

Registered number:1420028

BBC Worldwide Limited

Report and financial statements for
the year ended 31 March 1998

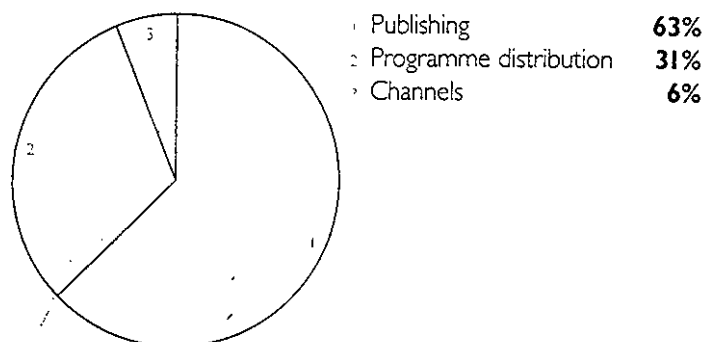


Financial highlights

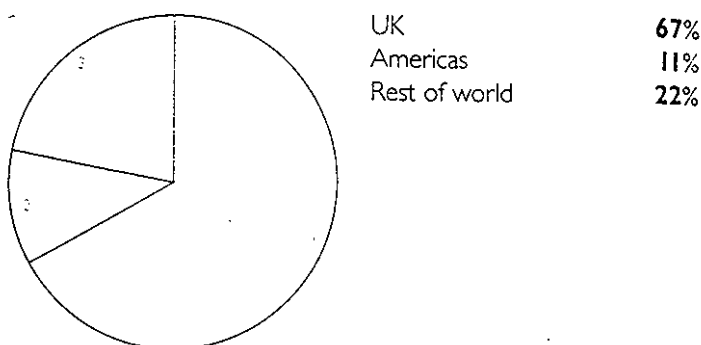
	1998 £m	1997 £m	Change %
Sales	409	354	16
Operating profit	(7)	5	(239)
Profit before interest and tax	14	7	105
BBC cash flow	75	53	42

Sales in 1998

By business



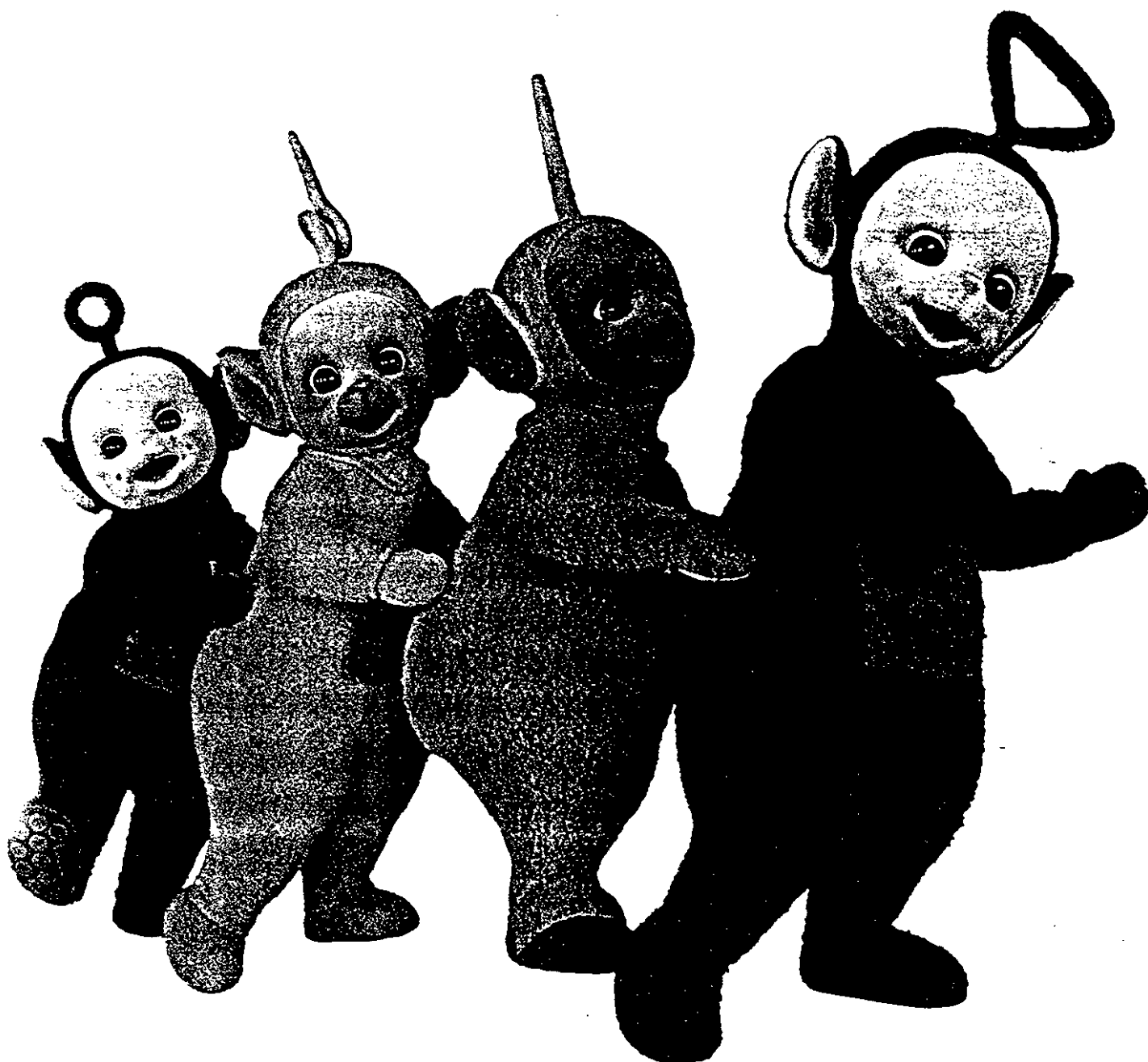
By region



Operating highlights

- Cash flow to the BBC increased by 42 per cent to £75 million
- Turnover exceeded £400 million as revenues rose by 16 per cent
- Profit before interest and tax doubled to £14 million, after recognising a profit on sale of investments of £21 million
- £50 million invested in BBC programmes and £5 million in non-BBC programmes
- 18 per cent growth in publishing sales and 19 per cent growth in television programme sales
- Six new pay-TV channels, four new magazines, eight new CD-ROMS and eight new online sites launched
- £7 million operating loss after charging £14 million of exceptional costs relating to the Discovery deal (£5 million) and the acquisition of European Channel Management Limited (£9 million)

BBC Worldwide Limited is a wholly owned subsidiary of the British Broadcasting Corporation. For the first time we are publishing a comprehensive Annual Report and Accounts detailing our activities.



Contents

02 A statement from the BBC
03 BBC Worldwide awards 97/98
04 Highlights of the year
06 Chief Executive's review
08 The board of BBC Worldwide
10 Publishing
14 Programme distribution

16 Channels
18 Global brands
19 Partnerships
20 Financial review
22 BBC's fair trading commitment
23 Directors' report
24 Corporate governance

27 Directors' statement
of responsibility and report of
the Auditors
28 Financial statements
33 Notes to the financial statements

Addresses and contacts
at BBC Worldwide are listed
on the inside back cover

A statement from the BBC

BBC Worldwide was formed in May 1994 to develop a co-ordinated approach to the BBC's commercial activities. It aims to ensure that the BBC remains a significant player in a developing world media market, while maintaining the high editorial and production standards for which the corporation is internationally renowned. International broadcasting and commercial development were endorsed as core purposes of the BBC in its new Charter, which came into effect in May 1996.

