

Financial Review

During the year, BBC Worldwide increased revenues, profits and BBC cash flow. Turnover increased to £446m (including share of joint ventures), £420m excluding joint ventures.

Trading results

Profit before tax increased by 67% to £20m and operating profit improved from a loss of £7m to a profit of £12m.

Publishing sales were down £2m, following strong growth last year of £39m. This followed the closure of two underperforming magazines and a difficult Christmas, particularly in video sales.

Programme distribution saw sales grow year on year by nearly £9m, about 7%, despite the downward pressure on prices in some markets. Profits improved by £6m to £13m as the full effect of sales to developing channels was realised.

The channels activity, which includes BBC PRIME, BBC WORLD and BBC AMERICA, showed growth of £5m, largely a result of growth in BBC PRIME, and the launch of BBC AMERICA. Channel losses fell by nearly £4m as a result of tight cost control in BBC WORLD, and the improving trading performance of BBC PRIME.

Joint ventures results

In line with Financial Reporting Standard 9 'Associates and Joint Ventures', BBC Worldwide has included its share of joint venture turnover on the face of the profit and loss account, increasing turnover to £446m. Gross assets and liabilities are included in the balance sheet.

The structure of these arrangements 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 £7.8m (39%) compares to £8.5m (72%) in 1997/98. UK corporation tax is provided at 31% and includes a net deferred tax charge of £1.5m. The effective rate of tax of 39% results from treatment of income received and taxed on a cash received basis in the US.

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

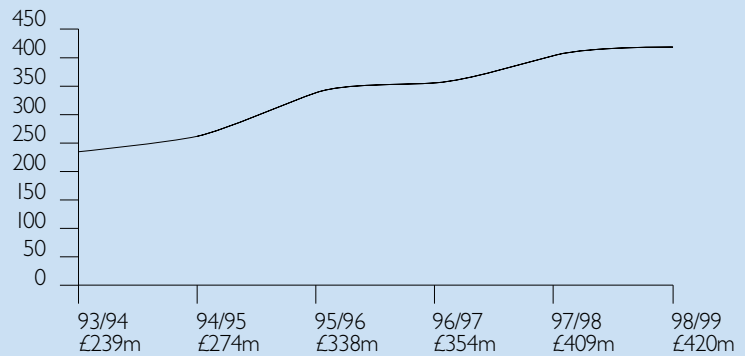
Exceptional items

The £20m profit before tax includes a profit on the sale of shares held in Flextech plc of £8m.

	1999 £m	1998 £m
Exceptional operating costs:		
Costs associated with negotiation of the Discovery joint venture and launch support costs for new channels	—	(5)
Bad debt provision following the acquisition of European Channel Management Ltd and European Channel Broadcasting Ltd as wholly owned subsidiaries of BBC Worldwide	—	(9)
Profit on sale of Flextech shares	8	21
	8	7

BBC Worldwide sales history excluding joint ventures

Sales £m



Over the last five years BBC Worldwide's group turnover has grown by 12% per annum to £420m (excluding share of joint ventures).

Cash flow

Cash flow available to the BBC increased from £75m to £81m for the year.

BBC Worldwide ended the year with net cash in hand of £4m, compared to borrowings, net of cash balances, at 31 March 1998 of £4m.

Cash flow from operations increased by £19m to £81m. The following table analyses BBC cash flow:

	1999 £m	1998 £m
Investment in BBC programmes	55	50
Cash co-production	4	3
Payments to BBC Rights Archive	5	7
Interest paid to BBC	1	2
Net cash generated/(consumed)	8	(8)
	73	54
Profit on Flextech share sale	8	21
BBC cash flow	81	75

Debt structure and treasury policy

The loan debt due to the BBC has been reduced by £3m to £14m following a £10m reduction last year. BBC Worldwide has raised £3m of external debt funding in the US during the year.

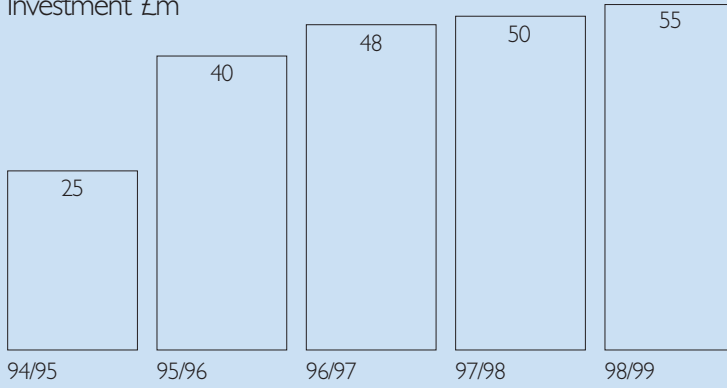
36% of our revenues are generated outside the UK and have therefore been affected by the strength of sterling. It is the policy of BBC Worldwide to take a risk-averse approach to the management of foreign exchange, including the hedging of risk by entering into forward exchange contracts.

Programme investments

BBC Worldwide invested £68m in programmes (£55m in BBC programmes) in 1998/99. Amortisation was £3m higher than the previous year in line with increased levels of investment.

BBC Worldwide programme investment with the BBC

Investment £m



Investment in BBC programmes has grown by 22% per annum since 1994/95.

Capital expenditure

Capital expenditure on tangible fixed assets was £5.4 m in the year; up £1.7m on 1997/98.

Acquisitions

BBC Worldwide made no significant acquisitions in 1998/99.

Disposals

On 28 May 1998, BBC Worldwide disposed of 1.6m shares in Flextech plc for £8.4m. These shares were acquired as part of the proceeds of the disposal of its interest in UK Gold Television Ltd on 25 April 1997.

Discovery Communications Inc.

Following the signing of a number of joint venture arrangements with Discovery in March 1998, BBC Worldwide and Discovery have since launched Animal Planet (Asia) and People & Arts (Latin America) has been launched in Portugal.

