

Registered number: 1420028

BBC Worldwide Limited

**Report and Financial Statements for
the year ended 31 March 2001**



BBC Worldwide Limited

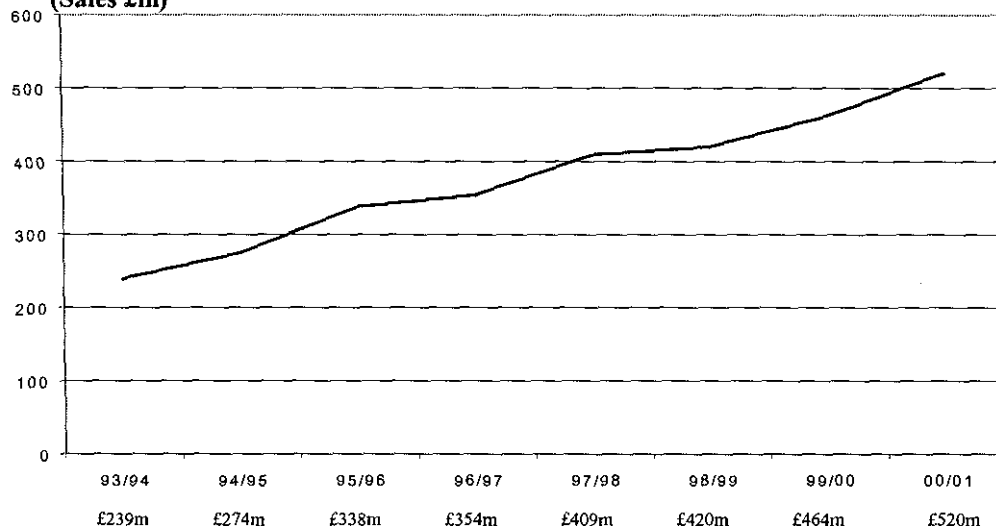
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Financial Review

Turnover increased 14% to £587 million (including share of joint ventures), £520 million (12%) excluding joint ventures. BBC cash flow increased to £96 million, and investment in BBC programmes was £76 million. Pre exceptional group operating profit has fallen to £4 million in 2001, from £8 million in 2000, due principally to the start-up losses incurred in the development of BBC Worldwide's internet retail site beeb.com. Profit before interest and taxation has increased by 170% to £23 million after including an exceptional gain of £17.1 million on the partial disposal of beeb Ventures Limited as part of a linked arrangement with a third party which has provided funding of beeb.com's start-up losses.

BBC Worldwide sales history (excluding joint ventures)
(Sales £m)



Trading results

Group operating profit reduced by 51% to £4 million, from £8 million in 2000, after the effect of the start-up losses incurred in the development of new Internet and Interactive businesses, including beeb.com, partly offset by improved results from BBC World.

2001	BBC Worldwide Core Business £m	BBC World £m	Internet and Interactive £m	Total £m
Turnover	486	26	8	520
Cost of sales	(317)	(25)	(4)	(346)
Gross profit	169	1	4	174
Distribution costs	(106)	(12)	(19)	(137)
Administrative expenses	(33)	-	-	(33)
Group operating profit	30	(11)	(15)	4

Before investment in BBC World and Internet and Interactive services, including beeb.com, the group delivered an operating profit of £30 million (6% on sales).

2000	BBC Worldwide Core Business £m	BBC World £m	Internet and Interactive £m	Total £m
Turnover	436	19	9	464
Cost of sales	(257)	(26)	(3)	(286)
Gross profit	179	(7)	6	178
Distribution costs	(116)	(11)	(11)	(138)
Administrative expenses	(32)	-	-	(32)
Group operating profit	31	(18)	(5)	8

BBC Worldwide has invested further in programming to grow BBC World. The resulting increase in revenue, particularly advertising sales, is ahead of plan.

Within the core businesses, BBC Worldwide has invested in a number of new brands and launched two new magazines, Eve and Star which have incurred losses in their start up year.

Publishing and new media sales were up 9% to £302 million, with much of the growth coming from overseas as global brands continue to be rolled out internationally.

Programme distribution saw an 8% increase in sales in a highly competitive market, as well as achieving a 34% increase in operating profit.

Channels activity, which includes BBC Prime, BBC World and BBC America, showed 39% growth to £67 million, of which £10 million was delivered by BBC America, mainly from increased subscription and advertising revenue. Channel losses decreased by £8 million, largely as a result of an improved performance from BBC World.

Joint venture results

In line with FRS 9: Associates and Joint Ventures, BBC Worldwide has shown its share of joint venture turnover on the face of the profit and loss account, increasing turnover to £587 million. Gross assets and liabilities are included in the balance sheet.

The structure of the arrangements with Flextech and Discovery is such that BBC Worldwide has no liability to fund the losses of the ventures and its effective financial obligation is therefore adjusted to nil.

Taxation and earnings

The tax charge of £4.3 million (21%) compares to £3.1 million (46%) in 2000. UK corporation tax is provided at 30% (2000: 30%). The main factors contributing to the reduction in the effective rate of tax to 21% are the accounting gain on the disposal of beeb Ventures Limited shares, which does not give rise to a significant tax liability, plus the release of tax provisions as a result of the agreement of earlier years tax computations. A more detailed analysis is presented in note 7b.

BBC Worldwide does not propose a dividend, retaining its reserves to fund further expansion.

Cash flow

BBC Worldwide ended the year with net borrowing of £4 million, compared to borrowings of £26 million at 31 March 2000.

Cash flow available to the BBC increased by £14 million to £96 million for the year, analysed as follows:

	2001	2000
	£m	£m
Investment in BBC programmes	76	79
Cash co-production	2	3
Payment to BBC Rights Archive	7	5
Interest paid to BBC	2	2
Cash generated/(consumed), net of asset purchases	2	(16)
Sustainable BBC cash flow	89	73
External funding	-	16
Exceptional items	7	-
Working capital	-	(7)
Headline BBC cash flow	96	82

Debt structure and treasury policy

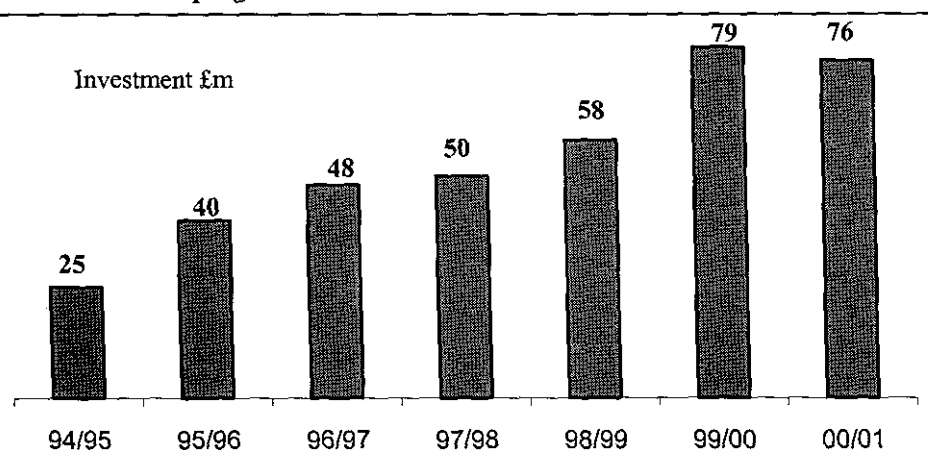
The loan debt due to the BBC has decreased by £22 million to nil at 31 March 2001 due to the underlying cash generative position of the business combined with the timing of the settlement of intercompany balances with the BBC. BBC Worldwide raised no further external debt during the year to March 2001 (2000: £16 million).