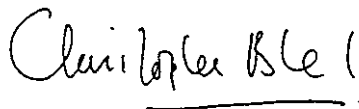
Introduction from the Chairman of the BBC

The BBC's commercial arm, BBC Worldwide Limited, is a wholly owned subsidiary of the BBC. It exists to maximise the value of the BBC's programme and publishing assets for the benefit of the licence payer, and it re-invests its revenues in public service programming. This year it has contributed £75 million to the BBC, the equivalent of about 750 additional hours of BBC programming. The Governors expect BBC Worldwide's contribution to the BBC to grow significantly over the remaining years of the current Royal Charter.

As the regulators of the BBC and as trustees for the licence payer, the BBC Governors ensure that BBC Worldwide Limited:

- operates at arm's length from the other parts of the BBC
- pays the Corporation for the commercial rights to BBC programmes at market rates, which are bench marked regularly
- does not borrow more money from the BBC than the value of BBC Worldwide's own net assets.

BBC Worldwide is subject fully to the BBC's Fair Trading Commitment, which requires arm's length relationships between commercial activities and the rest of the BBC, supported by transparent contracts and fair prices for BBC services and programmes. BBC Worldwide's activities must not use, or put at risk, licence payers' funds. BBC Worldwide's compliance with the Fair Trading Commitment is monitored by the Board of Governors and is independently audited. This report shows how BBC Worldwide is successfully developing a range of activities, including the emerging media businesses of CD-ROM and Internet services.



Sir Christopher Bland
Chairman of the BBC

Director-General's overview

The BBC has owned commercial operations since the first publication of *Radio Times* in 1923. As well as the traditional activities of selling BBC programmes around the world and licensing merchandise associated with programme brands, BBC Worldwide has succeeded in obtaining more long-term value for licence payers' assets by creating channels in the UK and overseas. These are beginning to provide a new showcase for BBC programmes.

During 1997/98, BBC Worldwide launched six new channels, four new magazines and added over 1,000 hours of new television programmes to its catalogue.

It negotiated, with others in the BBC, the historic partnership with Discovery which is not only co-producing new BBC programmes but has also seen the launch of new channels – BBC America, Animal Planet and People & Arts.

It has launched, with Flextech plc, three new subscription channels, UK Horizons, UK Style and UK Arena, and relaunched UK Gold. These four UK channels have already begun to build up a growing audience share in cable and satellite homes, ensuring that the BBC plays a significant part in the multichannel revolution. BBC Worldwide's contribution is an asset to the licence payer, helping the Corporation to continue making programmes of the highest quality in the digital age.



Sir John Birt
Director-General of the BBC

BBC Worldwide awards 97/98



Teletubbies
Marketing Society Awards 1998
New Product of the Year

Teletubbies/Ragdoll Productions
RTS Programmes Awards 1997
Children's Entertainment Award
The Indies Awards for
Independent Television Productions
'The Nats' Children's Award

Teletubbies: Playing in the Rain
BBC Worldwide/Ragdoll Productions
24th Grand Prix, Japan Prize,
International Education
Programme Contest, Tokyo
Pre-school education category

Teletubbies plush toys
Golden Bear Products
British Association of Toy Retailers
Toy of the Year 1997/98

Teletubbies
Birmingham International Film
and Television Award
City of Birmingham Award

**Here Come the Teletubbies and
Dance With the Teletubbies**
Video Home Entertainment Awards
Programme Award (Children's
Category)



Polly Toynbee
Periodical Publishers' Association Awards
Editor of the Year, Consumer Magazines



BBC Homes & Antiques
Periodical Publishers'
Association Awards
Consumer Specialist
Magazine of the Year
Specialist Interest Monthly

BBC Worldwide

Video Home Entertainment Awards
Top British Retail Company
Video Home Entertainment Awards
Retail Marketing Award
(Children's Category)
The Talkies Awards
Spoken Word Publisher of the Year



Peter Loraine
(Editor of Top of the Pops magazine)
British Society of Magazine Editors
Editor of the Year (Consumer Specialist non-weekly)

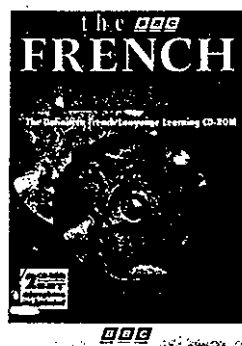


Spoonface Steinberg
The Talkies Awards
Talkie of the Year
Best Drama
Best Marketing Campaign

Dombey and Son
The Talkies Awards
Best Abridged Fiction Classic

An American Werewolf in London
The Talkies Awards
Best TV/Film adaptation

Captain Corelli's Mandolin
The Talkies Awards
Best Abridged Modern Fiction



The French Experience
British Interactive
Multimedia Awards
Life Long Learning Award
Pingu CD-ROM
IVCA Silver Award



Highlights of the year

With new partnerships and new products, this year has seen BBC Worldwide extend its activities and increase its strengths. The highlights of 1997/98 reflect a year of exciting developments across our different businesses.



Discovery partnership
March 1998 saw the signing of the deal for a wide-ranging global partnership with Discovery Communications Inc. This includes co-production funding for new programmes, the global roll-out of two international channels (Animal Planet and People & Arts) and the launch of BBC America, the BBC's own channel in the North American market.



Flextech plc

In April 1997 BBC Worldwide formed UKTV, a joint venture company with Flextech plc to produce subscription TV channels for the UK market. UK Horizons, UK Style, UK Arena and the relaunched UK Gold are already available, and more themed channels are under development.

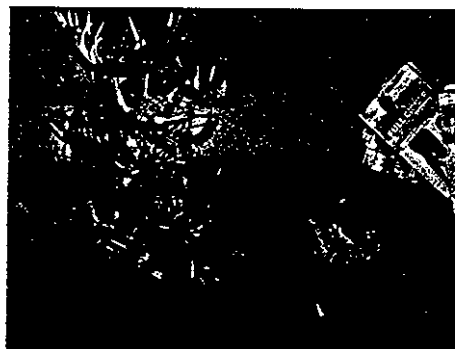


Noddy in Toyland

BBC Worldwide formed a venture with the Enid Blyton Company for *Noddy in Toyland*, a television co-production with Toronto-based Catalyst Entertainment Inc, intended specifically for the US market. BBC Worldwide will handle television and video distribution rights for the series outside North America while the Enid Blyton Company will develop merchandising agreements via their worldwide representatives. All parties will work together to develop worldwide publishing opportunities.

Magazines

Radio Times continues to be the UK's most successful magazine in terms of revenue from advertising and circulation, and *Top of the Pops* became the best-selling teen magazine. BBC Worldwide also launched four new magazines: *Teletubbies*, *BBC Family Life*, *BBC Tomorrow's World* and *BBC Good Homes*.



Publishing

Full Circle with Michael Palin lent itself perfectly to book, video and audio treatments. The book was particularly successful, with sales of over 440,000 copies.



Top-selling TV programmes
Teletubbies, BBC Worldwide's first global, cross-media property established under its new structure, marketed by the company in all international territories except the Americas, has been a phenomenal hit. The series, made by independent production company Ragdoll, was BBC Worldwide's most successful export during the year.

Tom Jones, produced in association with A&E in the US, was one of BBC Worldwide's best-sellers. The series is already licensed to Australia, Belgium, Finland, Greece, Hungary, Iceland, Israel, Malta, New Zealand, Poland, Portugal, Romania, Singapore, South Africa, Sweden and the Ukraine.

Full Circle with Michael Palin, the broadcaster and writer's epic adventure around the Pacific Rim, has been licensed to more than 25 broadcasters.