Flextech plc

In addition to the three new channels launched in 1997 – UK HORIZONS, UK ARENA and UK STYLE – as part of the UKTV PayTV offering, UKPLAY was launched in October 1998. Revenues of £24m have been earned in the form of programme licensing income. Revenues and profits earned by BBC Worldwide are in line with expectations.

David King
Finance Director

BBC commercial activities and Fair Trading

Licence payers' investments, built up over many years, have produced a critical mass of talent and production capability for the BBC, together with an unparalleled archive of past programming. These assets have a secondary value, over and above their use on public service channels and outlets. The BBC, through BBC Worldwide, has a responsibility to ensure that this value is properly developed, and used, to the benefit of the licence payer.

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.

Compliance

BBC Worldwide's compliance with the Fair Trading Commitment is continuously monitored by the BBC's Board of Governors. A standing sub-committee of the Board of Governors, the Fair Trading Audit Committee, monitors and reviews the effectiveness of the controls across the BBC, which are designed to ensure Fair Trading. The Committee is chaired by the BBC's Vice Chairman, Baroness Young of Old Scone, and includes three other Governors.

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 Audit 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 issued an opinion, the full basis and text of which are set out in the BBC's Annual Report and Accounts, that the Governors' statement appropriately reflects the BBC's compliance with its Fair Trading Commitment.

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 1999. 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 7 to 17 of the Annual Report.

Results and dividend

The consolidated profit after taxation and minority interests for the year was £12.0m (1997/98: £3.2m). The directors do not recommend the payment of a dividend (1997/98: £nil).

Significant acquisitions and disposals

On 28 May 1998 the company sold its remaining 1,611,153 shares in Flextech plc for £8.4m net of expenses.

Directors

The directors who served during the year were:

A R Gavin	(Chief Executive appointed 1 July 1998)
C Fairbairn	
D J King	(appointed 26 March 1999)
J P Mayhew	
M J Phillips	
P S Phippen	
J E Taylor	
P R Teague	(Chief Executive (Acting) until 30 June 1998)
M C Young	
J S Younger	(resigned 30 November 1998)

G A Richards was appointed to the board on 20 April 1999.

Directors' interests

No director had any interest in the share capital of the company at 1 April 1998 or 31 March 1999. 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 1999 were equivalent to 30 days (1997/98: 32 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. Payments to talent arising from the sale of programmes are made in accordance with contractual terms agreed with the contributors.

Employee participation

The BBC Forum, introduced in May 1998, 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 hold regular meetings with the recognised trade unions, Broadcasting Entertainment Cinematograph and Theatre Union (BECTU), National Union of Journalists (NUJ) and Amalgamated Engineering and Electrical Union (AEEU).

Equal opportunities

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

Ethnic and gender targets have been set with the aim of ensuring that the BBC Worldwide workforce reflects the UK's population and these are supported by a number of equal opportunity initiatives.

Training and development

BBC Worldwide organises comprehensive in-house and external training programmes covering job-specific skill enhancement, IT software tuition and management development courses.

Disabled people

Disabled people are fully and fairly considered for vacancies arising within BBC Worldwide and are given equal opportunities in relation to training, career development and promotion.

Existing employees who become disabled are retained in BBC Worldwide employment wherever possible.

Charitable and political donations

On 1 April 1999 the group paid, net of taxes under gift aid, £0.7m (1997/98: £2.2m) to the Diana, Princess of Wales Memorial Fund relating to sales of products in 1998/99.

BBC Worldwide does not make political donations.

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.

Auditors

In accordance with Section 385 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

25 May 1999

Corporate Governance

BBC Worldwide's commitment

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

The Combined Code was issued by the London Stock Exchange in June 1998. This Code, derived from the Hampel Committee report, sets out principles of good corporate governance and consolidates the work of the earlier Cadbury and Greenbury Committees. Both the BBC and BBC Worldwide voluntarily comply with the Combined Code to the extent it is applicable.

Statement of principles

In this section we explain how BBC Worldwide applies 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 the 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 reserved 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 Audit Committee	(page 22)
Audit Committee	(page 25)
BBC Worldwide and Resources Committee	(page 25)

Previously a Remuneration Committee, consisting of three governors, had responsibility for recommending executive remuneration policy to the Board of Governors, including the package for BBC Worldwide's Chief Executive. Since June 1998 executive remuneration policy has been the responsibility of the entire 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 pages 27 and 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 page 3, 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, having made enquiries, believe that BBC Worldwide has adequate resources to continue in operational existence for the foreseeable future.

Internal financial control

The Board of Directors has overall responsibility for BBC Worldwide's system of internal financial control. Such a system can provide reasonable but not absolute assurance against material misstatement or loss.

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:

– management reporting

there is 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.

– operating unit controls

the management has defined the financial controls and procedures with which each operating unit is required to comply. 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's financial and management information is processed by and stored on computer. 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 the complete failure of the BBC Worldwide's own data processing facility. BBC Worldwide's progress in preparing computer systems and equipment for the Year 2000 is explained later on this page.

– **monitoring financial control**

BBC Worldwide has a formally constituted Risk Management and Internal Control Committee (RMICC). Comprising the Board of Directors and the Head of BBC Internal Audit, this group is charged with reviewing major risk facing the company and the effectiveness of BBC Worldwide's internal financial control environment. The RMICC meets regularly to consider, inter alia, reports from internal and external auditors and reports to the BBC's Audit Committee.

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 financial controls, 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

The membership of this committee is drawn mainly from the Board of Governors and the Executive Committee. It 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 in public service, 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 1999 with the specific provisions in section 1 of the Combined Code with the exception of those provisions relating to non-executive directors, remuneration and audit committees and shareholder requirements which, as discussed earlier, are not applicable to BBC Worldwide's structure.

In line with most listed companies, pending final guidance from the Turnbull Committee, BBC Worldwide has complied with the Combined Code provision D.2.1 on internal control by reporting on its internal financial control rather than the wider aspects of operational control. BBC Worldwide is reviewing the draft Turnbull guidance with a view to amending its procedures as necessary.

