THE REQUIREMENTS OF THE CHARTER, CREATING APPROPRIATE AND EFFECTIVE GOVERNANCE ARRANGEMENTS FOR THE BBC.

The BBC's corporate governance framework is defined in the Royal Charter (the Charter).

The BBC Trust assesses the performance of the BBC's management and its services. Its review and assessment for 2008/09 can be found in Part One of this Annual Report and Accounts, and online at www.bbc.co.uk/annualreport, where a copy of the full Executive Governance Report can also be found.

The Charter also requires the Executive Board to have regard to generally accepted principles of good corporate governance. The Board has complied with the requirements of the Charter, creating appropriate and effective governance arrangements for the BBC. This has also secured substantial compliance with the 2006 FRC Code although in a number of areas the 2006 FRC Code is not appropriate to the circumstances of the BBC. Compliance with the Charter has resulted in a small number of areas related to Board composition where compliance with the 2006 FRC Code has not been achieved, although the Board believes that this does not compromise the quality of the governance arrangements in place. The directors believe that the Board effectively leads the BBC Group, and includes a balance of executive and non-executive members and a range of business and broadcasting skills.

The Board is responsible for all aspects of operational management of the BBC (except the BBC Trust Unit) and has a schedule of matters reserved to it, but in practice some of its responsibilities are delegated to other management groups. Any delegation from the Board is stated in the relevant standing orders for each group and a framework for reporting and review is established. The standing orders for the Board and its sub-committees are available at www.bbc.co.uk/info/running/executive/index.shtml

Board appointments

The nominations committee oversaw a number of appointments during the year. Four executive appointments were made this year. Two of these directors took up their appointment prior to the year end – Erik Huggers, Director, Future Media & Technology, and Tim Davie, Director, Audio & Music –

Report of the Senior Independent Director

The 2008/09 financial year is the second year during which the Board has operated with non-executive Directors and, as anticipated in my Report in last year's Annual Report and Accounts, effective working relationships have been established around the Board table based on a strong collaborative ethos. There has been a full agenda of regular as well as incidental business, and much to test the deliberative ability of the directors.

The Board operates on the basis that the executive directors recognise and understand that the non-executive Directors have a right – indeed a duty – to challenge them by enquiry and interrogation and that this applies both to matters on the agenda and to matters of topical interest. At the same time, the non-executive Directors recognise in their turn that their obligation is to help the executive directors to reach optimum decisions after analysis and debate, then to provide them with collegiate support in the prosecution of executive actions.

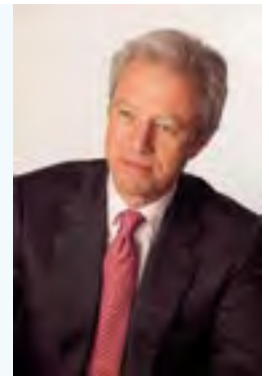
Of the many matters discussed around the Board table, most of which are described elsewhere in this Annual Report and Accounts, I would single out the following (in no particular order) as representing topics where the benefit of having access to a wide range of views and experience was perhaps felt most keenly:

- Ofcom's review of Public Service Broadcasting
- ongoing development of BBC iPlayer
- suspension of the discretionary bonus scheme for executive directors
- review of options for BBC Worldwide
- coping with the impact of the recession on the BBC's finances

In each case, the issues involved were complex and sensitive and the reputational consequences were far reaching. I can confirm that these items – as with others – were discussed openly and transparently and that the debate was conducted with the underlying objective of serving the public purposes of the BBC.

Marcus Agius

Senior Independent Director
18 June 2009



and two after the year end – Sharon Baylay, Director, Marketing, Communications & Audiences, and Lucy Adams, Director, BBC People.

Four non-executive Directors were due to step down on 31 December 2008. After a thorough review of the composition and needs of the Board, as well as the skills, experience and knowledge of the individual directors, the Nominations Committee recommended to the Board and the Trust that Dr Mike Lynch, David Robbie, Dr Samir Shah and Robert Webb, all be re-appointed for a further two year term.



Report of the Chairman of the Audit Committee

The Audit Committee's main focus is to review and oversee corporate governance at the BBC, in particular financial reporting, internal control and risk management. At our meetings, we regularly review issues raised by Internal Audit and management's progress with actions that address these. We challenge management to make the needed changes with the minimum of delay, drawing upon our combined knowledge and diverse experience with other organisations. We also receive regular updates from our external auditors; these outline their audit approach and any issues they wish to bring to our attention for discussion.

To gain a deeper understanding of the most significant risks facing the BBC and a fuller appreciation of the existing and proposed mitigation of those risks, we also request papers and presentations from management on major risk concerns high on the BBC agenda and on risk profiles from across the BBC selected on a rotational basis. Our interest is in the appropriateness and adequacy of actions taken to manage risk and we challenge management where we feel there are improvements to be made. This year in particular we have considered failures in editorial controls and the detailed plans to prevent recurrence, the global recession and its impacts on the BBC and its numerous stakeholders, and issues around data protection in light of general public concern.

The scope of this committee covers the whole BBC group; therefore we also receive and discuss updates from the other Audit Committees which oversee our commercial businesses.

David Robbie

Chairman of the Audit Committee
18 June 2009

ACCOUNTABILITY AND INTERNAL CONTROL

Risk management and internal control

An ongoing process for identifying, evaluating, managing, monitoring and reporting significant risks to the BBC has been in place for the financial year, with the director of each BBC business group having a clear responsibility for identification and management of risks facing their business. Risk exposure is considered at both business group and Board level.

The Board, in reliance upon the detailed work of the Audit Committee (which considers the findings of both internal and external audit) and by review and discussion of quarterly reports on both risk and compliance, confirms that it has considered the effectiveness of the system of internal controls in operation throughout the financial year and up to the date of approval of the Annual Report and Accounts.

EXECUTIVE BOARD REMUNERATION REPORT

This report sets out the BBC's remuneration policy and details the remuneration received by members of the Board. It has been prepared on the basis that the requirements of the Directors' Remuneration Report Regulations 2002 and those of the Financial Services Authority apply to the BBC wherever these disclosure provisions are relevant. The sections on pensions and remuneration received by the Board members are audited by KPMG LLP.

Remuneration Committees: constitution and operation

The Remuneration and Appointments Committee (RAC) of the BBC Trust is responsible for setting the remuneration strategy for the Board and is responsible for all aspects of the remuneration of the Director-General and the non-executive Directors. For more information on the RAC please see the Trust's review and assessment in Part One of the Annual Report and Accounts 2008/09.

The Executive Remuneration Committee (ERC) is responsible for implementing the agreed strategy for all executive members of the Board, with the exception of the Director-General. The members of the ERC are non-executive Directors, namely Marcus Agius (Chairman), Dr Mike Lynch and Robert Webb. Meetings of the ERC are also attended, on invitation, by the Director-General and the Director, BBC People, who advise on matters relating to other members of the Board and the overall performance of the BBC. When matters concerning the remuneration of the Director, BBC People are considered, he/she is not present. The ERC has access to internal expertise through the BBC's Reward Director who also attends the meetings.

Complying with the 2006 FRC Combined Code on Corporate Governance, the ERC takes specialist advice from external professional advisers. During the year, independent advice was received from Hewitts until September 2008 and thereafter from PricewaterhouseCoopers.

Report of the Chairman of the Executive Remuneration Committee

Managing executive reward at the BBC poses challenges that are unique in the UK. The BBC has to balance its value-for-money responsibilities as a public sector corporation with its need to recruit, retain and motivate the talent required to deliver outstanding public service broadcasting in competition with private sector media and technology companies.

The BBC operates a remuneration strategy for the Board, approved by the Trust, designed to enable the recruitment and retention of staff in the markets in which it operates as both a public service broadcaster and a commercial business. This strategy aligns base pay at the BBC with the median levels of the commercial sector, but it does not seek to match the levels of variable pay that are paid by our commercial competitors. Our strategy takes account of the opportunity that working for the BBC provides, along with the greater than typical level of job security available due to our revenue being more predictable. The remuneration strategy for the Board flows down throughout the rest of the organisation where a similar approach is taken. Each year we review market pay data and this shows that, although base pay is broadly aligned with median levels in the commercial sector, the level of total remuneration received by each of the executive directors is significantly behind the levels paid by our commercial competitors. This includes the Chief Executive Officer (CEO) of BBC Worldwide who participates in the annual bonus and long term incentive plans of BBC Worldwide, our commercial business.

A significant factor in differentiating executive salaries at the BBC is the need to recognise the different market dynamics between creative staff and professional support staff and we acknowledge that the professional support staff are in the main likely to remain at the BBC for a shorter period of time and are likely to be able to achieve greater levels of reward in the commercial sector:

Remuneration of non-executive Directors

The fees of non-executive Directors are determined by the Trust. For information on how the fee level is set, see the Trust's review and assessment in Part One.

Remuneration of executive directors

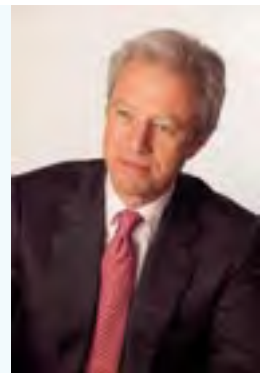
The strategy, set by the Trust, is to provide remuneration that attracts, motivates and retains the key people required to lead the corporation whilst also recognising the BBC's status as a publicly funded corporation which must deliver value to the licence fee payer. This is achieved by aligning base pay with the market median of the commercial organisations with which the BBC competes for talent, whilst not seeking to match the levels of variable pay offered by those organisations.

Each year the ERC reviews independently provided market pay data to support it in its decision making on remuneration, and ensure that levels of pay are

During the year we have responded to the change in economic circumstances, recognising that the gap in pay between the BBC and its commercial competitors is likely to diminish as levels of variable pay reduce in the media and technology sectors. We therefore restricted base salary increases for the majority of executive directors to 2% in August 2008 and have decided that there will be no base salary increases for any executive director in August 2009. In addition the Board decided to suspend discretionary bonus arrangements for all staff and as a result no discretionary bonuses will be paid until August 2010 at the earliest (except that in the Commercial Businesses, contractual bonuses will be paid, including to the CEO of BBC Worldwide). We have also recognised the need to ensure that remuneration at the BBC continues to be appropriate and relevant in the future and we are undertaking a formal review of our remuneration strategy. This review will examine whether the alignment of base pay with the commercial sector continues to be appropriate and will conclude on the best approach to variable pay for the BBC going forward. We plan to complete the review and to agree any changes in remuneration strategy with the Trust by October 2009. This will provide an even stronger framework than at present and ensure that the policy remains resilient in the face of the challenges facing the BBC now and in the longer term.

Although we face some complex and challenging issues, my colleagues and I believe that we have continued to apply a remuneration strategy that is in the interests of our licence fee payers, that is sensitive to the current economic circumstances, and which has enabled us to recruit, retain and motivate the executive talent that the BBC requires.

Marcus Agius
Chairman
Remuneration Committee
18 June 2009



consistent with the agreed strategy. Data obtained for the 2008 annual pay review showed that base pay was broadly aligned with the median of the market but that total direct compensation (base salary plus variable pay) ranged between 40% and 66% of the level paid by our competitors in the commercial sector. This differential arises because of the substantial additional amounts of variable pay (including share-based awards) that are provided in the commercial sector:

Further details on each component of the remuneration of executive directors are provided in the following paragraphs:

Base pay

In determining base pay the ERC takes into account the base pay of the BBC's principal competitors and the other organisations with which it competes for talent; the affordability of the BBC to reward its

executives; and the performance of the executive. Base pay is aligned at around the median of the market ensuring that the BBC does not lead the market on executive pay in the media sector:

Variable pay

A limited element of variable pay, linked to the achievement of key objectives and overall contribution to BBC performance, is provided. Executive directors (with the exception of the Chief Executive Officer (CEO) of BBC Worldwide) are eligible for a discretionary annual bonus of up to a maximum of 10% of base pay, of which up to 6% is for the achievement of divisional value-for-money targets, and up to 4% is for the achievement of divisional transformational objectives. No discretionary bonuses will be paid in 2009.

With regard to the CEO of BBC Worldwide, the BBC's remuneration strategy recognises that as a commercially funded business, it is appropriate that its CEO participates in the annual bonus and the long term incentive plans of BBC Worldwide. The design of the annual bonus and long term incentive plans are approved by the Trust. Details of the plans are provided under BBC Commercial Businesses section.