The Nazis – A Warning from History, the BBC's BAFTA and Emmy-winning documentary series, was co-produced with A&E and is now available to viewers in more than 25 countries around the world.



BBC Radio Collection (Audio)

BBC Radio Collection had a wealth of best-sellers, including Alan Bennett's *The Clothes They Stood Up In*, *Spoonface Steinberg* and the celebratory 75 Years at the BBC CD. American author Tom Wolfe also chose the Collection to launch his new novella, *Ambush at Fort Bragg*.



BBC World

BBC World, the international news and information channel, broadcasts to over 51 million homes in 187 countries and territories around the world. Live coverage of this year's major news stories included the hand-over of Hong Kong from Britain to China, the Indian elections, the funeral of Mother Teresa in Calcutta, and the funeral of Diana, Princess of Wales.



New Media

The year saw *beeb @ the BBC* launch eight commercial webzines: *Top Gear*; *beeb sport*; *Take Off!*; *Comedy Zone*; *Oil*; *RT Guide* (*Radio Times* online); *Top of the Pops*; and *BBC Shop*, all of which have been critically acclaimed. *beeb @ the BBC* is now one of the top UK entertainment internet sites, with page impressions reaching 3.5 million for March 1998.

Top-selling CD-ROMs included the *Wallace & Gromit Funpack*, which achieved sales of over 80,000 units in the UK. The *Noddy* CD-ROM was awarded the Bologna New Media Prize, the *Pingu* CD-ROM won the IVCA Silver Award and *The French Experience* language-learning CD-ROM won the BIMA award for Best Lifelong Learning Product.

Chief Executive's review

BBC Worldwide has decided to publish and widely distribute a comprehensive Annual Report and Accounts for the first time this year. My colleagues and I are proud of our business and the way in which it supports the BBC's public service objectives and generates cash to supplement the licence fee income of the BBC. We recognise the need to explain what we are doing.

The year to 31 March 1998 has been a landmark period for BBC Worldwide. We are growing faster than the market in all our key areas of activity and have delivered robust trading results, despite the adverse impact of a strong pound on our export businesses. To produce results of this sort on a regular basis, it is essential to have a steady stream of exceptional products, and top-class people and partners to take them to market. BBC Worldwide has both.

I am particularly proud of the extraordinary creativity and innovation shown by people at all levels in BBC Worldwide over the past year. For example, in this year BBC Worldwide launched:

- six new television channels with its partners (more than were previously launched in 75 years of the BBC) – UK Horizons, UK Style, UK Arena, Animal Planet Latin America, People & Arts Latin America and BBC America
- four major UK magazine titles – *BBC Family Life*, *BBC Tomorrow's World*, *BBC Good Homes* and *Teletubbies* – more than in any recent year
- eight CD-ROM titles – double the number launched in the previous year – and eight online sites in a totally new business activity for the group

- 120 book titles, 151 video titles and 126 audio titles
- a catalogue with an additional 1,000 hours of new television programmes.

I am also delighted with the response of our readers, viewers and listeners to this year's range of BBC media products. For example, 12 of our 23 magazine titles are either the first or the only title in their sector. The BBC's runaway children's hit, *Teletubbies*, won the Marketing Society award for New Product of the Year 1997, while the *Teletubbies* dolls were voted Toy of the Year by the British Association of Toy Retailers. Our creative record in the challenging CD-ROM market has been exceptional – *The French Experience* CD-ROM won the British Interactive Multimedia Award's Best Lifelong Learning Product.

Several top managers stood down in the past year. Most notably Bob Phillis resigned as Chief Executive of BBC Worldwide and Deputy Director-General of the BBC to become Chief Executive of the Guardian Media Group; Dick Emery, Chief Operating Officer, moved to become Chief Executive of UKTV; and Nicholas Chapman resigned as Managing Director, Publishing. They made an extraordinary contribution to the development of BBC Worldwide, and I would like to extend my personal thanks to each of them.

BBC Worldwide's trading results for 1997/98 were strong. Overall sales grew by 16 per cent in 1997/98, to £409 million. Our television programme distribution business grew by 19 per cent and BBC Worldwide continues to be Europe's largest exporter of television programmes, accounting for around 50 per cent of total UK television exports. Publishing revenues grew by 18 per cent, with particularly strong growth in our music business. We continue to invest in channels which we expect will deliver long-term cash and profit streams to the group.

Profits before tax more than doubled to £12 million. These profits are stated after net exceptional profits of £6.6 million arising as a result of the profit on sale of the shares in Flextech plc (received as part of the restructuring of UK Gold into the UKTV joint venture), offset in part by the debt write-offs associated with the acquisition of the other shareholders' interests in European Channel Management Limited and the costs of establishing the joint venture with Discovery.

BBC Worldwide's primary objective is to generate sustainable increasing cash flow which it can pass back to the BBC to benefit the licence payer. During the year BBC Worldwide generated £75 million of cash, an increase of 42 per cent on 1996/97.

We maintained our level of investment as a co-producer in BBC programmes at £50 million, while strengthening the balance sheet by reducing borrowing from £27 million at 31 March 1997 to £17 million at 31 March 1998.

While maintaining a strong trading performance, we have also taken some bold steps towards our goal of establishing BBC Worldwide as one of the leading multiple media businesses in the world.

Our agreement made in 1996 with Fujitsu ICL to launch a branded commercial Internet service has borne fruit this year: in 1997 we completed agreements with Flextech plc, leading to the launch of new television channels in the UK, and early in 1998 we agreed a ground-breaking international alliance with Discovery (see also Partnerships, page 19).

During the autumn of 1997 it became clear that, following changes in the strategic direction of both Pearson PLC and Cox Communications Inc, BBC Worldwide should take full control of the European Channel Management Limited (ECM) joint venture. ECM had been set up in January 1995 to manage the sales and marketing of BBC World and BBC Prime (BBC Worldwide's news and entertainment channels) in Europe. In March 1998 the company acquired the remaining 55 per cent shareholding in ECM and the remaining 25 per cent shareholding in European Channel Broadcasting Limited previously owned by its partners. We are now in the process of integrating the activities of these companies with those of BBC Worldwide to maximise the performance of the BBC World and BBC Prime channels in Europe.

Our vision of BBC Worldwide is as a leading multiple media company, serving the needs of selected communities of interest across several media. To achieve this ambitious goal, we have reorganised BBC Worldwide to create substantially greater market focus. Four regions have been created – the UK; the Americas; Europe, Middle East, Africa and India; and Asia Pacific – which bring together, for the first time, all BBC Worldwide's publishing, channels and television sales activities. Each region will be responsible for developing the most appropriate cross-media mix of products for its local markets.

To ensure that cross-regional opportunities are properly exploited, we have also created two central functions: first, a television sales and distribution activity that will co-ordinate BBC

Worldwide's investment into television programmes and provide sales support to regional teams; and, second, a division that will develop and market those BBC titles that have global cross-media potential. *Teletubbies* is our first example of such a brand – there will be many more.

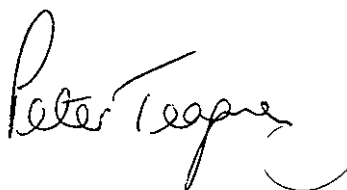
New Media and BBC World continue to be managed as separate businesses within the new organisation.

As a result of the unprecedented progress made over the past couple of years, BBC Worldwide is now entering an exciting and challenging period. There is good reason to look forward with optimism to the coming years:

- Rupert Gavin joins from BT as Chief Executive of BBC Worldwide in July 1998
- We are at the beginning of the digital revolution and well placed to exploit the opportunities it will create for new media products and services
- Our joint ventures with both Flextech and Discovery have started well and promise much.

