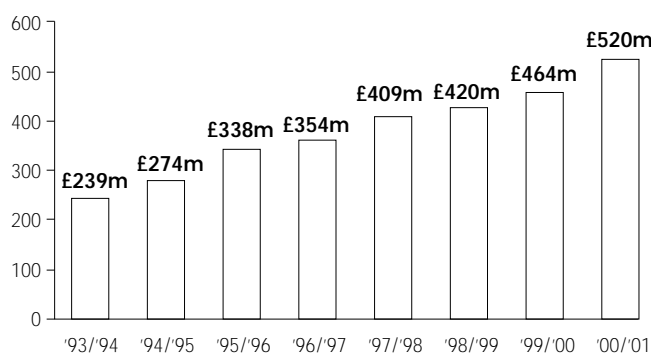


Financial Review

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

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



Trading results

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

2001

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

2000

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

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

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

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

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

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

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

Joint venture results

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

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

Taxation and earnings

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

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

Cash flow

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

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

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

Financial Review (continued)

Debt structure and treasury policy

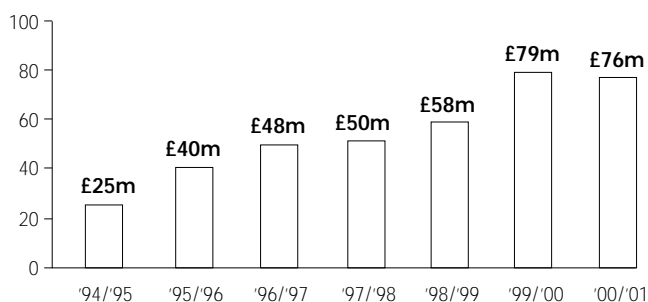
The loan debt due to the BBC has decreased by £22 million to nil at 31 March 2001 due to the underlying cash generative position of the business combined with the timing of the settlement of intercompany balances with the BBC. BBC Worldwide raised no further external debt during the year to March 2001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

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

Programme investments

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

BBC Worldwide programme investment with the BBC (Investment £m)



Capital expenditure

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

Acquisitions and disposals

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

Flextech

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

Joint ventures

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

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

David King,

Finance Director, BBC Worldwide Limited

Consolidated profit and loss account

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

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

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

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

Consolidated balance sheet

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

Consolidated cash flow statement

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