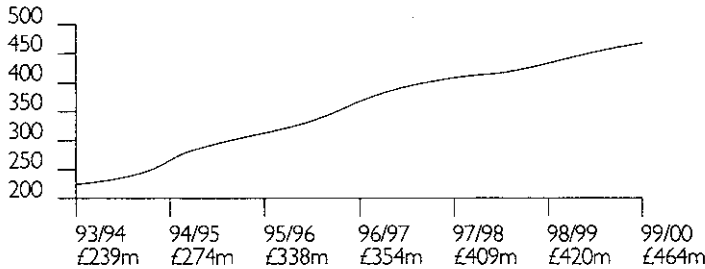


# Financial review

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Turnover increased 15% to £514 million (including share of joint ventures), £464 million (10%) excluding joint ventures. BBC cash flow increased to £82 million, and investment in BBC programmes to £79 million. In line with plan, profits have fallen despite the growth in sales as a result of increased investment in BBC World and Internet and Interactive services, and the absence of exceptional profits from the sale of investments.

## BBC Worldwide sales history (excluding joint ventures)



## Trading results

Group operating profit before the exceptional pension charge reduced by 14% to £9.8 million, £8.3 million after the pension charge. The significant increase in the pension charge this year results from an increase in the long-term funding rate from 20.6% to 21.7% of pensionable salaries due to increases in life expectancy of members, loss of advance corporation tax and a reduction in long-term interest rate assumptions.

## 2000

	Rest of group £m	BBC World £m	Internet & 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

## 1999

	Rest of group £m	BBC World £m	Internet & Interactive £m	Total £m
Turnover	396	16	8	420
Cost of sales	(236)	(26)	(3)	(265)
Gross profit	160	(10)	5	155
Distribution costs	(103)	(6)	(7)	(116)
Administrative expenses	(28)	—	—	(28)
Group operating profit	29	(16)	(2)	11

Before investment in BBC World and Internet and Interactive services the group delivered an operating profit of £31 million (7% on sales).

BBC Worldwide has invested in programming and an in-house ad sales team to grow BBC World. The resulting increase in revenue generated is ahead of plan.

The contract with ICL which provided funding for beeb.com ceased on 31 December 1999. BBC Worldwide is now funding the entire activity.

Publishing and new media sales were up 8% to £277 million, with much of the growth coming from overseas as global brands have been rolled out internationally.

Programme distribution saw an 8% increase in sales in a highly competitive market, but the increasing cost of acquiring programme rights resulted in a reduction in operating profit of 8%.

Channels activity, which includes BBC Prime, BBC World and BBC America, showed sales growth of £11.6 million to £48.4 million, of which £6.1 million was funding received by BBC America. Channel losses increased by £3.2 million largely as a result of increased investment in BBC World and despite BBC Prime contributing to profit for the first time.

## Joint venture results

In line with Financial Reporting Standard 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 £514 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 £3.1 million (46%) compares to £7.8 million (39%) in 1999. UK Corporation tax is provided at 30% (1999 31%) and includes a net deferred tax credit of £1.0 million. The effective rate of tax of 46% results from taxes paid overseas, and from the tax impact of income received in advance in the US.

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

## Exceptional items

Following legislation changes surrounding tax credits on dividends and a revised estimate of benefits and long term interest rates, an additional unplanned pension cost has been incurred in 2000 of £1.5 million, which will also be incurred in subsequent years. In 1999 BBC Worldwide benefited from an £8 million profit on the sale of shares held in Flextech plc.

## Cash flow

BBC Worldwide ended the year with net borrowing of £26 million, compared to net cash at 31 March 1999 of £4 million.

Cash flow available to the BBC increased by £1.0 million to £82 million for the year.

The following table analyses BBC cash flow:

	2000 £m	1999 £m
Investment in BBC programmes	79	58
Cash co-production	3	4
Payments to BBC Rights Archive	5	5
Interest paid to BBC	2	1
Cash consumed net of asset purchases	(16)	(6)
Sustainable BBC cash flow	73	62
External funding	16	3
Profit on Flextech share sale	—	8
Working capital	(7)	8
Headline BBC cash flow	82	81



## BBC's Fair Trading Commitment

### Debt structure and treasury policy

The loan debt due to the BBC has increased by £8 million to £22 million. BBC Worldwide has raised £16 million of external debt funding.

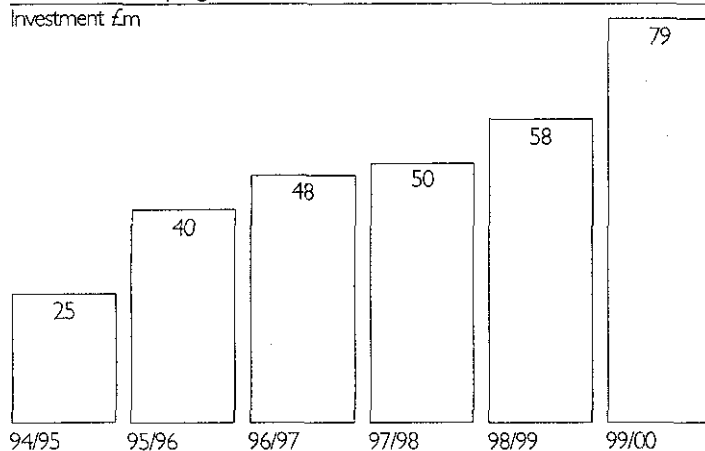
39% of our revenues are generated outside the UK and have therefore been affected by the strength of sterling. It is the policy of BBC Worldwide to take a risk-averse approach to the management of foreign exchange, including the hedging of risk by entering into forward exchange contracts.