42% of our revenues are generated outside the UK and have therefore been affected by fluctuations in exchange rates. It is the policy of BBC Worldwide to take a risk-averse approach to the management of foreign exchange, including the hedging of risk by entering into forward exchange contracts.

Programme investments

BBC Worldwide and its joint venture partners invested £76 million in BBC programmes in 2001 a decrease of £3 million over last year. Amortisation at £75 million was £7 million higher than the previous year reflecting the substantial increase in investment achieved last year.

BBC Worldwide programme investment with the BBC



Capital expenditure

Capital expenditure on tangible fixed assets was £6 million in the year, consistent with the prior year.

Acquisitions and disposals

During the year BBC Worldwide acquired 100% of the share capital of Cover to Cover Limited, a company operating in the spoken word audio market, for a total consideration of £1.2 million. In addition, it acquired the business and rights to the name of Gardens Illustrated Magazine for a cash consideration of £0.2 million. The group disposed of its education business BBC For Business for £2.0 million and made a partial disposal of shares in beeb Ventures Limited for £20.2 million. These disposals are explained in detail in note 5.

Flextech

Telewest Communications plc made an offer to acquire the entire issued shares of Flextech plc, BBC Worldwide's joint venture partner in UKTV. This offer became unconditional on 18 April 2000.

Joint ventures

BBC Worldwide entered into a new joint venture arrangement with Discovery during the year in respect of Animal Planet Japan which was launched in December 2000.

BBC Worldwide entered into a new joint venture arrangement in Canada with Alliance Atlantis to launch BBC Canada. The deal was signed 16 March 2001.

David King

Finance Director
BBC Worldwide Limited



BBC's Fair Trading Commitment

BBC commercial activities and Fair Trading

In performing its commercial role, BBC Worldwide is fully subject to domestic and European Competition Law in the same way as any other British company. The Competition Act 1998 significantly strengthens the powers of the regulatory authorities to enforce fair trading.

In addition to these statutory provisions, and unlike its competitors, the BBC is subject to further requirements to trade fairly, arising from its Royal Charter and accompanying Agreement. These requirements, to which BBC Worldwide is also subject, are published as the BBC's Fair Trading Commitment.

This Fair Trading Commitment requires BBC Worldwide to:

- engage in commercial activities which are consistent with, and support the BBC's role as a public service broadcaster;
- pay fair charges for any goods or services received from other parts of the BBC;
- charge prices which are a fair reflection of both costs incurred and market practice.

Annual Statement on the BBC's compliance with the Fair Trading Commitment

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

The BBC has appointed external Fair Trading auditors, Ernst and Young, who have also issued an opinion which concludes that nothing has come to their attention that indicates that the BBC has not complied with the requirements of its Fair Trading Commitment during year ended 31 March 2001.

Directors' Report

The directors present their report and the audited consolidated financial statements of BBC Worldwide Limited (BBC Worldwide) for the year ended 31 March 2001. 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 3.

Results and dividend

The consolidated profit after taxation and minority interests for the year was £16.9 million (2000: £3.7 million). The directors do not recommend the payment of a dividend (2000: £ nil).

Significant acquisitions and disposals

Details of acquisitions and disposals are included in the Financial Review and on pages 24, 26 & 27 in the notes to the accounts.

Directors

The directors who served during the year were:

S F Cooper
 P Cross
 A R Gavin
 A L Kaza
 D J King
 J P Mayhew
 R V McCall (appointed 27 October 2000)
 M J Phillips
 P S Phippen
 G A Richards
 J E Taylor
 P R Teague
 D A Vine
 M C Young

Directors' interests

No director had any interest in the share capital of the company at 1 April 2000 or 31 March 2001. No rights to subscribe for shares in or debentures of the company or any other group company 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 2001 were equivalent to 32 days (2000: 31 days) of purchases during the year ended on that date. Based on the consolidated financial statements creditor days outstanding were 32 days (2000: 33 days). Residual creditors and the associated costs have been excluded for the purposes of this calculation.

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.

Management hold 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 goals have been set with the aim of ensuring that the BBC Worldwide workforce reflects the UK's population and considerable progress is being made towards these goals.

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. During the year, BBC Worldwide was awarded "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 their existing jobs, every effort would be 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

The group does not make political donations. Donations were made during the year of £19,000 (2000: £1.2 million paid, net of taxes under gift aid to the Diana, Princess of Wales Memorial Fund).

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.

Going concern

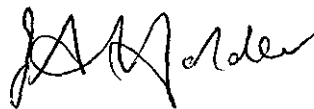
After making enquiries, the directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future, and accordingly the going concern basis continues to be adopted in the preparation of the accounts.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

J A Holder
Company Secretary



Date: 21 May 2001

Registered Office
Woodlands
80, Wood Lane
London W12 0TT

Corporate Governance

BBC Worldwide's commitment

The BBC has an obligation under its Charter to demonstrate high standards of corporate governance.

The Combined Code, issued by the Financial Services Authority in June 1998, sets out principles of good corporate governance. Both the BBC and BBC Worldwide voluntarily comply with the Combined Code to the extent it is considered applicable. The requirements of the Combined Code are applied to BBC Worldwide with the following exceptions:

- **those requirements relating to shareholders**
as a wholly-owned subsidiary of the BBC, BBC Worldwide is not accountable to external shareholders but to the BBC. The BBC, in turn, is accountable to the public, rather than to shareholders, through the stewardship of the governors.
- **those requirements relating to non-executive directors, Chairman, remuneration and audit and nominations committees**
the directors consider that BBC Worldwide should comply with the Combined Code in a manner which is common practice for a subsidiary whose parent is complying with the Code. Hence the directors do not consider it appropriate for BBC Worldwide to have non-executive directors, a Chairman separate from the Chief Executive, or remuneration and audit committees separate from those established by the BBC. The appointment of directors is discussed on page 9.

How BBC Worldwide has applied the remuneration principles is covered separately within the remuneration report (pages 9 to 12).

Board structure

Details of the Board of Directors are shown on page 5. As explained above, BBC Worldwide does not have any non-executive directors. However, the BBC Worldwide Board is represented on the BBC's Executive Committee and is accountable to the BBC governors who constitute the members of the Corporation and act as trustees for the public interest.

The governors are drawn from a variety of occupations and backgrounds and are independent of BBC executive management. A register of interests for the governors is maintained and may be inspected by written application to the Secretary of the BBC. The governors are now appointed by the Queen in Council for periods of four years (previously five years).

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

A formal schedule of matters is referred to the Board for decisions. This includes:

- approval of the annual accounts
- approval of the budget
- approval of company strategy
- the establishment of new joint ventures and trading companies

Directors are given appropriate documentation in advance of each Board meeting. Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that board procedures are followed, and may obtain independent professional advice at the expense of the company if required. Directors have been provided with appropriate training by BBC Worldwide.

The Board of Governors delegates some matters relevant to BBC Worldwide to sub-committees. The main responsibilities of these sub-committees are explained elsewhere in the annual report as follows:

Fair Trading Compliance Committee	(page 4)
Audit Committee	(page 9)
Governors' Commercial Committee	(page 9)

Executive remuneration policy, including the package for BBC Worldwide's Chief Executive, is considered by the full Board of Governors.