Benefits

In addition to pensions, the other main contractual benefits are a car and fuel allowance, private health insurance, and life assurance. Two executive directors are entitled to a chauffeur-driven car under earlier arrangements, one of which, the Director-General, is provided with a chauffeur-driven car; but he has no entitlement to a personal car or fuel allowance.

Table 16/ Remuneration received

The remuneration of the Board members and the Trustees during the year is shown below:

	Fee/ base pay ⁶ £000	Annual bonus £000	Taxable benefits £000	Other remuneration ⁷ £000	Total remuneration 2008/09 £000	Total remuneration 2007/08 £000
Executive directors						
Jenny Abramsky ¹	212	–	5	31	248	419
Jana Bennett	412	–	15	88	515	536
Mark Byford	471	–	14	–	485	513
Tim Davie	325	–	16	62	403	413
Ashley Highfield ²	104	–	3	17	124	466
Erik Huggers ³	223	–	9	42	274	–
Stephen Kelly ⁴	327	–	11	58	396	431
Zarin Patel	346	–	14	69	429	440
John Smith ⁵	397	69	14	–	480	486
Mark Thompson	664	–	6	164	834	816
Caroline Thomson	333	–	15	65	413	440
Total executive directors	3,814	69	122	596	4,601	4,960
Non-executive Directors						
Marcus Agius	50	–	–	–	50	50
Val Gooding	35	–	–	–	35	9
Mike Lynch	35	–	–	–	35	35
David Robbie	40	–	–	–	40	40
Samir Shah	35	–	–	–	35	35
Robert Webb	40	–	–	–	40	40
Total non-executive Directors	235	–	–	–	235	209
Total Executive Board	4,049	69	122	596	4,836	5,169
Total Trustees					677	642
Total					5,513	5,811

¹ Jenny Abramsky retired 30/09/08, base pay includes a payment for contractual leave of £46,414.

² Ashley Highfield left 30/06/08, base pay includes a payment for contractual leave of £16,515.

³ Erik Huggers appointed as a Director 01/08/08.

⁴ Stephen Kelly left 28/02/09, base pay includes a payment for contractual leave of £25,143.

⁵ John Smith's base pay, bonus and benefits have been fully funded by BBC Commercial Businesses since 1 September 2006. In addition to the annual bonus, an equal amount has been invested in the Long Term Incentive Plan for BBC Worldwide which may vest in March 2012.

⁶ The BBC introduced a salary sacrifice arrangement on 1 June 2008 for members who joined the Pension Scheme before 1 November 2006, and those Directors as indicated in the table above participated in the arrangement. From that date on, the terms and conditions of employment were changed for those employees opting for the salary sacrifice arrangement and as a result employee pension contributions made via the salary sacrifice arrangement have been treated as employer contributions, with a corresponding reduction in salary. Base salaries for executive directors have not been adjusted to reflect the impact of salary sacrifice to enable like for like comparison with prior years. The total salary sacrifice by executive directors was £84,704.

⁷ Other remuneration relates to pension arrangements and comprises the following:

a. cash pensions supplements which replaced FURBS arrangements.

b. a cash supplement for Jenny Abramsky as she no longer accrued benefits under the Pension Scheme.

Table 17/ Defined benefit schemes

Details of defined benefit entitlements are shown below:

	Age as at 31 March 2009	Increase in accrued pension over year £000	Total accrued pension at 31 March 2009 £000	Transfer value of accrued pension at 31 March 2009 ⁴ £000	Transfer value of accrued pension at 31 March 2008 ⁴ £000	Director's contributions (excluding contributions paid via the salary sacrifice arrangement) £000	Increase in transfer value less director's contributions £000
Executive directors							
Jana Bennett	53	2	14	212	164	1	47
Mark Byford	50	13	206	3,406	2,763	5	638
Tim Davie	41	2	8	57	37	1	19
Ashley Highfield ¹	43	1	15	116	99	1	16
Erik Huggers ²	36	2	2	7	–	–	7
Stephen Kelly ³	43	2	5	37	20	1	16
Zarin Patel	48	3	21	220	170	1	49
John Smith	51	15	209	3,673	3,167	4	502
Mark Thompson	51	2	9	130	91	1	38
Caroline Thomson	54	5	67	1,475	1,308	1	166

¹ Ashley Highfield both resigned as a director and left the Pension Scheme on 30 June 2008. The accrued pension on leaving the Pension Scheme has been valued as at 31 March 2009.

² Erik Huggers was appointed as a director on 1 August 2008, although he joined the Pension Scheme on 1 April 2008. The figures shown include the period before he was appointed as a director. He is a member with less than two years' service, and so he is not entitled to a deferred pension at 31 March 2009. However, for consistency his accrued deferred pension has been calculated and valued.

³ Stephen Kelly both resigned as a director and left the Pension Scheme on 28 February 2009. The accrued pension on leaving the Pension Scheme has been valued as at 31 March 2009.

⁴ The transfer value of accrued benefits represents the estimated cost to the Pension Scheme of providing the benefits accrued to date. The value is affected by many factors, including age, pensionable salary, pensionable service, section of the Pension Scheme and investment market conditions at the date of calculation. It is not a sum paid to or due to the individual and therefore cannot be meaningfully added to remuneration.

No payments in respect of termination or compensation for loss of office were paid to or receivable by Board members during the year.

Table 18/ LTIP vesting schedule for BBC Worldwide

Performance ranking for BBC Worldwide

LTIP payment

Upper quartile or above	20% of base salary, and 100% match of deferred bonus
Median	10% of base salary, and 50% match of deferred bonus
Below median	Nothing vests

Notes:

1. Straight line pro-ration applies between median and upper quartile.

2. 50% of the amount of any deferred annual bonus is also forfeited if performance is below the lower quartile.

Table 19/ LTIP vesting for CEO of BBC Worldwide

LTIP award	Bonus deferred £000	End of performance Period	LTIP award vested £000	Deferred bonus matching award vested £000	Total vested £000
	a		b	c	a+b+c
LTIP 2006 to 2009	–	March 2009	80	–	80

Table 20/ LTIP potential vesting in 2010 and 2011 for CEO of BBC Worldwide

LTIP award	Bonus deferred £000	End of performance Period	Potential LTIP vesting (at target) £000	Potential LTIP vesting (at maximum) £000	Potential deferred bonus matching award (at target) £000	Potential deferred bonus matching (at maximum) £000	Total potential (at target) £000	Total potential (at maximum) £000
	a		b	c	d	e	a+b+d	a+c+e
LTIP 2007 to 2010	80	March 2010	40	80	40	80	160	240
LTIP 2008 to 2011	88	March 2011	40	80	44	88	172	256

Notes:

1. LTIP 2007-2010 for performance below lower quartile 100% of deferred bonus is forfeited.

2. Potential LTIP vesting is based on current earnings and rounded to nearest 1,000

The comparator group is selected for their mix of business, industry and geographical representation and comprises Aegis Group, British Sky Broadcasting Group, Emap, Informa, ITV, Pearson, Reuters Group, Taylor Nelson Sofres, WPP, Yell Group, Cablevision Systems Corp, Comcast A, Disney (VWalt) Company, Eastman Kodak, Interpublic Group Cos, News Corp A, SBS Broadcasting Time Warner, ProSiebenSat 1, Axel Springer (R), Havas Advertising, JC Decaux, M6-Metropole Television, Publicis Groupe, TFI, Vivendi Universal, Arnoldo Mondadori, Mediaset, RCS Mediagroup, Jetix Europe, Dentsu Inc, Fuji Television Network, Nippon Television Network Corp, SKY Perfect Communications.

Pension

Executive members of the Board are eligible to participate in the BBC Pension Scheme, which provides for pension benefits on a defined benefit basis.

For an employee joining the Pension Scheme before 1 November 2006, the accrual rate is 1/60th of the final pensionable salary for each year of service with pensionable salary being base pay, including London Weighting, but not including any bonuses or other payments. For employees in this group the normal pensionable age is 60. For an employee who joined on or after 1 November 2006 the accrual rate is 1.67% of their pensionable salary for each year of service, adjusted in line with inflation up to retirement. For this group, the normal pensionable age is 65.

All current executive directors (except Erik Huggers) have a normal pensionable age of 60 but may continue in employment to age 65. The normal retirement date for Erik Huggers is 65 as he joined the Pension Scheme after 1 November 2006.

For those who joined the Pension Scheme after 31 May 1989 earnings are subject to the maximum annual limit (£117,600 per annum for 2008/09). No maximum annual limit is applied to those who joined on or before 31 May 1989. The Pension Scheme provides for early retirement on medical grounds and life assurance of four times pensionable salary up to a prescribed limit.

A variety of arrangements were put in place, for members of the Board who joined after 31 May 1989, and whose pensionable salary exceeds the maximum annual limit, including funded and unfunded arrangements outside of the Pension Scheme. Since 1 April 2006 these arrangements have been replaced by a cash supplement paid to each director on a pensionable salary above the maximum annual limit.

Any participating employee who reaches or exceeds the Lifetime Allowance (£1.65million for 2008/09) may opt out of the Pension Scheme and instead receive a cash supplement.

The BBC's commercial businesses

The CEO of BBC Worldwide participates in the annual bonus plan and long term incentive plan (LTIP) of BBC Worldwide which were established by the Board of BBC Commercial Holdings and approved by the Trust. These plans are not funded by the licence fee and the full costs of base pay, annual bonus and the LTIP are self-funded by the commercial revenues of BBC Worldwide.

The CEO of BBC Worldwide is eligible for a maximum annual award of 50% of base pay under the annual bonus plan; 75% of the bonus is determined by the performance of BBC Worldwide against profit targets and 25% is discretionary and determined by the Director-General based on the achievement of key objectives relating to the overall success of the BBC. In line with a decision regarding other executive directors, this latter 25% discretionary bonus will not be paid in 2009. The CEO is entitled to defer up to 75% of the previous year's annual bonus into the LTIP.

The LTIP is a cash incentive plan designed to align the CEO's remuneration with the strategy of the business. The maximum payout under the LTIP is 20% of base pay, plus a potential 100% match of deferred annual bonus. Both elements are subject to two performance measures: Profit Growth (75% weighting) and Return on Sales growth (25% weighting), measured over a three year period and relative to a comparator group of at least 15 other international media companies. The companies are ranked according to their performance. These measures were chosen as they most directly support the objectives of BBC Worldwide and are the key drivers of success.

BBC Worldwide must be ranked at least at the median of the comparator group for any of the award to vest. Maximum vesting is achieved for a ranking at the upper quartile or above. There is a straight-line vesting scale between these two points.

Employment contracts

Employment contracts of executive directors have a notice period of a maximum of 12 months, and are subject to earlier termination for cause. As at 31 March 2009 the unexpired term of each executive director was a maximum of 12 months. There is no contractual entitlement to any additional remuneration in the event of early termination other than 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 Board may hold one remunerated external directorship with up to 15 days per year permitted to fulfil these duties. Remuneration which arises from directorships may be retained by the executive member. The policy encourages the take up of external non-executive appointments to support professional development and bringing broader business skills to the BBC. Executive directors may also hold non-remunerated external posts.

During the year the Chief Operating Officer served as non-executive director of The Pensions Regulator until 28 February 2009 and retained the fees for this directorship as set out in table 21 below. The Board's register of interests can be obtained at www.bbc.co.uk/info/running/executive/register.shtml. It is recognised that non-executive Directors are likely to have other directorships and the restrictions applying to executive directors do not apply to them.

Table 21/ External directorship fees

	Organisation	Payment received
		£000
COO	The Pensions Regulator	9

RESPON



SIBILITY/

96 / OPERATIONS /



095

RESPONSIBILITY/

OPERATIONS/



“BUILDING AND SUSTAINING GOOD RELATIONSHIPS WITH COLLEAGUES AND SUPPLIERS IS VITAL TO THE SMOOTH RUNNING OF AN EFFICIENT OPERATION. AND DOING THE SAME WITH AUDIENCES IS WHAT MAKES US EFFECTIVE.”
CAROLIN THOMSON, CHIEF OPERATING OFFICER

Audiences are at the heart of what the BBC does. We consider them in all our editorial decisions, of course – aiming to offer programmes and services that appeal to them and which suit their viewing, listening and other media needs. But they are not our only stakeholders. We also have responsibilities towards those who work for us and those with whom we collaborate and partner in running our business.

So we have to marry up what is best overall with three, often very distinct, sets of expectations.

AUDIENCES

Our range of responsibilities to audiences and licence fee payers includes making sure that we run our business in a clear, transparent and efficient way. Each year we report on how we are doing in our Annual Report, and further information on how the BBC is run can be found at www.bbc.co.uk/info

But we also have a more immediate impact on people – especially those with whom we come into contact over the year at our events and recordings.