### Programme investments

BBC Worldwide and its joint venture partners invested £79 million in BBC programmes in 2000, an increase of £21 million over last year. Amortisation at £68 million was £11 million higher than the previous year in line with increased levels of investment.

### BBC Worldwide programme investment with the BBC

Investment £m



### Capital expenditure

Capital expenditure on tangible fixed assets was £6.7 million in the year, up £1.3 million on 1999.

### Acquisitions and disposals

BBC Worldwide made no significant acquisitions or disposals in 2000.

### Flextech plc

Following the launch of UK Horizons, UK Arena and UK Style in 1997 and UK Play in 1998, as part of the UKTV pay TV offering, BBC Worldwide and Flextech agreed to close UK Arena in 1999 and launch UK Drama. A UKTV shop on Open was also launched during the year.

Telewest 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.

### David King

Finance Director  
BBC Worldwide Limited

### 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 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's external Fair Trading auditors, KPMG, have also issued an opinion, (the full basis and text of which are set out in the BBC's Annual Report and Accounts), 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 the year ended 31 March 2000.

# 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 2000. Details of the principal activities and the development of the business during the year, and likely further developments, are given in the operational review on pages 5 to 19 of the Annual Report.

## Results and dividend

The consolidated profit after taxation and minority interests for the year was £3.7 million (1999 £12.0 million). The directors do not recommend the payment of a dividend (1999 £nil).

## Significant acquisitions and disposals

There were no significant acquisitions or disposals during the year.

## Directors

The directors who served during the year were:

S F Cooper	(appointed 31 March 2000)
P Cross	(appointed 28 May 1999)
C Fairbairn	(resigned 10 September 1999)
A R Gavin	
A L Kaza	(appointed 5 November 1999)
D J King	
J P Mayhew	
M J Phillips	
P S Phippen	
G A Richards	(appointed 20 April 1999)
J E Taylor	
P R Teague	
D A Vine	(appointed 28 May 1999)
M C Young	

## Directors' interests

No director had any interest in the share capital of the company at 1 April 1999 or 31 March 2000. 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. Company trade creditors at 31 March 2000 were equivalent to 31 days (1999: 30 days) of purchases during the year ended on that date.

Residual creditors and the associated costs have been ignored for the purposes of this calculation.

## Employee participation

The BBC Forum promotes two way communication and debate between managers and staff. Under this initiative elected individuals put forward the views of BBC Worldwide staff to top management on a regular basis and receive 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 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 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 formally committed to working towards '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.

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. On 1 April 1999 and 24 June 1999 the group paid, net of taxes under gift aid, £0.7 million and £0.5 million respectively (1999 £nil) to the Diana, Princess of Wales Memorial Fund. This was in relation to sales of products in 1999.

## The environment

BBC Worldwide does not operate in industries where there is a 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 enquires, the directors have a reasonable expectation that the business has adequate resource 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

Registered Office  
Woodlands  
80 Wood Lane  
London W12 0TT

23 May 2000

# 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.

## Statement of principles

In this section we explain how we apply the Code's 14 principles of good governance. Following this we set out the extent to which we have complied with the 45 detailed provisions of the Code.

The requirements of the Combined Code can be 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, remuneration and audit 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 separate non-executive directors or remuneration and audit committees from those established by the BBC.

How BBC Worldwide has applied the remuneration principles is covered separately within the remuneration report (pages 26 and 27).

## Board structure

Details of the Board of Directors are shown on page 23. 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 appointed by the Queen in Council for periods of 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. The directors have access to the advice and services of the Company Secretary who is responsible for ensuring that board procedures are followed.

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 22)
Audit Committee	(page 25)
BBC Worldwide and Resources Committee	(page 25)

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 28.

A detailed review of the financial position of BBC Worldwide is included in the financial review by the finance director on pages 21 and 22. This, together with the chief executive's introduction on pages 2 to 4, provides an assessment of BBC Worldwide's performance and current position.

The going concern basis has been adopted in the preparation of the financial statements as the directors believe that BBC Worldwide has adequate resources to continue its operations for the foreseeable future.

### 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 supports the contents of the ICAEW's guidance for directors *Internal control: Guidance for directors on the Combined Code* (the Turnbull guidance), but recognises that it was only finalised in September 1999. While an established system of risk management and control, including procedures to monitor and evaluate key risks, has been in existence throughout the year, steps to reflect more fully the substance of the new guidance have been taken during the course of the year, as part of a BBC group project. These initiatives included:

- improved procedures for the identification, evaluation and management of key risks; and
- a series of workshops to both communicate and clarify the process throughout the group.

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 newly formed Corporate Risk Management Committee, which considers risk management across the BBC group as a whole.

#### – monitoring of controls

BBC Worldwide has a formally constituted Risk Management and Internal Control Committee (RMICC), comprising the Board of Directors with the Head of BBC Internal Audit (or deputy) in attendance. This has responsibility for reviewing the effectiveness of BBC Worldwide's internal control environment and ensuring that existing controls and procedures are followed. It meets regularly to consider, inter alia, reports from internal and external auditors. The BBC's Internal Audit function undertakes regular testing of control systems under a plan agreed by the BBC's Audit Committee and the RMICC. The programme of testing, which is updated every four months, is based on assessment of key risks and issues. The results are reported to the RMICC.

#### – 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 three 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.

#### BBC Worldwide and Resources Committee

This 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 2000 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.

Although BBC Worldwide has provided information on the wider aspects of its operational control, and expects to be in a position to report on the company's compliance with the Turnbull guidance next year, the statement of compliance above in respect of provision D2.1 on internal control is made in accordance with the ICAEW's 1994 guidance *Internal control and financial reporting* under the transitional rules. These rules permit the company to report compliance in respect of internal financial control because the Turnbull guidance published was not published until half way through the year.