Accountability and internal control

Financial reporting and going concern

The respective responsibilities of the directors and the external auditors are set out on page 12.

A detailed review of the financial position of BBC Worldwide is included in the Financial Review by the Finance Director on pages 1 to 3.

The going concern basis has been adopted in the preparation of the financial statements as the directors have a reasonable expectation that BBC Worldwide has adequate resources to continue its operations for the foreseeable future and budgets and forecasts have been prepared in the light of available facilities.

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 fully support the contents of the ICAEW's guidance for directors *Internal control: Guidance for directors on the Combined Code* (the Turnbull guidance). While an established system of risk management and control, including procedures to monitor and evaluate key risks, has been in existence throughout the year, further steps to reflect more fully the substance of the new guidance have been taken during the course of the year. These initiatives included improved procedures for the identification, evaluation and management of key risks.

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. Management update their assessment of their exposure to risk, and the extent to which these risks are controlled, every four months. Management assessments are verified by visits from Internal Audit, which reports on this matter to the Audit Committee, which considers risk management across the BBC group as a whole.
- **monitoring of controls**
The BBC's Internal Audit function undertakes regular testing of control systems under a plan agreed by the BBC's Audit Committee. This programme of testing, which is updated every three months, is based on assessment of key risks and issues. The results 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.

All transactions over a certain upper threshold must be approved by the BBC and those over a certain lower threshold must be approved by the BBC Worldwide Investment Committee.

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 and approving 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.

Governors' Commercial Committee

This committee oversees the performance and effectiveness of the BBC's commercial subsidiaries. The governors aim to ensure that the BBC maximises the opportunities to earn additional income for reinvestment into public services, but without putting the licence fee at risk.

Statement of compliance with the Combined Code of Best Practice

BBC Worldwide has complied throughout the year ended 31 March 2001 with the specific provisions in section 1 of the Combined Code with the exception of those provisions relating to non-executive directors and shareholder requirements which, as discussed earlier, are not applicable to BBC Worldwide's structure.

Remuneration report

One of the responsibilities of the BBC's Board of Governors is to act as a Remuneration Committee. In this role, the governors have responsibility for setting executive remuneration policy, including the remuneration package for Worldwide's Chief Executive. The Chief Executive 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.

This report explains the remuneration policy of the BBC for BBC Worldwide's directors and provides details of their remuneration.

Remuneration policy

The directors are appointed by the Chief Executive and their initial and subsequent remuneration is determined by the Chief Executive. 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, but has no input into decisions affecting his own remuneration.

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, if any)
- 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.

The remuneration arrangements for directors include the following components:

Basic salary

Basic salaries are reviewed in July each year, except for the Chief Executive's which is reviewed in August, taking into account external market levels and internal comparisons as well as the individual's responsibilities and performance.

Annual bonus

The directors are eligible to receive a bonus of up to 25%, with the exception of the Chief Executive who is eligible to receive a bonus of up to 30% of basic salary. The actual level of payment to individuals is determined following a review of performance against a mixture of qualitative and quantitative objectives set at the beginning of the financial year. For the year under review the targets related primarily to BBC cash flow, profit before interest and taxation and turnover. Bonuses are reflected in these accounts on an accrued basis.

Long term incentive plan

The directors are eligible to participate in a long term incentive plan, which vests after 3 years and will yield a bonus of up to 20%. The long term incentive plan bonus targets are linked to cash flow growth and the first vesting date and potential bonus under the plan will be determined on 1 April 2002.

Benefits

UK based directors are eligible for a company car and fuel for private use and medical insurance covering the executive and family, and where there is a business need, home computer equipment and digital reception equipment.

Pensions

Most directors participate in the BBC Pension Scheme, which provides salary-related pension benefits on a defined benefit basis, with an accrual rate of one-sixtieth of final salary per year of service subject to the Inland Revenue earnings cap where appropriate. Only basic salary is pensionable. The scheme provides for early retirement on medical grounds and life insurance cover of four times salary, subject to the Inland Revenue earnings cap where appropriate.

Employees in overseas offices can benefit from local pension scheme arrangements.

A variety of special arrangements have been made outside the BBC Pension Scheme for those individuals earning in excess of the Inland Revenue approved earnings cap. Eight directors are members of a UK money purchase scheme and one director has been accepted to the scheme for which no contributions have yet been paid.

Service Contracts

Service contracts for directors have been individually determined. All directors have rolling or fixed term contracts with a maximum of one year's notice of termination by BBC Worldwide or the individual executive.

Remuneration received

The remuneration of directors appointed to or resigning from the Board during the year is included in respect of their period of service as a Board member.

	Salary £'000	Annual bonus £'000	Benefits £'000	Total 2001 £'000	Total 2000 £'000
S F Cooper	104	21	10	135	-
P Cross	139	27	19	185	156
C Fairbairn	-	-	-	-	50
A R Gavin	262	69	24	355	328
A L Kaza	150	27	8	185	79
D J King	128	25	14	167	160
J P Mayhew	139	28	5	172	142
R V McCall*	45	9	6	60	-
M J Phillips	146	30	13	189	184
P S Phippen	256	48	102	406	361
G A Richards	108	21	7	136	126
J E Taylor	143	31	20	194	188
P R Teague	182	41	7	230	218
D A Vine	82	11	19	112	89
M C Young	142	31	14	187	178

*R V McCall was appointed to the Board on 27 October 2000.

At 31 March 2001, under a scheme available to all staff, J P Mayhew had an interest free season ticket loan outstanding of £607. The loan at 31 March 2000 was £587 and the maximum amount outstanding during the year was £667.

Pensions

BBC Worldwide provided pension benefits to directors during the year as follows:

	Increase in accrued pension (a) £'000 per annum	Total accrued pension at 31 March 2001 (b) £'000 per annum	Transfer value of increase (c) (d) £'000 per annum	Directors' contributions (e) £'000	BBC Worldwide Contribution to money purchase scheme (f) £'000
S F Cooper	5	23	47	5	-
P Cross	1	4	25	4	9
A R Gavin	1	4	18	4	34
A L Kaza	2	2	15	4	15
D J King	2	14	23	7	7
J P Mayhew	2	16	24	7	9
R V McCall	1	17	24	5	-
M J Phillips	1	7	28	4	11
P S Phippen	2	11	24	7	-
G A Richards	2	3	16	4	6
J E Taylor	1	8	17	4	10
P R Teague	3	13	35	8	30
D A Vine	-	-	-	-	7
M C Young	3	22	36	10	-

No additional voluntary contributions have been included in the above table.

Notes to Pension Benefits

- (a) The increase in accrued pension during the year excludes any increase for inflation.
- (b) The pension entitlement shown is that which would be paid annually based on service to the end of the year.
- (c) The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- (d) The transfer value represents the cost to the pension scheme of the increase in annual pension but not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration.
- (e) These are contributions made by the directors to the defined benefits scheme during the financial year.
- (f) This is the actual BBC Worldwide contribution to a separate money purchase (defined contribution) pension scheme.

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

Company law requires the directors to prepare financial statements for each financial year which 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 do so.

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 Auditors to the members of BBC Worldwide Limited

We have audited the financial statements on pages 14 to 38.

Respective responsibilities of the directors and auditors

The directors are responsible for preparing the directors' report and, as described above, 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 Practises 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. 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, including the corporate governance statement, 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.

