

Registered number: 1420028

BBC Worldwide Limited

**Report and Financial Statements for
the year ended 31 March 2003**



Directors' Report

The directors present their report and the audited consolidated financial statements of BBC Worldwide for the year ended 31 March 2003. Details of the principal activities and the development of the business during the year, and likely further developments, are given in the Financial Review on pages 1 to 4.

Results and dividend

The consolidated profit after taxation and minority interests for the year was £21.7 million (2002: £16.0 million). An interim dividend of £12.0 million was paid in February 2003 (2002: £nil). A final dividend of £30.0 million is proposed and will be paid on 20 June 2003 (2002: £nil).

Significant acquisitions and disposals

Details of acquisitions and disposals are included in the Financial Review and in notes 5 and 10 to the accounts.

Directors

The directors who served during the year were:

S F Cooper	
P Cross	(Resigned 30-11-2002)
A R Gavin	
D J King	
R V McCall	
M J Phillips	
P S Phippen	
G A Richards	
D A Vine	
C C Weller	(Appointed 23-10-2002)
M C Young	

Directors' interests

No director had any interest in the share capital of BBC Worldwide Limited (the Company) at 1 April 2002 or 31 March 2003. No rights to subscribe for shares in or debentures of the Company or any other group company (the Group) were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Payment to creditors

Operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. The Group seeks to comply with the CBI prompt payment code for trade creditors. Company trade creditors at 31 March 2003 were equivalent to 34 days (2002: 32 days) of purchases during the year ended on that date. Based on the consolidated financial statements creditor days outstanding were 36 days (2002: 32 days). Residual creditors and the associated costs have been excluded for the purposes of this calculation, as they relate to payments to artists and contributors rather than trade creditors (note 19).

Employee participation

The BBC Forum promotes two way communication and debate between managers and staff. Under this initiative an elected individual puts forward the views of BBC Worldwide staff to senior BBC management, as part of the BBC Forum, on a regular basis and receives direct feedback on issues which affect the future of both the employees and the company.

Within BBC Worldwide, the 'For a Better World' initiative aims to improve participation and communications involving all staff, and champions learning and growth. During the year the BBC has launched the 'Making it Happen' initiative, which aims to change the BBC into the most creative organisation in the world. BBC Worldwide will continue to pursue the 'For a Better World' initiative within the context of 'Making it Happen'.

Management holds regular meetings with the recognised trade unions, the Broadcasting Entertainment Cinematography and Theatre Trade Union (BECTU) and the National Union of Journalists (NUJ).

Diversity

BBC Worldwide is committed to developing a diverse workforce with opportunities for all, irrespective of race, colour, creed, ethnic or national origin, gender, marital status, sexuality, disability or age.

Ethnic and gender targets have been set with the aim of ensuring that the BBC Worldwide workforce reflects the UK's population. These targets have been achieved, with just over ten percent of staff, and six percent of senior management, from minority ethnic groups. Fifty percent of BBC Worldwide's senior management is female.

Development and training

Staff in all areas have opportunities to develop their skills. BBC Worldwide organises comprehensive in-house and external training programmes covering job-specific skill enhancement, IT software tuition and management development courses. BBC Worldwide holds "Investors in People" accreditation.

Disabled people

People with disabilities are fully and fairly considered for vacancies arising within BBC Worldwide and are given equal opportunities in relation to training, career development and promotion. If an employee becomes disabled whilst in the employment of BBC Worldwide and as a result is unable to perform his/her existing job, every effort is made to offer suitable alternative employment and re-training.

BBC Worldwide's policies and practices are in line with the Code of Practice on Age Discrimination in Employment.

Donations

BBC Worldwide does not make political donations. No charitable donations were made during the year (2002: £8,513).

A total of £1.1m copyright royalties was paid to Golden Jubilee Events Limited in respect of an agreement between the BBC, Golden Jubilee Events Limited and BBC Worldwide in regard to producing, staging and broadcasting the Golden Jubilee musical concerts at Buckingham Palace in June 2002. Golden Jubilee Events Limited is a subsidiary of the Queen's Golden Jubilee Trust, to which all of its profits are donated.

The environment

BBC Worldwide does not operate in industries where there is potential for serious industrial pollution. The board recognises its responsibility to safeguard natural resources and takes steps to control and minimise any damage the business may cause to the environment. The board is working to ensure that all paper used in products is sourced from well-managed forests, along the guidelines laid down by the Forest Stewardship Council and is the first publisher to have a magazine using paper entirely sourced in accordance with FSC guidelines.

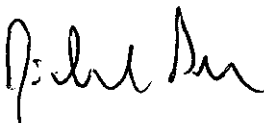
Going concern

After making enquiries, the directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be adopted in the preparation of the accounts.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP is to be proposed at the forthcoming annual general meeting.

By order of the board



Richard Parsons
Company Secretary

18 June 2003

Registered Office
Woodlands
80, Wood Lane
London W12 0TT

Corporate Governance

BBC Worldwide's commitment

The Board of BBC Worldwide is committed to high standards of corporate governance.

The Combined Code, issued by the Financial Services Authority and setting out principles of good corporate governance, is not applicable to BBC Worldwide as a private limited company. However, BBC Worldwide voluntarily complies with the Combined Code to the extent it is relevant, together with the BBC, as part of its commitment under the BBC Charter to high standards of corporate governance.

As a wholly-owned subsidiary of the BBC, BBC Worldwide is accountable to the BBC rather than to external shareholders. In turn, the BBC is accountable to the public, not shareholders, through the stewardship of the BBC Governors. The BBC Governors constitute the members of the BBC and act as trustees for the public interest.

Board structure

Details of the Board of Directors of BBC Worldwide are shown on page 6. As a wholly-owned private company subsidiary of the BBC, BBC Worldwide does not have any non-executive directors.

The Board of Directors meets on a monthly basis. Other members of management attend as required.

The Board of Directors refers certain matters to its direct parent company, BBC Commercial Holdings Limited. BBC Commercial Holdings Limited has been established to coordinate and manage the activities and financing needs of the principal commercial subsidiaries. This furthers the overall aims of the commercial governance structure which is to encourage commercial drive and vigour, but at the same time to ensure that the BBC's commercial activities are consistent with the BBC's overriding public service purposes. The BBC's public service aims are therefore enshrined in the Memorandum of Association of BBC Commercial Holdings Limited and many of its powers, including the power to appoint directors of BBC Commercial Holdings Limited, are exercisable subject to the prior approval of the Board of Governors.

BBC Worldwide is represented on the Commercial Holdings Board and on the BBC's Executive Committee and is accountable to both bodies and to the BBC Governors. Further information on the Commercial Holdings Board, the BBC's Executive Committee and the BBC Governors is available in the BBC Annual Report and Accounts.

Accountability and internal control

Financial reporting

The respective responsibilities of the directors and the external auditors are set out on pages 10 and 11.

A review of the financial position of BBC Worldwide is included in the Financial Review by the Finance Director on pages 1 to 4.

Internal control

The Board of Directors has overall responsibility for maintaining an adequate system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The Board of Directors considers there is an ongoing process for identifying, evaluating and managing significant risks faced by BBC Worldwide. The Board exercises control through an organisational structure with clearly defined levels of responsibility, authority and appropriate reporting procedures. The key control procedures are described under the following headings:

- risk management

The Board has responsibility for the identification and management of risks facing the business. An assessment of the exposure to risk, and the extent to which these risks are controlled, is updated and presented to the Board every three months. Management assessments are verified by the BBC's Internal Audit function, which reports on this matter to the Audit Committee (see below), which considers risk management across the BBC group as a whole. During the year ended 31 March 2003 BBC Worldwide appointed a full-time Risk Manager to co-ordinate the risk assessment process.