BBC Outreach

We have a wide range of outreach activities that aim to extend our role beyond linear broadcast, where we try to involve audiences in active participation, such as community volunteering, taking part in opportunities to shape BBC output, or using our content to help with learning.

Our BBC Big Screens in 17 different towns and cities across the UK are each customised to reflect life in its host community, with content often produced by local people in partnership with community, arts, education and media organisations. In July we ran the Silk Screens project in the lead up to the Beijing Olympics. Four of our Big Screens hosted simultaneous live events featuring local performers and films made by members of the British Chinese community which were shared across all Big Screens, reaching a live audience of 35,000 and eventually over two million people via the BBC website and regional broadcasts.

In March, School Report from BBC News worked with over 500 schools across the UK, encouraging and enabling over 10,000 11–14 year old students to write and publish their own news reports. The project aims to improve young people's representation and stimulate their political interest. It also produces content for the broader audience, with widespread coverage across regional stations as well as nationally, including reports on the *One, Six and Ten O'Clock News* broadcasts.

The BBC plays a unique role in supporting the voluntary sector; both through its corporate charities and supporting others. The BBC does not make cash donations to charities but supports fundraising through broadcast appeals. A network of independent Appeals Advisory Committees informs the BBC's management on its charity policy and practice.





The BBC's two major TV broadcast appeals of the year both managed to break fundraising records despite the current economic climate. In November *BBC Children in Need* raised over £20million during the broadcast appeal itself, while in March *Red Nose Day* raised over £59million for *Comic Relief*.

Last year we provided charities with services with a cash equivalent value of £330,000 (2008: £296,000). In addition to broadcast appeals, BBC commercial businesses donated £1,400 to charities during the year (2008: £180,000).

Environment

The environmental impact of our business is particularly important to us. In 2008 we launched a five year environment action plan with ambitious targets for reductions in energy, transport, water and waste. 'Choose to make a difference' is the theme of our staff awareness campaign to encourage change behaviour. In addition, we introduced a number of initiatives including 100% recycled office paper; automatic PC switch-off, and promoting video conferencing to cut down on our air miles.

Table 22/ Our environment targets – by 31 March 2013

Area	Target
Energy	
	20% reduction in energy consumed per person.
Transport	
	20% reduction in CO ₂ emissions per person.
Water	
	25% reduction in water used per person.
Waste	
	20% reduction in waste per person and to recycle 75% of waste.

For more details on how well we performed against these targets this year, see our Corporate Responsibility Report at www.bbc.co.uk/outreach/reports

Business in the Community

During the year, we once again took part in Business in the Community's (BitC) Corporate Responsibility Index, improving our ranking from Gold to Platinum.

The Index is the UK's leading voluntary corporate responsibility benchmark, and our score reflects the high standards we aim to achieve in managing our business responsibly. Last year we committed to improve how we manage our environmental impact and to externally verify our Corporate Responsibility Report. Both these areas were successfully addressed, together with continuing improvements in other areas like workplace management and social inclusion.

You can find out more about the BitC CR Index at www.bitc.org.uk/cr_strategy_and_integration/cr_index/index.html



STAFF

Total BBC headcount has been decreasing in recent years, as our business needs have changed. But with around 23,000 people in 43 countries, in excess of 100,000 job applications last year; and in the region of 30 million hits to our employment website (www.bbc.co.uk/recruitment), the BBC still takes staff recruitment, retention and training seriously.

Table 25 gives a snapshot of where BBC UK staff working in our broadcast and support functions were located as at 31 March 2009.

Our People Strategy is now established, and is working dynamically across the business, where the five strategic themes are used to deliver an effective response to local and corporate business priorities in each BBC business group.

Collective leadership: focus remains on encouraging and supporting creativity, openness and responsibility within operational teams. To this end, over 300 new managers were enrolled on our Leadership Essentials programme this year; and clear editorial values and standards were integrated into induction programmes and production courses, reaching around 20,000 non-BBC staff. We successfully piloted our Editorial Leadership Programme, and this will launch later in 2009.

Getting the right skills and talent for a changing BBC: job closures started in 2008 and redeployment opportunities, which exceeded targets, will continue to take affect until 2010. A rigorous approach to resource planning, ensuring progress against headcount targets, and talent management to retain the best skills is being actively pursued.

Reward for performance: 2008 was the second year of a two-year pay deal totalling 6% (4% in 2007, 2% in 2008), and also saw the launch of a new online scheme for flexible benefits. The scheme registered a 13% uptake in its first year; and by March 2009 this had grown to 17% uptake. The scheme allows staff in the UK to actively manage their own benefits such as buying/selling annual leave and buying childcare vouchers. Reward is crucial to performance, but in these challenging economic times we have decided that in 2009 Senior Managers should not receive an annual pay review or discretionary bonus, and there will be no discretionary bonus awards to other staff. We are developing a reward framework for 2010 that supports managers in recognising performance excellence, innovation and creativity, but which is not wholly dependent on monetary rewards.

The following table shows BBC senior managers' headcount by base salary as at 31 March 2009. Where staff are part-time, the full-time equivalent salary is given. This figure is made up of staff in both the public service and the commercial businesses, excluding staff on maternity or unpaid leave at that date.

Table 23/ Senior managers' headcount by salary band

Salary band	2008/09	2007/08
Under £70,000	50	72
£70,000 to £99,999	328	329
£100,000 to £129,999	178	171
£130,000 to £159,999	92	88
£160,000 to £189,999	52	44
£190,000 to £219,999	29	15
£220,000 to £249,999	10	10
£250,000 to £279,999	5	7
£280,000 to £309,999	4	4
£310,000 to £339,999	2	1
£340,000 to £369,999	–	–
£370,000 to £399,999	1	–
Total	751	741

Note: 2007/08 bandings have been restated to exclude three individuals incorrectly included in last year's report.

Getting the basics right: we have been working to make our processes and systems simple, clear and transparent. This year we changed several essential processes, including contracting and recruitment, so that managers can get better management information and spend less time on administration. Our joint effort with outsourcing partner Capita to improve and strengthen our HR service continues.

Changing how we work: our employee relations strategy is now starting to pay dividends, as we establish as best practice our new approach to scenario planning, risk modelling, staff consultation, and a more inclusive approach to ER issues with our unions through the Joint Working Parties. This has been particularly important at this time as we are starting to deliver on our plans to increase our presence and our work spend outside London.

Table 24/ Total average PSB headcount, FTE

Year end 2006	18,860
Year end 2007	17,914
Year end 2008	17,677
Year end 2009	17,078

Table 25/ Staff UK PSB staff by Nation (equivalent full-time) %

	08/09	07/08
England (excluding London)	23	24
London	60	57
Scotland	6	8
Wales	7	8
Northern Ireland	4	4







Training

Last year we delivered over 70,000 days of training to more than 49,000 people in the BBC and the wider media industry, including the key area Safeguarding Trust where over 20,000 online learning modules have been completed by external users. In the year ahead we will be developing an enhanced external training portal which will deliver greater access to BBC training to the wider industry.

Internally, a current focus is ensuring that our staff have the right skills for developing content in a digital world – over 2,000 staff have had training in developing content for multiple platforms, including staff in Scotland who got dedicated training to support the launch of the new digital BBC ALBA Gaelic channel.

We have also worked at growing partnerships with external bodies in the audio-visual industry, education and the community, including a range of initiatives with Skillset. Having contributed to the reshaping of Skillset’s governance structure, Peter Salmon, Director BBC North, has joined the new Skillset Board of Directors. Relationships have also been developed further with BJTC, Media Trust, Northwest Vision & Media and the Research Centre, and a number of universities in the North of England to enrich the potential talent pool to support our move to Salford in 2011.

In total we spent £44.5million on training last year (2008: £43million).

Diversity

Diversity is vital to ensuring that BBC programmes and services reflect the lives and experiences of all our licence fee payers. Difference is a strong catalyst for creativity and can lead to richer, more relevant output that resonates with all our audiences.

Table 26/ Black and minority ethnic staff

% of total	Target
2009	12.1 12.5
2008	11.0 12.5
2007	10.5 12.5

Table 27/ Senior manager black and minority ethnic staff % of total

% of total	Target
2009	5.6 7.0
2008	5.0 7.0
2007	5.0 7.0

Table 28/ Disabled staff % of total

% of total	Target
2009	4.4 5.5
2008	4.6 4.0
2007	2.8 4.0

Table 29/ Senior manager disabled staff

% of total	Target
2009	3.4 4.5
2008 (data not measured previously)	n/a n/a

Recruiting and developing a diverse workforce that is representative of contemporary British society is central to the modern BBC.

Currently, around half of our workforce are women. We reviewed our diversity targets this year and have also set ourselves stretching but realistic, goals for black and minority ethnic (BME) and disabled staff.

Creating a diverse workforce is only one plank in our Diversity Strategy. We also aim to embed diversity into all BBC activities and functions – from creating unique and inspired output to attracting and nurturing great talent, from connecting with hard to reach audiences to ensuring new services are accessible.

Chart 6/ Subtitling output on BBC Television* %

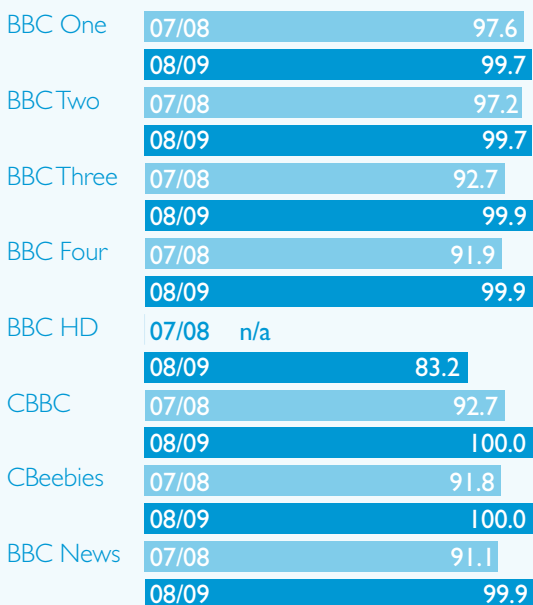
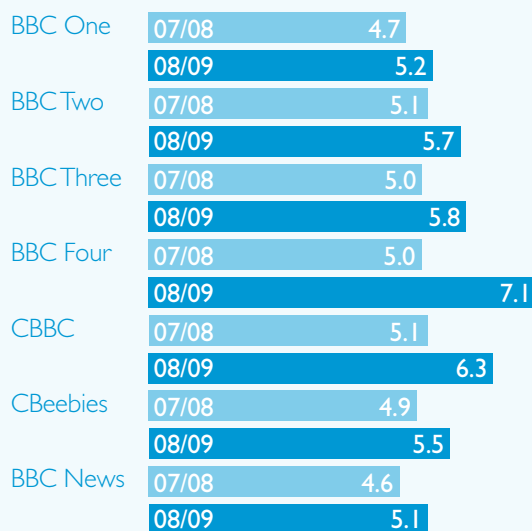


Chart 7/ Signing on BBC Television %



* Based on 52 weeks, not full year.

The Diversity Strategy was reviewed during 2008 and we developed a workable framework and mechanisms for systematic action planning and reporting across four key areas:

Corporate strategy and business planning

Ensuring equality and diversity are part of all strategic decision-making and business planning within the BBC.

Audiences

Understanding and responding to our diverse audiences, through research, audience engagement and outreach initiatives.

Output

Creatively reflecting the diversity of our audiences across the UK, across all our platforms, and in the development of new services and technology.

Workforce

This was the second year of a three-year programme of investment aimed at further diversifying the BBC workforce at all levels:

- Journalism Trainee Scheme – 60% intake were from a BME background.
- Journalism Talent Pool – 32% of intake was from a BME background.
- Mentoring and Development Programme – this aims to create a pool of diverse staff with the confidence and skills to move into senior roles.
- Extend – this work placement scheme for disabled people provided up to 50 places for 2008/09.

BBC North has provided a major opportunity for promoting the BBC as a diverse employer. A partnership with Connexions and JobCentre Plus has led to the development of an apprenticeship scheme



targeting hard to reach groups. We also continue to support existing partnerships nationally including for example, working with Skilset this year to attract under-represented groups to BBC Wales.

For more information on any of our training schemes, including how and when to apply, please see: www.bbctraining.com

We also have statutory duties to promote race, disability and gender equality through some of our activities, principally TV Licensing and digital switchover. For more information have a look at our Performance Summaries which highlight progress we have made this year: www.bbc.co.uk/info/policies/diversity.shtml

Over the coming year we will begin work to develop a single equality scheme.