In addition to our audit of the financial statements, the directors have instructed us to review their corporate governance statement as if the group were required to comply with the Listing Rules of the Financial Services Authority in relation to these matters. We review whether the statement on page 9 reflects the group's compliance with the seven provisions of the Combined Code specified for audit review by those rules, and we report if it does not. We are not required to form an opinion on the effectiveness of the group's corporate governance procedures or its internal controls.

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 2001 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**KPMG**

Chartered Accountants

Registered Auditor

London

27 June 2001

Consolidated profit and loss account

For the year ended 31 March	Note	2001 £m	2000 £m
Turnover (including share of joint ventures)		587.2	513.8
Less: share of joint ventures	14	(67.6)	(50.0)
Group turnover	2	519.6	463.8
Cost of sales		(345.4)	(285.7)
Gross profit		174.2	178.1
Distribution costs		(137.2)	(137.5)
Administrative expenses		(32.9)	(32.3)
Group operating profit		4.1	8.3
Share of operating profit in joint ventures	14	0.6	0.1
Share of operating profit in associates	15	0.3	0.2
Total operating profit		5.0	8.6
Profit on disposal of business and shares in subsidiary	5	18.2	-
Profit before interest and taxation	2	23.2	8.6
Interest receivable		1.2	0.6
Interest payable	6	(4.0)	(2.4)
Profit on ordinary activities before taxation	3	20.4	6.8
Tax on profit on ordinary activities	7	(4.3)	(3.1)
Profit on ordinary activities after taxation		16.1	3.7
Equity minority interests		0.8	-
Retained profit for the financial year	22	16.9	3.7

The above results are derived from continuing operations in both the current and previous financial periods.

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

Group operating profit of £4.1 million (2000: £8.3 million) includes operating losses of £11.3 million (2000: £nil) attributable to a new subsidiary beeb Ventures Limited. These operating losses are offset by a gain of £17.1 million on the partial disposal of beeb Ventures Limited as explained in note 5.

Consolidated balance sheet

As at 31 March	Note	2001 £m	2000 £m
Fixed Assets			
Intangible fixed assets	8	0.5	-
Tangible fixed assets	10	12.9	11.7
Investment in programmes for future sale	12	117.2	112.7
Investments			
Investments in joint ventures:	14		
Share of gross assets		56.7	46.9
Share of gross liabilities		(144.5)	(130.5)
Adjustment to reflect effective obligation		88.2	83.6
		0.4	-
Interests in associated undertakings	15	0.6	0.3
		131.6	124.7
Current assets			
Stocks	17	17.3	13.3
Current debtors	18	149.6	125.3
Long-term debtors	18	8.4	-
Total debtors		158.0	125.3
Cash at bank and in hand		15.0	14.6
		190.3	153.2
Creditors: amounts falling due within one year	19	(206.7)	(161.5)
Net current liabilities		(16.4)	(8.3)
Total assets less current liabilities		115.2	116.4
Creditors: amounts falling due after more than one year	19	(19.1)	(40.5)
Provisions for liabilities and charges	20	(4.1)	(2.4)
Net assets		92.0	73.5
Capital and reserves			
Called up share capital	21	0.2	0.2
Profit and loss account	22	92.3	73.0
Equity shareholders' funds		92.5	73.2
Equity minority interests		(0.5)	0.3
		92.0	73.5

The financial statements were approved by the Board of Directors on 21 May 2001 and were signed on its behalf by:

A R Gavin
Director



Company balance sheet

As at 31 March	Note	2001 £m	2000 £m
Fixed Assets			
Intangible fixed assets	8	0.2	-
Tangible fixed assets	11	10.3	9.4
Investment in programmes for future sale	12	96.3	91.8
Investments in subsidiary undertakings	13	18.5	16.7
Investment in associated undertakings	15	0.2	0.2
		125.5	118.1
Current assets			
Stocks	17	13.2	12.2
Debtors	18	157.5	132.4
Cash at bank and in hand		2.0	0.7
		172.7	145.3
Creditors: amounts falling due within one year	19	(214.3)	(175.3)
Net current liabilities		(41.6)	(30.0)
Total assets less current liabilities		83.9	88.1
Creditors: amounts falling due after more than one year	19	(15.6)	(37.2)
Provisions for liabilities and charges	20	(4.3)	(4.2)
Net assets		64.0	46.7
Capital and reserves			
Called up share capital	21	0.2	0.2
Profit and loss account	22	63.8	46.5
Equity shareholders' funds		64.0	46.7

The financial statements were approved by the Board of Directors on 21 May 2001 and were signed on its behalf by:

A R Gavin
Director



Consolidated statement of total recognised gains and losses

	2001	2000
For the year ended 31 March	£m	£m
Profit for the financial year	16.9	3.7
Exchange translations effect on:		
Profit for the financial year	0.1	-
Foreign currency net assets	2.3	0.2
Total recognised gains and losses since the last financial statements	19.3	3.9

Reconciliation of movements in equity shareholders' funds

	2001	2000
For the year ended 31 March	£m	£m
Total recognised gains for the year	19.3	3.9
Net increase in equity shareholders' funds	19.3	3.9
Equity shareholders' funds at start of year	73.2	69.3
Equity shareholders' funds at end of year	92.5	73.2

Consolidated cash flow statement

For the year ended 31 March	Note	2001 £m	2000 £m
Net cash inflow from operating activities	23	92.8	66.4
Return on investments and servicing of finance			
Interest received		1.2	0.6
Interest paid		(3.5)	(2.4)
Net cash outflow from return on investments and servicing of finance		(2.3)	(1.8)
Taxation			
Taxation paid		(4.1)	(4.9)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(6.2)	(6.7)
Investment in programmes for future sale		(76.8)	(83.3)
Proceeds from the sale of investments		0.5	0.5
Decrease/(increase) in loan to associated undertakings		0.1	(0.1)
Net cash outflow for capital expenditure and financial investments		(82.4)	(89.6)
Acquisitions and disposals			
Purchase of subsidiary undertaking	9	(0.4)	-
Purchase of business	8	(0.2)	-
Disposal of interest in subsidiary undertaking	5	17.1	-
Disposal of business	5	1.6	-
Investment in associated undertaking		(0.1)	-
Net cash inflow from acquisitions and disposals		18.0	-
Cash inflow/(outflow) before financing		22.0	(29.9)
Financing			
(Decrease)/increase in BBC loan		(21.6)	7.8
Increase in external funding		-	15.6
		(21.6)	23.4
Increase/(decrease) in cash in the year	24	0.4	(6.5)

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 as modified by the revaluation of certain plant, machinery, furniture and fittings.

The group has adopted early the following accounting standards:

- FRS 17: Retirement Benefits. The group has adopted early the first year transitional provisions of FRS 17. These require certain additional disclosures to be given which are included in note 4. There is no effect on the results or financial position of the group, as the transitional provisions require only disclosures to be made. FRS 17 will be fully adopted in the financial statements for the year ended 31 March 2002.
- FRS 18: Accounting Policies. Adoption of this standard has not had any material impact on the results of the group.
- FRS 19: Deferred Taxation. There is no material impact on the results of the group but additional disclosure is provided in note 7.

1b Basis of consolidation

The results of subsidiary companies are consolidated into the financial statements of BBC Worldwide Limited. 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.

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 2000 (notes 14 and 15).

As permitted by Section 230 of the Companies Act 1985, no profit and loss account has been presented in respect of the holding company. However, for further clarification, the holding company's turnover for the year was £438.9 million (2000: £400.4 million) and the company's profit after taxation for the year dealt with in the financial statements of BBC Worldwide Limited was £17.3 million (2000: £0.1 million). The holding 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, CDs and tapes, character merchandising, transmission and other facilities.