- monitoring of controls

The BBC's Internal Audit function undertakes regular testing of control systems and compliance with core business processes under a plan agreed by the BBC's Audit Committee. This programme of testing, which is updated three times per year, is based on a continuing assessment of key risks and issues. The results of testing are reported to the BBC's Audit Committee, which monitors the operation of BBC Worldwide's controls through the year.

- operating unit controls

Key controls over major business risks include performance review and exception reporting.

BBC Worldwide Investment and Cost Committee, a committee of the Board, must approve all transactions over a certain threshold. Commercial Holdings Board and the BBC Board of Governors must approve all transactions over certain higher thresholds.

BBC Worldwide operates its own treasury procedures within the overall policies set by the BBC's Group Treasury department. Major transactions are processed through Group Treasury. Each operating unit maintains additional financial controls and procedures appropriate to its own business environment and carries out local treasury activities, in both cases conforming to overall standards and guidelines.

- computer systems

BBC Worldwide has established controls and procedures over the security of data held on computer systems. Arrangements are in place for computer processing to continue and data to be retained in the event of failure of BBC Worldwide's own data processing facility.

- financial reporting

BBC Worldwide has a comprehensive budgeting system with an annual budget approved by the Board of Directors. Monthly financial information, including balance sheets, cash flow statements, trading results and indebtedness are reported against the corresponding figures for the budget and previous year, with corrective action taken by the directors as appropriate.

Audit Committee

Matters relating to BBC Worldwide are also considered by the BBC's Audit Committee, which comprises three of the BBC's Governors.

The Audit Committee meets four times a year, and is charged with reviewing the effectiveness of internal control, approving and monitoring the Internal Audit work plan, considering issues arising from Internal Audit's work, reviewing management's response to internal control issues, approving the external audit fee, considering the external audit strategy and plans, reviewing the external auditors' reports and reviewing the annual accounts. Both internal and external auditors are given the opportunity to meet privately with the Audit Committee without any member of management present.

Remuneration policy

A Remuneration Committee approved by the BBC Governors has responsibility for setting executive remuneration policy, including the remuneration package for BBC Worldwide's Chief Executive.

The Chief Executive appoints and determines the remuneration packages for the rest of the BBC Worldwide Board of Directors, taking account of the remuneration policies set out by the Governors. The Chief Executive measures the performance of the directors before determining their annual remuneration and bonus awards. The BBC's Director of Human Resources provides technical support to the Chief Executive in this respect.

The Chief Executive aims to ensure that the packages offered to directors:

- enable BBC Worldwide to attract, retain and motivate high-calibre executives
- are positioned at the median against a comparator group (which includes other media organisations and major listed companies) in terms of total cash (basic salary plus annual bonus payment and long term incentive plan)
- remunerate individuals fairly for individual responsibility and contribution, while providing an element of performance-related pay, reflecting the underlying performance of BBC Worldwide
- take into account salary policy within the rest of the BBC and the relationship that should exist between the remuneration of directors and that of other employees.

In determining appropriate levels, the Chief Executive has access to internal expertise in the remuneration area, annual surveys conducted by external consulting firms and published remuneration information on comparable companies.

Directors' remuneration disclosure is shown in note 4e.

Statement of directors' responsibilities for the preparation of the financial statements

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed and to disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for maintaining adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Report of the Independent Auditors to the members of BBC Worldwide Limited

We have audited the financial statements on pages 12 to 37.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors are responsible for preparing the annual reports and, as described on page 10, this includes responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the financial statements, and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor
London

18 June 2003

Consolidated profit and loss account

		2003	2002
For the year ended 31 March	Note	£m	£m
Turnover (including share of joint ventures)		658.0	659.8
Less: share of joint ventures	15	(79.5)	(81.6)
Continuing operations		560.0	550.3
Discontinued operations		18.5	27.9
Group turnover	2	578.5	578.2
Cost of sales		(376.0)	(385.8)
Gross profit		202.5	192.4
Distribution costs		(133.4)	(147.0)
Administrative expenses		(38.1)	(36.1)
Continuing operations		40.6	34.3
Discontinued operations		(9.6)	(25.0)
Group operating profit		31.0	9.3
Share of operating profit in joint ventures	15	0.7	0.3
Share of operating profit in associates	16	2.2	1.1
Total operating profit		33.9	10.7
Profit on disposal of business and shares in subsidiary	5	-	9.0
Loss on termination of operations	6	(1.5)	(1.3)
Profit on disposal of investments in programmes	6	-	7.3
Profit before interest and taxation	2	32.4	25.7
Interest receivable		1.0	1.7
Interest payable	7	(2.1)	(3.7)
Profit on ordinary activities before taxation	3	31.3	23.7
Tax on profit on ordinary activities	8	(9.7)	(6.6)
Profit on ordinary activities after taxation		21.6	17.1
Equity minority interests		0.1	(1.1)
Profit attributable to shareholders		21.7	16.0
Dividends paid and proposed		(42.0)	-
Retained (loss)/profit for the financial year	22	(20.3)	16.0

The discontinued operations comprise BBC World, BBC Worldwide's global news and information channel and beeb.com, BBC Worldwide's Internet shopping guide business. The loss on termination of operations and the profit on disposal of businesses and shares in subsidiaries, in the current and prior year, relate to discontinued operations.

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

Consolidated balance sheet

		2003	2002
As at 31 March	Note	£m	£m
Fixed Assets			
Intangible fixed assets	9	7.4	7.8
Tangible fixed assets	11	12.4	12.5
Investment in programmes for future sale	13	108.3	111.8
Investments			
Investments in joint ventures:	15		
Share of gross assets		60.9	47.9
Share of gross liabilities		(123.3)	(130.3)
Adjustment to reflect effective obligation		62.9	82.5
		0.5	0.1
Interests in associated undertakings	16	1.1	0.9
		1.6	1.0
		129.7	133.1
Current assets			
Stocks	17	27.0	21.9
Long-term debtors	18	6.9	7.7
Current debtors	18	158.3	149.5
Total debtors		165.2	157.2
Cash at bank and in hand		27.6	32.0
		219.8	211.1
Creditors: amounts falling due within one year	19	(224.9)	(201.2)
Net current (liabilities)/assets		(5.1)	9.9
Total assets less current liabilities		124.6	143.0
Creditors: amounts falling due after more than one year	19	(20.5)	(30.0)
Provisions for liabilities and charges	20	(7.8)	-
Net assets		96.3	113.0
Capital and reserves			
Called up share capital	21	0.2	0.2
Profit and loss account	22	95.6	112.2
Equity shareholders' funds		95.8	112.4
Equity minority interests		0.5	0.6
		96.3	113.0

The financial statements were approved by the Board of Directors on 18 June 2003 and were signed on its behalf by:

A R Gavin
Director



Company balance sheet

		2003	2002
As at 31 March	Note	£m	£m
Fixed Assets			
Intangible fixed assets	9	0.1	0.2
Tangible fixed assets	12	7.9	9.9
Investment in programmes for future sale	13	97.8	97.9
Investments			
Investments in subsidiary undertakings	14	27.0	28.9
Investment in associated undertakings	16	0.1	0.2
		27.1	29.1
		132.9	137.1
Current assets			
Stocks	17	20.5	14.6
Debtors	18	207.2	167.2
Cash at bank and in hand		16.5	5.8
		244.2	187.6
Creditors: amounts falling due within one year	19	(289.8)	(215.8)
Net current liabilities		(45.6)	(28.2)
Total assets less current liabilities		117.3	108.9
Creditors: amounts falling due after more than one year	19	(18.3)	(26.5)
Provisions for liabilities and charges	20	(7.8)	(1.8)
Net assets		61.2	80.6
Capital and reserves			
Called up share capital	21	0.2	0.2
Profit and loss account	22	61.0	80.4
Equity shareholders' funds		61.2	80.6