#### Millennium compliance

The 'millennium issue' was the threat that systems or equipment would not function properly as a result of the year change from 1999 to 2000. There was a risk that problems might arise, for example, with systems and equipment showing incorrect dates, failing to operate reliably or not operating at all.

BBC Worldwide's operations are highly dependent on different types of technology and, if not remedied, millennium problems threatened disruption to our business. The BBC group as a whole dedicated a considerable amount of resource to address this issue. BBC Worldwide incurred costs of £1.2 million in the course of the 18 months leading up to the year change, of which £0.6 million was incurred in 2000.

The investment in the project proved successful and BBC Worldwide suffered no disruption at the changeover from 1999 to 2000.

Although media attention was focused on the year change from 1999 to 2000 there is also a slight risk at other key dates subsequent to the year change, for example 29 February 2000. BBC Worldwide suffered no disruption at this date and continues to monitor systems and equipment in respect of other known risk dates. Although there can be no categorical assurance that all potential problems have been removed, BBC Worldwide considers it is unlikely that there will be any future material disruption to its key services as a result of the millennium issue.

### 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 recommending their annual remuneration and bonus awards. The BBC's HR director 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 an established comparator group (which includes other media organisations and major listed companies) in terms of total cash (basic salary plus annual bonus payment)
- 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. Qualitative and quantitative objectives are set at the beginning of the financial year, and performance is reviewed at the end of the year. For the year under review the targets related primarily to BBC cash flow, profit before interest and taxation and turnover.

Bonuses are generally reflected in these accounts on a paid basis, other than in respect of bonuses accrued for directors who leave during the year. This is because bonuses are paid in July each year, after the financial statements have been finalised for the year in question.

### Long term incentive plan

Board and executive directors are eligible to participate in a long term incentive plan, which vests after three 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 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 viewing equipment. The chief executive has the additional benefit of a chauffeur-driven car for business use.

### 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 base 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. Seven directors are members of a UK money purchase scheme, and two directors have 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 received by each director, who served during the year, in respect of their BBC Worldwide activities was:

	Salary £'000	Annual bonus £'000	Benefits £'000	Total 2000 £'000	Total 1999 £'000
P Cross	114	8	23	145	—
C Fairbairn	43	19	11	73	163
A R Gavin	254	40	50	344	249
A L Kaza	58	—	3	61	—
D J King	124	17	18	159	2
J P Mayhew	119	19	10	148	139
M J Phillips	141	22	23	186	167
P S Phippen	224	28	90	342	271
G A Richards	99	—	6	105	—
J E Taylor	137	23	28	188	173
P R Teague	176	22	43	241	217
D A Vine	62	13	11	86	—
M C Young	135	21	13	169	165
J S Younger	—	—	—	—	3

At 31 March 2000, under a scheme available to all staff, J P Mayhew had an interest free season ticket loan outstanding of £587. The loan at 31 March 1999 was £550 and the maximum amount outstanding during the year was £645. S F Cooper was appointed to the Board on 31 March 2000.

**Pensions**

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

	Increase in accrued pension (a) £'000 per annum	Total accrued pension at 31 March 2000 (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	—	18	—	—	—
P Cross	1	2	22	3	9
C Fairbairn	1	3	6	2	4
A R Gavin	2	3	20	4	33
A L Kaza	1	1	5	1	—
D J King	3	12	44	7	7
J P Mayhew	2	13	32	7	8
M J Phillips	2	6	32	4	10
P S Phippen	2	9	29	7	—
G A Richards	1	1	17	4	—
J E Taylor	2	6	20	4	9
P R Teague	3	10	41	8	35
M C Young	3	18	41	9	—

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 a liability of the BBC to make pension payments in the future 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 2000 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 29 to 43.

## Respective responsibilities of the directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 27 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 group 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 contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial 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 25 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 consider whether the Board's statements on internal controls cover all risks and controls, or 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 BBC Worldwide'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 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

24 May 2000



KPMG  
Chartered Accountants  
Registered Auditors  
London



# Consolidated profit and loss account

For the year ended 31 March	Note	2000 £m	1999 £m
Turnover (including share of joint ventures)		513.8	446.3
Less: share of joint ventures	12	(50.0)	(26.0)
<b>Group turnover</b>	<b>2</b>	<b>463.8</b>	<b>420.3</b>
Cost of sales		(285.7)	(264.6)
Gross profit		178.1	155.7
Distribution costs		(137.5)	(115.8)
Administrative expenses		(32.3)	(28.5)
(includes exceptional SSAP 24 pension adjustment £1.5m; 1999 £nil)			
<b>Group operating profit</b>		<b>8.3</b>	<b>11.4</b>
Share of operating profit in joint ventures	12	0.1	—
Share of operating profit in associates	13	0.2	0.6
<b>Total operating profit</b>		<b>8.6</b>	<b>12.0</b>
Profit on sale of investments	5	—	8.4
<b>Profit before interest and taxation</b>	<b>2</b>	<b>8.6</b>	<b>20.4</b>
Interest receivable		0.6	0.8
Interest payable	6	(2.4)	(1.3)
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>6.8</b>	<b>19.9</b>
Tax on profit on ordinary activities	7	(3.1)	(7.8)
<b>Profit on ordinary activities after taxation</b>		<b>3.7</b>	<b>12.1</b>
Equity minority interests		—	(0.1)
<b>Retained profit for the financial year</b>	<b>20</b>	<b>3.7</b>	<b>12.0</b>

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.