1d Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling 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 cashflows 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 (representing the excess of the fair value of the purchase consideration, plus any related costs of acquisition, over the fair value attributable to the separable net assets acquired) arising on 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
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, 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 five and ten years. The cost and accumulated amortisation of investment in programmes for future sale are reduced by programmes which are fully written off.

1j Stocks

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

1k Pension costs**Defined benefit scheme**

The defined benefit scheme provides benefits based on final pensionable pay. Amounts are charged to expenditure so as to spread the cost of pensions over employees' working lives with the BBC. Any difference between the charge to the profit and loss account and the contributions paid is shown as a provision or prepayment on the balance sheet. The pension assets of the BBC's main scheme are held separately from those of the BBC Group.

As noted above, the Group has adopted early the first year transitional arrangements of FRS17: Retirement Benefits and has therefore provided additional disclosure regarding the BBC pension scheme.

Defined contribution scheme

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

1l Deferred taxation

Except where otherwise required by accounting standards full provision without discounting is made for all timing differences which 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.

1m Related parties

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. The value of transactions conducted with associates and joint ventures is measured annually and disclosed by note. Members of key management are sent a questionnaire at the end of each financial year enquiring whether they, members of their close family, or entities in which the individual has a controlling interest entered into any transactions with the company, and if so, confirmation of the nature and amount of these transactions.

2 Segmental Analysis

2a Turnover analysed by type of business

	2001 £m	2000 £m
Publishing and new media	302.3	277.0
Programme distribution	150.0	138.4
Channels	67.3	48.4
Group turnover	519.6	463.8
Share of joint ventures	67.6	50.0
Turnover	587.2	513.8

2b Turnover analysed by geographical destination

(all group turnover originates from within the UK)

	2001 £m	2000 £m
United Kingdom	301.4	282.0
Americas	84.3	63.0
Rest of World	133.9	118.8
Group turnover	519.6	463.8

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 and exceptional items

	Operating profit 2001 £m	Profit on disposal of business and shares in subsidiary (note 5) 2001 £m	Total 2001 £m
Publishing and new media	0.2	18.2	18.4
Programme distribution	16.4	-	16.4
Channels	(11.6)	-	(11.6)
	5.0	18.2	23.2
	Operating profit 2000 £m	Profit on disposal of business and shares in subsidiary (note 5) 2000 £m	Total 2000 £m
Publishing and new media	16.0	-	16.0
Programme distribution	12.2	-	12.2
Channels	(19.6)	-	(19.6)
	8.6	-	8.6

Channels include joint venture channel development costs.

Publishing and new media operating profit is stated after charging the operating losses of beeb Ventures Limited. These operating losses are offset by a gain on the partial disposal of beeb Ventures Limited as explained in note 5.

2d Profit before interest and taxation analysed by geographical location

	Operating profit 2001 £m	Profit on disposal of business and shares in subsidiary (note 5) 2001 £m	Total 2001 £m
United Kingdom	(1.9)	18.2	16.3
Americas	4.1	-	4.1
Rest of World	2.8	-	2.8
	5.0	18.2	23.2

	Operating profit 2000 £m	Profit on disposal of business and shares in subsidiary (note 5) 2000 £m	Total 2000 £m
United Kingdom	10.7	-	10.7
Americas	8.4	-	8.4
Rest of World	(10.5)	-	(10.5)
	8.6	-	8.6

BBC World is included in Rest of World, which is where it is predominantly distributed.

2e Net assets analysed by geographical location

	2001 £m	2000 £m
United Kingdom	54.0	41.9
Americas	38.0	31.6
	92.0	73.5

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

Profit on ordinary activities before taxation is stated after charging:

	2001 £m	2000 £m
Operating lease rentals		
- plant and machinery	7.7	3.6
- land and buildings	2.0	1.3
- satellite costs	7.6	7.3
Depreciation - owned assets	5.1	4.5
Amortisation of investment in programmes for future sale	74.8	67.7
Auditors' remuneration		
- company audit fee	0.1	0.1
- subsidiaries audit fees	0.1	0.1
- consultancy and advisory fees	0.2	0.1
Loss on sale of tangible fixed assets	-	0.1
Research and development expenditure	2.6	2.5

4 Employees and remuneration

4a Persons employed

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

	2001 Average	2000 Average
Publishing and new media	1,487	1,327
Programme distribution	281	302
Channels	190	144
	1,958	1,773

Within the averages above, 124 (2000: 100) part-time employees have been included at their full-time equivalent of 80 (2000: 62).

In addition to the above, the group employed an average full-time equivalent of 88 (2000: 91) persons on a casual basis. Their payroll costs are included in note 4b.

4b Staff costs

	2001 £m	2000 £m
Salaries and wages	74.7	65.4
Social security costs	6.1	5.1
Other pension costs	4.0	2.9
	84.8	73.4

In addition to the above, redundancy costs of £0.4 million (2000: £0.6 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 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 1999 by Watson Wyatt, consulting actuaries, using the projected unit method. The pension charge for the year derives from this full actuarial valuation following Statement of Standard Accounting Practice 24 (SSAP 24).

At 1 April 1999, the market value of the assets of the scheme was £6,294 million and the actuarial value of the assets was sufficient to cover 114% of the benefits due to members, after allowing for expected future increases in earnings.

The scheme surplus is being amortised over 12 years, the expected average remaining service lives of the employees.

The pension charge for the year for this scheme is £2.9 million (2000: £2.8 million). An amount of £3.4 million is included in provisions which represents the excess of the cumulative pension cost over the cumulative contributions paid to the scheme (2000: £1.9 million prepayment).

A new accounting standard, FRS 17: Retirement Benefits, is being introduced which changes the method by which pension information is calculated and presented in the financial statements.

In future years, BBC Worldwide will take advantage of the provisions included within FRS 17 and account for the BBC Group Pension Scheme in its accounts as if it were a defined contribution scheme. This is because it is not possible to identify the share of the underlying assets and liabilities of the scheme relating to BBC Worldwide on a consistent and reliable basis. The pension charge under FRS 17 will therefore represent the contributions payable in the year. These contributions will benefit from the surplus in the scheme and accordingly will be lower than the regular cost. The pension surplus of the group at 31 March 2001 was £1,708 million.

Additional disclosure is provided in the BBC Annual Report and Accounts which can be obtained from BBC Information Services, 201 Wood Lane, London, W12 7TS.

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 £1.1 million in the year (2000: £0.1 million).

4e Directors' remuneration

The directors' remuneration is set out on page 11.

5 Profit on disposal of business and shares in subsidiary

	2001 £m	2000 £m
beeb Ventures Ltd	17.1	-
BBC For Business	1.1	-
	18.2	-

During 2001 the group made a partial disposal of shares in beeb Ventures Ltd, the subsidiary owning its internet retail site beeb.com and internet service provider beeb.net. The transaction gave rise to income totalling £20.2 million in the year against which costs of £3.1 million were incurred. BBC Worldwide are expected to divest a maximum of 13.5% of beeb Ventures Ltd on completion of a further partial disposal in 2001/02 the proceeds of which will be used to finance the business. Profits on these partial disposals of beeb Ventures Limited are part of a linked arrangement with a third party, under which profits on a partial disposal are structured to offset start up operating losses of this company.