The financial statements were approved by the Board of Directors on 18 June 2003 and were signed on its behalf by:

A R Gavin
Director



Consolidated statement of total recognised gains and losses

	2003	2002
For the year ended 31 March	£m	£m
Profit for the financial year	21.7	16.0
Effect of foreign currency translation	(3.1)	0.5
Total recognised gains and losses relating to the financial year	18.6	16.5

Reconciliation of movements in equity shareholders' funds

	2003	2002
For the year ended 31 March	£m	£m
Total recognised gains and losses for the year	18.6	16.5
Dividends paid and proposed	(42.0)	-
Goodwill on disposals charged to profit and loss account (note 5)	6.8	-
Net (decrease)/increase in equity shareholders' funds	(16.6)	16.5
Equity shareholders' funds at start of year	112.4	95.9
Equity shareholders' funds at end of year	95.8	112.4

Consolidated cash flow statement

For the year ended 31 March	Note	2003 £m	2002 £m
Net cash inflow from operating activities	23	99.7	99.1
Dividends from joint ventures and associates		1.3	0.9
Returns on investments and servicing of finance			
Interest received		1.0	1.5
Interest paid		(2.1)	(3.4)
Net cash outflow from return on investments and servicing of finance		(1.1)	(1.9)
Taxation			
Taxation paid		(2.1)	(7.9)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(5.7)	(6.5)
Investment in programmes for future sale		(85.5)	(83.2)
Disposal of investment in programmes		-	6.0
Proceeds from the sale of investments in programmes		0.4	0.6
Decrease in loan to associated undertaking		0.1	-
Net cash outflow for capital expenditure and financial investments		(90.7)	(83.1)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(0.3)	(10.0)
Disposal of interests in business and subsidiary undertakings	5	10.9	9.0
Disposal of interest in associated undertaking		0.1	-
Cash outflow on termination of operations		(1.5)	-
Net cash inflow/(outflow) from acquisitions and disposals		9.2	(1.0)
Equity dividends paid to shareholders		(12.0)	-
Cash inflow before financing		4.3	6.1
Financing			
(Decrease)/increase in BBC loan		(0.6)	0.6
Increase in loan from parent undertaking		18.3	-
(Decrease)/increase in external funding		(25.9)	10.3
Outflow in respect of unsecured loan notes		(0.5)	-
Net cash (outflow)/inflow from financing		(8.7)	10.9
(Decrease)/increase in cash in the year	24	(4.4)	17.0

Notes to the financial statements

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the Group's principal accounting policies, which have been applied consistently throughout the year and with the preceding year, except where stated, is set out below.

1a Basis of accounting

The financial statements are presented under the historical cost accounting convention.

1b Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2003. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associated undertaking is one in which the group has a long-term interest, usually between 20% and 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and joint ventures is included in the consolidated profit and loss account and its interest in their net assets, is included in the consolidated balance sheet, using the equity method.

The results of the joint ventures and associates within the Flextech and Discovery agreements have been included using information from accounts drawn up to 31 December 2002 (notes 15 and 16).

As permitted by Section 230 of the Companies Act 1985, no profit and loss account has been presented in respect of the Company. The Company's turnover for the year was £458.5 million (2002: £449.3 million) and the Company's profit after taxation for the year dealt with in the Group's financial statements was £15.8 million (2002: £13.2 million). The Company's results form part of the consolidated financial statements.

1c Turnover

Group turnover, which excludes value added tax and trade discounts, represents licence fees from the distribution of joint productions, agency income and commission from the distribution of programmes on behalf of the BBC and from other producers and publication of magazines, books, videos, DVDs, CDs and tapes, character merchandising, transmission and other facilities.

The basis upon which turnover is recognised is as follows:

- Licence fees from distribution of joint productions - recognised on later of delivery of rights and the start of the licence period;
- Programme distribution commission and channel income - recognised on provision of service;
- Sale of promotional merchandise - recognised at time of delivery / provision of service.

1d Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the date of the transactions.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at 31 March or at forward rates where related hedging contracts are in place. Surpluses and deficits arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the consolidated profit and loss account.

The profit and loss accounts and cash flows of overseas subsidiaries are translated into sterling at the average rates for the year. Exchange differences arising from the retranslation of the opening net assets of overseas subsidiaries and any related long-term foreign currency borrowings are taken directly to the profit and loss reserve, together with the differences arising when the profit and loss accounts are translated at average rates compared with rates ruling at the year end. Other exchange differences are taken to the profit and loss account.

1e Goodwill

Purchased goodwill represents the excess of the fair value of the purchase consideration, plus any related costs of acquisition, over the fair value attributable to the separable net assets acquired. Purchased goodwill arising on the acquisition of a business or subsidiary before 1 April 1998, when FRS 10: Goodwill and Intangible Assets was adopted, was written off to reserves in the year of acquisition. On disposal, goodwill previously written off to reserves is transferred to the profit and loss account for the year as part of the profit or loss on disposal.

Purchased positive goodwill arising on the acquisition of a business or subsidiary since 1 April 1998 is capitalised and amortised over its estimated useful life, not exceeding 20 years. On the subsequent disposal or termination of a business acquired since 1 April 1998, the profit or loss on disposal is calculated after charging the unamortised amount of any related goodwill.

1f Tangible fixed assets

Expenditure on fixed assets is capitalised together with incremental internal direct costs incurred on capital projects. Depreciation is calculated so as to write off the cost less estimated residual value of fixed assets on a straight-line basis over their expected useful lives. Depreciation commences from the date an asset is brought into service.

The useful lives for depreciation purposes for the principal categories of assets are:

Short leasehold buildings	Unexpired lease term
Freehold property	50 years
Plant and machinery	3 to 5 years
Fixtures and fittings	3 to 5 years

1g Operating leases

Operating lease rentals are written off on a straight-line basis over the term of the lease.

1h Research and development

Research and development expenditure is written off as incurred.

1i Investment in programmes for future sale

Investment in programmes for future sale is stated at cost, after writing off the costs of programmes that are considered irrecoverable through future sales, less accumulated amortisation. Amortisation of investment in programmes for future sale is charged to the profit and loss account over the estimated average marketable life of the programme genre which is estimated to be between two and ten years. Programmes that are fully written off are deducted from the cost and accumulated amortisation of investment in programmes for future sale.

1j Stocks

Stocks comprising videos, DVDs, books and paper stock and work in progress are stated at the lower of cost and net realisable value.

1k Pension costs

The Group operates both defined benefit and defined contribution schemes for the benefit of employees.

Defined benefit scheme

The defined benefit scheme provides benefits based on final pensionable pay. The pension assets of the BBC Main Scheme, to which the majority of employees belong, are held separately from those of the BBC Group.

The Group, following the provisions of FRS 17, accounts for the scheme as if it were a defined contribution scheme. This is because it is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis. The expenditure charge for the Group therefore represents the contributions payable in the year.

Defined contribution scheme

BBC Worldwide participates in a group personal pension scheme that is a defined contribution scheme. Contributions to the scheme are charged to the profit and loss account when payable.

1l Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required by accounting standards full provision without discounting is made for all timing differences that have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it is more likely than not that they will be recovered.

2 Segmental Analysis

2a Turnover analysed by type of business

	2003 £m	2002 £m
Publishing and new media	338.0	331.7
Programme distribution	168.8	172.3
Entertainment channels	53.2	46.3
Continuing operations	560.0	550.3
Discontinued operations – BBC World	17.9	25.5
Discontinued operations – beeb.com	0.6	2.4
Discontinued operations	18.5	27.9
Group turnover	578.5	578.2
Share of joint ventures	79.5	81.6
Turnover	658.0	659.8

2b Turnover analysed by geographical destination

(all group turnover originates from within the UK)

	2003 £m	2002 £m
United Kingdom	331.2	323.2
Americas	105.8	108.8
Rest of World	123.0	118.3
Continuing operations	560.0	550.3
Discontinued operations – BBC World	17.9	25.5
Discontinued operations – beeb.com	0.6	2.4
Discontinued operations	18.5	27.9
Group turnover	578.5	578.2
Share of joint ventures	79.5	81.6
Group turnover	658.0	659.8

Programme distribution sales include licensing for standard television and cable sales. Co-production contributions to the BBC are administered by BBC Worldwide but not included in turnover.