Occupational risk management

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

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

On a daily basis, risks faced by staff include stress, noise, manual handling and driving as well as those associated with studio and location filming, and major outdoor events. Journalists and other staff often work in hostile environments, including Iraq and Afghanistan, and we provided specialist support to them and others working in high-risk situations.

We are committed to making our programmes as accessible as possible to all audience groups.

Last year we subtitled over 53,000 hours of programming – around 7,000 hours more than the year before, and including 3,222 hours combined on BBC Parliament and BBC HD (which are not subject to Ofcom targets). Our target for subtitling is 100%.

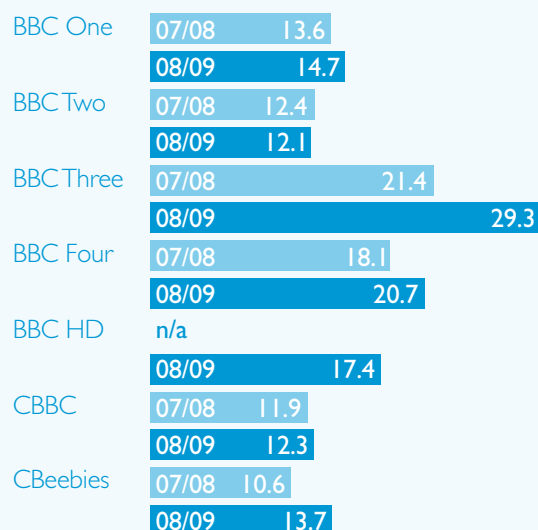
Our target for programming to be audio described remains at 10%. This target does not apply to the BBC News channel due to the nature of its rolling news output, and does not apply to BBC Parliament, BBC Red Button and BBC HD.

The same exemptions apply to signing where we have a target of 5%.

Our Editorial Guidelines show how we can improve access to our services and encourage creative approaches and solutions. For example, users can customise their home pages via www.bbc.co.uk

Chart 8/

Audio description on BBC Television %





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

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

And this year:

- incidence rate for reportable accidents down from 277 to 160 per 100,000 staff (down 40%).
- incidence rate of suspected cases of work related ill health was 23 per 1,000 in 2000 down to 3.55 per 1,000 last year; mainly due to stress, upper limb disorders and other musculoskeletal problems.

Tragically, two of our journalists were killed in separate incidents in Afghanistan and Somalia in July, and another programme maker died in a road accident in Bangladesh.

Enforcement

No enforcement action has been taken.

Competence

We recorded face-to-face safety training given to 6,641 people. Thousands of courses were also completed online. We have completely revised much of our production safety training, and work with other broadcasters and Skillset to implement a safety passport scheme to deliver transferable safety training to the media sector:

Our safety policy, and most of our guidance will be made available during the course of 2009 on an external website:

www.bbc.org.uk/ohss/main.aspxpage4531.htm

SUPPLIERS AND PARTNERS

By virtue of the licence fee, we acknowledge the size of our spending ability in the broadcast marketplace relative to our competitors. But we also recognise that the privilege of the licence fee comes with the expectation that we will use it to deliver value to our licence fee payers. We have a responsibility to behave properly and not to unfairly impact or disadvantage those with whom we do business – suppliers and partners – but we must also see that we get the best return overall for our investments.

Fair Trading Policy and Compliance

The BBC must meet its Fair Trading obligations. These are encapsulated in the BBC's Fair Trading Guidelines, found at www.bbc.co.uk/info/policies/fairtrading/

Compliance with these guidelines was overseen through sub-committees of the BBC Trust (Public Value Fair Trading Committee in 2008 and Finance and Compliance Committee in 2009) and Executive Board (Executive Fair Trading Committee).

Following the introduction of the new Charter and Agreement on 1 January 2007, new guidelines were introduced on 1 July 2007. At the time of their approval the BBC committed to review the guidelines one year later and to consult with key stakeholders on its proposals for change. The BBC published a consultation document online on 24 October 2008. Key external stakeholders were contacted directly. Following the consultation, revised guidelines were approved by both the BBC Executive and the Trust and come into effect from 1 April 2009.

Annual Fair Trading audit

The BBC Trust commissioned auditors Deloitte LLP to undertake an annual Fair Trading audit to determine whether BBC management has established and applied a system of internal controls which provide reasonable assurance that it has complied with the Trust's Fair Trading policies. Details of the audit and opinion can be found at www.bbc.co.uk/bbctrust/research/annual_report.html

ISO accreditation

The management of the BBC's Fair Trading arrangements has been accredited with the ISO 9001:2008 quality standard. Performance against this standard is regularly tested by the British Standards Institute. The most recent assessment in the period under assessment (in December 2008) confirmed that the procedures are continuing to operate effectively.

Four commercial criteria

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

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

Having received reports from relevant senior management, the BBC Executive is satisfied that all its commercial services have met the above criteria for the period 1 April 2008 to 31 March 2009.

Fair Trading Complaints

The BBC operates a Fair Trading complaints and appeals framework which separates the handling of complaints (investigated by BBC Executive), and appeals (undertaken by the Trust).

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

Executive report on BBC World Service trading protocols

BBC World Service purchases programmes and services from licence fee funded areas of the BBC as well as its Commercial Subsidiaries. The BBC's Fair Trading Guidelines provide guidance on this trading relationship in order to ensure separation between Grant-in-Aid and licence fee income.

As required by the Fair Trading Guidelines, the BBC Executive commissioned a report from external auditors on the BBC's compliance in this area. The audit report found that the BBC's behaviour was compliant. Further details can be found at www.bbcworldservice.com/annual_review2009

Freedom of Information

The BBC's online publication scheme had just over 1.5 million hits during the year; with a little over one million documents downloaded. We launched our new publication scheme in January 2009 in accordance with the new requirements set out by the Information Commissioner's Office for all public bodies covered by the Act.

We received 1,694 requests for information under the Freedom of Information Act (up 63% from 2007/08). All or some of the information was released in 1,135 (67%) of requests. 86% of requests were responded to within the 20 working days statutory time frame, or extended legitimately under the Act.

In addition, there were 51 requests for internal reviews of BBC FOIA decisions, and 76 cases were referred to the Information Commissioner's Office. Five cases were appealed to the Information Tribunal, four of which have been appealed to the High Court. One appeal was heard by the House of Lords.

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

Data protection

The BBC is implementing compulsory data protection training for all BBC staff. Over 83% of staff had completed this training at 31 March 2009. A formal BBC-wide data protection compliance and reporting structure was implemented and an external data protection audit completed over a number of divisions.

Three BBC data security breaches were referred to the Information Commissioner's Office. The Information Commissioner referred a further four complaints to the BBC and the Jersey Information Commissioner referred one complaint to the BBC. The BBC received 26 formal Subject Access Requests under the Data Protection Act, of which 23 were delivered within the 40-day statutory timetable. One was referred to the Information Commissioner's Office.

Cost of compliance

In order to ensure that we complied with all relevant legislation that the BBC is subject to as a broadcaster and public body, in 2008/09 we incurred compliance costs estimated at £17.3million (2008: £15.3 million). This figure includes the BBC's annual £3.6million subscription to Ofcom.

Legal

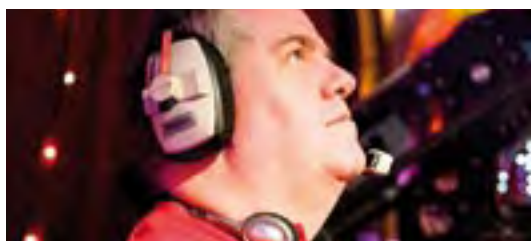
The Group General Counsel prepares a compliance report which is presented quarterly to the Executive Board, and every six months to the BBC Trust. This is designed to highlight and capture the BBC's compliance with all principal laws and regulations which affect the BBC group's business.

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

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

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

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



FINANCIAL STATEMENT

The background of the page is a blurred photograph of an interior space, likely a library or office. It features rows of bookshelves filled with books, and a prominent pink upholstered chair in the foreground. The lighting is warm, and the overall aesthetic is professional and modern.

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“LICENCE FEE PAYERS RIGHTLY EXPECT TO RECEIVE EXCELLENT VALUE FOR MONEY ACROSS ALL OUR SERVICES. TO SUCCEED IN DELIVERING MORE FOR LESS WE CONTINUE TO SIMPLIFY AND INNOVATE IN EVERY ASPECT OF OUR BUSINESS.”

ZARIN PATEL, CHIEF FINANCIAL OFFICER

Chart 9/ Licence fee collection/evasion %

06/07	9.2
07/08	8.7
08/09	8.7

The BBC offers a uniquely diverse and distinctive range of services; it is also funded in a distinctive way. We have commercial operations, including BBC Worldwide, but most of our funding comes from the licence fee, paid for by households across the UK. We also receive funding from the Foreign & Commonwealth Office to support the World Service.

Our funding gives us exceptional privileges and we have a responsibility to spend this money well. The first part of this financial review focuses on how we do this, especially in the face of the current economic downturn.

OUR BOTTOM LINE IS VALUE – FOR ALL OUR STAKEHOLDERS

Another consequence of our unique status is that we do not have a 'bottom line' in the way that profit-making organisations do, but show a surplus or deficit each year.

Our group accounts show a surplus before interest and tax this year of £178.1 million (2008: deficit (£4.7million)), arising principally as a result of the way we have been funded. We have higher settlements in the early years which will help to fund our significant Charter commitments through to 2012/13, including the digital build and Help Scheme, the move to Salford and our network supply strategy.

Rather than a bottom line, what we do have is a very clear understanding of the value we can and should be creating for our stakeholders, and this translates into five key financial objectives:

Maximising our income by collecting the licence fee as efficiently as we can

There are two aspects to this: developing more cost-effective ways to collect and pay the licence fee, which also meet our customers' needs, and keeping evasion as low as possible.

We saw a 12% increase in the number of people paying through the cash plans last year, which enables people to pay in smaller instalments over a longer period, and we've also provided more outlets where people can pay at their convenience. We have continued to promote online payments, which are cheaper to process, and more convenient for many of our licence fee payers. More licences were sold both this way and through the self-service phone line in 2008/09. Self-serve now represents 35% of total transactions, up from 26% in the previous year.

The number of people paying through direct debit increased again this year from 66% to 67%. We are, as expected, reaching the maximum potential for this particular scheme, so we are now focusing on investing in other flexible payment methods. Our total collection costs (net of interest) went down again this year, to £119million or 3.4% of income.

Evasion rose slightly, from 5.1% to 5.3%, reflecting current economic conditions, but as this was offset by more efficient collection, the combined cost of both collection and evasion remained stable at 8.7% of our licence fee income. However, we expect to face

further challenges in the next 12 months as lower levels of consumer confidence slow the growth in new households.

The BBC Trust recently carried out an independent review of our Licence Fee Collection, which consulted with licence fee payers before making a number of specific recommendations on how our approach should change. We have taken these on board, and will particularly be looking at how we communicate with licence fee payers, simplifying how people pay for their licence fee, and ways to target our enforcement measures more effectively.

Making the BBC as efficient as possible, and providing good value for money

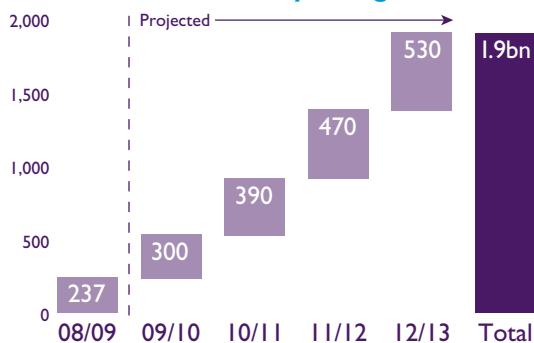
The success of our efficiency programme is more important now than it has ever been. Under our new Continuous Improvement programme, which started in April 2008, we have been set a stretching target to achieve 3% cumulative efficiency savings each year or 15% of our cost base to 2012/13, which equates to about £1.9billion. Over this time we also plan to reduce headcount by 10% (1,800 posts), on top of the 10% achieved between 2005 and 2008 (1,900 posts).

We estimate that the Continuous Improvement programme will cost about £160million to implement over six years, and we have saved £237million since the programme started (£192million net of costs).

This is not a one-off programme of savings. From 2000-2005 we delivered over £2billion through efficiencies and other initiatives, and then achieved a further £347million of recurring annual savings, through the Value for Money programme, which ran from 2005 to 2008. These efficiency programmes principally targeted our fixed cost base; this means that the savings in our latest programme, as a proportion of our variable costs, are actually even higher:

The savings come from a number of initiatives, including changing the way we commission and make in-house programmes, centralising news production and introducing end-to-end digital tapeless production.