However, we are far from complacent. Our objective must be to make BBC Worldwide the company that creative people, broadcasters, distributors and retailers most want to work with. We will increase the rate of growth in the business through ever greater market focus and the development and exploitation of branded properties around the world, developing them across different media where the market demands it. At the same time, we will focus hard on improving the efficiency of our business processes. The result, I believe, will be a quadrupling of the cash that BBC Worldwide returns to the BBC by 2006.

So I end this report with a heartfelt 'thank you' to all my colleagues in BBC Worldwide for the tremendous energy, enthusiasm, creativity and dedication they have shown and continue to show in driving the success of our business.



Peter Teague Chief Executive (Acting)
June 1998

Rupert Gavin (left)

Rupert Gavin is BBC Worldwide's new Chief Executive. He joins in July from British Telecom, where he has been Managing Director of its Consumer Division.

Rupert joined British Telecom in 1994 as Director of Internet and Multimedia Services and was instrumental in forming British Interactive Broadcasting. Previously he was Deputy Managing Director with the Dixons Stores Group. Working in marketing and advertising, he joined Sharps Advertising in 1976 as a copywriter and became a director at Saatchi and Saatchi following the sale of their advertising business to the group.

Rupert has combined a commercial career with a creative one. He has owned and overseen a West End production company since 1980 and was the theatrical producer of *An Evening With Gary Lineker* and this year's Olivier award winner, *Snowshow*, as well as writing lyrics for a number of leading rock acts.



The Board of BBC Worldwide Limited



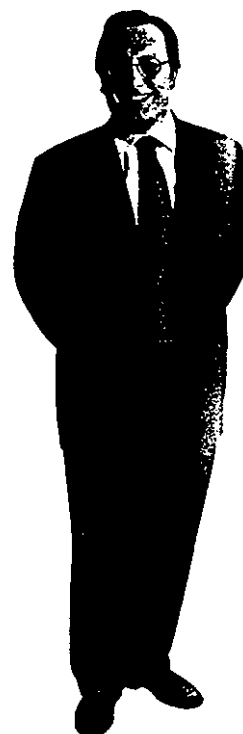
Peter Teague, BBC Worldwide's Director of Finance and Information Technology, is Acting Chief Executive of BBC Worldwide until Rupert Gavin takes up the post of Chief Executive on 1 July 1998. At that point Peter becomes Managing Director of the UK Region and Deputy Chief Executive. Peter, a qualified chartered accountant, joined BBC Worldwide in January 1997 from AT&T Unisource Communications Services. He began his career in 1976 at Peat Marwick Mitchell as an Audit Senior. After spending the majority of his post-qualification career in venture capital and corporate finance advisory roles, he joined ISTEEL in 1987 as Director, Finance.



Peter Phippen is BBC Worldwide's Managing Director, UK Region, with responsibility for magazine, book, video and spoken word publish and BBC Worldwide's television joint venture with Flextech. He joined IPC Magazines in 1982 as a graduate trainee, leaving five years later to join Magazines, as Marketing Director. From 1 July 1997 becomes President and Chief Executive Officer BBC Worldwide Americas Inc, to drive forward business throughout the Americas.



Mike Phillips is Director of the Rights Agency, which provides a link between BBC Worldwide and BBC programme makers in the exploitation of commercial rights and handles all BBC co-productions. Mike joined BBC Worldwide Television as Deputy Managing Director in June 1996 from his post as Managing Director of Thames Television. He was also a director of the Thames parent company, Pearson Television.



Mark Young is the Managing Director for BBC Worldwide's activities in Europe, the Middle East, Africa and India. He was appointed Finance Commercial Director in June 1994 and was Managing Director of BBC World until November 1997. Mark joined the BBC in 1993 as Chief Assistant to the Deputy Director-General. Prior to that, he was Head of Business Affairs at Independent Television News. He previously spent five years with the publishers, William Collins.



Jeff Taylor is BBC Worldwide's Director of Global Brand Development, the division which develops and markets properties with multiple media global potential. Jeff joined BBC Worldwide in February 1996 as Director of Consumer Publishing. He joined from Sony where he was European Marketing Manager for Consumer Video, responsible for Western and Eastern Europe.



Sam Younger took up his post as Managing Director, BBC World Service, in November 1994. He is responsible for BBC World Service's international radio broadcasts in 44 languages, listened to by 140 million people each week. Sam was Assistant Editor of Middle East International before joining BBC External Services, as a talks writer in 1979. His career with BBC World Service has included time as Director of Broadcasting, Controller Overseas Services, Head of the Arabic Service and Head of Current Affairs, World Service in English. Sam has been a director of BBC Worldwide since December 1995.



Jeremy Mayhew is BBC Worldwide's Director of New Media. Jeremy joined BBC Worldwide in 1995 as Director of Strategy & New Media Development. Jeremy joined from the BBC where he was Head of Strategy Development, Corporate Strategy, advising the Director-General and Board of Management on major policy and managerial issues. Previously, he was Special Adviser at the Departments of Trade & Industry and Social Security and was a consultant in the communications practice of Booz Allen & Hamilton. Jeremy has also worked as a producer on current affairs and documentary television programmes.

Carolyn Fairbairn is BBC Worldwide's Director of Strategy, devising strategies to maximise BBC Worldwide's commercial opportunities both in the UK market and in key territories around the world. Previously, Carolyn was a member of the Downing Street Policy Unit, with responsibility for policy development in health and social services. Prior to this she spent seven years working as a management consultant with McKinsey and Company, with a particular focus on the information technology and broadcasting sectors.



Publishing

During the year to 31 March 1998 BBC Worldwide made a great deal of progress in its publishing activities. Sales grew by 18 per cent to £257 million and operating profits increased by 16 per cent to £20.1 million.



UK magazines

One of the year's outstanding successes was the UK magazines business which is our largest publishing activity. For the fifth successive year, sales and profits grew substantially – by ten per cent and 13 per cent respectively. This increase in profits was achieved despite a record investment in the launch of new titles. With revenues of £130 million, and a stable of 23 titles, BBC Worldwide is the third-largest publisher of consumer magazines in the UK. During this year, 12 of these titles were rated first or the only title in their sector. All its magazines have been developed from and support BBC programmes and programme genres.

Radio Times, now over 75 years old, goes from strength to strength. It remains the UK's biggest magazine in terms of both advertising revenue and circulation: its weekly sales amount to 1.4 million. Its weekly readership is not only large, at four million, but is also extremely attractive to advertisers – over two in three readers are ABC1.

Peter Phippen, Managing Director, UK Region, says: "*Radio Times* is now more profitable than it has ever been. It has had a very good year and continues to dominate the listings sector as a whole, particularly the up-market end. Revenues grew and the brand was extended into different areas, including electronic publishing. *RT Guide* is one of the most visited of the BBC

commercial online sites, and probably the best electronic programme guide in the world!"