# Consolidated balance sheet

As at 31 March	Note	2000 £m	1999 £m
<b>Fixed assets</b>			
Tangible fixed assets	8	11.7	9.6
Investment in programmes for future sale	10	112.7	95.2
Investments			
Investments in joint ventures:	12		
Share of gross assets		46.9	27.8
Share of gross liabilities		(123.1)	(96.3)
Adjustment to reflect effective obligation		76.2	68.5
		—	—
Interests in associated undertakings	13	0.3	0.2
		<b>124.7</b>	<b>105.0</b>
<b>Current assets</b>			
Stocks	15	13.3	13.7
Debtors	16	125.3	116.1
Cash at bank and in hand		14.6	21.1
		<b>153.2</b>	<b>150.9</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>(161.5)</b>	<b>(167.5)</b>
<b>Net current liabilities</b>		<b>(8.3)</b>	<b>(16.6)</b>
<b>Total assets less current liabilities</b>		<b>116.4</b>	<b>88.4</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(40.5)</b>	<b>(16.9)</b>
<b>Provisions for liabilities and charges</b>	18	<b>(2.4)</b>	<b>(1.9)</b>
<b>Net assets</b>		<b>73.5</b>	<b>69.6</b>
<b>Capital and reserves</b>			
Called up share capital	19	0.2	0.2
Profit and loss account	20	73.0	69.1
<b>Equity shareholders' funds</b>		<b>73.2</b>	<b>69.3</b>
<b>Equity minority interests</b>		<b>0.3</b>	<b>0.3</b>
		<b>73.5</b>	<b>69.6</b>

The financial statements were approved by the Board of Directors on 23 May 2000 and were signed on its behalf by:

A R Gavin  
Director



# Company balance sheet

As at 31 March	Note	2000 £m	1999 £m
<b>Fixed assets</b>			
Tangible fixed assets	9	9.4	7.6
Investment in programmes for future sale	10	91.8	77.1
Investment in subsidiary undertakings	11	16.7	16.7
Investment in associated undertakings	13	0.2	0.1
		<b>118.1</b>	<b>101.5</b>
<b>Current assets</b>			
Stocks	15	12.2	12.9
Debtors	16	132.4	113.5
Cash at bank and in hand		0.7	2.6
		<b>145.3</b>	<b>129.0</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>(175.3)</b>	<b>(165.3)</b>
<b>Net current liabilities</b>		<b>(30.0)</b>	<b>(36.3)</b>
<b>Total assets less current liabilities</b>		<b>88.1</b>	<b>65.2</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(37.2)</b>	<b>(13.8)</b>
<b>Provisions for liabilities and charges</b>	18	<b>(4.2)</b>	<b>(4.8)</b>
<b>Net assets</b>		<b>46.7</b>	<b>46.6</b>
<b>Capital and reserves</b>			
Called up share capital	19	0.2	0.2
Profit and loss account	20	46.5	46.4
<b>Equity shareholders' funds</b>		<b>46.7</b>	<b>46.6</b>

The financial statements were approved by the Board of Directors on 23 May 2000 and were signed on its behalf by:

A R Gavin  
Director



## Consolidated statement of total recognised gains and losses

For the year ended 31 March	2000 £m	1999 £m
Profit for the financial year	3.7	12.0
Exchange translations effect on:		
Profit for the financial year	—	0.4
Foreign currency net assets	0.2	0.9
Total recognised gains and losses relating to the year	3.9	13.3

## Reconciliation of movements in equity shareholders' funds

For the year ended 31 March	2000 £m	1999 £m
Total recognised gains for the year	3.9	13.3
Net increase in equity shareholders' funds	3.9	13.3
Equity shareholders' funds at start of year	69.3	56.0
Equity shareholders' funds at end of year	73.2	69.3

# Consolidated cash flow statement

For the year ended 31 March	Note	2000 £m	1999 £m
Net cash inflow from operating activities	21	66.1	80.4
Return on investments and servicing of finance			
Interest received		0.6	0.8
Interest paid		(2.4)	(1.3)
Dividends received from associated undertakings		0.3	0.6
Net cash (outflow)/inflow from return on investments and servicing of finance		(1.5)	0.1
Taxation			
Taxation paid		(4.9)	(6.4)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(6.7)	(5.4)
Investment in programmes for future sale		(83.3)	(68.9)
Proceeds from the sale of investments		0.5	8.4
Increase in loan to associated undertakings		(0.1)	(0.1)
Net cash outflow for capital expenditure and financial investments		(89.6)	(66.0)
Cash (outflow)/inflow before financing		(29.9)	8.1
Financing			
Increase/(decrease) in BBC loan		7.8	(3.1)
Increase in external funding		15.6	3.1
		23.4	—
(Decrease)/increase in cash in the year	22	(6.5)	8.1

# Notes to the financial statements

## I 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.

### Ia Basis of accounting

The financial statements are presented under the historical cost accounting convention; certain comparatives have been restated to ensure consistency.

### Ib 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. 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 1999.

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 £400.4 million (1999 £365.9 million) and the company's profit after taxation for the year dealt with in the financial statements of BBC Worldwide Limited was £0.1 million (1999 £8.0 million). The holding company's results form part of the consolidated financial statements.

### Ic 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; publication of magazines, books, videos, CDs and tapes, character merchandising, transmission and other facilities.

### Id 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 average rates for the year. Exchange differences arising on consolidation from the retranslation of the opening net investment in overseas subsidiaries and from the retranslation of the results to the average rate of exchange are taken directly to the profit and loss reserve and reported in the statement of total recognised gains and losses.

### Ie Goodwill

Goodwill arising on acquisition of a subsidiary or business, (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), is capitalised and amortised over its useful economic life. As is permitted by FRS 10 'Goodwill and intangible assets', goodwill arising in periods up to 1 April 1998 remains offset against reserves. On disposal, goodwill previously written off against reserves is transferred to the consolidated profit and loss account for the year.