Chart 10/ Gross efficiency savings £m



06/07	111
07/08	118
08/09	86

So far, as a result of the changes made to the way we make our programmes, we have been able to invest more in technology, improving the capabilities of iPlayer and enhancing our on-demand capabilities, to make our Sport, News and Radio content available wherever and whenever our audience wants it. We have also invested in multiplatform programming and new services such as HD – this has already been a great success both for the 2008 Olympics, and for landmark programmes like *Nature's Great Events*.

The final points to mention here are the Value for Money reviews. The National Audit Office completed two reviews in 2008/09, one on radio production, and the other on our management of strategic contracts. The first recognised that the aim of achieving nearly £70million of cumulative cash releasing savings in radio by 2012/13 is a challenging one. The report made a number of recommendations, which we were either already implementing, or will address now. Most of these relate to sharing good practice and insight, both inside and outside the BBC. The second review analysed 17 different contracts with a combined annual value of around £715million. The report recognised that the BBC has an above-average track record in managing major contracts and the savings we have secured have exceeded original expectations. Again, we are addressing the report's recommendations, and focusing in particular on how we manage our supply chain more effectively.

A more efficient BBC: streamlining scripts

Drama development and production is an expensive business, and we are constantly looking for ways to achieve the same high-quality result at a lower cost – to make *Little Dorrit* for as little as *Doctors*. One way we are doing this is by bringing together our financial and creative teams more often and in new ways, to improve their understanding of each others' priorities and constraints. Giving better programme budgeting training to script editors is a good example of this working well in practice. In this case we have been able to avoid unnecessary costs and streamline decision-making in the crucial early stages of a production schedule. We have seen knock-on benefits for the whole production team and process.

Maximising the returns we make on programmes paid for by the licence fee

This is, in essence, what the main commercial arm of the BBC exists to do. BBC Worldwide sells the programmes we make across the world, so that licence fee payers get the highest possible return on the money they pay.

We are always looking for new opportunities to sell our output, formats and other merchandise in the UK and overseas. In 2008/09 BBC Worldwide's total revenues were just over £1 billion, including intra-group income and its share of joint venture income, up 9.5% on the previous year and the first

time that revenues have passed this milestone. This is partly down to new investment this year, in channels, online and production, and partly the result of growth from our existing business. Particular highlights from our Global Brands business include *Top Gear*, and *Doctor Who*. We have also launched 18 new channels worldwide this year, which brings our total to 44, contributing to growth in Channels revenue of 23%.

The magazines division has had a more difficult year, with both advertising and circulation suffering from the general decline in marketing spend that is now affecting the whole magazine market. Lonely Planet has delivered its first full year of revenues, but is also being impacted by the current economic downturn, which is slowing the travel and holiday market; however we are encouraged that the business still managed to grow its market share in the USA.

A more efficient BBC: multimedia news

We now have a multimedia newsroom which brings together journalists and production teams from television, radio, and online. This saves money, speeds up decision-making, and allows us to make the most of the content we create, by re-using and repackaging it for more channels and platforms. It has also given new skills to our own news teams, as well as the freelancers who work for us, who can then take what they have learned out into the wider marketplace.

We had been hoping to build on the huge success of iPlayer with our proposal to develop a new video-on-demand service in partnership with ITV and Channel 4. Unfortunately the Competition Commission has ruled that this would be too much of a threat to other competitors in the emerging video-on-demand market. As a result we have had to write-down £9million of costs incurred, but we are still hopeful that we can find another way to generate the same returns for licence fee payers over the long-term.

Our partner in the joint venture 2entertain, Woolworths Group plc, entered administration at the end of 2008, so we have had to write-off both costs and unrecoverable debt, although 2entertain itself continues to trade well. Since then we have been exploring how best to resolve this issue in a way that protects the interests of licence fee payers.

BBC Worldwide's statutory profits fell from £118million in 2007/08 to £86million this year. This is principally due to charges in relation to Woolworths (estimated at £15million including our share of the pension liability of 2entertain), Kangaroo (£9million), and our ongoing strategy of investment.

Our global news business, BBC World News, has been impacted by the downturn in advertising activity in the year. Despite an increase in revenues of 12%, it has incurred a statutory loss of £3million this year.

A more efficient BBC: longer-term production deals

In a business like ours commissions and schedules will always change year on year, as audience preferences and priorities change. This makes achieving significant budget savings even more challenging, but there are some long-term decisions we can still make that can help to keep our costs down. For example, we can negotiate longer-term deals with independent producers on those formats that we feel are likely to remain popular, or could adapt to different audience tastes. *Masterchef* and *Eggheads* are both good examples of this. The benefits are two-fold – it gives the independent production company more certainty about their cashflow, while allowing us to plan more efficiently, which has an immediate impact on our cost per hour.

We announced the sale of the Outside Broadcasts division of BBC Resources Limited, another commercial venture, at the start of 2008/09. We retained the Studios and Post Production operations, and restructured them into a new business called BBC Studios and Post Production Limited. It has been a challenging year throughout the broadcast facilities market, with widespread reductions in turnover and revenues, as productions cut costs and looked for savings. At year end, the business made a statutory loss before interest and tax of £1.8million, mainly due to our restructure.

For more information see its service review, or see www.bbcstudiosandpostproduction.com

Whilst the statutory results of the individual commercial businesses show a profit of £86million in BBC Worldwide, losses of £19million in Studios and Post Production and £3million in BBC World News, when consolidated into the group accounts, the group profit before interest and tax is reduced to £31million. This reflects the recognition of non-cash losses on foreign exchange financial instruments; these adjustments were not significant in 2007/08.

In general, our commercial operations are in good shape at the start of the new financial year. We await the outcome of the Digital Britain review, which may have longer-term implications for BBC Worldwide. The priority now is to make real improvements in some under-performing areas, while remaining agile enough to move quickly to seize new opportunities.

Spreading the benefit of the licence fee across the whole of the UK

The BBC is for the whole of the UK, from Belfast to Truro, Aberdeen to Brighton, Swansea to Middlesbrough. We are all passionately committed to nurturing the very best creative and production talent, right across the country. One way we are doing this is by aiming to have 50% of our Network Television production made outside London by 2016. The move to Salford is central to this strategy. We will also

Managing risk in a recession

We recognise that the certainty of licence fee income does shield the BBC from the worst of the economic downturn; however we are not entirely immune from the impact of the recession. Unlike many of our competitors, we do not rely directly on advertising revenues, but we face similar challenges to the majority of UK businesses as a result of the economic uncertainty and subsequent volatility in financial markets. There is pressure on both our commercial and licence fee revenues, particularly as reduced household growth takes effect. Our commercial businesses have suffered with reduced retail and advertising activity and increased competition in our Studios business; that said, BBC Worldwide has shown resilience so far, due to the diversified nature of its business.

When there is more uncertainty over future income streams, it is important that we live within our means. We have put a number of measures in place this year as a result, including no discretionary public service bonuses for 2008/09, and no pay increases for senior management. We are also looking carefully at what we pay our talent, in light of both the economic environment and the Trust's review of talent in 2008.

In addition, although we continue to invest in areas such as online, with a commitment to source at least 25% of our qualifying online spend externally, we will be slowing the rate of our new investment this year. It is crucial that we continue to deliver distinctive content at the best possible value for money, whilst also keeping pace with the level of investment in the market as a whole.

We have a particular risk where the financial stability of key suppliers is affected, and where we depend on any single supplier for a critical broadcast service. We have put contingency plans in place both to deal with any further deterioration in the economy or the failure of a supplier, while recognising that we have a responsibility towards our suppliers as well as to the wider creative industry.

With the crisis in liquidity across the financial economy, we have also had to keep a careful eye on our borrowing limits. We are focusing even more rigorously on conserving our cash in the short-term, and managing our longer-term funding arrangements. Notwithstanding the fact that the BBC's borrowing facilities of £200million for public services and £350million for commercial businesses may appear relatively low in comparison to our total annual cash outflow, we are able to re-phase significant items of expenditure at relatively short notice. The facilities we put in place in 2007/08 to make sure we are fully funded to 2012/13 for both the public service and commercial businesses are with a select group of counterparties with strong credit ratings.

We are also thinking ahead to identify risks and trends, and to take actions to pre-empt them. This is particularly important in relation to our pension scheme, which has inevitably been impacted by the volatility in the equity markets. Where possible we have tried to diversify risk in the portfolio, whilst looking for new ways to invest. There is further detail on this later in the review.

In line with normal practice, we have reviewed the carrying value of our assets including investments and goodwill. We have assessed future cash flows from business plans, using an appropriate discount rate and believe this supports the carrying values of our assets. In particular for Lonely Planet we used business plans consistent with the strategy to transform Lonely Planet from a travel book publisher to a diversified travel information provider. This strategy is expected to generate significant growth particularly for the digital business following the successful re-launch of the Lonely Planet website. These value in use calculations support the carrying value of the business.

This recession is likely to be more far-reaching than we could have predicted a year ago. We believe we have responded quickly and decisively to the issues we face and are confident that we have the resources we need to continue our operations for the foreseeable future.

Chart 12/ Licence fee spend in
nations/regions £m

06/07	884
07/08	984
08/09	948

allocate 12% of our Network Television investment to the Nations by 2012, rising to 17% by 2016.

We are reviewing what targets should be in place for our radio output in the coming year.

In 2008, total spend outside of London, expressed as a percentage of eligible spend (as defined by Ofcom) increased from 33% to 35%. In absolute terms, total spend including online, decreased from £984million in 2007/08, to £948million this year, reflecting the level of efficiencies made this year across all spend. We expect this number to increase as production moves out of London in line with our long-term network supply strategy.

Ensuring the licence fee supports the wider creative economy

Research has proved that the creative economy can be a significant engine for growth for the UK as a whole. According to the National Endowment for Science, Technology and the Arts (NESTA), industries like television, film, music and entertainment have grown twice as fast as the economy as a whole in recent years, and are a vital source of innovation and new ideas. The sector also contributes £60billion a year to UK plc.

The BBC is – and should be – a vital part of this. In calendar year 2008 we commissioned 37% of our television content from external production companies. Our total investment in the creative industries during the year was £1.1 billion, or 33% of our annual licence fee income, which includes payments to artists and contributors. We are already exceeding the targets set for us by Ofcom on spend in the independent sector, and we are actively redefining the relationship between the BBC and the rest of UK media, and shifting the balance away from competition towards improved collaboration, by developing new and sustainable partnerships.

You can see evidence of this already, whether it's in our new memorandum of understanding with ITV to share regional news infrastructure and resources to support provision beyond the BBC, or our proposal to share digital production technology and expertise which could help small independent producers make the transition to a fully digital future. The latter is particularly important. As NESTA point out, the UK creative economy is characterised by many small firms, few of which ever reach a significant size, and none that could hope to rival the big global players. Working with the BBC can make all the difference here, and we want to make our expertise and know-how go much further. This is especially important in the current downturn, when we can provide a more stable programme of investment than many of our commercial competitors.

CURRENT AND FUTURE CHALLENGES

Service licences

We are operating under the umbrella of a relatively new regulatory regime. In the last year both BBC ALBA and BBC HD have spent less than forecast, due to timing differences against their original budgets, and as a result both service licences were technically breached. Some other licences are operating close to their thresholds, and these are under ongoing review. The control framework that oversees all our service licences is operating effectively, and we have improved our early warning reporting so that we can take action quickly if any are at risk of breaching their limits.

A new service licence budget was approved during the year for BBC Online, and the new BBC ALBA service was licensed for the first time. From 2009/10, we will be making changes to the terms of the Children's service licence, which will see spend transferring to CBBC and CBeebies from BBC One and BBC Two. The changes are being made to strengthen controls over editorial decision-making.

Digital switchover

One of our responsibilities under the BBC Charter is to help deliver digital switchover across the UK, and ensure that those most in need of support are aware of what this means, and get the assistance they need. Funds are set aside in the licence fee to allow the BBC to fulfil these obligations.

By the end of 2008/09, the Whitehaven and Selkirk transmitters in the ITV Border region had switched over, which covered 73,000 households, and 25,000 individuals eligible for the Switchover Help Scheme. The Help Scheme also supported a further half a million people in the Border and West Country ITV regions last year, in preparation for their switchover in 2009. Four more of the 14 ITV regions are also due to switch this year, which represents 5.4 million more households, or 20% of the UK population. Around two million older and disabled people in those regions will be eligible for the Switchover Help Scheme.