The millennium issue

The 'millennium issue' is the threat that systems or equipment may not function properly as a result of the year change from 1999 to 2000. Problems could arise, for example, with systems and equipment showing incorrect dates, failing to operate reliably or not operating at all.

The millennium issue has potential consequences for BBC Worldwide because our operations are highly dependent on different types of technology. If not remedied, millennium problems could cause disruption to our business. The issue affects all businesses and organisations across the world to some degree, including our suppliers, customers, joint venture partners and infrastructure providers. Hence we cannot deal solely with our own internal compliance when addressing this issue.

The BBC set up a project team in 1997 to deal with the issue and BBC Worldwide is a part of that overall project. The project has been divided into strands concentrating on different aspects of the millennium issue. These strands cover IT systems and infrastructure, broadcasting technology, suppliers and property. The approach has been to identify all items requiring remediation and prioritise work on those which are business-critical. Key non-compliant systems and equipment are being remediated and all remaining work is scheduled for completion by the third quarter of 1999 although most will be complete by second quarter. At the same time, work is progressing with key suppliers and joint venture partners to ensure that the essential goods and services on which BBC Worldwide depends continue to be delivered.

Although BBC Worldwide is taking extensive action to prevent potential millennium problems, there can be no assurance that failure of systems, including those of key suppliers, will not occur.

Accordingly, we are also developing contingency plans to ensure that BBC Worldwide is able to continue operating from 1 January 2000. The target is for contingency plans to be complete by the end of the third quarter of 1999.

To date, BBC Worldwide has not identified any business-critical system under its control that cannot be rectified before October 1999. However, the general uncertainty inherent in the Year 2000 issue, means that BBC Worldwide is unable to provide categorical assurance as to its Year 2000 compliance.

By coupling our extensive remediation work with contingency planning to ensure business continuity, BBC Worldwide considers it unlikely that there will be any material disruption to its key services as a result of the millennium issue.

The project team continues to monitor BBC Worldwide's progress and is continually re-assessing the project's progress to ensure that adequate resources are available to address the remaining issues.

Economic and Monetary Union

On 1 January 1999, 11 out of the 15 countries in the European Union (EU) introduced the Euro as their common currency, although national currencies continue in parallel for a further three years. Prior to the introduction, management reviewed the operational and systems implications of the Euro for BBC Worldwide to ensure that the relevant computer systems used by the company can deal satisfactorily with the invoicing and reporting demands of the new currency. The group has not incurred significant costs to date and the number of transactions conducted in Euros has, so far, been limited.

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 BBC 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 personnel director provides technical support to the Chief Executive in this respect.

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

- enable the BBC to attract, retain and motivate high-calibre executives
- are positioned at the median against an established comparator group (which includes other broadcasting organisations, major listed companies and central government agencies) in terms of total cash (basic salary plus annual bonus payment)
- remunerate individuals fairly for individual responsibility and contribution, while providing an element of 'at risk' 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 20%, with the exception of the Chief Executive who is eligible to receive a bonus of up to 30%, of basic salary for meeting certain performance targets. 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 sales 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.

Benefits

Directors are eligible for a company car and fuel for private use and medical insurance covering the executive and family. 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 1/60th 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.

A variety of special arrangements have been made for those individuals who have joined the BBC late in their careers, including funded and unfunded arrangements outside the BBC pension scheme for those individuals earning in excess of the Inland Revenue approved earnings cap. Seven directors are members of a money purchase scheme.

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 1998/99 £'000	Total 1997/98 £'000
A R Gavin	187	50	12	249	—
C Fairbairn	128	20	15	163	*102
D J King	2	—	—	2	—
J P Mayhew	117	18	4	139	*113
M J Phillips	134	20	13	167	151
P S Phippen	183	25	63	271	*134
J E Taylor	132	25	16	173	*126
P R Teague	161	40	16	217	151
M C Young	129	24	12	165	161
J S Younger	3	—	—	3	5

*C Fairbairn, J P Mayhew, P S Phippen and J E Taylor were appointed directors during 1997/98, and therefore the comparative remuneration represents a partial year.

A R Gavin's bonus of £50,000 represents partial compensation for loss of earnings upon his departure from British Telecom.

R J Emery, who resigned from office on 31 March 1998, subsequently received a bonus of £29,000 in respect of his service for the year ended 31 March 1998.

The salary for J S Younger represents the proportion of his emoluments recharged to the company by the World Service.

At 31 March 1999, under a scheme available to all staff, J P Mayhew had an interest free season ticket loan outstanding of £550. The loan at 31 March 1998 was £520 and the maximum amount outstanding during the year was £572.

Pensions

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

	Increase in accrued pension (a) £'000 per annum	Total accrued pension at 31 March 1999 (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
A R Gavin	1	1	12	3	24
C Fairbairn	1	3	12	4	15
D J King	—	9	—	—	—
J P Mayhew	2	11	25	7	13
M J Phillips	1	4	29	4	26
P S Phippen	2	7	23	7	20
J E Taylor	1	5	16	4	25
P R Teague	2	7	26	5	29
M C Young	3	15	30	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 1998/99 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 39. We have also examined the amounts relating to emoluments and pension entitlements of the directors which form part of the directors' Remuneration Report on pages 26 and 27.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report, including as described on page 27 the financial statements. Our responsibilities, as independent auditors, are established by the Auditing Practices Board, our profession's ethical guidance and in accordance with the terms of our appointment, the Companies Act 1985.