The group also disposed of its education business BBC For Business for £2.0 million. This disposal gave rise to asset disposals of £0.5 million and other expenses of £0.4 million. The group retained a minority stake in the business and will receive an ongoing royalty. Prior to disposal, BBC For Business contributed turnover of £1.0 million and operating profit of £0.3 million to the results for the year ended 31 March 2001.

There is no material impact on the tax charge for the year from these disposals.

6 Interest payable

	2001 £m	2000 £m
BBC loan (note 19)	2.3	2.2
Other	1.7	0.2
	4.0	2.4

7 Taxation**7a Analysis of charges for the period**

	2001 £m	2000 £m
Current tax:		
UK corporation tax	0.2	-
Adjustments in respect of prior years	(2.2)	(0.5)
	(2.0)	(0.5)
Foreign tax	6.3	4.6
Share of joint venture undertakings' tax	0.2	-
Share of associated undertakings' tax	0.1	-
Total current tax	4.6	4.1
Deferred tax:		
Origination and reversal of timing differences	1.8	(0.5)
Adjustments in respect of prior years	(2.1)	(0.5)
Total deferred tax	(0.3)	(1.0)
Charge for the year	4.3	3.1

The pension charge in 2001 has had a £0.5 million impact on the 2001 UK corporation tax charge. This has been offset by a £0.5 million deferred tax credit.

7b Factors affecting the tax charge

	2001 £m	2000 £m
Surplus before tax	20.4	6.8
Surplus before tax multiplied by standard rate of corporation tax in the UK of 30% (2000: 30%)	6.1	2.0
Effects of:		
Non taxable income	(4.5)	(0.5)
Disallowable expenditure	1.5	1.1
Non taxable profit on sale of shares	(1.5)	-
Tax losses not group relieved	3.4	-
Tax differential on overseas earnings	2.1	(0.2)
Adjustments to tax charge in respect of prior periods	(2.2)	(0.5)
Capital allowances in excess of depreciation	(0.9)	1.9
Other	0.3	0.3
Minority interests	0.3	-
Current tax charge for the year (7a)	4.6	4.1

7c Analysis of deferred tax balance

In accordance with FRS 19: Deferred Taxation, the group provides for all deferred tax liabilities in full. The deferred tax provision is analysed as follows:

	2001 £m	2000 £m
Accelerated capital allowances	(0.2)	1.8
Pension accruals	1.0	0.6
US timing differences	(2.5)	(1.9)
Adjustment to opening balance	0.1	-
US asset written off	1.6	-
	-	0.5
Provision at start of year	0.5	1.5
Exchange adjustment	(0.2)	-
Deferred tax credit (note 7a)	(0.3)	(1.0)
Provision at end of year (note 20)	-	0.5

7d Factors that may affect future tax charges

The group anticipates a reduced tax charge when group losses become available for surrender.

8 Intangible fixed assets
Goodwill

	Group £m	Company £m
Cost		
At 1 April 2000	-	-
Additions	0.5	0.2
Disposals	-	-
At 31 March 2001	0.5	0.2
Amortisation		
At 1 April 2000	-	-
Charge for the year	-	-
At 31 March 2001	-	-
Net book value:		
At 31 March 2001	0.5	0.2
At 31 March 2000	-	-

Goodwill has arisen on the acquisition of Cover to Cover Limited (£0.3 million) and Gardens Illustrated Magazine (£0.2 million). Goodwill has been capitalised and will be amortised over 20 years reflecting the directors' opinion of their useful economic lives, subject to reviews for impairment. The group acquired the business and rights to the name of Gardens Illustrated Magazine for a cash consideration of £0.2 million. No assets were acquired as a result of the transaction.

9 Purchase of Subsidiary

On 1 December 2000 the group acquired 100 % of the share capital of Cover to Cover Limited for £1.2 million.

	Fair value £m
Current Assets	0.9
Goodwill	0.3
Total consideration	1.2
Satisfied by:	
Cash consideration	0.6
Deferred consideration	0.6
Total consideration	1.2
The net outflow of cash in respect of the purchase of subsidiary undertakings is as follows:	
Cash consideration	0.6
Cash balances of subsidiary undertakings purchased	(0.2)
	0.4

Cover to Cover Limited contributed turnover of £1.2 million and operating profit of £0.4 million to the results for the year ended 31 March 2001. The company made an operating profit of £0.6 million from the beginning of the financial year to the date of acquisition. In its previous financial year the operating profit was £0.1 million.

The directors believe there is no difference between the book value and fair value of the assets acquired.

10 Tangible fixed assets Group

	Short leasehold buildings £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost				
At 1 April 2000	1.0	23.3	14.0	38.3
Exchange adjustment	0.1	-	0.1	0.2
Additions	-	4.8	1.4	6.2
At 31 March 2001	1.1	28.1	15.5	44.7
Depreciation				
At 1 April 2000	0.3	14.9	11.4	26.6
Exchange adjustment	-	-	0.1	0.1
Charge for the year	0.1	3.4	1.6	5.1
At 31 March 2001	0.4	18.3	13.1	31.8
Net book value:				
At 31 March 2001	0.7	9.8	2.4	12.9
At 31 March 2000	0.7	8.4	2.6	11.7

11 Tangible fixed assets Company

	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost			
At 1 April 2000	20.7	12.5	33.2
Additions	4.1	1.0	5.1
At 31 March 2001	24.8	13.5	38.3
Depreciation			
At 1 April 2000	13.2	10.6	23.8
Charge for the year	2.9	1.3	4.2
At 31 March 2001	16.1	11.9	28.0
Net book value:			
At 31 March 2001	8.7	1.6	10.3
At 31 March 2000	7.5	1.9	9.4

12 Investment in programmes for future sale

	Group £m	Company £m
Cost		
At 1 April 2000	242.2	140.8
Exchange adjustment	12.4	-
Additions	76.8	71.3
Financing benefit	(0.5)	(0.5)
Less cost of programmes fully amortised	(41.7)	(40.6)
At 31 March 2001	289.2	171.0
Amortisation		
At 1 April 2000	129.5	49.0
Exchange adjustment	9.4	-
Charge for the year	74.8	66.3
Elimination in respect of programmes fully amortised	(41.7)	(40.6)
At 31 March 2001	172.0	74.7
Net book value:		
At 31 March 2001	117.2	96.3
At 31 March 2000	112.7	91.8

The exchange adjustment arises on the re-translation of the opening programme investments held by the US subsidiary. Included in the group and company net book value is £3.7 million relating to investments held under a licence agreement (2000: £3.6 million).

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

13 Investments in subsidiary undertakings

Shares in subsidiary undertakings

	Company £m
Cost	
At 1 April 2000	22.2
Exchange adjustment	0.6
Additions	1.2
At 31 March 2001	24.0
Provisions	
At 1 April 2000 and at 31 March 2001	(5.5)
Net book value:	
At 31 March 2001	18.5
At 31 March 2000	16.7

The principal operating subsidiaries of the company as at 31 March 2001 are shown in note 30.

14 Interests in Joint Ventures

	Interests in joint venture undertakings (Group) £m	Investment in joint venture undertakings (Company) £m
Cost		
At 1 April 2000 and at 31 March 2001	-	-
Share of post acquisition reserves		
At 1 April 2000	-	-
Share of retained losses less profits	(3.6)	-
Adjustment to reflect effective obligation	4.0	-
At 31 March 2001	0.4	-
Net book value:		
At 31 March 2001	0.4	-
At 31 March 2000	-	-

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 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

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 £6.4 million (2000: £7.0 million) and of operating profit was £0.6 million (2000: £0.1 million).