2c Profit before interest and taxation analysed by type of business

	Total operating profit 2003 £m	Profit/(loss) on disposal (note 5 & 6) 2003 £m	Total 2003 £m
Publishing and new media	18.4	-	18.4
Programme distribution	22.4	-	22.4
Entertainment channels	2.7	-	2.7
Continuing operations	43.5	-	43.5
Discontinued operations – BBC World	(9.4)	-	(9.4)
Discontinued operations – beeb.com	(0.2)	(1.5)	(1.7)
Discontinued operations	(9.6)	(1.5)	(11.1)
	33.9	(1.5)	32.4
	Total operating profit 2002 £m	Profit on disposal (note 5 & 6) 2002 £m	Total 2002 £m
Publishing and new media	10.4	7.3	17.7
Programme distribution	23.7	-	23.7
Entertainment channels	1.6	-	1.6
Continuing operations	35.7	7.3	43.0
Discontinued operations – BBC World	(15.3)	-	(15.3)
Discontinued operations – beeb.com	(9.7)	7.7	(2.0)
Discontinued operations	(25.0)	7.7	(17.3)
	10.7	15.0	25.7

2d Profit before interest and taxation analysed by geographical location

	Operating profit	Profit/(loss) on disposal (note 5 & 6)	Total
	2003 £m	2003 £m	2003 £m
United Kingdom	18.8	-	18.8
Americas	0.6	-	0.6
Rest of World	24.1	-	24.1
Continuing operations	43.5	-	43.5
Discontinued operations – BBC World	(9.4)	-	(9.4)
Discontinued operations – beeb.com	(0.2)	(1.5)	(1.7)
Discontinued operations	(9.6)	(1.5)	(11.1)
	33.9	(1.5)	(32.4)

	Operating profit	Profit on disposal (note 5 & 6)	Total
	2002 £m	2002 £m	2002 £m
United Kingdom	6.9	7.3	14.2
Americas	0.7	-	0.7
Rest of World	28.1	-	28.1
Continuing operations	35.7	7.3	43.0
Discontinued operations – BBC World	(15.3)	-	(15.3)
Discontinued operations – beeb.com	(9.7)	7.7	(2.0)
Discontinued operations	(25.0)	7.7	(17.3)
	10.7	15.0	25.7

The discontinued operations comprise BBC World, BBC Worldwide's global news channel, and beeb.com. BBC World was previously included in the News channels and Rest of World business segments (where it was predominantly distributed). The beeb.com business was previously included within the publishing and new media and United Kingdom business segments.

2e Net assets analysed by geographical location

	Total 2003 £m	Total 2002 £m
United Kingdom	57.8	69.5
Americas	36.6	40.9
Continuing operations	94.4	110.4
Discontinued operations – BBC World	-	2.0
Discontinued operations – beeb.com	1.9	0.6
Discontinued operations	1.9	2.6
	96.3	113.0

All net assets are owned, either in the UK and made available for regional offices or through the US subsidiary, BBC Worldwide Americas Inc.

3 Profit on ordinary activities before taxation**3a Profit on ordinary activities before taxation is stated after charging:**

	2003 £m	2002 £m
Operating lease rentals		
- plant and machinery	4.1	8.1
- land and buildings	2.1	2.1
- satellite costs	6.0	8.4
Depreciation - owned assets	5.4	7.5
Amortisation of investment in programmes for future sale	88.4	86.4
Amortisation of goodwill	0.5	0.3
Auditors' remuneration		
- company audit fee	0.1	0.1
- subsidiaries audit fees	0.2	0.2
- consultancy and advisory fees	0.4	0.2
Research and development expenditure	2.2	2.4

3b Group operating profit analysed between continuing and discontinued operations:

	Continuing operations £m	Discontinued operations £m	Total 2003 £m	Continuing operations £m	Discontinued operations £m	Total 2002 £m
Group turnover	560.0	18.5	578.5	550.3	27.9	578.2
Cost of Sales	(358.6)	(17.4)	(376.0)	(357.2)	(28.6)	(385.8)
Gross Profit	201.4	1.1	202.5	193.1	(0.7)	192.4
Distribution costs	(122.9)	(10.5)	(133.4)	(124.1)	(22.9)	(147.0)
Administrative expenses	(37.9)	(0.2)	(38.1)	(34.7)	(1.4)	(36.1)
Group operating profit	40.6	(9.6)	31.0	34.3	(25.0)	9.3

4 Employees and remuneration**4a Persons employed**

The average number of persons employed (full-time equivalent) in the year was:

	2003 Average	2002 Average
Publishing and new media	1,564	1,548
Programme distribution	397	341
Entertainment channels	96	104
Continuing operations	2,057	1,993
Discontinued operations – BBC World	74	96
Discontinued operations – beeb.com	7	81
Discontinued operations	81	177
	2,138	2,170

Within the averages above, 203 (2002: 149) part-time employees have been included at their full-time equivalent of 125 (2002: 92). In addition to the above, the Group employed an average full-time equivalent of 51 (2002: 82) persons on a casual basis. Their payroll costs are included in note 4b.

4b Staff costs

	2003 £m	2002 £m
Salaries and wages	82.2	82.1
Social security costs	6.3	6.6
Other pension costs	2.2	2.4
	90.7	91.1

In addition to the above, redundancy costs of £2.6 million (2002: £1.1 million) were incurred in the year.

4c BBC Group Pension Scheme

Many BBC Worldwide employees are members of the BBC Group Pension Scheme, which provides salary related pension benefits on a defined benefit basis from assets held in separate, trustee-administered, funds.

The Group, following the provisions within FRS 17, accounts for the scheme as if it were a defined contribution scheme. This is because it is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis. The pension cost charged for this scheme therefore represents contributions payable by the Group to the scheme and the costs amounted to £2.0m in the year (2002: £2.1m).

The scheme is subject to independent valuation by a professionally qualified actuary at least every three years, on the basis of which the actuary certifies the rate of employer's contributions. These, together with the specified contributions payable by employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the scheme. The most recent full actuarial valuation of the scheme was prepared as at 1 April 2002 by Watson Wyatt, consulting actuaries, using the projected unit method. At 1 April 2002 the actuarial value of the assets was sufficient to cover 109% of the benefits due to members, after allowing for expected future increases in earnings.

Employer contributions have remained steady for a number of years. However in order to maintain the financial health of the scheme, it has been agreed with the trustees that employer contributions will rise by 0.5% a year for three years from the current 4.5% of pensionable pay, with the first 0.5% increase taking effect from 1 April 2003. In addition the employee contributions will rise 0.5% per year from 4.5% to 6% over the three-year period commencing 1 April 2004.

Additional disclosure about the scheme and its financial position under FRS 17 is provided in the BBC Annual Report and Accounts that can be obtained from The Secretary, BBC, Broadcasting House, London W1A 1AA.

4d BBC Worldwide Limited Group personal pension scheme and other schemes

The Group also operates its own defined contribution pension schemes, including those operated in the USA. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and the costs amounted to £0.2 million in the year (2002: £0.3 million).