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 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 London Stock Exchange in relation to these matters. We review whether the statement on page 25 reflects the group's compliance with those 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 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 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors
London

25 May 1999

Consolidated profit and loss account

For the year ended 31 March	Note	1999 £m	1998 £m
Turnover (including share of joint ventures)		446.3	422.0
Less: share of joint ventures	13	(26.0)	(13.1)
Group turnover	2	420.3	408.9
Cost of sales		(264.6)	(274.8)
Gross profit		155.7	134.1
Distribution costs	3	(109.4)	(106.3)
Administrative expenses	3	(34.9)	(35.6)
Group operating profit/(loss)		11.4	(7.8)
Share of operating profit in joint ventures	13	–	–
Share of operating profit in associates		0.6	0.6
Total operating profit/(loss)		12.0	(7.2)
Profit on sale of investments	6	8.4	20.7
Profit before interest and taxation	2	20.4	13.5
Interest receivable		0.8	0.5
Interest payable	7	(1.3)	(2.2)
Profit on ordinary activities before taxation	4	19.9	11.8
Tax on profit on ordinary activities	8	(7.8)	(8.5)
Profit on ordinary activities after taxation		12.1	3.3
Equity minority interests		(0.1)	(0.1)
Retained profit for the financial year	21	12.0	3.2

The above results are derived from continuing operations.

Consolidated balance sheet

As at 31 March	Note	1999 £m	1998 £m
Fixed assets			
Tangible fixed assets	9	9.6	8.4
Investment in programmes for future sale	11	95.2	85.3
Investments			
Investments in joint ventures:	13		
Share of gross assets		27.8	21.5
Share of gross liabilities		(96.3)	(77.1)
Adjustment to reflect effective obligation		68.5	55.6
		0.0	0.0
Interests in associated undertakings	14	0.2	0.1
		105.0	93.8
Current assets			
Stocks	16	13.7	13.2
Debtors	17	116.1	119.6
Cash at bank and in hand		21.1	13.0
		150.9	145.8
Creditors: amounts falling due within one year	18	(167.9)	(166.5)
Net current liabilities		(17.0)	(20.7)
Total assets less current liabilities		88.0	73.1
Creditors: amounts falling due after more than one year	18	(16.9)	(16.9)
Provisions for liabilities and charges	19	(1.5)	–
Net assets		69.6	56.2
Capital and reserves			
Called up share capital	20	0.2	0.2
Profit and loss account	21	69.1	55.8
Equity shareholders' funds		69.3	56.0
Equity minority interests		0.3	0.2
		69.6	56.2

The financial statements were approved by the Board of Directors on 25 May 1999 and were signed on its behalf by:

A R Gavin
Director

Company balance sheet

As at 31 March	Note	1999 £m	1998 £m
Fixed assets			
Tangible fixed assets	10	7.6	6.8
Investment in programmes for future sale	11	77.1	65.8
Investments in subsidiary undertakings	12	16.7	16.7
Investment in associated undertakings	14	0.1	0.1
		101.5	89.4
Current assets			
Stocks	16	12.9	13.2
Debtors	17	113.5	106.6
Cash at bank and in hand		2.6	–
		129.0	119.8
Creditors: amounts falling due within one year	18	(165.7)	(153.1)
Net current liabilities		(36.7)	(33.3)
Total assets less current liabilities		64.8	56.1
Creditors: amounts falling due after more than one year	18	(13.8)	(16.9)
Provisions for liabilities and charges	19	(4.4)	(0.6)
Net assets		46.6	38.6
Capital and reserves			
Called up share capital	20	0.2	0.2
Profit and loss account	21	46.4	38.4
Equity shareholders' funds		46.6	38.6

The financial statements were approved by the Board of Directors on 25 May 1999 and were signed on its behalf by:

A R Gavin
Director

Consolidated cash flow statement

As at 31 March	Note	1999 £m	1998 £m
Net cash inflow from operating activities	22	80.9	61.8
Return on investments and servicing of finance			
Interest received		0.8	0.5
Interest paid		(1.3)	(2.2)
Net cash outflow from return on investments and servicing of finance		(0.5)	(1.7)
Taxation			
Taxation paid		(6.4)	(7.4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(5.4)	(3.7)
Investment in programmes for future sale		(68.9)	(55.1)
Proceeds from the sale of tangible fixed assets		–	1.1
Net proceeds from the sale of investments		8.4	20.7
Net cash outflow from capital expenditure and financial investment		(65.9)	(37.0)
Acquisitions and disposals			
Purchase of subsidiary undertakings		–	(3.2)
Net cash acquired with subsidiary		–	2.6
Net cash outflow from acquisitions and disposals		–	(0.6)
Cash inflow before financing		8.1	15.1
Financing			
Repayment of BBC loan		(3.1)	(10.4)
Other funding		3.1	–
		–	(10.4)
Increase in cash	23	8.1	4.7

Consolidated statement of total recognised gains and losses

For the year ended 31 March	1999 £m	1998 £m
Profit for the financial year	12.0	3.2
Exchange translations effect on:		
Profit for the financial year	0.4	(0.5)
Foreign currency net assets	0.9	(0.5)
Total recognised gains and losses relating to the year	13.3	2.2

Reconciliation of movements in equity shareholders' funds

For the year ended 31 March	1999 £m	1998 £m
Total recognised gains for the year	13.3	2.2
Goodwill on acquisition eliminated against reserves	–	(1.9)
Net increase in equity shareholders' funds	13.3	0.3
Equity shareholders' funds at start of year	56.0	55.7
Equity shareholders' funds at end of year	69.3	56.0

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 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.

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 is included in the consolidated profit and loss account and its interest in their net assets, other than goodwill, 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 drawn from accounts drawn up to 31 December.

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 £365.9m (1997/98: £355.6m) and the company's profit after taxation for the year dealt with in the financial statements of BBC Worldwide Limited was £8.0m (1997/98: loss of £5.2m). The holding company's results form part of the consolidated financial statements.

Ic Turnover

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' titles and from the 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 translation of the results at 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

From 1 April 1998, goodwill arising on acquisition of a subsidiary or business, (representing the excess of the fair value of the purchase consideration over the fair value attributable to the separable net assets acquired), is capitalised and amortised over its useful economic life. This is a change in accounting policy from previous periods, when goodwill was written off directly to reserves, following the introduction of a new accounting standard, FRS10 Goodwill and intangible assets. Goodwill arising in prior periods remains offset against the profit and loss reserve. 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

FRS 11 Impairment of fixed assets and goodwill came into effect this year but has not resulted in any changes in presentation.

