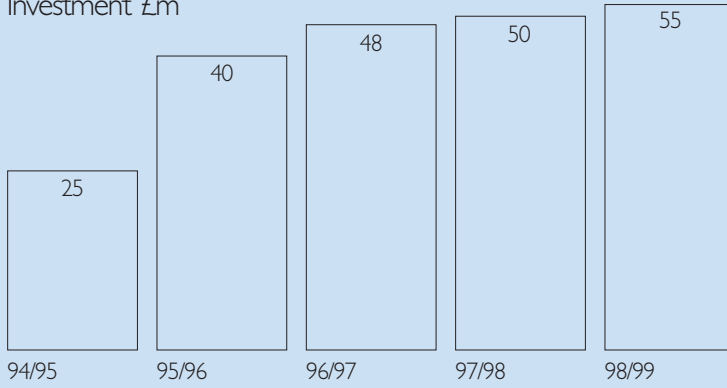


BBC Worldwide programme investment with the BBC

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.