4e Directors' remuneration

The remuneration of the directors during the year was as follows:

	2003 £'000	2002 £'000
Emoluments	1,668	1,932
Bonus	291	255
Compensation for loss of office	-	245
	1,959	2,432

Amounts received in cash under a long-term incentive plan totalled £243,000 (2002: £285,000)

The number of directors to whom retirement benefits accrue under the following schemes is as follows:

	2003 No of directors	2002 No of directors
Defined benefit schemes	9	9
Money purchase schemes	6	7

The company contributed £101,000 to money purchase schemes for its directors during the year (2002: £153,000)

The remuneration of the highest paid director included:

	2003 £'000	2002 £'000
Emoluments	300	289
Bonus	62	50
Contributions to money purchase retirement schemes	36	35
	398	374

The highest paid director had accrued pension benefits of £8,000 per annum as at 31 March 2003 under the company defined benefit scheme (2002: £6,000). Amounts received in cash under a long-term incentive plan totalled £45,000 (2002: £40,000)

5 Profit on disposal of business and shares in subsidiaries

5a Disposal of BBC World

On 1st December 2002 BBC Worldwide transferred the business of BBC World, BBC Worldwide's news and information channel, to a new subsidiary, BBC World Limited, at book value. On 1st December 2002 BBC Worldwide Limited disposed of its interest in the shares of BBC World Limited to BBC Commercial Holdings Limited for £14.2 million, as set out below. The results of BBC World have been presented in the profit and loss account as a discontinued operation.

	£m
Tangible fixed assets	0.4
Net current assets excluding cash	3.7
Current assets – cash	3.3
Net Assets	7.4
Goodwill charged	6.8
Profit on disposal	-
Total cash consideration	14.2
The net inflow of cash in respect of the disposal of subsidiary undertakings is as follows:	
Cash consideration	14.2
Cash balances of subsidiary undertaking sold	(3.3)
	10.9

5b beeb Ventures Limited

During 2002 the Group made the final partial disposal of shares in beeb Ventures Limited, the subsidiary owning its Internet retail site beeb.com and Internet service provider beeb.net. The transaction gave rise to income totalling £9.0 million in the year. Profits on these partial disposals of beeb Ventures Limited were part of the linked arrangement with a third party, entered into in 2000, under which profits on a partial disposal were structured to offset start up operating losses of this company.

6 Exceptional items

6a Loss on termination of operations

On 22 April 2002, BBC Worldwide announced its intention to terminate the beeb.com business and exit the Internet shopping guide sector; consequently, the results have been presented in the profit and loss account as a discontinued operation. Certain beeb.com websites, together with beeb.net have been integrated into BBC Worldwide's core operations. During the year ended 31 March 2003 redundancy and other closure costs totalling £1.5m have been charged to the profit and loss account.

As a result of the decision to terminate the business, a review of the carrying value of beeb Ventures Limited's fixed assets at 31 March 2002 took place and gave rise to a write down of £1.3 million being charged to the profit and loss account in 2002.

6b Profit on disposal of investment in programmes

During 2002 the Group disposed of its remaining rights and trademarks to certain non-core brands. These fixed asset disposals gave rise to net profits totalling £7.3 million.

7 Interest payable

	2003	2002
	£m	£m
BBC loan (note 19)	0.6	1.7
Other loans	1.5	2.0
	2.1	3.7

8 Taxation

8a Analysis of charges for the period

The charge for the year, based on a rate of corporation tax of 30% (2002: 30%), comprised:

	2003 £m	2002 £m
Current tax:		
UK corporation tax	3.4	2.9
Group relief payable/(receivable)	1.8	(0.5)
Deduct: double tax relief	(3.4)	(2.9)
	1.8	(0.5)
Adjustments in respect of prior years	(0.1)	-
Foreign tax	5.3	6.8
Share of joint venture undertakings' tax	0.3	0.1
Share of associated undertakings' tax	0.7	0.2
Total current tax	8.0	6.6
Deferred tax:		
US asset written off	-	1.5
Origination and reversal of timing differences	2.9	1.3
Adjustments in respect of prior years	(1.2)	(2.8)
Total deferred tax	1.7	-
Charge for the year	9.7	6.6

8b Factors affecting the tax charge

	2003 £m	2002 £m
Profit before tax	31.3	23.7
Surplus before tax multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	9.4	7.1
Effects of:		
Non-taxable income	(0.3)	(4.1)
Disallowed expenditure	1.3	1.6
Tax losses not group relieved	-	1.4
Tax differential and timing differences on overseas earnings	1.3	3.5
Adjustments to tax charge in respect of prior periods	(0.1)	-
Capital allowances in excess of depreciation	(4.2)	(2.4)
Other	0.6	(0.4)
Minority interests	-	(0.1)
Current tax charge for the year (8a)	8.0	6.6

8c Analysis of deferred tax balance

In accordance with FRS 19: Deferred Taxation, the Group provides for all deferred tax liabilities in full less available deferred tax assets.

	2003 £m	2002 £m
Net deferred tax provision		
Net provision at start of year	-	-
Exchange adjustment	0.5	-
Deferred tax charge (note 8a)	1.7	-
Net provision at end of year	2.2	-
Deferred tax (asset)/liability		
Accelerated capital allowances	7.8	1.8
US timing differences	(5.6)	(4.8)
US asset written off	-	3.0
	2.2	-

US timing differences relate to differences between the treatment of certain revenue and expense items for taxation and accounting purposes.

8d Factors that may affect future tax charges

The future effective tax charge will be principally affected by the mix of profits generated from the different tax jurisdictions in which the Group operates and the statutory tax rates applicable in these territories.

9 Intangible fixed assets

	Group £m	Company £m
Goodwill		
Cost		
At 1 April 2002	8.1	0.2
Additions (note 10)	0.1	-
At 31 March 2003	8.2	0.2
Amortisation		
At 1 April 2002	0.3	-
Charge for the year	0.5	0.1
At 31 March 2003	0.8	0.1
Net book value:		
At 31 March 2003	7.4	0.1
At 31 March 2002	7.8	0.2

Goodwill that has been capitalised is amortised on a straight-line basis over 20 years subject to reviews for impairment, reflecting the directors' opinion of its useful economic life in each case.

10 Purchase of subsidiaries

On 28 February 2003 the Group acquired 100 % of the share capital of Parentwise Limited for a nominal amount. The company had net liabilities of £0.1 million and goodwill of £0.1 million has arisen on the transaction. The directors believe there was no difference between the book value, as recorded in the accounting records of Parentwise Limited immediately prior to the acquisition, and the fair value of the assets acquired.

On 22 April 2002 the Group acquired the remaining share capital of Satellite News Corporation, in which it had previously held a 5% interest, for a consideration of £0.3 million. The Group's interest in Satellite News Corporation was subsequently sold as part of the disposal of BBC World, as set out in note 5.

11 Tangible fixed assets
Group

	Freehold buildings	Short leasehold Buildings	Plant & machinery	Fixtures & fittings	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2002	0.2	1.3	34.4	15.9	51.8
Exchange adjustments	-	(0.2)	(0.2)	-	(0.4)
Additions	-	0.5	4.8	0.4	5.7
Disposals	-	-	(2.0)	(0.1)	(2.1)
At 31 March 2003	0.2	1.6	37.0	16.2	55.0
Depreciation					
At 1 April 2002	-	0.6	24.5	14.2	39.3
Exchange adjustments	-	(0.4)	-	-	(0.4)
Charge for the year	-	0.8	3.2	1.4	5.4
Disposals	-	-	(1.4)	(0.3)	(1.7)
At 31 March 2003	-	1.0	26.3	15.3	42.6
Net book value:					
At 31 March 2003	0.2	0.6	10.7	0.9	12.4
At 31 March 2002	0.2	0.7	9.9	1.7	12.5