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 regular pension cost of the BBC's defined benefit scheme, reduced by the amortisation of any scheme surplus over the average remaining service lives of employees in the scheme, is charged to the profit and loss account.

The cost of other funded and unfunded pensions is charged as incurred.

Defined contribution scheme

BBC Worldwide Limited operates its own defined contribution scheme.

Contributions to the scheme are charged to the profit and loss account when payable.

Il Deferred taxation

Deferred taxation has been provided at 31 March 1999 at expected applicable rates to take account of timing differences between the treatment of 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.

Im 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

	1999 £m	1998 £m
Publishing and new media	254.6	256.6
Programme distribution	134.5	126.0
Channels	31.2	26.3
Group turnover	420.3	408.9
Share of joint ventures	26.0	13.1
Turnover	446.3	422.0

2b Turnover analysed by geographical destination

(all group turnover originates from within the UK)

	1999 £m	1998 £m
United Kingdom	267.4	273.2
Americas	53.4	43.9
Rest of World	99.5	91.8
Group turnover	420.3	408.9

Programme distribution sales include licensing for standard television, cable, and simultaneous relay 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 1999 £m	Sale of investments (note 6) 1999 £m	Exceptional items (note 3) 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

	Operating result 1998 £m	Sale of investments (note 6) 1998 £m	Exceptional items (note 3) 1998 £m	Total 1998 £m
Publishing and new media	20.1	–	–	20.1
Programme distribution	6.8	20.7	(5.2)	22.3
Channels	(20.0)	–	(8.9)	(28.9)
	6.9	20.7	(14.1)	13.5

2d Profit before interest and taxation analysed by geographical location

	Operating result 1999 £m	Sale of investments (note 6) 1999 £m	Exceptional items (note 3) 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

	Operating result 1998 £m	Sale of investments (note 6) 1998 £m	Exceptional items (note 3) 1998 £m	Total 1998 £m
United Kingdom	23.8	20.7	–	44.5
Americas	11.0	–	(5.2)	5.8
Rest of World	(27.9)	–	(8.9)	(36.8)
	6.9	20.7	(14.1)	13.5

2e Net assets analysed by geographical location

	1999 £m	1998 £m
United Kingdom	44.0	36.4
Americas	25.6	19.8
	69.6	56.2

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. Distribution costs and administrative expenses

Distribution costs and administrative expenses include the following exceptional items:

	1999 £m	1998 £m
Exceptional trade debts written off on acquisition	–	8.9
Exceptional joint venture start up costs	–	5.2
	–	14.1

The exceptional trade debts written off on acquisition represent trade balances due from European Channel Management (ECM) to BBC Worldwide which existed prior to ECM becoming a subsidiary undertaking.

The exceptional joint venture start up costs arose on the negotiations and launch of the various joint venture arrangements with Discovery Communications Inc (Discovery).

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1999 £m	1998 £m
Operating lease rentals		
– plant and machinery	2.4	2.2
– land and buildings	1.4	1.1
– satellite costs	6.9	4.7
Depreciation – owned assets	4.0	3.7
Amortisation of investment in programmes for future sale	56.8	54.3
Auditors' remuneration		
– company audit fee	0.1	0.1
– subsidiaries audit fee	0.1	0.1
– consultancy and advisory fees	0.2	0.1
Exchange losses	–	1.5

5. Employees and remuneration

5a Persons employed

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

	1999 Average	1998 Average
Publishing and new media	1,193	1,004
Programme distribution	308	345
Channels	82	38
	1,583	1,387

Within the averages above, 48 (1997/98: 39) part-time employees have been included at their full-time equivalent of 31 (1997/98: 25).

In addition to the above, the group employed an average full-time equivalent of 87 (1997/98: 91) persons on a casual basis. Their payroll costs are included in note 5b.

5b Staff costs

	1999 £m	1998 £m
Salaries and wages	54.0	46.8
Social security costs	4.3	3.6
Other pension costs	1.4	1.2
	59.7	51.6

In addition to the above, redundancy costs of £0.5m (1997/98: £1.1m) were incurred in the year.

5c BBC Pension Scheme

Many 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 1996, 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 1.9% and exceed pension increases by 3.8%.

At the date of the most recent actuarial valuation, the market value of the assets of the scheme was £4,642 million and the actuarial value of the assets was sufficient to cover 120% of the benefits due to members, after allowing for expected future increases in earnings. 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 £1.3m (1997/98: £1.1m). This includes a proportion of the scheme surplus amortised over the average remaining service lives of the contributing members. A provision of £0.4m is included in creditors (1997/98: provision of £0.3m), this being the excess of the accumulated pension cost over the amount funded.

5d 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 £0.1m for the year (1997/98: £0.1m).

6. Profit on sale of investments

	1999 £m	1998 £m
Flextech plc	8.4	20.7

During the year, BBC Worldwide Limited disposed of 1,611,153 (1997/98: 3,832,395) shares in Flextech plc (Flextech) reducing its shareholding to nil. The profit on 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.

7. Interest payable

	1999 £m	1998 £m
BBC Loan (see note 18)	1.2	2.2
Other	0.1	–
	1.3	2.2

8. Tax on profit on ordinary activities

	1999 £m	1998 £m
UK corporation tax at 31%	1.0	2.1
Deferred taxation (see note 19)	1.7	0.6
	2.7	2.7
Overseas taxation	5.1	3.4
	7.8	6.1
Share of associated undertakings' tax	0.2	0.4
Prior year adjustments:		
Deferred taxation (see note 19)	(0.2)	0.2
Overseas	–	1.8
	7.8	8.5

The high effective rate of tax results principally from the tax impact of income received in advance. Income received in advance in the US becomes taxable before the related profits are recognised. Ordinarily, the effect of this would be offset by a deferred tax credit. The resulting deferred tax asset, however, would not be expected to reverse in the foreseeable future, and it is therefore not considered prudent to take the benefit of a deferred tax credit this year.

