

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

	UKChannel 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

	UKChannel 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	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	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 venture	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