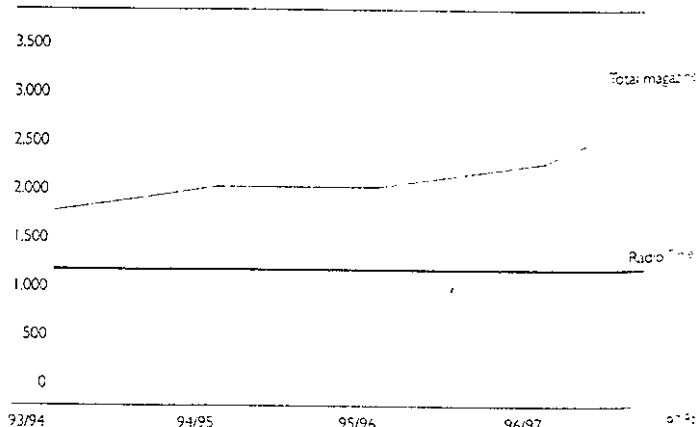
Magazines saw a number of other extremely strong performances. Notably, *BBC Gardeners' World*, which grew strongly in profits and leads the gardening market; *Top Gear*, which continues to perform well, and *Top of the Pops*, which overtook *Smash Hits* and recorded a circulation of over half a million. Another strong performer is *BBC Homes & Antiques*. During this year, its circulation rose to over 200,000, making it the best-selling up-market home interest magazine in the country. Meanwhile, the monthly *BBC Music* remains the world's best-selling classical music title.

BBC Worldwide is also by far the largest publisher of children's magazines in the country. *Toybox* was the best-selling pre-school magazine and *Live & Kicking* grew sales by 30 per cent.

BBC Worldwide launched four major monthly magazines during the year – *BBC Tomorrow's World*, *BBC Good Homes*, *Teletubbies* and *BBC Family Life*. Early indications for the first three titles are encouraging, but *BBC Family Life*, launched in October 1997, had a disappointing start, and will be repositioned in the coming year.

At the end of 1997/98, BBC Worldwide secured six nominations in the Periodical Publishers Association Award, subsequently winning two – Publisher of the Year for Gillian

UK magazines circulation 000's



1997/98 has been an excellent year for magazines with a 15% increase in circulation. In 1997/98 total magazines revenue grew at 10%. New launches in the year were *Teletubbies*, *BBC Family Life*,

BBC Good Homes and *BBC Tomorrow's World*. The closure of *BBC Clothes Show* brings the current BBC number of titles to 23.

Laskier, Director of Family Group, UK Region, and Consumer Specialist Magazine of the Year for *Top of the Pops*. Frontline, BBC Worldwide's magazine distribution joint venture, is the market's leading magazine distribution company and was cited by retailers as the best distributor.

UK Magazines is a highly successful business, with scope for many more magazine launches. As Peter Phippen says: "Our strategy will be to continue to publish best-selling magazines of the highest quality, fully in keeping with BBC brand values and reflecting well on the BBC, whatever markets we enter."

UK consumer publishing

UK consumer publishing includes all BBC Worldwide's UK video, book, audio and licensing businesses and is our second-largest publishing business. During 1997/98, UK consumer publishing launched 397 titles. One hundred and twenty books were published, concentrating particularly on non-fiction for adults, and fiction and non-fiction for children. The BBC Radio Collection label, the UK leader in audio publishing, launched 126 new titles during the year. Additionally, 151 new video titles were launched and some ten per cent of the video market was captured by BBC Worldwide, making us one of the top video distributors in the UK. Sales grew by 19 per cent to £82 million.

Consumer publishing's main goal in 1997/98 was to focus on building strong cross-media brands. The success of this approach is best illustrated by the *Teletubbies* phenomenon. Peter Phippen looks back at an astounding success: "*Teletubbies* was a massive hit across all media. It was numbers one and two in the video charts for many weeks, the books and cassettes were in their respective best-seller lists, the single reached number one in the pop charts, the magazine is promising to become the best-selling children's magazine in the country, and the merchandising was astonishingly successful last Christmas. Overall, *Teletubbies* contributed greatly to our profits." The characters also won the Marketing Society's New Product of the Year award.

The success of *Teletubbies* was by no means an isolated one: other notable cross-media successes included Michael Palin's *Full Circle* (a best-selling book with over 440,000 copies to its credit, plus 48,000 video and 17,000 audio tapes); *Wallace & Gromit* (books, video and merchandise); and *They Think It's All Over* (books and video).

Advances were made in mixed-media packs: *BBC Gardeners' World* magazine, for example, was sold with plant-specific books cover-mounted to the magazine, and branded videos and books were sold separately as well as together in packs. Another core consumer brand being developed is *Ready Steady Cook*.

Success in cross-media development has been made possible because last year, for the first time, rights acquisition and product development across media were co-ordinated within the organisation. Marketing managers, who focus on particular genres such as Lifestyle or Children, are now able to plan the development of a property across all media.

In addition to the success of other products, £2 million of UK sales were achieved for the *Diana – A Celebration* video. BBC Worldwide is donating all profits from this activity to the Diana, Princess of Wales Memorial Fund.

Other UK publishing activities

BBC Worldwide's successful joint venture with Haymarket – BBC Haymarket Exhibitions – had another good year, attracting some 750,000 visitors to events such as *Clothes Show Live* and the *Good Food Show*. The venture also developed three new shows in the last 18 months – *BBC Match of the Day Live*, *BBC Good Homes* and *Tomorrow's World Live*.

BBC Worldwide's UK best-sellers

Books

Palin's *Full Circle*
Fabulous Food
Les Flying Toast
Les Laa Laa's Ball
Les Tinky Winky's Bag
Think It's All Over

Videos

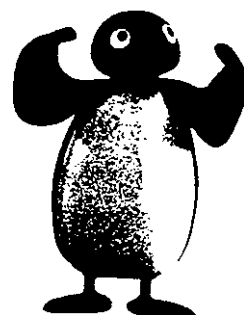
Here Come the Teletubbies
Dance With the Teletubbies
They Think It's All Over 2
Only Fools and Horses
Time on our hands
Absolutely Fabulous
Only Fools and Horses Heroes and Villains

Audio

Here Come the Teletubbies
Mansfield Park
Lord of the Rings
The Clothes They Stood Up In
Nation's Favourite Poems
Michael Palin's Full Circle

Licensed product

Wallace & Gromit
Teletubbies
Animal Hospital
Noddy
Top of the Pops
Pingu





Other ventures include Broadcasting Dataservices Ltd, a BBC Worldwide venture with the Independent Television Association, which is the UK's biggest electronic listings provider, supplying listings to many national and regional newspapers. BBC Worldwide's subscriptions management business, Galleon, relocated its customer services section to Sittingbourne in Kent, and has made substantial progress during the year, providing BBC Worldwide with important capabilities in database management.

Restructuring our UK publishing activities

The year saw a major restructuring of the UK publishing business into four market-facing cross-media businesses:

- *Radio Times*, audio and arts
- Lifestyle
- Motoring, sport and entertainment
- Family

This reorganisation brings together all BBC Worldwide's UK publishing activities and exhibitions within particular market sectors and targets particular types of consumer, which helps the company to acquire rights and build brands across media. This, in turn, will build maximum brand awareness of BBC publications and increase BBC market share within key sectors.

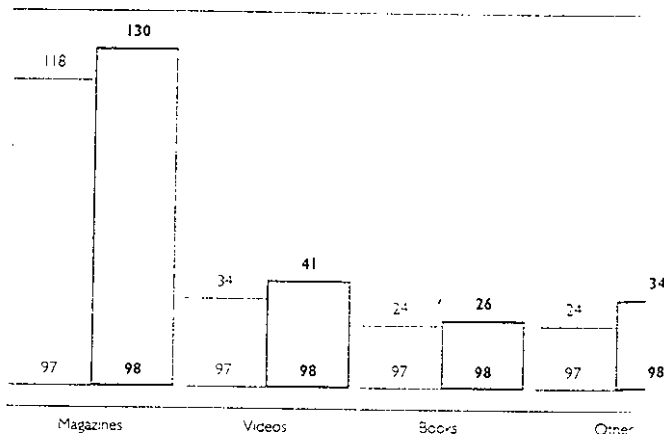
Commenting on future developments, Peter Phippen says: "We are investing significantly in rights to comedy series. We are looking for aggressive growth in our audio publishing, where we are already market leaders. We are planning other major cross-media projects, in tandem with the Global Brand Development team, such as *Walking with Dinosaurs* – a ground-breaking series with huge potential both in the UK and across the world."