£603million of the current licence fee settlement has been ring-fenced to cover the Switchover Help Scheme for the period to 2012/13, and spend last year amounted to £24million. So far, only 1% of the population has fully switched to digital; although take up of the scheme has been lower than expected so far, there is a real increase in activity from now until 2011. We will not be able to fully assess how much it will take to convert everyone until we have rolled out the scheme across a larger, urban region.

Digital UK is responsible for raising public awareness of digital switchover and has a total budget set aside from the licence fee of £201million to 2012/13. This body is administered jointly by the BBC and other broadcasters, and in 2008/09 it spent £26million.

Pensions

The BBC operates a defined benefit scheme for all staff, with a mix of final salary and career average benefits. The scheme is administered by a group of trustees who manage the pension scheme

Chart 13/ Spend in creative economy £bn

06/07	1.1
07/08	1.1
08/09	1.1

investment strategy, supported by a number of independent advisors.

During the past two years, we have looked for ways to secure the long-term affordability of the scheme, such as introducing career average benefits and increasing employee contributions.

This year, we have also introduced a 'salary sacrifice' scheme, which delivers savings to both employees and to the BBC; as you can see from Note 8, it changes the way we account for pension contributions, increasing the proportion of employer contributions disclosed. The effective BBC and employee contribution rates for 2008/09 were 19.35% and 6.0% respectively, making a total contribution rate of 25.35%. As of April 2009, employees have been asked to increase their contributions to 6.75%, and there will be a further increase to 7.5% from April 2010.

The FRS 17 valuation shows a scheme deficit this year of £139million compared to a surplus last year of £528million. It has been a difficult year for those managing pension schemes, as equities, real estate, corporate bonds and alternative assets have all fallen in value. We look at our scheme performance over both short and long-term, where the outlook remains uncertain as the equity markets struggle to recover. The liability in this year's accounts reflects the year's market turbulence, though we hope to see signs of recovery in the medium-term. Full details of our pension costs and liabilities are included in Note 8 of the full financial statements, which can be found online at www.bbc.co.uk/annualreport

The last formal actuarial valuation of the scheme was as at April 2007, and this reported a surplus of £275million. An interim actuarial report in April 2008 indicated that the scheme had moved into a deficit of £470million, largely as the result of lower assumptions about the level of future investment returns. We expect the next formal actuarial valuation to be undertaken as at April 2010.

We remain committed to the defined benefit scheme and constantly review our approach to pension provision to effectively manage both cost and risk; however we also recognise that it must remain affordable to the licence fee in the long-term.

KEY FINANCIAL POLICIES AND STANDARDS

Treasury policies

Our treasury department manages and monitors all our financial risks, making sure that we have sufficient liquid funds to meet our obligations as they fall due, and that we comply with our borrowing limits, particularly those set out in our Charter and external loan covenants. It also manages our foreign exchange and interest rate risk exposures. All the department's activities are governed by policies and procedures approved by the BBC's Finance Committee, and overseen on a day-to-day basis by the Group Treasurer, with monthly reporting to senior management. Note 23 includes more information on this.

Critical accounting policies

The areas which require the greatest degree of judgement are as follows:

- our valuation of the pension scheme for FRS 17 accounting purposes includes assumptions on life expectancy, future investment returns, inflation, and salary growth, as stated in Note 8. We consult with the scheme actuaries to ensure that they fall within an acceptable range based on market practice, but different assumptions would result in a change to the level of surplus or deficit.
- provisions represent our best estimate of future liabilities and may involve assumptions to calculate redundancy costs, for example number of people and their level of remuneration.
- we operate a significant number of property and technology leases. As you can see from Notes 23 and 24, the decision to treat such contracts as finance or operating leases has a significant impact on our balance sheet.
- as we operate across a number of different countries and a number of different currencies, we are exposed to exchange rate fluctuations. The translation of foreign currency transactions, exchange rates used and treatment of foreign operations all impact on our financial statements.
- a number of indicators are assessed in deciding whether to impair or write-down an asset. These include reduced market value or a deterioration in economic performance. In many cases when conducting impairment reviews, we need to assess the future cashflows of an operation to decide whether it may be impaired, which involves making a number of assumptions about future performance.

International Financial Reporting Standards

We will be adopting IFRS from the year ending 31 March 2010. This is in line with the HM Treasury decision to do the same from 2009/10 onwards. In the meantime, the accounts continue to be prepared under UK Generally Accepted Accounting Principles (UK GAAP), although a reconciliation to IFRS is provided for information.

The main impact on preparing our accounts under IFRS will be in relation to leases, goodwill and employee benefits.

The pages following now contain our summary financial statements – income and expenditure, balance sheet and cash flow – and some other key financial information. Full financial statements and notes are published online and can be found at www.bbc.co.uk/annualreport



Zarin Patel
Chief Financial Officer
18 June 2009

RISK OUTLOOK

RISK	ACTION	FUTURE OUTLOOK
A prolonged UK and global recession could lead to a sharp decline in the performance of our commercial business.	BBC Worldwide is relatively diversified, which offers protection against the downturn in the advertising market. We have recently restructured our Studios and Post Production business to make sure it is agile enough to respond to current market pressures.	A continued global downturn could put further pressure on revenues across all our commercial businesses. We have made significant investments in a number of areas and will need to focus on growing these new businesses.
Increased financial and liquidity risk could increase the pressure on income, reduce our financial flexibility and increase the pressure on our borrowing facilities.	We have taken early action to create contingency in our financial plans, diversify the pension portfolio and reduce our liquidity risk, as set out in the Financial Review. We monitor licence fee sales and key economic indicators constantly to understand how long-term trends will impact our income.	As the recession continues, licence fee sales may continue to come under pressure. We will continue to actively manage financial risk over 2009/10 as the economic outlook remains uncertain.
A reliance on key suppliers may increase the risks arising from both liquidity and counterparty failure in our supply chain.	We monitor all our strategic supply contracts and supplier interdependencies. We have tried to ensure we have both contractual protection through clear exit strategies and contingency plans in place should a supplier fail.	Our suppliers will continue to feel the impact of the economic downturn throughout 2009/10 and we will work with them to reduce the risk posed to either broadcast critical or support services.
Broadcast services may be disrupted as a result of technical failure, industrial action or the actions of third parties, for example a terrorist act, or supplier failure.	We have detailed broadcast continuity plans in place, which are constantly reviewed and tested. We monitor all threats to national security and maintain open relationships with the trade unions.	This risk requires ongoing active management, given heightened security threats across the UK and the ageing of some of our technology assets which may need to be replaced.
Any incident which affects the safety of our staff, contributors or audiences.	We take our safety and security responsibilities very seriously and have strong procedures in place for assessing risks when filming, working overseas and working with audiences.	We will continue to prioritise safety and security in all our activities, and review and amend our practices in response to incidents that occur.

THE EXECUTIVE BOARD IS RESPONSIBLE FOR IDENTIFYING ANY RISKS TO THE BUSINESS, AND TAKING MITIGATING ACTION AS APPROPRIATE. SOME RISKS ARE CONSTANT, WHILE OTHERS ARE A RESPONSE TO SUDDEN CHANGES IN MARKET CONDITIONS. THE RISKS IDENTIFIED BELOW ARE THOSE THOUGHT TO HAVE THE MOST SIGNIFICANT IMPACT ON OUR AUDIENCES, STRATEGY AND OPERATIONS. THEY ARE NOT EXPRESSED IN ANY RANKING OR ORDER OF PRIORITY.

RISK	ACTION	FUTURE OUTLOOK
The quality of our programming could be impacted by the stretching efficiency targets we have been set.	We started a new 'Continuous Improvement' efficiency programme this year. We have put a performance framework in place to measure progress against the ambitious targets and identify any impact on programming. The efficiencies made are being reinvested to enhance distinctiveness across all our services.	Our efficiency programme continues to 2012/13, with increasing pressure on programme-makers to find innovative ways to improve quality and performance.
For our audiences, it is important that our content remains consistently distinctive, innovative and high quality and that we continue to invest in new technologies, to make sure they can access content how, when and where they choose.	We strive to create innovative and ground-breaking programmes and service strategies are in place to deliver against each core audience objective. Continual testing and research of market trends and current developments supports our technology strategies. Both the BBC and the BBC Trust extensively consult with audiences across the UK to ensure that we are responding to their needs.	Technology and its changing possibilities will continue to present a big challenge in how we engage with our audiences. Our portfolio of services offers something of value to everyone and we are investing in new content and services to keep pace with the evolving digital UK.
A breach of editorial standards might reduce viewer and listener confidence in BBC programming.	We have clear editorial guidelines in place and we provide extensive training to our programme-makers and contributors. We encourage production teams to take considered risks in achieving their editorial aims.	The public will continue to expect the highest standards of editorial integrity and impartiality from the BBC. Any lapses in editorial control or judgement and the subsequent damage to our reputation and brand will continue to be a concern and we will aim to deal with them quickly and appropriately.
We may not deliver the short and long-term benefits available from developing partnerships with the broadcasting and media industry.	We have been working hard to set up a series of strong and lasting partnerships, seeking engagement across the industry to develop joint solutions. We hope that these in turn will deliver lasting value to the licence fee payer.	This will be a priority in 2009/10 as the BBC endeavours to ensure the right frameworks are in place to create economic value across the industry.

FINANCIAL HIGHLIGHTS/

THE BBC'S INCOME CONTINUES TO GROW, DRIVEN BY THE LICENCE FEE. THE LEVEL OF THE LICENCE FEE IS SET BY THE GOVERNMENT, BUT THE GROWTH IN THE BBC'S INCOME IS ALSO AFFECTED BY HOUSEHOLD GROWTH AND THE BBC'S ABILITY TO EFFECTIVELY COLLECT LICENCE FEE INCOME.

INCOME

The BBC's income continues to grow, driven by the licence fee. The level of the licence fee is set by the Government, but the growth in the BBC's income is also affected by household growth and the BBC's ability to effectively collect licence fee income.

Although growth in commercial income may appear modest, this headline figure does not fully reflect the success of the BBC's commercial strategy over recent years, in particular the expansion through BBC Worldwide's involvement in ventures with other parties; the BBC's share of the income in these joint ventures is not reflected above. The cash return from BBC Worldwide to the BBC increased by 23% to £153million.

OPERATING EXPENDITURE

As the BBC must break even over a Charter period, total expenditure broadly follows the same trend as income. Note 2 gives more details of expenditure, particularly on the BBC's public services. However, this year the BBC's Continuous Improvement Programme has started to deliver efficiency savings that contribute to reduced expenditure on public service broadcasting when compared to 2007/08; expenditure reduced by 3.4%.

INTEREST COST

Net interest payable has increased from £4.6million to £17.2million reflecting changes in borrowings, particularly in the Commercial Businesses, to finance investment. However, the Group has not been able to take full advantage of the current low interest rates as a result of its cash management strategy to use interest rate swaps, collars and caps to reduce its exposure to variable interest rates. The recognition of the swaps, caps and collars at fair value has increased the interest payable expense for the year by £5.1million, but as these swaps mature they will be replaced by ones based on current market conditions, which should reduce the cost of capital in future years.

Chart 14/ Income £m

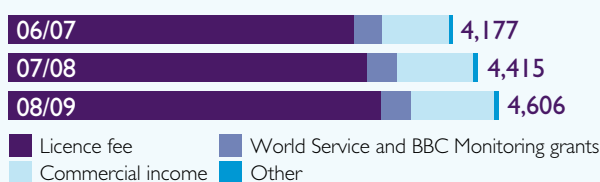
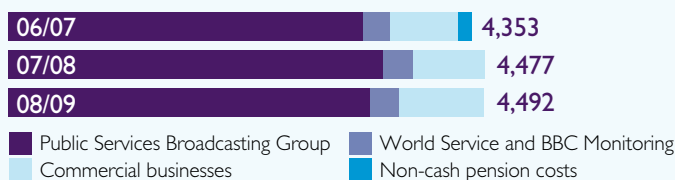


Chart 15/ Operating expenditure £m



TAX

The BBC's public service activities are not generally liable to corporation tax, but tax is payable on capital gains and other income. The BBC's commercial subsidiaries are liable to corporation tax on taxable profits for the year. As a result the effective tax rate, which this year is 8.6% (2008: 26.7%), is different from the standard rate of Corporation tax of 28%. A significant factor in the variability of the effective rate year-on-year is the extent to which licence fee income exceeds public service expenditure in the year.

FOREIGN CURRENCIES

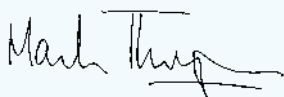
During the course of any year the BBC enters into a number of transactions in currencies other than sterling, which must be recorded in the BBC's financial statements in sterling. If exchange rates change significantly during the period between a transaction being agreed and the cash payment or receipt occurring this can have an impact on the BBC's results.