12 Tangible fixed assets
Company

	Plant & machinery	Fixtures & fittings	Total
	£m	£m	£m
Cost			
At 1 April 2002	29.0	14.1	43.1
Additions	2.9	0.1	3.0
Disposals	(1.1)	-	(1.1)
At 31 March 2003	30.8	14.2	45.0
Depreciation			
At 1 April 2002	20.1	13.1	33.2
Charge for the year	4.2	0.6	4.8
Disposals	(0.9)	-	(0.9)
At 31 March 2003	23.4	13.7	37.1
Net book value:			
At 31 March 2003	7.4	0.5	7.9
At 31 March 2002	8.9	1.0	9.9

13 Investment in programmes for future sale

	Group £m	Company £m
Cost		
At 1 April 2002	323.8	197.1
Exchange adjustment	(12.7)	-
Additions	86.7	77.1
Financing benefit	(0.4)	(0.4)
Less cost of programmes fully amortised	(76.0)	(76.0)
At 31 March 2003	321.4	197.8
Amortisation		
At 1 April 2002	212.0	99.2
Exchange adjustment	(11.3)	-
Charge for the year	88.4	76.8
Elimination in respect of programmes fully amortised	(76.0)	(76.0)
At 31 March 2003	213.1	100.0
Net book value:		
At 31 March 2003	108.3	97.8
At 31 March 2002	111.8	97.9

The exchange adjustment arises on the re-translation of the opening programme investments held by the US subsidiary. Included in the Group and the Company net book values is £4.5 million relating to investments held under a licence agreement (2002: £4.2 million).

The financing benefit relates to monies received for tax credits on investments in sale and leaseback programmes.

14 Investments in subsidiary undertakings**Shares in subsidiary undertakings**

	Company £m
Cost	
At 1 April 2002	34.4
Addition	9.1
Disposal	(11.0)
At 31 March 2003	32.5
Provisions	-
At 1 April 2002 and at 31 March 2003	(5.5)
Net book value:	
At 31 March 2003	27.0
At 31 March 2002	28.9

During the year ended 31 March 2003, the parent company disposed of its interests in Chivers Communication Limited and Cover to Cover Cassettes Limited and acquired a 100% interest in BBC Audiobooks Limited (formerly Chivers Press Limited) as part of a restructure of its Audiobooks business.

The principal operating subsidiaries of the company as at 31 March 2003 are shown in note 31.

15 Interests in joint ventures

	Interests in joint venture undertakings (Group) £m	Investment in joint venture undertakings (Company) £m
Cost		
At 1 April 2002 and at 31 March 2003	-	-
Share of post acquisition reserves		
At 1 April 2002	0.1	-
Share of profit after taxation	5.2	-
Dividends	-	-
Adjustment to reflect effective obligation	(4.8)	-
At 31 March 2003	0.5	-
Net book value:		
At 31 March 2003	0.5	-
At 31 March 2002	0.1	-

BBC Worldwide has major partnership deals with Flextech, the content division of Telewest Communications plc, for the production and marketing of subscription channels in the UK, and with Discovery Communications Inc (Discovery) for the incorporation and operation of new channels around the world and provision of new co-production funding for programmes. These alliances operate under a number of statutory entities listed below:

Name of entity	Nature of entity	Partner	Date entered
UK Channel Management Limited	Joint Venture	Flextech	April 1997
UK Gold Holdings Limited	Joint Venture	Flextech	April 1997
JV Programmes LLC	Joint Venture	Discovery	March 1998
UKTV New Ventures Limited	Joint Venture	Flextech	August 2000
UKTV Interactive Limited	Joint Venture	Flextech	August 2000

In addition to the arrangements with Flextech and Discovery, BBC Haymarket Exhibitions Limited is included in the joint venture total and is accounted for separately from the Flextech and Discovery joint ventures. The Group share of its turnover was £4.2 million (2002: £6.4 million) and of operating profit was £0.7 million (2002: £0.3 million).

The following disclosures are based on results for the year ended 31 December 2002. These additional disclosures given below are in accordance with FRS 9. The amounts disclosed represent BBC Worldwide's equity share of the assets and liabilities of the entities.

2003

	UK Gold Holdings Ltd # £m	UK Channel Mgmt Ltd # £m	Other joint ventures # £m	Total joint ventures £m
BBC Worldwide share of:				
Turnover	31.7	28.6	19.2	79.5
Profit/(loss) before tax	9.5	0.3	(1.0)	8.8
Taxation	(2.7)	-	(0.9)	(3.6)
Profit/(loss) after tax*	6.8	0.3	(1.9)	5.2
Fixed assets	-	-	-	-
Current assets	14.3	27.6	19.0	60.9
Gross assets	14.3	27.6	19.0	60.9
Liabilities less than one year*	(10.3)	(3.5)	(12.7)	(26.5)
Liabilities more than one year*	(38.5)	(46.8)	(11.5)	(96.8)
Gross liabilities	(48.8)	(50.3)	(24.2)	(123.3)
Adjustment to reflect effective obligation*	34.5	22.7	5.7	62.9
Net Book Value	-	-	0.5	0.5

2002

	UK Gold Holdings Ltd # £m	UK Channel Mgmt Ltd # £m	Other joint ventures # £m	Total joint ventures £m
BBC Worldwide share of :				
Turnover	34.8	28.4	18.4	81.6
Profit/(loss) before tax	13.2	(3.0)	(1.9)	8.3
Taxation	(3.4)	-	(0.2)	(3.6)
Profit/(loss) after tax*	9.8	(3.0)	(2.1)	4.7
Fixed assets	-	0.1	-	0.1
Current assets	14.2	14.0	19.6	47.8
Gross assets	14.2	14.1	19.6	47.9
Liabilities less than one year*	(9.4)	(7.1)	(11.6)	(28.1)
Liabilities more than one year*	(46.0)	(44.6)	(11.6)	(102.2)
Gross liabilities	(55.4)	(51.7)	(23.2)	(130.3)
Adjustment to reflect effective obligation*	41.2	37.6	3.7	82.5
Net Book Value	-	-	0.1	0.1

*Under the terms of the agreements with Flextech and Discovery, the Group has no obligation to fund losses incurred by the entities or to make good their net liabilities. As a result, the Group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2003 (2002: £nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation.

#The figures are based on unaudited financial statements.

16 Interests in associated undertakings

	Interests in associated undertakings	Net loans to associated undertakings	Total (Group)	Investment in associated undertakings (Company)
	£m	£m	£m	£m
Cost				
At 1 April 2002	0.2	1.3	1.5	0.2
Exchange Adjustment	-	(0.1)	(0.1)	-
Disposal	(0.1)	(0.1)	(0.2)	(0.1)
At 31 March 2003	0.1	1.1	1.2	0.1
Share of post acquisition reserves				
At 1 April 2002	(0.6)	-	(0.6)	-
Exchange Adjustment	0.3	-	0.3	-
Share of loss after taxation	(24.8)	-	(24.8)	-
Dividends	(1.3)	-	(1.3)	-
Adjustment to reflect effective obligation	26.3	-	26.3	-
At 31 March 2003	(0.1)	-	(0.1)	-
Net book value:				
At 31 March 2003	-	1.1	1.1	0.1
At 31 March 2002	(0.4)	1.3	0.9	0.2

BBC Worldwide has major partnership deals with Discovery for the incorporation and operation of new channels around the world and provision of new co-production funding for programmes. These alliances operate under a number of statutory entities listed below:

Name of entity	Nature of entity	Partner	Date entered
Animal Planet (Latin America) LLC	Associate	Discovery	March 1998
People & Arts (Latin America) LLC	Associate	Discovery	March 1998
JV Network LLC	Associate	Discovery	March 1998
Animal Planet LLC	Associate	Discovery	March 1998
Animal Planet (Asia) LLC	Associate	Discovery	May 1998
The Animal Planet Europe Partnership	Associate	Discovery	May 1999
Animal Planet Japan LLP	Associate	Discovery	December 2000
Animal Planet Japan KK	Associate	Discovery	December 2000
Animal Planet Canada Company ULC	Associate	Discovery	September 2001

In addition to the arrangements with Discovery, BBC Worldwide has other associated undertakings that are listed in note 31. The results include the Group share of the operating profit of UK TV Pty Limited of £0.2 million (2002: £0.1 million) and Frontline Limited of £2.0 million (2002: £1.0 million). Both are accounted for separately from the Discovery entities. The Group's share of the remaining associates in note 31, including Jasper Broadcasting Inc and Jasper Junior Broadcasting Inc, operated in partnership with Alliance Atlantis, was £nil (2002: £nil).