International

During 1997/98, BBC Worldwide's international publishing operation included overseas sales and licensing of books, video, music, merchandise and BBC English and language-learning products. Sales fell by five per cent to £15 million, partly as a result of delays in bringing new English language product to market.

In addition to its success in the UK, the *Diana – A Celebration* video sold into 22 countries, generating additional sales of £1.4 million. BBC Worldwide is donating all profits from this

UK publishing sales £m



activity to the Diana, Princess of Wales Memorial Fund.

The International Publishing activities were incorporated into the market-facing regional businesses during the year. This will allow a clearer focus, as well as furthering the aim of building international cross-media brands and increasing market share in key territories.

Music publishing

Music sales grew more than five-fold to £6 million, particularly following the success of the *Teletubbies* single and album and the launch of a number of other new titles. Music performed particularly well, firstly in getting the agreement of the rights owners for the *Teletubbies* single and then in marketing it so successfully.

Learning

During 1997/98 BBC Worldwide refocused its business with the educational sector, achieving a modest increase in revenues of seven per cent to £10 million, but substantially improving profits. During the coming year the company expects to review the way in which it drives forward in this market.

New media

New media, the newest publishing area of BBC Worldwide, embraces its CD-ROM and online businesses. It also manages the Marketing Unit at BBC Monitoring, a niche provider of business information. As would be expected, new media is achieving high sales growth but is still incurring losses as we invest to build these businesses.

The period 1997/98 saw a doubling in the number of CD-ROM titles launched previously, with eight new titles. In just 12 months, BBC Multimedia has become one of the leading players in the UK children's/education market; in December 1997, for example, it was number one in the sector with four of the six top titles, and a market share of 15.4 per cent. Critical reaction to the products has been excellent: *The French Experience* won the British Interactive Multimedia Award as Best Lifelong Learning Product; *Pingu* won an IVCA Award; the *Wallace & Gromit Fun Pack*, launched the previous year, has now achieved UK sales of over 80,000 units and was the best-selling title in the utilities chart in 1997. Future plans include a CD-ROM linked to the television series *The Human Body*.

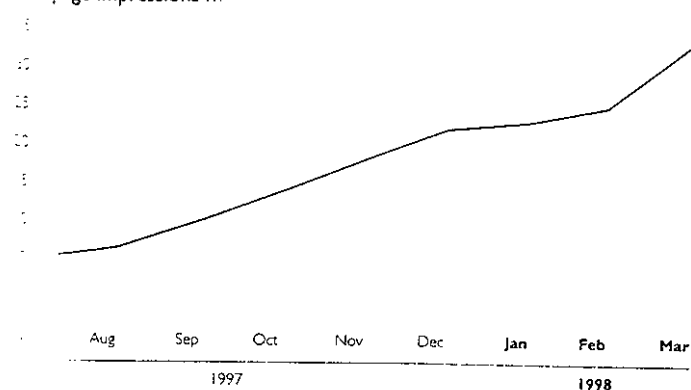
Over the last year, eight entertainment sites (including *Top Gear*, *RT Guide* and *Comedy Zone*), under the *beeb @ the BBC* brand, have been launched. *beeb @ the BBC* – created through BBC Worldwide's alliance with Fujitsu ICL – now ranks as one of the UK's leading entertainment sites, with 3.5 million page impressions per month.

BBC Worldwide Monitoring continued the task of managing the transition from hard copy to electronic publishing, delivering its products both via third-party hosts and direct to end users.

With new media businesses, BBC Worldwide is positioning itself to exploit the significant commercial opportunities created by the new digital and interactive technologies. Services and products are being developed which build upon the BBC's existing editorial base and extend brands created in other media. Financial risks, however, are being very carefully managed, given that this is a high-risk market.

1997/98 beeb traffic

Total page impressions m



Since July, beeb traffic has grown from 2.6 million page impressions per month to 3.5 million page impressions per month.

Figures do not include silicon or 'push' traffic. Estimated at 4.5m page impressions in March.

Programme distribution

BBC Worldwide increased its sales generated from the distribution of television programmes by 19 per cent to £126 million. Profits from this activity reduced by 36 per cent to £6.8 million as a result of a change in the level of the programme amortisation charge and the impact of the strength of sterling, particularly in key European markets.



During the year, more than 1,000 hours of new television programmes became available for distribution, adding to an already extensive catalogue. Global best-sellers included the documentary series *Full Circle with Michael Palin* and *The Nazis: A Warning from History*; BBC Wildlife Specials, such as *Great White Shark*; the natural history series *Land of the Tiger*; contemporary drama series *This Life* and *Silent Witness*; the dramatisation of the classic Henry Fielding novel *Tom Jones*; and, inevitably, the much-talked-about children's series, *Teletubbies*.

The catalogue contains some 15,000 hours of programming, ranging from major series to library footage, and including more than 2,500 hours made by independent production companies.

International programme sales

BBC Worldwide is the largest (non-US) English-language programme exporter in the world, and continues to be Europe's largest exporter of television programmes, with international sales of over £90 million in 1997/98, an increase of seven per cent on the previous year. In total, some 31,431 hours of programming were licensed to 317 broadcasting organisations in 70 countries (excluding US). This represents an increase of ten per cent on the previous year. Reviewing the results by region:

Asia Pacific

In Australasia access to the right drama and entertainment product to service key customers remains critical. *This Life*, *Ballykissangel* and *Our Mutual Friend*, for example, proved particularly popular in both Australia and New Zealand.

In Asia there was further growth, despite both the strength of sterling and the Asian financial crisis. The year 1996/97 represented a landmark for Asia in terms of sales growth, 72 per cent on 1995/96. Further growth of 11 per cent in 1997/98 has resulted from high-volume, low unit value sales across the region.

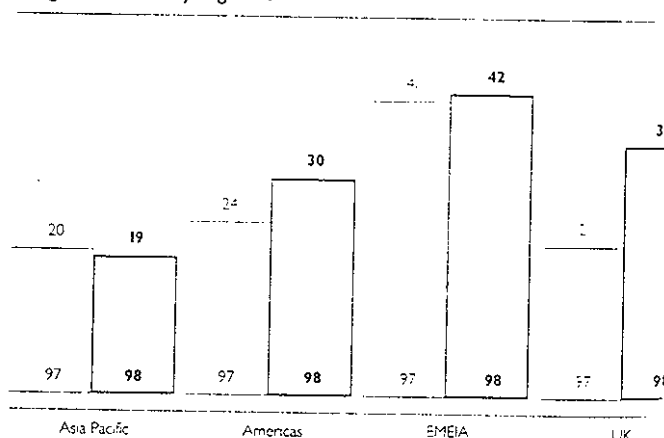
The Americas

The Americas saw a very steep sales growth last year and delivered further growth this year of 25 per cent. Overheads were reduced following a restructuring implemented early in the year. The programming joint venture with Discovery was established in March, and in anticipation of this, some of BBC Worldwide's larger customers increased their programme acquisitions. The region now looks forward to a period of consolidation.

David Vine
Managing Director of
the Asia Pacific region



Programme sales by region £m





Our Mutual Friend

Europe, Middle East, India and Africa (EMEIA)

Sales in 1997/98 exceeded those of the previous year, up from £41 million to £42 million despite the adverse effect of the exchange rate, which reduced turnover by some £2 million. The impact of the strong pound was felt most in the French and German markets but, despite the exchange rate fluctuations, the business showed continuing growth.