The BBC, however, generally enters into forward currency contracts to manage, or hedge, this currency risk, which allows it to settle transactions at known exchange rates, reducing uncertainty relating to cash flow. However, there is still an accounting impact.

SUMMARY FINANCIAL STATEMENT

This summary financial statement represents only a summary of the information in the BBC's full financial statements and Governance report. As such, the summary financial statement does not contain sufficient information to allow a full understanding of the results and state of affairs of the BBC Group, of its Governance arrangements and of its policies and arrangements concerning directors' remuneration as would be provided by the full annual financial statements and reports. More detailed information can be obtained in the full Annual Report and Accounts 2008/09, which is available at www.bbc.co.uk/annualreport

The summary financial statement, including the Summary governance report and Executive Remuneration Report, was approved by the Executive Board on 18 June 2009 and signed on its behalf by:



Mark Thompson
Director-General



Zarin Patel
Chief Financial Officer

During the year foreign exchange rates have been subject to more volatility and devaluation/appreciation than often seen. Therefore the fair value changes in open foreign currency forwards taken out by the BBC have been much more significant this year than they have been in the past, as have gains and losses on settled transactions. This year the BBC recognised a net gain of £10.3million on settled transactions, a net loss of £18.4million on open foreign currency forwards and foreign currency embedded derivatives, and a gain of £22.9million on the translation of the results and assets of overseas subsidiaries.

NET ASSETS

As at 31 March 2009 the net assets of the BBC Group were £990.1million (2008: £1,519.2million), which is a decrease of £529.1million during the year. The overall net assets of the BBC are significantly influenced by the accounting valuation of the BBC Pension Schemes (the pension scheme is discussed in more detail in the Financial Review), which this year shows a net loss for the year of £666.6million. Otherwise the underlying net assets remain relatively constant; however as noted above there has been an increase in borrowing to finance capital spend and investment for the future, including our transformational projects in London and Salford, as well as investment in digital production technology to enhance our content and services.

CASH FLOWS

The BBC manages cash and borrowings carefully and remains within its borrowing ceilings. The extent to which cash flows and net debt move in tandem depends on the Charter cycle, with the BBC aiming to break even over a Charter period this can result in significant cash inflows in some years offset by future anticipated outflows, for example in relation to digital switchover. This year there was a net cash inflow of £43.8million.

INDEPENDENT AUDITORS' STATEMENT TO THE TRUSTEES OF THE BRITISH BROADCASTING CORPORATION (BBC)

We have examined the summary financial statement which comprises the Consolidated income and expenditure account, Summary consolidated balance sheet, Summary consolidated cash flow statement and Executive Board Remuneration Report.

The BBC's Trustees have engaged us to examine the summary financial statement which has been prepared as if the BBC were a company and entitled to prepare such a statement under Section 251 of the Companies Act 1985.

This statement is made solely to the BBC's Trustees as a body on terms we have agreed. Our work has been undertaken so that we might state to the BBC's Trustees those matters we have agreed to state to them in such a statement 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 work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Trustees and Executive Board are responsible for preparing the BBC Executive's review and assessment as if Section 251 of the Companies Act 1985 applied to the BBC.

Our responsibility, in accordance with the terms of our engagement is to report to you our opinion on the consistency of the summary financial statement within the BBC Executive's review and assessment with the full annual financial statements and the Executive Board Remuneration Report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder as if they applied to the BBC.

We also read the other information contained in the BBC Executive's review and assessment and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 The auditor's statement on the summary financial statement issued by the Auditing Practices Board. Our report on the BBC's full annual financial statements describes the basis of our audit opinion on those financial statements and the Executive Board Remuneration Report.

Opinion

In our opinion the summary financial statement is consistent with the full annual financial statements and the Executive Board Remuneration Report of the BBC for the year ended 31 March 2009 and complies with the applicable requirements of section 251 of the Companies Act 1985 and the regulations made thereunder as if they applied to the BBC.

KPMG LLP

Chartered Accountants
Registered Auditor, London

18 June 2009

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 £m	2008 £m
Income (including share of joint ventures)		4,906.2	4,689.4
Less: share of joint ventures		(300.5)	(274.6)
Group income	1	4,605.7	4,414.8
Operating expenditure excluding exceptional costs		(4,461.8)	(4,359.3)
Exceptional restructuring costs		(29.9)	(117.7)
Total operating expenditure	2	(4,491.7)	(4,477.0)
Group operating surplus/(deficit)		114.0	(62.2)
Share of operating surplus of associates and joint ventures before exceptional items		56.8	60.3
Share of joint ventures' operating exceptional items		(7.5)	–
Share of operating surplus of associates and joint ventures		49.3	60.3
Operating surplus/(deficit): Group and share of associates and joint ventures		163.3	(1.9)
Loss on sale and termination of operations		(1.1)	(4.8)
Profit on disposal of fixed assets		15.9	2.0
Surplus/(deficit) before interest and taxation		178.1	(4.7)
Interest receivable and similar items		9.1	13.7
Interest payable and similar items		(26.3)	(18.3)
Other net finance income (from defined benefit pension scheme)		117.3	148.8
Surplus before taxation and minority interest	3	278.2	139.5
Taxation		(24.0)	(37.3)
Surplus after taxation and before minority interest		254.2	102.2
Minority interest		(0.5)	(0.5)
Surplus for the financial year		253.7	101.7

All results arise from continuing operations.

There is no significant difference between the results as disclosed above and the results on an historical cost basis.

Note:

The surplus/(deficit) for the financial year is the amount found by deducting all items of expenditure recognised in the year from all income receivable for the year. For the BBC Group, as a public benefit entity, any surplus arising does not represent a 'profit' that can be returned to an entity's funders, but a timing difference relating to past or future expenditure.

SUMMARY CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2009

	Note	Group 2009 £m	Group 2008 £m
Fixed assets		1,003.4	992.4
Current assets		1,568.8	1,423.1
Creditors – amounts falling due within one year		(952.4)	(1,064.7)
Net current assets		616.4	358.4
Total assets less current liabilities		1,619.8	1,350.8
Creditors – amounts falling due after more than one year		(314.6)	(172.6)
Provisions for liabilities		(171.8)	(182.3)
Net assets excluding pension (liability)/asset		1,133.4	995.9
Net pension (liability)/asset	6	(143.3)	523.3
Net assets		990.1	1,519.2
Represented by			
BBC reserves		984.2	1,512.5
Minority interest		5.9	6.7
		990.1	1,519.2

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 £m	2008 £m
Net cash inflow from operating activities		215.2	158.7
Dividends received from joint ventures and associates		37.0	45.7
Net cash outflow from return on investments and servicing of finance		(8.8)	(1.7)
Taxation paid		(23.1)	(23.5)
Net cash outflow from capital expenditure and financial investments		(228.2)	(231.8)
Net cash outflow from acquisitions and disposals		(14.8)	(107.1)
Net cash outflow before use of liquid resources and financing		(22.7)	(159.7)
Net cash inflow from management of liquid resources		–	–
Net cash inflow from financing		66.5	93.0
Increase/(decrease) in cash in the year		43.8	(66.7)
Cash at bank and in hand at the beginning of the year		78.0	144.7
Cash at bank and in hand at the end of the year		121.8	78.0

NOTES TO THE SUMMARY FINANCIAL STATEMENT

I GROUP INCOME

The main income for the BBC is derived from television licences. Licence fee income is recognised in full when a licence is issued, subject to deductions for actual and expected refunds and cancellations.

	UK Public Service Broadcasting Group £m	BBC World Service and BBC Monitoring £m	Commercial businesses £m	Total £m
2009				
Licence fee income	3,493.8	–	–	3,493.8
Government grants	5.0	289.6	–	294.6
Commercial	–	–	775.9	775.9
Other	34.5	6.9	–	41.4
Total	3,533.3	296.5	775.9	4,605.7

	UK Public Service Broadcasting Group £m	BBC World Service and BBC Monitoring £m	Commercial businesses £m	Total £m
2008				
Licence fee income	3,368.8	–	–	3,368.8
Government grants	4.0	279.6	–	283.6
Commercial	–	–	719.6	719.6
Other	37.5	5.3	–	42.8
Total	3,410.3	284.9	719.6	4,414.8

2 TOTAL OPERATING EXPENDITURE, INCLUDING UK PUBLIC SERVICES BROADCASTING GROUP EXPENDITURE BY SERVICE

UK Public Service Broadcasting Group's activities are funded by the licence fee. The Charter and Agreement between the BBC and Department for Culture, Media and Sport (DCMS) 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.

	2009 £m	2008 £m
Expenditure on licence fee funded activities		
UK public services	3,345.6	3,487.1
Digital switchover (Digital UK Limited)	26.0	21.2
Digital switchover (DSHS Limited)	24.4	5.9
Total UK Public Service Broadcasting Group	3,396.0	3,514.2
BBC World Service and BBC Monitoring	296.9	285.3
Commercial Businesses	799.1	675.6
Non-cash pension scheme operating costs	(0.3)	1.9
	4,491.7	4,477.0

Service licences are used by the BBC Trust to regulate the BBC's services and ensure that each service provides public value and contributes to the delivery of the BBC's public purposes. The annual assessment of performance compares actual costs for content against an agreed and authorised baseline budget. These costs may vary by up to 10% of the baseline budget to permit management flexibility in its commissioning decisions. During the year there were 28 service licences in operation, including the BBC ALBA licence which launched in September 2008.

Service licences show the cost to the licence fee payer of providing the relevant service and therefore exclude any costs funded by a third party co-producer. A number of television programmes are broadcast on more than one channel and in general the full cost of the programme is recognised as a cost of the channel of first transmission. Where a programme is commissioned by two channels, the cost of the programme is recognised as a cost of the primary channel irrespective of which transmits the programme first. Accordingly, the costs of individual service licences are not necessarily equivalent to the costs which would be incurred by such services on a stand-alone basis.

For BBC HD, BBC Online and BBC Red Button, the licence reflects only the incremental costs of getting content to air unless the content is specifically commissioned for one of these three services. The cost of the original content is allocated to the service on which it is first transmitted.

2 TOTAL OPERATING EXPENDITURE, INCLUDING UK PUBLIC SERVICES BROADCASTING GROUP EXPENDITURE BY SERVICE continued

UK public services

	Content £m	Distribution £m	Infrastructure/ support £m	Other items £m	2009 Total £m	2008 Total £m
BBC One	1,142.0	479	202.9	–	1,392.8	1,418.2
BBC Two	450.6	34.1	85.0	–	569.7	567.9
BBC Three	87.3	4.2	23.1	–	114.6	125.2
BBC Four	54.8	3.0	13.6	–	71.4	64.8
CBBC	35.8	3.4	10.8	–	50.0	48.7
CBeebies	16.3	3.5	5.7	–	25.5	23.3
BBC HD	2.1	2.7	1.9	–	6.7	6.7
BBC ALBA	3.0	0.8	0.6	–	4.4	–
BBC News channel	47.9	6.6	6.5	–	61.0	58.0
BBC Parliament	2.8	5.1	1.7	–	9.6	5.8
BBC Red Button	13.5	12.3	4.3	–	30.1	36.7
Television	1,856.1	123.6	356.1	–	2,335.8	2,355.3
BBC Radio 1	33.1	3.5	6.4	–	43.0	43.1
BBC Radio 2	40.1	3.8	6.8	–	50.7	51.3
BBC Radio 3	40.0	4.1	7.0	–	51.1	49.4
BBC Radio 4	85.9	8.3	14.4	–	108.6	105.5
BBC Radio 5 live	56.5	5.7	10.0	–	72.2	72.3
BBC Radio 5 live sports extra	2.6	0.3	0.8	–	3.7	3.3
BBC iXtra	6.8	0.5	2.3	–	9.6	9.3
BBC 6 Music	6.5	0.4	2.1	–	9.0	7.5
BBC 7	5.2	0.4	1.3	–	6.9	7.3
BBC Asian Network	9.2	0.5	2.4	–	12.1	13.0
BBC Local Radio	108.6	6.3	18.1	–	133.0	136.5
BBC Radio Scotland	25.0	2.4	4.9	–	32.3	38.5
BBC Radio nan Gàidheal	4.0	0.9	0.8	–	5.7	6.9
BBC Radio Wales	12.9	1.0	2.3	–	16.2	17.5
BBC Radio Cymru	12.0	1.3	2.1	–	15.4	16.8
BBC Radio Ulster/BBC Radio Foyle	14.5	1.1	2.8	–	18.4	20.2
Radio	462.9	40.5	84.5	–	587.9	598.4
BBC Online	112.2	18.5	46.5	–	177.2	182.0
Online	112.2	18.5	46.5	–	177.2	182.0
Spend regulated by service	2,431.2	182.6	487.1	–	3,100.9	3,135.7
Licence fee collection costs	–	–	–	122.8	122.8	123.2
Orchestras and performing groups	21.5	–	3.6	–	25.1	19.3
S4C	27.6	–	4.9	–	32.5	32.7
BBC jam	–	–	–	–	–	3.0
Development spend	30.9	–	5.2	–	36.1	37.3
DAB digital radio	–	10.3	–	–	10.3	9.6
Digital text	–	6.9	–	–	6.9	8.7
Other	80.0	17.2	13.7	122.8	233.7	233.8
Exceptional restructuring costs	–	–	–	11.0	11.0	117.6
Total UK public services expenditure	2,511.2	199.8	500.8	133.8	3,345.6	3,487.1
Digital UK Limited	–	–	–	26.0	26.0	21.2
Digital switchover ring-fenced expenditure	–	–	–	24.4	24.4	5.9
Total UK Public Services Broadcasting Group expenditure	2,511.2	199.8	500.8	184.2	3,396.0	3,514.2

Notes:

BBC HD's content costs were under the baseline budget by more than the 10% tolerance due to significant savings in contractual costs. BBC ALBA's content costs were under baseline budget by more than the 10% tolerance level as the service was only operational for six months of the year whereas the baseline budget was set on annual basis.