The following disclosures are based on results for the year ended 31 December 2000. 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.

2001

	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	20.6	15.3	67.6
Profit/(loss) before tax	7.2	(8.8)	0.6	(1.0)
Taxation	(2.4)	-	(0.2)	(2.6)
Profit/(loss) after tax*	4.8	(8.8)	0.4	(3.6)
Fixed assets	-	0.1	-	0.1
Current assets	27.7	13.2	15.7	56.6
Gross assets	27.7	13.3	15.7	56.7
Liabilities less than one year*	(9.5)	(7.7)	(5.2)	(22.4)
Liabilities more than one year*	(71.5)	(40.1)	(10.5)	(122.1)
Gross liabilities	(81.0)	(47.8)	(15.7)	(144.5)
Adjustment to reflect effective obligation*	53.3	34.5	0.4	88.2
Net Book Value	-	-	0.4	0.4

2000

	UK Gold Holdings Ltd # £m	UK Channel Mgmt Ltd # £m	Other joint ventures £m	Total joint ventures £m
BBC Worldwide share of :				
Turnover	26.2	10.6	13.2	50.0
Profit/(loss) before tax	4.0	(13.7)	0.1	(9.6)
Taxation	(0.1)	-	-	(0.1)
Profit/(loss) after tax*	3.9	(13.7)	0.1	(9.7)
Fixed assets	-	-	0.1	0.1
Current assets	26.8	8.2	11.8	46.8
Gross assets	26.8	8.2	11.9	46.9
Liabilities less than one year*	(16.5)	(5.7)	(4.8)	(27.0)
Liabilities more than one year*	(67.8)	(28.3)	(7.4)	(103.5)
Gross liabilities	(84.3)	(34.0)	(12.2)	(130.5)
Adjustment to reflect effective obligation*	57.5	25.8	0.3	83.6
Net Book Value	-	-	-	-

*Under the terms of the agreements with Flextech and Discovery, the group has no obligation to fund losses incurred by the entities nor to make good their net liabilities. As a result, the group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2001 (2000: £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 for 2001 are based on unaudited financial statements (2000: audited).

15 Interests in associated undertakings

	Interests in associated undertakings £m	Net loans to associated undertakings £m	Total (Group) £m	Investment in associated undertakings (Company) £m
Cost				
At 1 April 2000	0.1	1.4	1.5	0.2
Additions	0.1	(0.1)	-	-
At 31 March 2001	0.2	1.3	1.5	0.2
Share of post acquisition reserves				
At 1 April 2000	(1.2)	-	(1.2)	-
Retained profits less losses	0.3	-	0.3	-
At 31 March 2001	(0.9)	-	(0.9)	-
Net book value:				
At 31 March 2001	(0.7)	1.3	0.6	0.2
At 31 March 2000	(1.1)	1.4	0.3	0.2

Cost at 1 April 2000 is stated after a provision of £0.1 million.

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

In addition to the arrangements with Discovery, BBC Worldwide has other associated undertakings which are listed in note 30. The results include the group share of the operating profit of UK TV Pty Limited of £0.1 million (2000: operating loss £0.1 million) and Frontline Limited of £0.1 million (2000: £0.3 million). Both are accounted for separately from the Discovery entities. The group's share of the remaining associates in note 30 was £nil (2000: £nil).

The following additional disclosures are based on results for the year ended 31 December 2000 for the Discovery companies, and for the period ended 31 March 2001 for 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

	2001	2000
	£m	£m
BBC Worldwide share of :		
Turnover	32.5	19.8
Loss before tax	(28.9)	(23.4)
Taxation	(0.5)	(0.7)
Loss after tax*	(29.4)	(24.1)
Fixed assets	47.5	40.4
Current assets	28.6	24.4
Gross assets	76.1	64.8
Liabilities less than one year*	(16.5)	(14.4)
Liabilities more than one year*	(87.7)	(57.1)
Gross liabilities	(104.2)	(71.5)
Adjustment to reflect effective obligation	28.7	7.0
Net Book Value	0.6	0.3

*Under the terms of the agreements with Discovery, the group has no obligation to fund losses incurred by the entities nor to make good their net liabilities. As a result, the group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2001 (2000: £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.

16 Other investments

	Group	Company
	£m	£m
Cost		
At 1 April 2000 and at 31 March 2001	1.3	1.3
Provisions		
At 1 April 2000 and at 31 March 2001	(1.3)	(1.3)
Net book value:		
At 31 March 2000 and at 31 March 2001	-	-

The investment of the group is a 5% interest in Satellite News Corporation whose principal activity is satellite broadcasting.

17 Stocks

	Group	Group	Company	Company
	2001	2000	2001	2000
	£m	£m	£m	£m
Raw materials and consumables	1.9	2.2	1.9	2.2
Work in progress	4.5	1.5	1.2	1.5
Finished goods and goods for resale	10.9	9.6	10.1	8.5
	17.3	13.3	13.2	12.2

18 Debtors

	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Amounts falling due within one year:				
Trade debtors	125.8	100.0	95.0	75.4
Amounts owed by subsidiary undertakings	-	-	43.6	36.2
Amounts owed by associates and joint ventures	5.6	4.9	4.8	4.3
Amounts owed by fellow subsidiary undertakings	3.7	4.2	3.2	4.2
Other debtors	7.3	9.0	5.7	7.2
Prepayments and accrued income	7.2	7.2	5.2	5.1
	149.6	125.3	157.5	132.4
Amounts falling due after more than one year:				
Deferred launch support asset	8.4	-	-	-

19 Creditors

	Group 2001 £m	Group 2000 £m	Company 2001 £m	Company 2000 £m
Amounts falling due within one year:				
Trade creditors	44.2	48.8	36.7	38.8
Residual creditors	53.3	40.4	45.0	35.1
Amounts owed to the BBC	26.2	10.5	26.2	10.5
Amounts owed to subsidiary undertakings	-	-	41.0	35.1
Amounts owed to fellow subsidiary undertakings	2.4	2.4	2.4	2.4
Amounts owed to associates and joint ventures	1.9	1.6	1.9	1.2
Other creditors including other taxes and social security	10.1	7.0	8.6	7.5
Corporation tax	0.6	0.9	(0.2)	1.5
Accruals and deferred income	68.0	49.9	52.7	43.2
	206.7	161.5	214.3	175.3
Amounts falling due after more than one year:				
Loan owed to the BBC	-	21.6	-	21.6
Other funding	19.1	18.9	15.6	15.6
	19.1	40.5	15.6	37.2

BBC Worldwide Limited has an unsecured loan facility of £150 million with the BBC which is repayable on 30 March 2002. This facility will be renegotiated prior to 30 March 2002 with a view to extending the facility for further periods as long as BBC Worldwide Limited remains within its covenants and substantially delivers the financial performance anticipated in its approved budgets. Interest on these facilities is charged at 0.6% over bank base rates and appropriate covenants exist to protect the Home Services from financial risk. At 31 March 2001, BBC Worldwide Limited's drawn-down element of the facility was nil.

The other funding includes a US dollar loan from Discovery of \$5 million which is repayable in the following stages: \$3 million due 31 March 2004; \$2 million due 31 March 2005. The remainder of the funding consists of multicurrency revolving facilities repayable in full in 4 years. Interest is payable at LIBOR plus 1.0% for the \$5 million loan and LIBOR plus 0.3% for the multicurrency facilities.