### If 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

### Ig Operating leases

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

### Ih Research and development

Research and development expenditure is written off as incurred.

### Ii 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.

### Ij Stocks

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

### Ik 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.

#### 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.

## 11 Deferred taxation

Deferred taxation is computed under the liability method. Provision is made in respect of timing differences between certain items in the financial statements and their treatment for taxation purposes to the extent that it is probable that a liability will crystallise in the foreseeable future.

### 1m Related parties

Related parties of BBC Worldwide comprise associated companies, joint venture companies and members of key management. 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

	2000 £m	1999 £m
Publishing and new media	277.0	255.9
Programme distribution	138.4	127.6
Channels	48.4	36.8
Group turnover	463.8	420.3
Share of joint ventures	50.0	26.0

Turnover	513.8	446.3
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### 2b Turnover analysed by geographical destination (all group turnover originates from within the UK)

	2000 £m	1999 £m
United Kingdom	282.0	267.4
Americas	63.0	53.4
Rest of World	118.8	99.5
Group turnover	463.8	420.3

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 result 2000 £m	Sale of investments (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

	Operating result 1999 £m	Sale of investments (note 5) 1999 £m	Total 1999 £m
Publishing and new media	15.2	—	15.2
Programme distribution	13.2	8.4	21.6
Channels	(16.4)	—	(16.4)
	12.0	8.4	20.4

Channels include joint venture channel development costs.

### 2d Profit before interest and taxation analysed by geographical location

	Operating result 2000 £m	Sale of investments (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.

	Operating result 1999 £m	Sale of investments (note 5) 1999 £m	Total 1999 £m
United Kingdom	17.4	8.4	25.8
Americas	9.9	—	9.9
Rest of World	(15.3)	—	(15.3)
	12.0	8.4	20.4

### 2e Net assets analysed by geographical location

	2000 £m	1999 £m
United Kingdom	41.9	44.0
Americas	31.6	25.6
	73.5	69.6

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:

	2000 £m	1999 £m
Operating lease rentals		
– plant and machinery	3.6	2.4
– land and buildings	1.3	1.4
– satellite costs	7.3	6.9
Depreciation – owned assets	4.5	4.0
Amortisation of investment in programmes for future sale	67.7	56.8
Auditors' remuneration		
– company audit fee	0.1	0.1
– subsidiaries audit fee	0.1	0.1
– consultancy and advisory fees	0.1	0.2
Exchange losses	0.1	–
Loss on sale of tangible fixed assets	0.1	0.2
Research and development expenditure	2.5	2.6

### 4 Employees and remuneration

#### 4a Persons employed

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

	2000 Average	1999 Average
Publishing and new media	1,327	1,193
Programme distribution	302	308
Channels	144	82
	1,773	1,583

Within the averages above, 100 (1999 92) part-time employees have been included at their full-time equivalent of 62 (1999 56).

In addition to the above, the group employed an average full-time equivalent of 91 (1999 87) persons on a casual basis. Their payroll costs are included in note 4b.

#### 4b Staff costs

	2000 £m	1999 £m
Salaries and wages	65.4	54.9
Social security costs	5.1	4.3
Other pension costs	2.9	1.4
	73.4	60.6

In addition to the above, redundancy costs of £0.6 million (1999 £0.5 million) were incurred in the year.

#### 4c BBC Pension Scheme

Many UK based employees are members of the BBC Pension Scheme, which provides salary related pension benefits on a defined benefit basis. 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 which, 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 actuarial valuation of the scheme was prepared as at 1 April 1999 by Watson Wyatt consulting actuaries, using the projected unit method.

The main long-term assumptions of the valuation were that the annual rate of return on investments would exceed increases in earnings by 2.0% and exceed pension increases by 3.7%.

At the date of the most recent actuarial valuation, 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 previous actuarial valuation was prepared as at 1 April 1996 when the market value of assets was £4,642 million with a funding cover of 120%. BBC Worldwide Limited and the employees continue to contribute at a rate of 4.5% of pensionable earnings. The scheme continues to benefit from full tax relief under the Inland Revenue guidelines.

The scheme surplus is being amortised over 12 years, the expected average remaining service lives of the employees. The pension charge in the BBC Worldwide Limited financial statements for the year was £2.8 million (1999 £1.3 million) which includes an exceptional charge of £1.5 million. This includes a proportion of the scheme surplus amortised over the average remaining service lives of the contributing members. A provision of £1.9 million is included in provisions (1999 provision of £0.4 million), this being the excess of the accumulated pension cost over the amount funded.

The significant increase in the pension charge this year reflects changes in the UK tax regulations which took effect since the previous valuation in 1996 and which have reduced the net return on investments expected to be earned by the scheme assets.

#### 4d BBC Worldwide Limited group personal pension schemes

The group also operates its own defined contribution pension schemes. 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 amounted to £0.1 million for the year (1999 £0.1 million).

#### 4e Directors' remuneration

The directors' remuneration is set out on page 27.



**5 Profit on sale of investments**

	2000 £m	1999 £m
Flextech plc	–	8.4

In 1999 BBC Worldwide Limited disposed of 1,611,153 shares in Flextech plc, reducing its shareholding to nil. The profit on the sale of investments is stated net of expenses. No tax charges are anticipated from the sale of these shares because losses are expected to be available to offset the chargeable gain.