3 SURPLUS/(DEFICIT) BEFORE TAXATION AND MINORITY INTEREST

	Note	2009 £m	2008 £m
Operating surplus/(deficit) before interest, taxation and non-cash pension costs			
UK Public Service Broadcasting Group		147.3	(108.0)
BBC World Service and BBC Monitoring		(0.6)	0.5
Commercial Businesses		31.1	104.7
		177.8	(2.8)
Net interest payable		(17.2)	(4.6)
Defined benefit pension scheme		117.6	146.9
Surplus before taxation and minority interest		278.2	139.5

Further analysis of the Commercial Businesses contribution to operating surplus/(deficit)

	Individual statutory financial statements	Group adjustments		2009	2008
	Surplus/(deficit) before group adjustments, interest and taxation £m	Recognition of derivative financial instruments £m	Other group adjustments £m	Surplus/ (deficit) before interest and taxation £m	Surplus/ (deficit) before interest and taxation £m
BBC Worldwide Limited	85.7	(20.8)	1.3	66.2	116.1
BBC World News Limited	(3.2)	(13.2)	—	(16.4)	(7.8)
BBC Studios and Post Production Limited	(18.3)	—	—	(18.3)	(3.2)
Holding companies	(0.6)	—	0.2	(0.4)	(0.4)
Total	63.6	(34.0)	1.5	31.1	104.7

The Group's subsidiaries have not adopted FRS26 (IAS39) 'Financial instruments: Recognition and Measurement' in their own financial statements as they are not within its scope. As a result the recognition of derivative financial instruments in the Group financial statements impacts on the surplus/(deficit) before interest and taxation reported for the Commercial Businesses segment.

The Financial Review includes further discussion of the performance of the commercial businesses and how the current economic conditions have impacted on their contribution to the Group operating position for the year.

4 UK PUBLIC SERVICES RING-FENCED EXPENDITURE

DCMS has ring-fenced the following amounts within the new Charter and six-year licence fee settlement (2008 to 2013):

	Amount spent in previous years £m	Amount spent in 2008 £m	Amount spent in 2009 £m	Cumulative total £m	Six-year ring-fenced funding £m
Digital switchover					
Help for the elderly and disabled*	—	5.9	23.6	29.5	603.0
Digital UK Limited**	10.1	17.5	20.4	48.0	201.0

* The Secretary of State has agreed with the BBC that the £603million estimated cost of the Digital Switchover Help Scheme (operated by DSHS Limited) will be ring-fenced and set aside from the licence fee for the purpose of funding the Scheme over the six-year life of the licence fee settlement. This agreement specifies that in the event that the costs of the project exceed this limit due to higher than anticipated demand, this will not be at the expense of the BBC's programmes, services or other resources.

** The Framework Agreement states that the BBC is committed to leading certain aspects of the digital switchover programme, through Digital UK, and the licence fee settlement includes a ring-fenced amount of up to £201million from the inception of Digital UK until the end of the six-year life of the licence fee settlement for communication activities. The ring-fenced amount is only part of the BBC's annual contribution to Digital UK.

As at 31 March 2009, the BBC is on target to remain within the ring-fenced amounts at the end of the six-year period.

The BBC's ring-fenced expenditure on Digital UK Limited covers a proportion of the costs of Digital UK Limited, other broadcasters also contribute. The expenditure reported in Note 2 is the total expenditure of Digital UK Limited for the year.

5 RECONCILIATION OF NET FUNDS/(DEBT) TO THE DEPARTMENT FOR CULTURE, MEDIA AND SPORT (DCMS) BORROWING CEILINGS

The Public Service borrowing limit of £200million is set by the Secretary of State in accordance with the Framework Agreement between the BBC and DCMS. As at 31 March 2009, 31 March 2008, and throughout both financial years, the BBC was in compliance with the borrowing ceilings.

Net funds/(debt) is made up of the BBC's cash at hand and in bank, less any borrowings including principal amounts outstanding on finance leases. Derivatives associated with loans (interest rate swaps, caps and collars) are also included at fair value.

	Public Services	Digital switchover	Commercial Businesses
	Capital or current expenditure £m	Current expenditure on Digital Switchover Help Scheme* £m	£m
2009			
Net funds/(debt)	46.4	–	(208.8)
Borrowing ceiling	(200.0)	(25.0)	(350.0)
2008			
Net funds/(debt)	16.7	–	(149.9)
Borrowing ceiling	(200.0)	(25.0)	(350.0)

* £25million may only be used in respect of borrowing to fund current expenditure on meeting the responsibilities placed on the BBC by any scheme agreed under clause 39 of the Framework Agreement (targeted help schemes), including costs incurred by the BBC for the scheme's overheads and financing costs.

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 at 31 March each year. As at 31 March 2009 and 31 March 2008 BBC Commercial Holdings Limited was in compliance with each of these covenants.

6 PENSION SCHEME (LIABILITY)/ASSET INCLUDED IN THE BALANCE SHEET

The BBC operates defined benefit pension schemes, as well as some defined contribution schemes. The majority of staff are members of the defined benefit schemes, which provides benefits based on final, or career average, pensionable pay.

In accordance with FRS 17, the BBC recognises the net pension (liability)/asset in its balance sheet as the difference between the fair (or market) value of the assets and the actuarial valuation of the scheme liabilities. FRS 17 specifies that the discount rate for valuing the liabilities should be based on a high-quality bond of equivalent term to the scheme liabilities; this is different from the method used to select the discount rate for a formal actuarial valuation and as a result the FRS 17 net pension (liability)/asset would not be expected to be the same as the actuarial surplus/(deficit) measured at the same date.

	BBC Pension Scheme 2009 £m	Unfunded scheme 2009 £m	Total 2009 £m	BBC Pension Scheme 2008 £m	Unfunded scheme 2008 £m	Total 2008 £m
Fair value of scheme assets	6,454.0	—	6,454.0	8,042.0	—	8,042.0
Actuarial value of scheme liabilities	(6,592.6)	(4.7)	(6,597.3)	(7,513.6)	(5.1)	(7,518.7)
Closing net pension (liability)/asset	(138.6)	(4.7)	(143.3)	528.4	(5.1)	523.3

The calculation of the scheme assets and liabilities, for FRS 17 purposes, requires a number of assumptions, both financial and demographic, to be made. The principal assumptions made by the actuaries at the balance sheet date were:

	2009 %	2008 %	2007 %
Principal financial assumptions			
FRS 17 valuation			
Rate of increase in salaries	4.4**	5.6*	5.0
Rate of increase in pension payments:			
Old Benefits	3.0	3.6	3.1
New Benefits	2.7	3.4	2.9
Career Average Benefits	2.4	2.5	2.4
Inflation assumption	2.9	3.6	3.1
Discount rate	7.2	6.9	5.4

* This is the assumption from 1 April 2010. The assumption to 31 March 2010 is 4.6% per annum.

** This is the assumption from 1 April 2011. The assumption to 31 March 2011 is 3.9% per annum.

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

	2009 Number of years	2008 Number of years	2007 Number of years
Principal demographic assumptions			
Retiring today			
Male	26.9	26.6	23.5
Female	29.6	29.1	25.7
Retiring in 20 years			
Male	28.9	28.1	24.5
Female	31.7	30.7	26.8

The longevity assumptions have been selected to reflect the characteristics and experience of the membership of the scheme. This has been done by adjusting standard mortality tables (PMAC07MC+0.5 and PFAC07MC+1) which reflect recent research into mortality experience in the UK.

The demographic assumptions have been updated from those used for the actuarial valuations of the scheme as at 1 April 2007 to reflect the likely assumptions which will be used for the actuarial valuation of the scheme as at 1 April 2010.

INTERNATIONAL FINANCIAL REPORTING STANDARDS RECONCILIATION

The BBC's Charter and Agreement requires the BBC to prepare its audited statement of accounts in accordance with UK Generally Accepted Accounting Principles (UK GAAP).

Although not mandatory, until 2005 the BBC chose to follow the accounting and disclosure provisions of the Companies Act 1985 and the Financial Services Authority Listing Rules to ensure that its financial statements were prepared on a basis consistent with those of UK companies quoted on an EU regulated market. Following changes in company law, if it had continued to report in this way, the BBC would have prepared its consolidated financial statements in accordance with EU-adopted International Financial Reporting Standards (IFRS) from 1 April 2005. However, reporting under IFRS would be inconsistent with the BBC's Charter and Agreement. Nevertheless, the BBC has continued to review the impact that adoption of IFRS would have on the Group accounts and has presented a summary of the impact that adopting IFRS would have had on the financial statements.

As at 31 March 2009 the BBC calculated that if it had adopted IFRS its net assets would be reduced by £183million to £807million (2008: net assets would have reduced by £198million to £1,322million).

	2009 £m	2008 £m
Net assets as reported under UK accounting standards	990.1	1,519.2
Lease reclassification	(189.7)	(196.5)
Goodwill adjustments	21.7	10.9
Employee benefits	(16.5)	(16.5)
Deferred tax	1.2	0.3
Other	0.5	4.3
Net assets as they would be reported under IFRS	807.3	1,321.7

Some of the IFRS accounting changes, principally the reclassification of certain operating leases as finance leases, would have an effect on the calculation of Public Service Broadcasting borrowings as defined by the DCMS borrowing ceiling.

The Public Service Borrowing ceiling of £200million is set by the Secretary of State in accordance with the Agreement between the BBC and DCMS and is determined by reference to UK GAAP not IFRS. Public Service borrowings under IFRS would have been £798million, compared with net funds of £46million under UK GAAP (2008: Public Service borrowings under IFRS would have been £761million, compared with net funds of £17million under UK GAAP). The Agreement definition of borrowings is based on UK accounting standards effective in July 2006.

For the year ended 31 March 2009 the BBC calculated that if it had adopted IFRS the surplus for the year would be increased by £14million to a surplus of £268million (2008: the surplus for the year would have been reduced by £21million to a surplus of £81million).

	2009 £m	2008 £m
Surplus as reported under UK accounting standards	253.7	101.7
Lease reclassification	6.9	(20.7)
Goodwill adjustments	4.6	(0.1)
Other	2.8	0.3
Surplus as it would be reported under IFRS	268.0	81.2

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 www.bbc.co.uk/annualreport

If you wish to find out more about the BBC's year – including full financial statements and each service's performance against its Statement of Programme Policy – then please visit

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Journalist and broadcaster Martha Kearney fronting *The World at One* on Radio 4.



Camera operator Matt Donald focuses on getting the best shot, in Television Centre's Studio 7.



It takes patience, strong nerves and stronger knots to make memorable natural history programmes like *Human Planet*. The BBC crew are shown here observing barnacle fisherman in Galicia, Spain.



Radio presenter Trevor Nelson during a lighter moment on his *I Xtra Breakfast* show.



The Record Review's Alicia McCarthy runs through some last minute events before a live broadcast on BBC Parliament.



Director David Taviner and his colleagues record an episode of *Songs of Praise* on location from the OB van.



Declan Curry catches up on the latest information from colleague Zoe Kleinman on the *Working Lunch* set.

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