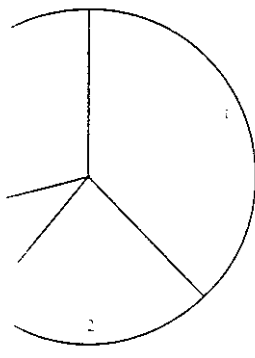
Specialist sales

The Specialist Sales division which sells programme formats, sports programming and library footage worldwide and contains a number of specialist units, including Audiocall (telephone line services) and In-flight (sales to airlines) enjoyed a strong year. Total sales increased from £14 million to £15 million.

UK programme sales

Largely as a result of the launch of the joint venture channels with Fiixtech plc and the relaunch of UK Gold, sales in the UK rose by over 50 per cent to £35 million with a similar rise in profits. This has been an exceptional period as the new channels bought a substantial stock of programmes.

1998 International television sales by genre



Factual	38%
Drama	23%
Entertainment	10%
Others	29%

Top selling international television programmes
Teletubbies (Below middle)
BBC Wildlife Specials
Tom Jones (Below far right)
Land of the Tiger (Below)
Eyewitness III



Channels

BBC Worldwide, on its own or with partners, is involved in a number of channel ventures around the world. These channels are delivered through cable and/or satellite and are financed by subscription and advertising revenue, BBC Worldwide's partners and BBC Worldwide.



All sales to these channels from the BBC's public service activities are on a commercial arm's length basis and subject to review through the BBC's Fair Trading framework.

Wholly owned channels

Channel activities showed a reduction in revenues of 14 per cent to £26.3 million primarily as a result of the closure of BBC Worldwide's Arabic-language television channel in 1996/97.

Losses sustained in channel activities increased by £1.4 million to £20 million as investment continues in BBC World and BBC Prime. Losses were also incurred in terminating a contract to supply a Hindi news service to an Indian broadcaster.

BBC World

The BBC's international 24-hour news and information channel, wholly owned by BBC Worldwide, is distributed to 52 million homes, up 25 per cent on a year ago, in 187 countries and territories around the world. The channel's largest audiences are in Europe, where it can be seen in more than 33 million homes and where the audience has increased by 50 per cent in the last year, and in South Asia, where it can be viewed in around ten million homes. News programmes from BBC World are also supplied to airlines, including British Airways and Cathay Pacific.

Developments during the year include the production of four BBC World News bulletins each day for the new BBC America channel, giving exposure to BBC World in the last major region of the world not hitherto covered. During its first year of transmission to Latin America, BBC World achieved 50 per cent more than its target distribution figure. Advertising sales increased globally, with particular success in Australia and East Asia, where advertising was introduced for the first time.

Overall, 1997/98 has been an encouraging year in difficult conditions: distribution, audience figures and advertising income are growing, and plans to secure 24-hour distribution in the US will complete BBC World's global coverage and strengthen its position in Japan and Asia.

BBC Prime

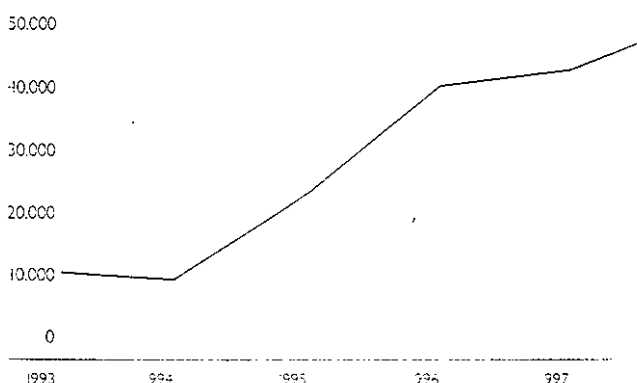
BBC Prime is the BBC's 24-hour encrypted entertainment channel, offering nearly six million subscribers in continental Europe the best of the BBC's programmes. BBC Prime is available via cable and satellite, digitally simulcast with BBC World on Eutelsat II F1. The latest European Media & Marketing Survey shows that BBC Prime is among the fastest-growing channels in terms of weekly viewership, with an increase of 53 per cent. BBC Prime has increased its monthly viewership, year on year, from

Patrick Cross
Managing Director
of BBC World



BBC World distribution growth 1993-1998

Number of 24 hour homes '000's



Distribution has grown by 25% to 52m households, beating the target of 50m households. Growth has been especially strong in Europe, Latin America and East Asia.

3.9 per cent to 5.1 per cent. Distribution has also increased by 20 per cent since last year, with over one million new subscribers.

BBC America

BBC America is the BBC's first wholly owned channel in the US, and is marketed and distributed by Discovery Communications Inc. It launched on 29 March 1998, with a 24-hour schedule of the best of BBC drama, entertainment and news. The channel has already received an extremely positive response. It is now available to 250,000 homes in the USA through digital distribution. Meanwhile, the Internet site – www.bbcamerica.com – received more than 200,000 hits in the channel's first week alone.

Realistically, it will take time to gain distribution, but it is already clear that the BBC and Discovery are powerful allies in this most competitive television market.

Joint venture channels

UK.TV (Australia)

This general entertainment subscription channel for the Australian market is a partnership between BBC Worldwide, Pearson plc and FOXTEL. BBC Worldwide has a 20 per cent interest in this venture. It was launched in 1996 and achieved a reach of 200,000 homes in its first year and has doubled revenue over the last year – a fantastic performance against other competitors. UKTV is the most popular channel of its type in that marketplace.

UKTV (BBC/Flextech channels in the UK)

In April 1997 BBC Worldwide and Flextech plc created a joint venture to produce and distribute commercial television channels for the UK market (see Partnerships, page 19). These channels are marketed under the umbrella title UKTV, and BBC Worldwide and Flextech plc are equal shareholders in the venture. The channels receive no investment or income from the BBC licence fee.

Three new television channels were launched in November 1997: UK Horizons, offering award-winning science and factual programming; UK Style, a lifestyle and leisure channel; and UK Arena, a music and arts channel. UK Gold was relaunched on 5 October 1997, with a revitalised schedule which draws extensively on the BBC's drama and comedy programming.

The channels are available to cable subscribers (UK Horizons and UK Gold are also on satellite) and are funded by a combination of subscription and advertising income. UK Gold is available in 90 per cent of cable and 100 per cent of satellite homes. The three new channels are available in 38 per cent of cable homes, with UK Horizons additionally available in 72 per cent of satellite homes.

UK Style has performed ahead of plan and has shown a steady increase across the period. UK Gold has been picking up significantly since Christmas, following the introduction of new schedules. Distribution is improving and viewers have provided positive feedback. UK Horizons' success in ratings made it the obvious choice also to be distributed by satellite once there was the opportunity to do so. The priority for the coming year will be to increase distribution of the channels in all metropolitan areas and to be on all platforms when we go digital in the autumn. A music channel is currently in development.

Animal Planet and People & Arts

(BBC/Discovery international channels)

The partnership with Discovery is currently developing two global channel concepts, Animal Planet and People & Arts, in which both partners hold a 50 per cent interest outside the USA.

Animal Planet, which offers entirely animal-centred programming, is already a successful channel in the US, where it is established in 37 million homes and within which BBC Worldwide now has a 20 per cent interest. People & Arts is built around a broad range of documentary and information programming, including the *Rough Guide* travel series, *Timewatch* and *American Visions*. People & Arts, launched in Spanish in Latin America in October 1997, already has 5.9 million subscribers. The channel also launched in Portuguese in Brazil in March 1998.