**6 Interest payable**

	2000 £m	1999 £m
BBC loan (note 17)	2.2	1.2
Other	0.2	0.1
	2.4	1.3

**7 Tax on profit on ordinary activities**

	2000 £m	1999 £m
UK corporation tax at 30% (1999 31%)	–	1.0
Deferred taxation (note 18)	(0.5)	1.7
	(0.5)	2.7
Overseas taxation	4.6	5.1
	4.1	7.8
Share of associated undertakings' tax	–	0.2
Prior year adjustments:		
Deferred taxation (note 18)	(0.5)	(0.2)
UK corporation tax	(0.5)	–
	3.1	7.8

The high effective rate of tax results principally from the tax impact of income received in advance and from taxes paid overseas. Income received in advance in the US becomes taxable before the related profits are recognised.

The exceptional pension charge in 2000 has had a £0.5 million impact on the 2000 UK corporation tax charge. This has been offset by a £0.5 million deferred tax credit.

**8 Tangible fixed assets****Group**

	Short leasehold buildings £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost				
At 1 April 1999	0.8	20.9	12.2	33.9
Reclassification	–	0.2	(0.2)	–
Additions	0.2	4.1	2.4	6.7
Disposals	–	(1.9)	(0.4)	(2.3)
At 31 March 2000	1.0	23.3	14.0	38.3

**Depreciation**

At 1 April 1999	0.2	13.7	10.4	24.3
Charge for the year	0.1	3.0	1.4	4.5
Eliminated in respect of disposals	–	(1.8)	(0.4)	(2.2)
At 31 March 2000	0.3	14.9	11.4	26.6

**Net book value:**

At 31 March 2000	0.7	8.4	2.6	11.7
At 31 March 1999	0.6	7.2	1.8	9.6

**9 Tangible fixed assets****Company**

	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost			
At 1 April 1999	18.8	10.9	29.7
Additions	3.7	2.0	5.7
Disposals	(1.8)	(0.4)	(2.2)
At 31 March 2000	20.7	12.5	33.2

**Depreciation**

At 1 April 1999	12.4	9.7	22.1
Charge for the year	2.6	1.3	3.9
Eliminated in respect of disposals	(1.8)	(0.4)	(2.2)
At 31 March 2000	13.2	10.6	23.8

**Net book value:**

At 31 March 2000	7.5	1.9	9.4
At 31 March 1999	6.4	1.2	7.6

**10 Investment in programmes for future sale**

	Group £m	Company £m
Cost		
At 1 April 1999	197.4	112.8
Financing benefit	(0.5)	(0.5)
Exchange adjustment	0.9	—
Additions	83.3	69.7
Reclassification from prepayments	3.6	1.3
Less cost of programmes fully amortised	(42.5)	(42.5)
<b>At 31 March 2000</b>	<b>242.2</b>	<b>140.8</b>
Amortisation		
At 1 April 1999	102.2	35.7
Exchange adjustment	0.6	—
Charge for the year	67.7	55.8
Reclassification from prepayments	1.5	—
Elimination in respect of programmes fully amortised	(42.5)	(42.5)
<b>At 31 March 2000</b>	<b>129.5</b>	<b>49.0</b>
Net book value:		
<b>At 31 March 2000</b>	<b>112.7</b>	<b>91.8</b>
At 31 March 1999	95.2	77.1

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 £3.6 million relating to investments held under a licence agreement.

**11 Investments in subsidiary undertakings****Shares in subsidiary undertakings**

	Company £m
Cost	
<b>At 1 April 1999 and at 31 March 2000</b>	<b>22.2</b>
Provisions	
<b>At 1 April 1999 and at 31 March 2000</b>	<b>(5.5)</b>
Net book value:	
<b>At 31 March 1999 and at 31 March 2000</b>	<b>16.7</b>

The principal operating subsidiaries of the company as at 31 March 2000 are shown in note 28.

**12 Interests in Joint Ventures****Flextech and Discovery agreements**

BBC Worldwide Limited has major partnership deals with Flextech 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 Worldwide Limited has other joint venture undertakings which are listed in note 28.

The following disclosures are based on results for the year ended 31 December 1999. 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.

**2000**

BBC Worldwide share of:	UK Gold Holdings Ltd £m	Other Joint Ventures £m	Total Joint Ventures £m
Turnover	26.2	23.8	50.0
Profit/(loss) before tax	4.0	(13.6)	(9.6)
Taxation	(0.1)	—	(0.1)
Profit/(loss) after tax*	3.9	(13.6)	(9.7)
Fixed assets	—	0.1	0.1
Current assets	26.8	20.0	46.8
<b>Gross assets</b>	<b>26.8</b>	<b>20.1</b>	<b>46.9</b>
Liabilities less than one year*	(16.5)	(10.5)	(27.0)
Liabilities more than one year	(67.8)	(28.3)	(96.1)
<b>Gross Liabilities</b>	<b>(84.3)</b>	<b>(38.8)</b>	<b>(123.1)</b>
Adjustment to reflect effective obligation*	57.5	18.7	76.2
<b>Net Book Value</b>	<b>—</b>	<b>—</b>	<b>—</b>

1999

BBC Worldwide share of:	UK Gold Holdings Ltd £m	Other Joint Ventures £m	Total Joint Ventures £m
Turnover	21.4	4.6	26.0
Loss before tax	(0.3)	(16.5)	(16.8)
Taxation	0.1	—	0.1
Loss after tax*	(0.2)	(16.5)	(16.7)
Fixed assets	—	4.3	4.3
Current assets	15.5	5.5	21.0
Non-current assets	1.4	1.1	2.5
Gross assets	16.9	10.9	27.8
Liabilities less than one year*	(10.5)	(8.2)	(18.7)
Liabilities more than one year*	(67.0)	(10.6)	(77.6)
Gross Liabilities	(77.5)	(18.8)	(96.3)
Adjustment to reflect effective obligation*	60.6	7.9	68.5
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 2000 (1999 £nil). The Group is entitled to its share of any profits or net assets once the ventures become profitable. BBC Haymarket Exhibitions Limited, which is included in the joint venture total, had an operating profit of £0.1 million (1999 £0.1 million) and was disclosed as an associate in the prior year.