9. Tangible fixed assets

Group	Short leasehold buildings £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost				
At 1 April 1998	0.6	21.9	11.1	33.6
Reclassification	–	(0.3)	0.3	–
Additions	0.2	4.1	1.1	5.4
Disposals	–	(4.8)	(0.3)	(5.1)
At 31 March 1999	0.8	20.9	12.2	33.9
Depreciation				
At 1 April 1998	0.1	15.7	9.4	25.2
Reclassification	–	(0.1)	0.1	–
Charge for the year	0.1	2.7	1.2	4.0
Elimination in respect of disposals	–	(4.6)	(0.3)	(4.9)
At 31 March 1999	0.2	13.7	10.4	24.3
Net book value:				
At 31 March 1999	0.6	7.2	1.8	9.6
At 31 March 1998	0.5	6.2	1.7	8.4

10. Tangible fixed assets

Company	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost			
At 1 April 1998	19.9	10.4	30.3
Additions	3.7	0.5	4.2
Disposals	(4.8)	–	(4.8)
At 31 March 1999	18.8	10.9	29.7
Depreciation			
At 1 April 1998	14.7	8.8	23.5
Charge for the year	2.4	0.9	3.3
Elimination in respect of disposals	(4.7)	–	(4.7)
At 31 March 1999	12.4	9.7	22.1
Net book value:			
At 31 March 1999	6.4	1.2	7.6
At 31 March 1998	5.2	1.6	6.8

11. Investment in programmes for future sale

	Group £m	Company £m
Cost		
At 1 April 1998	184.5	113.8
Exchange adjustment	3.1	–
Additions	68.1	55.0
Disposals	(3.6)	(1.3)
Elimination in respect of programmes fully amortised	(54.7)	(54.7)
At 31 March 1999	197.4	112.8
Amortisation		
At 1 April 1998	99.2	48.0
Exchange adjustment	2.4	–
Amortisation for the year	56.8	42.4
Elimination in respect of disposals	(1.5)	–
Elimination in respect of programmes fully amortised	(54.7)	(54.7)
At 31 March 1999	102.2	35.7
Net book value:		
At 31 March 1999	95.2	77.1
At 31 March 1998	85.3	65.8

The exchange adjustment arises on the re-translation of the opening programme investments held by the U.S. subsidiary.

12. Investments in subsidiary undertakings

Shares in subsidiary undertakings	Company £m
Cost	
At 1 April 1998 and at 31 March 1999	22.2
Provisions	
At 1 April 1998 and at 31 March 1999	(5.5)
Net book value:	
At 31 March 1998 and at 31 March 1999	16.7

The principal operating subsidiaries of the company as at 31 March 1999 are shown in note 29.

13. Accounting for entities within the Flextech and Discovery agreements

In 1997/98 BBC Worldwide Limited signed 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
Animal Planet (Latin America) LLC	Associate	Discovery	March 1998
People and Arts (Latin America) LLC	Associate	Discovery	March 1998
Animal Planet LLC	Associate	Discovery	March 1998
JV Programmes LLC	Joint Venture	Discovery	March 1998
JV Network LLC	Associate	Discovery	March 1998

Under the terms of the agreements with Flextech and Discovery, BBC Worldwide has no obligation to fund losses incurred by the entities nor to make good their net liabilities. As a result, BBC Worldwide's equity share of the entities' post tax losses and the net liabilities have been restricted to nil and have therefore been excluded from the consolidated profit and loss account and have been removed from the consolidated balance sheet through an adjustment to reflect BBC Worldwide's effective obligation.

In addition to the arrangements with Flextech and Discovery, BBC Worldwide Limited has other associated undertakings which are listed in note 29. The aggregation of all associates is in note 14.

	Joint Ventures 1999 £m	Joint Ventures 1998 £m	Associates 1999 £m	Associates 1998 £m
Equity share of turnover	26.0	13.1	–	–
Equity share of assets:				
Fixed assets	4.3	0.1	71.1	–
Current assets	21.0	19.7	8.6	–
Non-current assets	2.5	1.7	–	–
Share of gross assets	27.8	21.5	79.7	–
Equity share of liabilities:				
Liabilities less than one year	(18.7)	(12.0)	(5.3)	–
Liabilities more than one year	(77.6)	(65.1)	(98.4)	–
Share of gross liabilities	(96.3)	(77.1)	(103.7)	–

The following additional disclosures are based on results for the year to 31 December 1998. These additional disclosures given below are in respect of certain entities within the Flextech and Discovery agreements which are considered individually significant. The amounts disclosed represent BBC Worldwide's equity share of the assets and liabilities of the entities. The effective interests, for the reasons explained above, are nil.

1998/99

	UK Channel Management Ltd £m	UK Gold Holdings Ltd £m	Animal Planet (Latin America) LLC £m	People and Arts (Latin America) LLC £m	Animal Planet LLC £m
Turnover	3.9	21.4	0.4	2.5	5.8
Loss before tax	(16.2)	(0.3)	(3.6)	(4.1)	(6.6)
Taxation	–	0.1	(0.1)	(0.4)	–
Loss after tax *	(16.2)	(0.2)	(3.7)	(4.5)	(6.6)
Fixed assets	–	–	1.0	4.4	26.0
Current assets	5.4	15.5	1.2	1.1	5.1
Non-current assets	1.1	1.4	–	–	–
Liabilities less than one year *	(8.0)	(10.5)	(0.3)	(0.2)	(4.5)
Liabilities more than one year *	(10.6)	(67.0)	(7.0)	(11.6)	(40.0)

*BBC Worldwide has no obligation to fund losses or liabilities of these entities and has not consolidated its share of losses or liabilities into the annual financial statements.