20 Provisions for liabilities and charges

	Group			Company		
	Pension	Deferred Tax	Total	Pension	Deferred Tax	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2000	1.9	0.5	2.4	1.9	2.3	4.2
Current year charge	2.2	1.8	4.0	1.5	0.7	2.2
Prior year credit	-	(2.1)	(2.1)	-	(2.1)	(2.1)
Exchange adjustment	-	(0.2)	(0.2)	-	-	-
At 31 March 2001	4.1	-	4.1	3.4	0.9	4.3

As at 31 March 2001, the amount of unprovided deferred tax was £nil (2000: £nil).

21 Called up share capital

	2001 £m	2000 £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 2000	73.0	46.5
Retained profit for the year	16.9	17.3
Exchange adjustment	2.4	-
At 31 March 2001	92.3	63.8

At 31 March 2001, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £21.0 million (2000: £21.0 million).

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

	2001 £m	2000 £m
Operating profit	5.0	8.6
Share of operating profit in joint ventures	(0.6)	(0.1)
Share of operating profit in associates	(0.3)	(0.2)
Dividends received from associated undertakings	-	0.3
Depreciation and amortisation	79.9	72.2
Loss on disposal of tangible fixed assets	-	0.1
(Increase)/decrease in stocks	(4.5)	0.4
Increase in debtors	(33.3)	(11.3)
Increase/(decrease) in creditors	46.6	(3.6)
Net cash inflow from operating activities	92.8	66.4

24 Reconciliation of net cash flow to movement in net debt

	2001	2000
	£m	£m
Increase/(decrease) in cash in the year	0.4	(6.5)
Net cash outflow/(inflow) to/(from) BBC	21.6	(7.8)
Net cash inflow from other funding	-	(15.6)
Exchange adjustment	(0.2)	(0.2)
Change in net debt	21.8	(30.1)
Net (debt)/funds at the beginning of the year	(25.9)	4.2
Net debt at the end of the year	(4.1)	(25.9)
Being:		
Cash at bank and in hand	15.0	14.6
BBC loan	-	(21.6)
External loans	(19.1)	(18.9)
	(4.1)	(25.9)

25 Commitments

Contracts placed for future capital expenditure not provided:

	Group	Group	Company	Company
	2001	2000	2001	2000
	£m	£m	£m	£m
Programme investments	66.8	35.9	61.0	33.5
Fixed assets	0.4	1.9	0.4	1.4
	67.2	37.8	61.4	34.9

26 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	Land & buildings	Plant & machinery	Plant & machinery
	2001	2000	2001	2000
	£m	£m	£m	£m
Expiring:				
Within one year	0.1	0.3	3.8	1.5
Between two and five years	0.9	0.8	5.2	5.9
After more than five years	1.2	1.4	3.2	5.5
	2.2	2.5	12.2	12.9

27 Contingent liabilities

In common with many businesses involving publishing interests, the group is the subject of litigation for 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.

28 Related party transactions

The related party transactions of the group have been presented in accordance with FRS 8: Related Party Disclosures. The group has taken advantage of the exemption set out in FRS 8 and has not disclosed transactions between group entities where more than 90% of those entities voting rights are controlled within the group. Included in the profit and loss account are the following amounts from related parties:

Name of related party	Income £m	Expenditure £m	Net debtors/(creditors) balance £m
Exel Logistics Limited	-	1.0	-
Frontline Limited	-	2.2	(0.2)
UK Channel Management Limited (UKTV1)	14.0	-	3.8
UK Gold Holdings Limited (UKTV2)	10.7	-	0.2
Animal Planet (Latin America) LLC	1.1	-	0.7
People and Arts (Latin America) LLC	1.7	-	0.2
Animal Planet (Asia) LLC	1.9	-	(0.4)
JV Programmes LLC	17.3	-	0.4
The Animal Planet Europe Partnership	1.4	-	0.2

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

Name of related party	How related	Nature of transactions
Exel Logistics Limited	* See note below	Management fees for the distribution of books
Frontline Limited	Associate	Management fees for the distribution of magazines
UK Gold Holdings Limited/UK Channel Management Limited	Joint Venture	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

* Sir Christopher Bland, the Chairman of the BBC, was also Chairman of Exel plc (formerly NFC plc) until May 2000. He was a minority shareholder of Exel plc owning 1,126,500 shares, equating to 0.2% of the total equity, during his time as chairman of Exel plc. Exel plc owns Exel Logistics Limited, which had a distribution contract with BBC Worldwide which concluded in May 2000 and was not renewed. This contract was entered into before Sir Christopher Bland became the Chairman of the BBC. In May 2001 he became Chairman of British Telecommunications plc.

29 Parent undertaking and controlling party

The company's immediate and ultimate parent undertaking and controlling party is the British Broadcasting Corporation which is incorporated in the United Kingdom by Royal Charter. The largest and the only group in which the results of the company are consolidated is that headed by the BBC. The consolidated accounts of BBC may be obtained from BBC Information Services, 201 Wood Lane, London, W12 7TS.

30 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. A full list of the group companies will be included in the company's next annual return, to be lodged with the Registrar of companies.

Subsidiary undertakings

	Note:	Country of incorporation or registration if outside of the UK
Publishing		
BBC Magazines Inc.	(a)	USA
Galleon Limited	(b)	
Broadcasting Dataservices Limited (75%)		
Cover to Cover Cassettes Limited		
Programme distribution		
BBC Worldwide Americas Inc.		USA
BBC Worldwide Music Limited		
UK Programme Distribution Limited (95%)		
BBC Worldwide France Sarl		France
BBC Worldwide Germany GmbH		Germany
BBC Worldwide Japan KK		Japan
BBC Worldwide (India) Private Limited	(c)	India
BBC Worldwide (Singapore) Private Limited	(c)	Singapore
Channels		
New Video Channel America LLC	(a)	USA
European Channel Broadcasting Limited		
European Channel Management Limited		
Online		
beeb Ventures Limited (91.2%)		
Investment Companies		
Worldwide Americas Investments Inc.	(a)	USA
BBC Worldwide Investments Limited		
BBC World Service Television Limited		
Worldwide Channel Investments Limited		
Worldwide Channel Investments (Europe) Limited		
Worldwide Channel Investments (Australia) Limited	(c)	Australia
Worldwide Channel Investments (Ontario) Limited	(c)	Canada

Associate undertakings

	Note:	Country of incorporation or registration if outside of the UK
Publishing		
Frontline Limited (23%)		
Programme Distribution		
The Sales Consortium Limited (25%)		
Tele Alliance Limited (25%)		
Channels		
UK TV Pty Limited (20%)	(c)	Australia
Animal Planet (Latin America) LLC (50%)	(d)	USA
People and Arts (Latin America) LLC (50%)	(d)	USA
Animal Planet LLC (20%)	(c)	USA
JV Network LLC (50%)	(d)	USA
Animal Planet (Asia) LLC (50%)	(d)	USA
Animal Planet Japan LLP (50%)	(c)	USA
The Animal Planet Europe Partnership (50%)	(e)	
Animal Planet Japan KK (33%)	(d)	Japan
Jasper Broadcasting Limited (20%)	(f)	Canada

Joint ventures

	Note:	Country of incorporation or registration if outside of the UK
Publishing		
BBC Haymarket Exhibitions Limited (50%)	(b)	
Channels		
JV Programmes LLC (50%)	(d)	USA
UK Channel Management Limited (50%)		
UK Gold Holdings Limited (50%)		

Note:

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