BBC Worldwide (India) Private Limited was a 100% subsidiary of BBC Worldwide until 31 March 2003 when 75% of the share capital was disposed of as part of the BBC World disposal described in note 5.

The following additional disclosures are based on results for the year ended 31 December 2002 for the Discovery companies, and for the period ended 31 March 2003 for the Alliance Atlantis companies, UK TV Pty Limited and Frontline Limited. These additional disclosures given below are in accordance with FRS 9. The amounts disclosed represent BBC Worldwide's equity share of the assets and liabilities of the entities.

Total Associates

	2003 £m	2002 £m
BBC Worldwide share of:		
Turnover	35.5	39.1
Loss before tax	(23.1)	(27.4)
Taxation	(1.7)	(0.8)
Loss after tax*	(24.8)	(28.2)
Fixed assets	47.0	57.0
Current assets	14.3	23.5
Gross assets	61.3	80.5
Liabilities less than one year*	(16.0)	(21.9)
Liabilities more than one year*	(114.5)	(104.9)
Gross liabilities	(130.5)	(126.8)
Adjustment to reflect effective obligation	70.3	47.2
Net Book Value	1.1	0.9

*Under the terms of the agreements with Discovery and Alliance Atlantis, the Group has no obligation to fund losses incurred by the entities or to make good their net liabilities. As a result, the Group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2003 (2002: £nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation, with the exception of JV Network LLC. JV Network LLC was formed for the purpose of providing debt funding from Discovery to the other Discovery joint ventures and BBC Worldwide is not entitled to any profits arising within this entity.

17 Stocks

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Raw materials and consumables	3.7	1.8	3.3	1.8
Work in progress	3.8	4.7	2.2	0.7
Finished goods and goods for resale	19.5	15.4	15.0	12.1
	27.0	21.9	20.5	14.6

18 Debtors

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts falling due within one year:				
Trade debtors	100.1	109.0	76.6	80.4
Amounts owed by subsidiary undertakings	-	-	81.0	60.9
Amounts owed by associates and joint ventures	4.7	8.9	4.3	5.6
Amounts owed by fellow subsidiary undertakings	1.3	3.7	1.1	3.2
Other debtors	10.5	20.2	9.0	12.7
Deferred taxation	4.7	-	-	-
Corporation tax	-	0.9	-	0.2
Prepayments and accrued income - other	5.5	6.8	3.7	4.2
Prepayments and accrued income - BBC	31.5	-	31.5	-
	158.3	149.5	207.2	167.2
Amounts falling due after more than one year:				
Deferred taxation	0.9	-	-	-
Deferred launch support asset	6.0	7.7	-	-
	6.9	7.7	-	-

Deferred launch support costs comprise prepaid costs for use of channel broadcasting platforms.

19 Creditors

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Amounts falling due within one year:				
Trade creditors	37.7	31.2	32.7	25.0
Residual creditors	40.8	56.5	32.1	45.3
Amounts owed to the BBC	40.1	29.9	39.6	29.9
Amounts owed to subsidiary undertakings	-	-	96.9	53.8
Amounts owed to fellow subsidiary undertakings	2.8	2.6	2.8	2.6
Amounts owed to associates and joint ventures	0.4	1.7	0.4	1.7
Other creditors including other taxes and social security	5.9	16.4	6.8	8.8
External funding	0.9	-	-	-
Unsecured loan notes	1.7	1.9	1.7	1.9
Corporation tax	0.4	-	0.9	-
Accruals and deferred income	64.2	61.0	45.9	46.8
Proposed dividend	30.0	-	30.0	-
	224.9	201.2	289.8	215.8
Amounts falling due after more than one year:				
Loan owed to the BBC	-	0.6	-	0.6
Loan owed to parent undertaking	18.3	-	18.3	-
External funding	2.2	29.4	-	25.9
	20.5	30.0	18.3	26.5

Residual creditors comprise royalty payments owing to contributors to television programmes, videos, and other media.

The external funding comprises a US dollar loan from Discovery of \$5 million that is repayable in the following stages: \$1.5 million due 31 March 2004; \$3.5 million due 31 March 2005. Interest is payable at LIBOR plus 1.0% for the \$5 million loan.

Unsecured loan notes were issued as deferred consideration for the acquisition of Cover to Cover Limited and associated royalty payments. The loan notes are repayable on demand or in full within 10 years. Interest is charged at 0.5% above bank base rates.

BBC Worldwide has an unsecured loan and investment agreement with its parent undertaking, BBC Commercial Holdings Limited (BBC Commercial Holdings), that will terminate on 30 September 2004. This facility will be renegotiated prior to this date with a view to extending the facility for a further 18 months. Interest is payable at 4.60% plus a margin of 0.35% rising to 0.425% should BBC Commercial Holdings borrowings exceed £175m. A discount will be applied to the above rates reflecting the sub LIBOR funding that BBC Commercial Holdings receives from the European Investment Bank; this is expected to be between 0.10% and 0.15% per annum up to £25m. Interest receivable on any amounts invested with BBC Commercial Holdings will be at UK Base Rate. At 31 March 2003, BBC Worldwide Limited's drawn-down element of the facility was £18.3 million (2002: £nil).

20 Provisions for liabilities and charges

	Group Deferred Tax £m	Company Deferred Tax £m
At 1 April 2002	-	1.8
Transferred to debtors	1.8	-
At 1 April 2002 restated	1.8	1.8
Provided during the year	4.2	4.2
Prior year charge	1.8	1.8
At 31 March 2003	7.8	7.8

21 Called up share capital

	2003 £m	2002 £m
Authorised 1,000,000 Ordinary shares of £1 each	1.0	1.0
Issued, allotted, called up and fully paid 250,000 Ordinary shares of £1 each	0.2	0.2

22 Profit and loss account

	Group £m	Company £m
At 1 April 2002	112.2	80.4
Retained loss for the year	(20.3)	(26.2)
Goodwill on disposals charged to profit and loss account	6.8	6.8
Exchange adjustment	(3.1)	-
At 31 March 2003	95.6	61.0

At 31 March 2003, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £14.2 million (2002: £21.0 million)

23 Reconciliation of operating profit to the net cash inflow from operating activities

	2003 £m	2002 £m
Group operating profit	31.0	9.3
Depreciation and amortisation	94.3	94.2
Increase in stocks	(5.1)	(2.4)
(Increase)/decrease in debtors	(13.0)	7.5
Decrease in creditors	(7.5)	(9.5)
Net cash inflow from operating activities	99.7	99.1

24 Reconciliation of net cash flow to movement in net debt

	2003 £m	2002 £m
(Decrease)/increase in cash in the year	(4.4)	17.0
Net cash flow to/(from) BBC	0.6	(0.6)
Net cash inflow from parent undertaking	(18.3)	-
Net cash outflow in respect of unsecured loan note	0.5	-
Net cash outflow/(inflow) from other funding	25.9	(10.3)
Change in net debt resulting from cash flows	4.3	6.1
Unsecured loan notes	(0.3)	(1.9)
Exchange adjustment	0.4	-
Change in net debt	4.4	4.2
Net cash/(debt) at the beginning of the year	0.1	(4.1)
Net cash at the end of the year	4.5	0.1