1997/98

	UK Channel Management Ltd £m	UK Gold Holdings Ltd £m	Animal Planet (Latin America) LLC £m	People and Arts (Latin America) LLC £m	Animal Planet LLC £m
Turnover	0.1	13.0	–	–	–
Loss before tax	(6.9)	(2.4)	–	–	–
Taxation	–	–	–	–	–
Loss after tax	(6.9)	(2.4)	–	–	–
Fixed assets	–	0.1	–	–	–
Current assets	8.4	11.3	–	–	–
Non-current assets	0.7	1.0	–	–	–
Liabilities less than one year	(5.1)	(6.9)	–	–	–
Liabilities more than one year	–	(65.1)	–	–	–

14. 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 1998	0.7	0.4	1.1	0.2
Reclassification	(0.5)	0.5	–	–
Additions	–	0.3	0.3	–
At 31 March 1999	0.2	1.2	1.4	0.2
Share of post acquisition reserves				
At 1 April 1998	(0.9)	–	(0.9)	–
Retained profits less losses	(0.2)	–	(0.2)	–
At 31 March 1999	(1.1)	–	(1.1)	–
Provisions				
At 1 April 1998 and at 31 March 1999	(0.1)	–	(0.1)	(0.1)
Net book value:				
At 31 March 1999	(1.0)	1.2	0.2	0.1
At 31 March 1998	(0.3)	0.4	0.1	0.1

The principal operating associates of the group as at 31 March 1999 are shown in note 29.

There are no significant associates requiring disclosure, other than those in note 13 already disclosed. The aggregation of all associates requiring disclosure is:

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Equity share of turnover	19.2	9.4	1.9	2.3
Equity share of assets:				
Fixed assets	72.0	0.9	0.9	0.9
Current assets	30.8	20.8	18.9	17.9
Share of gross assets	102.8	21.7	19.8	18.8
Equity share liabilities:				
Liabilities less than one year	(28.0)	(21.9)	(19.7)	18.7
Liabilities more than one year	(98.4)	–	–	–
Share of gross liabilities	(126.4)	(21.9)	(19.7)	(18.7)
Adjustment to reflect effective obligation	23.8	0.3	–	–
Net interests in associates	0.2	0.1	0.1	0.1

15. Other investments

	Group £m	Company £m
Cost		
At 1 April 1998 and at 31 March 1999	1.3	1.3
Provisions		
At 1 April 1998 and at 31 March 1999	(1.3)	(1.3)
Net book value:		
At 31 March 1998 and at 31 March 1999	–	–

The investment of the group is a 20% interest in Satellite News Corporation whose principal activity is satellite broadcasting. In the opinion of the directors, the group is not in a position to exercise significant influence over the operating and financial policies of Satellite News Corporation, largely because of the disposition of the other shareholders and the voting arrangements. The group's interest in this entity has therefore been accounted for as a trade investment. The directors have considered it prudent to provide in full against the investment in view of uncertainties over its future funding.

16. Stocks

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Raw materials and consumables	2.0	2.2	2.0	2.2
Work in progress	4.9	4.8	4.9	4.8
Finished goods and goods for resale	6.8	6.2	6.0	6.2
	13.7	13.2	12.9	13.2

17. Debtors

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Amounts falling due within one year:				
Trade debtors	91.9	92.6	70.7	70.4
Amounts owed by subsidiary undertakings	–	–	24.3	17.8
Amounts owed by associated undertakings	0.2	–	0.2	–
Amounts owed by fellow subsidiary undertakings	4.2	4.2	4.2	4.2
Other debtors	11.6	20.2	10.9	12.0
Prepayments and accrued income	8.2	2.6	3.2	2.2
	116.1	119.6	113.5	106.6

Included in the group's prepayments and accrued income are amounts falling due after more than one year of £5.3m (1997/98: £nil)

18. Creditors

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Amounts falling due within one year:				
Trade creditors	41.4	37.5	40.7	37.0
Residual creditors	36.2	40.8	29.0	36.4
Amounts owed to the BBC	19.8	22.3	16.1	18.2
Amounts owed to subsidiary undertakings	–	–	20.2	13.2
Amounts owed to associated undertakings	0.1	0.2	0.1	0.2
Amounts owed to fellow subsidiary undertakings	2.2	1.5	2.2	1.5
Other creditors including other taxes and social security	5.9	7.1	5.0	7.5
Corporation tax	1.8	2.4	2.0	1.5
Accruals and deferred income	60.5	54.7	50.4	37.6
	167.9	166.5	165.7	153.1

18. Creditors (continued)

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Amounts falling due after more than one year:				
Loan owed to the BBC	13.8	16.9	13.8	16.9
Other funding	3.1	–	–	–
	16.9	16.9	13.8	16.9

The loan owed to the BBC is not repayable before April 2000 and bears interest at market rates. The other funding is a US dollar loan and is repayable in the following stages: \$3m due 31 March 2004; \$2m due 31 March 2005.

19. Provisions for liabilities and charges

	Group £m	Company £m
Deferred tax		
At 1 April 1998	–	0.6
Current year		
– charge	2.1	2.1
– credit	(0.4)	–
Prior year (credit)/charge	(0.2)	1.7
At 31 March 1999	1.5	4.4

20. Called up share capital

	1999 £m	1998 £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

21. Profit and loss account

	Group £m	Company £m
At 1 April 1998	55.8	38.4
Retained profit for the year	12.0	8.0
Exchange adjustment	1.3	–
At 31 March 1999	69.1	46.4

The cumulative goodwill arising on acquisition previously written off to reserves is £21.0m (1997/98: £21.0m).

22. Reconciliation of operating profit/(loss) to the net cash inflow from operating activities

	1999 £m	1998 £m
Operating profit/(loss)	12.0	(7.2)
Depreciation and amortisation	60.8	58.0
Provision for diminution in value of investments	–	1.0
Loss on disposal of tangible fixed assets	0.2	0.1
(Increase)/decrease in stocks	(0.5)	0.2
Decrease/(increase) in debtors	3.5	(22.2)
Increase in creditors	4.9	31.9
Net cash inflow from operating activities	80.9	61.8

23. Reconciliation of net cash flow to movement in net funds

	1999 £m	1998 £m
Increase in cash in the year	8.1	4.7
Net cash outflow to BBC	3.1	10.4
Net cash inflow from other funding	(3.1)	–
Change in net funds	8.1	15.1
Net funds at the beginning of the year	(3.9)	(19.0)
Net funds at the end of the year	4.2	(3.9)
Being:		
Cash at bank and in hand	21.1	13.0
BBC loan	(13.8)	(16.9)
Other funding	(3.1)	–
	4.2	(3.9)

24. Commitments

	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Contracts placed for future capital expenditure not provided:				
Programme investments	38.3	34.8	34.1	33.1
Fixed assets	1.4	1.6	1.4	1.4

25. Operating leases

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

	Land & Buildings 1999 £m	Land & Buildings 1998 £m	Plant & Machinery 1999 £m	Plant & Machinery 1998 £m
Expiring:				
within one year	0.1	–	0.2	0.3
between two and five years	0.6	0.2	2.6	2.5
after more than five years	0.7	0.6	6.2	6.2
	1.4	0.8	9.0	9.0

26. 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.