### 13 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 1999	0.2	1.2	1.4	0.2
Additions	—	0.2	0.2	0.1
At 31 March 2000	0.2	1.4	1.6	0.3
Share of post acquisition reserves				
At 1 April 1999	(1.1)	—	(1.1)	—
Retained profits less losses	(0.1)	—	(0.1)	—
At 31 March 2000	(1.2)	—	(1.2)	—
Provisions				
At 1 April 1999 and at 31 March 2000	(0.1)	—	(0.1)	(0.1)
Net book value:				
At 31 March 2000	(1.1)	1.4	0.3	0.2
At 31 March 1999	(1.0)	1.2	0.2	0.1

### Discovery agreements

BBC Worldwide Limited 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

In addition to the arrangements with Discovery, BBC Worldwide Limited has other associate undertakings which are listed in note 28.

The following additional disclosures are based on results for the year ended 31 December 1999. 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.

2000

BBC Worldwide share of:	Total Associates £m
Turnover	19.8
Loss before tax	(23.4)
Taxation	(0.7)
Loss after tax*	(24.1)
Fixed assets	40.4
Current assets	24.4
Gross assets	64.8
Liabilities less than one year*	(14.4)
Liabilities more than one year	(57.1)
Gross liabilities	(71.5)
Adjustment to reflect effective obligation	7.0
Net Book Value	0.3

## 1999

	Total Associates £m
BBC Worldwide share of:	
Turnover	19.2
Loss before tax	(15.7)
Taxation	(0.6)
Loss after tax*	(16.3)
Fixed assets	32.8
Current assets	30.9
Gross assets	63.7
Liabilities less than one year*	(28.3)
Liabilities more than one year*	(61.8)
Gross liabilities	(90.1)
Adjustment to reflect effective obligation	26.6
<b>Net Book Value</b>	<b>0.2</b>

\*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 2000 (1999 £nil). The Group is entitled to its share of any profits or net assets once the ventures become profitable, with the exception of JVNetwork LLC. JVNetwork LLC was formed for the purpose of providing debt funding from Discovery to the other Discovery joint ventures and BBC Worldwide Limited is not entitled to any profits arising within this entity. BBCHaymarket Exhibitions Limited, which is included in the total joint venture number had an operating profit of £0.1 million (1999 £0.1 million) and was disclosed as an associate in the prior year.

## 14 Other investments

	Group £m	Company £m
Cost		
At 1 April 1999 and at 31 March 2000	1.3	1.3
Provisions		
At 1 April 1999 and at 31 March 2000	(1.3)	(1.3)
Net book value:		
At 31 March 1999 and at 31 March 2000	—	—

The investment of the group is a 5% interest in Satellite News Corporation whose principal activity is satellite broadcasting. This holding was diluted during the year by 15% from a 20% holding in the prior year.

## 15 Stocks

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Raw materials and consumables	2.2	2.0	2.2	2.0
Work in progress	1.5	4.9	1.5	4.9
Finished goods and goods for resale	9.6	6.8	8.5	6.0
	<b>13.3</b>	<b>13.7</b>	<b>12.2</b>	<b>12.9</b>

## 16 Debtors

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Amounts falling due within one year:				
Trade debtors	100.0	91.9	75.4	70.7
Amounts owed by subsidiary undertakings	—	—	36.2	24.3
Amounts owed by associates and joint ventures	4.9	0.2	4.3	0.2
Amounts owed by fellow subsidiary undertakings	4.2	4.2	4.2	4.2
Other debtors	9.0	11.6	7.2	10.9
Prepayments and accrued income	7.2	8.2	5.1	3.2
	<b>125.3</b>	<b>116.1</b>	<b>132.4</b>	<b>113.5</b>

Included in the group's prepayments and accrued income are amounts falling due after more than one year of £nil (1999 £5.3 million).

**17 Creditors**

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Amounts falling due within one year:				
Trade creditors	48.8	41.4	38.8	40.7
Residual creditors	40.4	36.2	35.1	29.0
Amounts owed to the BBC	10.5	19.8	10.5	16.1
Amounts owed to subsidiary undertakings	—	—	35.1	20.2
Amounts owed to associates and joint ventures	1.6	0.1	1.2	0.1
Amounts owed to fellow subsidiary undertakings	2.4	2.2	2.4	2.2
Other creditors including other taxes and social security	7.0	5.5	7.5	4.6
Corporation tax	0.9	1.8	1.5	2.0
Accruals and deferred income	49.9	60.5	43.2	50.4
	161.5	167.5	175.3	165.3

Amounts falling due after more than one year:

Loan owed to the BBC	21.6	13.8	21.6	13.8
Other funding	18.9	3.1	15.6	—
	40.5	16.9	37.2	13.8

The loan owed to the BBC is not repayable before April 2001 and bears interest at market rates.

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 are multi currency revolving facilities repayable in full in 5 years. Interest is payable at LIBOR plus 1.0% for the \$5 million loan and LIBOR plus 0.3% for the multi currency facilities.

**18 Provisions for liabilities and charges**

	Pensions £m	Group Deferred Tax £m	Total £m	Pensions £m	Company Deferred Tax £m	Total £m
At 1 April 1999	0.4	1.5	1.9	0.4	4.4	4.8
Current year charge/(credit)	1.5	(0.5)	1.0	1.5	(1.6)	(0.1)
Prior year credit	—	(0.5)	(0.5)	—	(0.5)	(0.5)
	1.9	0.5	2.4	1.9	2.3	4.2

As at 31 March 2000, the amount of unprovided deferred tax was £nil (1999 £nil).