25 Analysis of net funds/debt

	1 April 2002 £m	Cash flows £m	Non cash movement £m	31 March 2003 £m
Cash at bank and in hand	32.0	(4.4)	-	27.6
Debt falling due within one year:				
Unsecured loan notes	(1.9)	0.5	(0.3)	(1.7)
External loans	-	-	(0.9)	(0.9)
Debt due after more than one year:				
BBC Loan	(0.6)	0.6	-	-
Loan from parent undertaking	-	(18.3)	-	(18.3)
External loans	(29.4)	25.9	1.3	(2.2)
Net funds/(debt)	0.1	4.3	0.1	4.5

26 Commitments

Contracts placed for future capital expenditure not provided:

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Programme investments	41.5	38.9	37.0	30.7
Fixed assets	-	0.2	-	0.2
	41.5	39.1	37.0	30.9

27 Operating leases

Future minimum rental payments under non-cancellable group operating leases, payable in the next year, are as follows for the group:

	Land & buildings 2003 £m	Land & buildings 2002 £m	Plant & machinery 2003 £m	Plant & machinery 2002 £m
Expiring:				
Within one year	0.4	0.5	0.4	4.2
Between two and five years	0.9	0.5	2.2	5.3
After more than five years	1.5	1.2	-	2.5
	2.8	2.2	2.6	12.0

28 Contingent liabilities

In common with many businesses involving publishing interests, the Group is the subject of litigation involving contract and copyright disputes. The Group is strenuously contesting these proceedings and the directors do not consider that these actions will result in a material effect on the financial condition of the Group.

29 Related party transactions

The related party transactions of the Group have been presented in accordance with FRS 8: Related Party Disclosures. Related parties of BBC Worldwide comprise its subsidiary, associated and joint venture companies, its parent undertakings and fellow subsidiaries and members of key management of the Company and its parent undertakings.

In accordance with FRS 8, transactions or balances between group entities, which have been eliminated on consolidation, are not reported. The Company is a 100% owned subsidiary of BBC Commercial Holdings Limited and the British Broadcasting Corporation (BBC). As a result, the Group has taken advantage of the exemption set out in FRS 8 and has not disclosed transactions between the Group and the BBC or its subsidiaries.

The value of transactions conducted with related parties is measured annually and disclosed below:

Name of related party	Income	Expenditure	Net debtors/(creditors) balance
	£m	£m	£m
BBC Haymarket Exhibitions Limited	0.3	-	-
Frontline Limited	-	(2.7)	(0.4)
UK Channel Management Limited	10.4	-	1.5
UK Gold Holdings Limited	14.9	-	1.1
UKTV New Ventures Limited	1.6	-	0.6
UK TV Pty Limited	0.9	-	0.1
Jasper Broadcasting Inc	0.7	-	0.7
Jasper Junior Broadcasting Inc	0.3	-	0.1
Animal Planet (Latin America) LLC	1.2	-	-
People and Arts (Latin America) LLC	1.2	-	-
Animal Planet (Asia) LLC	0.9	-	0.2
JV Programmes LLC	27.1	-	-
The Animal Planet Europe Partnership	1.4	-	0.4
Animal Planet Japan LLP	0.3	-	-

Terms of trade were negotiated on an arm's length basis.

Name of related party	How related	Nature of transactions
Frontline Limited	Associate	Management fees for the distribution of magazines
UK Gold Holdings Limited/UK Channel Management Limited/UKTV New Ventures Limited	Joint Ventures	Sale of programmes
UK TV Pty Limited	Associate	Sale of programmes
Jasper Broadcasting Inc/Jasper Junior Broadcasting Inc	Associates	Sale of programmes
Animal Planet (Latin America) LLC	Associate	Sale of programmes
People and Arts (Latin America) LLC	Associate	Sale of programmes
Animal Planet (Asia) LLC	Associate	Sale of programmes
JV Programmes LLC	Joint Venture	Sale of programmes
The Animal Planet Europe Partnership	Associate	Sale of programmes
Animal Planet Japan LLP	Associate	Sale of programmes
Animal Planet Canada Company ULC	Associate	Sale of programmes
BBC Haymarket Exhibitions Limited	Joint Venture	Dividends & management fees
BBC Worldwide (India) Private Limited	Associate	Funding & management fees

30 Parent undertaking and controlling party

The Company's immediate parent is BBC Commercial Holdings Limited and ultimate parent undertaking and controlling party is the British Broadcasting Corporation that is incorporated in the United Kingdom by Royal Charter. The largest group in which the results of the company are consolidated is that headed by the BBC. The consolidated accounts of BBC may be obtained by writing to The Secretary, BBC Broadcasting House, Portland Place, London, W1A 1AA.

31 Interest in subsidiary, associated and joint venture undertakings

The principal operating undertakings are listed below. They operate mainly in the countries of incorporation or registration. The investments are in equity share capital and they are all 100% directly owned by BBC Worldwide Limited unless stated otherwise.

Subsidiary undertakings

	Note:	Country of incorporation or registration if outside of the UK
Publishing		
BBC Audiobooks Limited (formerly Chivers Press Limited).		
BBC Magazines Inc.	(a)	USA
Broadcasting Dataservices Limited (75%)		
Cover to Cover Cassettes Limited	(b)	
Galleon Limited	(c)	
Programme distribution		
BBC Worldwide Americas Inc.		USA
BBC Worldwide Canada Limited		Canada
BBC Worldwide France Sarl		France
BBC Worldwide Germany GmbH		Germany
BBC Worldwide Japan KK		Japan
BBC Worldwide Music Limited		
UK Programme Distribution Limited (95%)		
Channels		
European Channel Broadcasting Limited		
European Channel Management Limited		
New Video Channel America LLC	(a)	USA
Online		
beeb Ventures Limited		
Investment Companies		
BBC Worldwide Investments Limited		
BBC World Service Television Limited		
Worldwide Americas Investments Inc.	(a)	USA
Worldwide Channel Investments Limited		
Worldwide Channel Investments (Europe) Limited	(d)	
Worldwide Channel Investments (Ontario) Limited	(d)	Canada

Associated undertakings

	Note:	Country of incorporation or registration if outside of the UK
Publishing		
Frontline Limited (23%)		
Channels		
Animal Planet (Latin America) LLC (50%)	(e)	USA
Animal Planet LLC (20%)	(d)	USA
Animal Planet (Asia) LLC (50%)	(d)	USA
Animal Planet Japan LLP (50%)	(d)	USA
JV Network LLC (50%)	(e)	USA
People and Arts (Latin America) LLC (50%)	(e)	USA
BBC Worldwide (India) Private Limited (25%)	(d)	India
Animal Planet Japan KK (33%)	(e)	Japan
The Animal Planet Europe Partnership (50%)	(f)	
Animal Planet Canada Company ULC (23%)	(g)	Canada
Jasper Broadcasting Inc (20%)	(g)	Canada
Jasper Junior Broadcasting Inc (20%)	(g)	Canada
UK TV Pty Limited (20%)	(d)	Australia

Joint ventures

	Note:	Country of incorporation or registration if outside of the UK
Publishing		
BBC Haymarket Exhibitions Limited (50%)	(c)	
Channels		
JV Programmes LLC (50%)	(e)	USA
UK Channel Management Limited (50%)		
UK Gold Holdings Limited (50%)		
UKTV Interactive Limited (50%)		
UKTV New Ventures Limited (50%)		

Note:

- (a) owned through BBC Worldwide Americas Inc.
- (b) owned through BBC Audiobooks Limited
- (c) owned through BBC Worldwide Investments Limited
- (d) owned through Worldwide Channel Investments Limited
- (e) owned through Worldwide Americas Investments Inc.
- (f) owned through Worldwide Channel Investments (Europe) Limited
- (g) owned through Worldwide Channel Investments (Ontario) Limited