The company has a contingent liability to a maximum of Yen 200 million (currently £1.0m) to Nissho Iwai Corporation relating to the funding of Satellite News Corporation.

27. 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	–	2.2	–
Frontline Limited	–	6.0	(0.1)
UKTV	24.3	–	4.3
Animal Planet (Latin America) LLC	0.8	–	0.3
People and Arts (Latin America) LLC	1.3	–	–
Animal Planet (Asia) LLC	1.1	–	0.3
JV Programmes LLC	1.4	–	0.8

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, Chairman of the BBC, is a minority shareholder and Chairman of NFC plc which owns Exel Logistics Limited	Management fees for the distribution of books
Frontline Limited	Associate	Management fees for the distribution of magazines
UKTV	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

28. 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. Copies of the financial statements of the BBC may be obtained from BBC Information Services, 201 Wood Lane, London, W12 7TS.

29. 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.

Subsidiary undertakings

Note: Country of incorporation or registration if outside of the UK

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%)		

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

Channels

New Video Channel America LLC	(a)	USA
European Channel Broadcasting Limited		
European Channel Management Limited		

Investment Companies

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

Associate undertakings	Note:	Country of incorporation or registration if outside of the UK
Publishing		
BBC Haymarket Exhibitions Limited (50%)	(b)	
Frontline Limited (23%)		

Programme Distribution

The Sales Consortium Limited (25%)		
Tele Alliance Limited (25%)		

Channels

UK TV Pty Limited (20%)	(c)	Australia
UK TV Australia (20%)	(c)	Australia
Satellite News Corporation (20%)		Japan
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

Joint ventures

Joint ventures	Note:	Country of incorporation or registration if outside of the UK
Channels		
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 BBC World Service Television Limited
- (d) owned through Worldwide Americas Investments Inc.
- (e) owned through Worldwide Channel Investments Limited

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Page 8 The Human Body, Zena Holloway
Page 14 Life of Birds, Peter Bassett
Page 14 Sunburn, James D Morgan
Page 17 Red Dwarf, Oliver Upton
Page 17 Vanity Fair, Barry Holmes

Awards won by BBC
Worldwide, 1998/99

A record year for BBC Worldwide – we achieved 38 industry awards, showcasing: the work of our creative teams in on-screen, magazine and product design; innovations in audio and CD-ROM; product development and marketing.

Award	Date
Marketing Society Best New Product – Teletubbies	April 98
PPA Publisher of the Year – Gillian Laskier	May 98
PPA Magazine of the Year – Top of the Pops	May 98
Marketing Telemarketing Awards: Best Use of Telemarketing in Direct Response Television – Audiocall	Jun 98
Marketing Telemarketing Awards: Best Use of Telemarketing in Public Sector – Audiocall	Jun 98
Business Design International Awards (six awards) – People & Arts	Jun 98
Harvard Business School Publishing 1998 (two awards) – Top South Pacific Distributor – BBC Worldwide Asia Pacific Top Global Distributor – BBC Worldwide Asia Pacific	Jul 98
Wildscreen 1998 Interactive Panda Award – Attenborough's Antarctic CD-ROM	Oct 98
BIMA (British Interactive Media Association): Life Long Learning Award – The French Experience CD-ROM	Oct 98
International EMMA (European Multimedia Award): Best Science & Technology CD-ROM – The Human Body	Oct 98
Parents Information Network Gold Pin Quality Mark Award – Noddy Let's Get Ready for School CD-ROM	Oct 98
Right Start Best Toy (Highly Commended) Awards (two) – Pingu – A Barrel of Fun CD-ROM and The Really Wild Show CD-ROM	Oct 98
Disney Channel Magazine of the Year – Top of the Pops	Oct 98
Eutelsat Hot Bird: Best Thematic Channel – BBC WORLD	Oct 98
Talkie of the Year – Ambush at Fort Bragg	Nov 98
Talkie: Publisher of the Year – BBC Worldwide	Nov 98
Talkie: Best Marketing Campaign – Ambush at Fort Bragg	Nov 98
Talkie: Best Abridged Fiction Classic – Tom Jones	Nov 98
Talkie: Best Abridged Modern Fiction – Travels with My Aunt	Nov 98
Talkie: Best Classic Comedy – The Last Goon Show of All	Nov 98
Talkie: Best Drama – War and Peace	Nov 98
Talkie: Best Special Interest – 75 Years of the BBC	Nov 98
Talkie: Best TV/Film Adaptation – Full Circle	Nov 98
British Society of Magazine Editors' Editor of the Year (two awards) – Homes and Gardens – Adam Pasco, Gardeners' World Non-weekly general interest – Gill Smith, Girl Talk	Nov 98
Gold Promax: Best On-Air Programme Title Sequence – People & Arts	Nov 98
Gold Promax: Best Set Design – People & Arts	Nov 98
Silver Promax: Best Logo Design – People & Arts	Nov 98
RIAA Gold Award – Jimi Hendrix Live at the BBC	Jan 99
Andre Simon Memorial Fund Award for Best Food Book 1998 – Easy Family Dishes: A memoir with recipes by Ken Hom	Mar 99
Video Home Entertainment Award: Best Comedy Programme Award – The Fast Show Live	Mar 99

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