**19 Called up share capital**

	2000 £m	1999 £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

**20 Profit and loss account**

	Group £m	Company £m
At 1 April 1999	69.1	46.4
Retained profit for the year	3.7	0.1
Exchange adjustment	0.2	—
At 31 March 2000	73.0	46.5

At 31 March 2000, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounted to £21.0 million (1999 £21.0 million).

**21 Reconciliation of operating profit to the net cash inflow from operating activities**

	2000 £m	1999 £m
Operating profit	8.6	12.0
Share of operating profit in joint ventures	(0.1)	—
Share of operating profit in associates	(0.2)	(0.6)
Depreciation and amortisation	72.2	60.8
Loss on disposal of tangible fixed assets	0.1	0.2
Decrease/(increase) in stocks	0.4	(0.5)
(Increase)/decrease in debtors	(11.3)	3.5
(Decrease)/increase in creditors	(3.6)	5.0
Net cash inflow from operating activities	66.1	80.4

## 22 Reconciliation of net cash flow to movement in net funds

	2000 £m	1999 £m
(Decrease)/increase in cash in the year	(6.5)	8.1
Net cash (inflow)/outflow (from)/ to BBC	(7.8)	3.1
Net cash inflow from other funding	(15.6)	(3.1)
Exchange adjustment	(0.2)	—
Change in net funds	(30.1)	8.1
Net funds at the beginning of the year	4.2	(3.9)
Net funds at the end of the year	(25.9)	4.2
Being:		
Cash at bank and in hand	14.6	21.1
BBC loan	(21.6)	(13.8)
External loans	(18.9)	(3.1)
	(25.9)	4.2

## 23 Commitments

Contracts placed for future capital expenditure not provided:

	Group 2000 £m	Group 1999 £m	Company 2000 £m	Company 1999 £m
Programme investments	35.9	38.3	33.5	34.1
Fixed assets	1.9	1.4	1.4	1.4
	37.8	39.7	34.9	35.5

## 24 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 2000 £m	Land & buildings 1999 £m	Plant & machinery 2000 £m	Plant & machinery 1999 £m
Expiring:				
within one year	0.3	0.1	1.5	0.2
between two and five years	0.8	0.6	5.9	2.6
after more than five years	1.4	0.7	5.5	6.2
	2.5	1.4	12.9	9.0

## 25 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.

## 26 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. 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	—	3.5	0.3
Frontline Limited	—	6.8	—
UKTV1—UK Channel Management Limited	12.0	—	1.3
UKTV2—UK Gold Holdings Limited	10.0	—	1.2
Animal Planet (Latin America) LLC	1.1	—	(0.2)
People and Arts (Latin America) LLC	1.9	—	(0.2)
JV Programmes LLC	12.7	—	1.7
Animal Planet (Asia) LLC	1.5	—	(1.2)
The Animal Planet Europe Partnership	0.8	—	0.4

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

Name of related party	How related	Nature of transactions
Exel Logistics Limited	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 has a distribution contract with BBC Worldwide which was entered into before Sir Christopher Bland became the Chairman of the BBC.	Management fees for the distribution of books
Frontline Limited	Associate	Management fees for the distribution of magazines
UK Gold Holdings Limited/ UK Channel Managements 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

## 27 Ultimate parent undertaking and controlling party

The company's 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.

## 28 Interests 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 annual return.

### Subsidiary undertakings

	Note	Country of incorporation or registration if outside of the UK
<b>Publishing</b>		
BBC Magazines Inc.	(a)	USA
Galleon Limited	(b)	
Broadcasting Dataservices Limited (75%)		
<b>Programme distribution</b>		
BBC Worldwide Americas Inc.		USA
BBC Worldwide Music Limited		
UK Programme Distribution Limited (95%)		
BBC Worldwide France Sarl		France
BBC Worldwide Germany GmbH		Germany
<b>Channels</b>		
New Video Channel America LLC	(a)	USA
European Channel Broadcasting Limited		
European Channel Management Limited		
BBC Worldwide (India) Private Limited	(e)	India
BBC Worldwide (Singapore) Private Limited	(e)	Singapore
<b>Investment Companies</b>		
Worldwide Americas Investments Inc.	(a)	USA
BBC Worldwide Investments Limited		
BBC World Service Television Limited		
Worldwide Channel Investments Limited		

### Associate undertakings

	Note	Country of incorporation or registration if outside of the UK
<b>Publishing</b>		
Frontline Limited (23%)		
<b>Programme Distribution</b>		
The Sales Consortium Limited (25%)		
Tele Alliance Limited (25%)		
<b>Channels</b>		
UK TV Pty Limited (20%)	(e)	Australia
Animal Planet (Latin America) LLC (50%)	(d)	USA
People and Arts (Latin America) LLC (50%)	(d)	USA
Animal Planet LLC (20%)	(e)	USA
JV Network LLC (50%)	(d)	USA
Animal Planet (Asia) LLC (50%)	(d)	USA
The Animal Planet Europe Partnership (50%) (c)		

### Joint ventures

	Note	Country of incorporation or registration if outside of the UK
<b>Publishing</b>		
BBC Haymarket Exhibitions Limited (50%)	(b)	
<b>Channels</b>		
JV Programmes LLC (50%)	(d)	USA
UKTV1 – UK Channel Management Limited (50%)		
UKTV2 – 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 (Europe) Limited  
 (d) owned through Worldwide Americas Investments Inc.  
 (e) owned through Worldwide Channel Investments Limited

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