Animal Planet

All animals all the time. Animal Planet brings together people of all ages to celebrate our fascination with the world of animals and to tap into the global appetite for natural history programming.



Global brands

In the growing international media markets, BBC programmes can, if properly managed, generate attractive returns. BBC Worldwide has therefore set out to develop the BBC's top programme titles as international brands.



This requires a new market approach and organisation, so BBC Worldwide has created a new division, Global Brand Development, which will identify and develop key BBC properties with genuine cross-media potential.

Currently, BBC Worldwide derives more than half of its sales revenue and profits from the UK. The role of Global Brand Development will be to replicate success at home by building equally strong relationships with overseas audiences. It can do this by using BBC Worldwide's first-rate knowledge and skill base, and, of course, the powerhouse of BBC programmes – brands that are loved the world over.

Global Brand Development will provide the regional market-facing units with a range of innovative, top-quality media products based around hit brands, which they can then adapt to their specific markets. By getting the timing right, overseas viewers enchanted by the latest David Attenborough series on television will immediately find the book, the video and the educational CD-ROM in their local shops. Currently the *Top of the Pops*, programme for example, is proving popular in Germany, Australia and Japan.

Over time, BBC Worldwide's aim is to develop a world-class portfolio of programme brands that rivals those of Disney or Time Warner. These will be the flag-bearers for the best of the

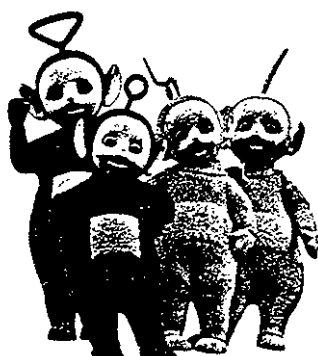
BBC in world markets – and a source of huge commercial value for the BBC as a whole.

Global Brand Development is charged with developing our relationships with both BBC and independent producers, understanding their needs, and providing them with up-to-date information on the markets' commercial requirements.

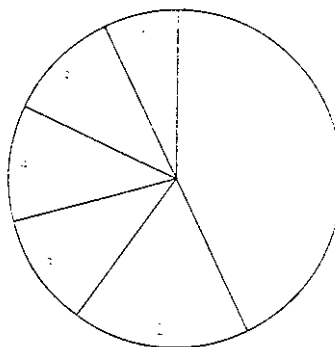
Global properties will be developed in partnership with programme makers, where there is potential to develop long-term value across different medias and markets.

Teletubbies

The success of Dipsy, Laa Laa, Po and Tinky Winky in the UK has been phenomenal. They have also been winning fans all over the world, wherever the programme and Teletubbies merchandise have been launched.



Teletubbies income



Teletubbies represents BBC Worldwide's first fully co-ordinated development of a property across a media around the world.*

Note: Merchandising income represents royalties to BBC Worldwide.

* Figures exclude the Americas where Teletubbies has been licensed under a separate agreement to Ragdoll Productions.

- Video
- Merchandising
- Programme distribution
- Music and audio
- Books
- Magazines

Total value

45%

10%

Partnerships

For many years BBC Worldwide has worked through partnerships with other companies. During 1997/98 BBC Worldwide has added significantly to its existing partnerships.



Discovery Communications Inc

BBC Worldwide and Discovery were in negotiation for much of 1997/98 to establish a powerful, wide-ranging global partnership. On 19 March 1998, after two years of intensive negotiations, the agreement was signed.

The global alliance will create joint ventures to produce and commission factual programmes, to create and distribute quality factual television channels and to launch a BBC-branded channel in the US, showcasing the best of BBC's programmes. The BBC has no liability for funding the joint ventures with Discovery, but contributes programme strengths and its reputation as a high-quality public service broadcaster.

In anticipation of reaching a formal agreement and in recognition of the need to move into appropriate markets during the year, the joint venture moved ahead with a number of key projects, including co-production of a planned £19 million worth of factual programming for North America, and the launch into Latin America of two global channel concepts, Animal Planet and People & Arts. Now that the agreement is signed, the channels will be rolled out in key territories around the world. Launched ten days after the signing of the agreement, BBC America is the BBC's first wholly owned channel in the US (see also Channels, page 16).

Flextech plc

On 25 April 1997 BBC Worldwide and Flextech plc completed legal agreements for the establishment of the UKTV joint venture, providing pay-TV channels designed for the UK satellite, cable and digital markets. The joint venture is based at Flextech's London offices in Great Portland Street, with day-to-day management supervised by a joint venture board, consisting of equal numbers of BBC and Flextech executives.

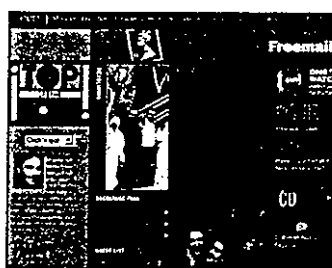
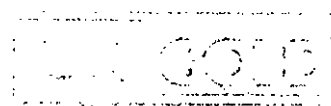
Under the agreement, the BBC creates and retains editorial control of the channel programming to the joint venture. Flextech funds the development of the channels and is responsible for providing distribution, airtime sales, off-air marketing and management services. The agreement provides BBC Worldwide with separate income flows – from programme supply and a share in future dividends – and should create significant assets for the BBC in future.

The launch of the UKTV channels has demonstrated the success of partnerships, not just with Flextech, but with the rest of the BBC. One of the most exciting aspects of the way in which the new channels are operated is that they draw on expertise from BBC Broadcast, as well as allowing BBC Broadcast staff to acquire greater experience of the commercial environment.

Fujitsu ICL

In August 1996, BBC Worldwide formed a relationship with ICL (and its parent company Fujitsu) to develop a commercial Internet service. ICL brings to the alliance important technology skills and financial resources and BBC Worldwide provides creative and editorial expertise. The period 1997/98 saw the launch of eight entertainment sites operating under the brand *beeb @ the BBC*, which can be found at www.beeb.com.

The site includes *Top Gear* (cars and motor sport), *Comedy Zone*, *beeb sport* (sports news, comment and results), *Oil* (online chat with opportunities to talk direct to stars such as Julian Clary and Clive Anderson), *Top of the Pops* and the *BBC Shop Online*. With 3.5 million page impressions per month, *beeb @ the BBC* now ranks fifth among UK entertainment sites.



Financial review

During the year, BBC Worldwide increased both revenues and profits. Turnover increased by 16 per cent to £409 million and profit before tax more than doubled to £14 million.

Trading results

Profit before tax more than doubled to £14 million, however operating profit fell from a £5 million profit to a £7 million loss. This was due primarily to a change in the amortisation profile of programme investments, the strength of sterling and exceptional trading costs relating to the Discovery joint venture and European Channel Management Limited.

Publishing had an excellent year with an 18 per cent increase in sales and a 16 per cent increase in operating profits.

Programme hours sold increased by 10 per cent to 31,431 hours. Television programme sales increased by 19 per cent to £126 million. Profits fell by 36 per cent to £7 million due to an increased amortisation charge and the impact of the strong pound, particularly in Europe. In those countries where we bill in local currency the strong pound is estimated to have reduced our overseas revenue growth by £5 million and reduced profit growth by an estimated £3 million.

Revenue from Channels fell by 14 per cent to £26 million partly due to the closure of the Arabic channel. Losses increased by 7 per cent to £20 million.

Taxation and earnings

The tax charge of £8.5 million (72 per cent of profit) includes £2 million of charges in respect of deferred tax and overseas taxes relating to prior years. The adjusted tax charge of £6.5 million (55 per cent) compares to a reported £3 million (65 per cent) in 1996/97.

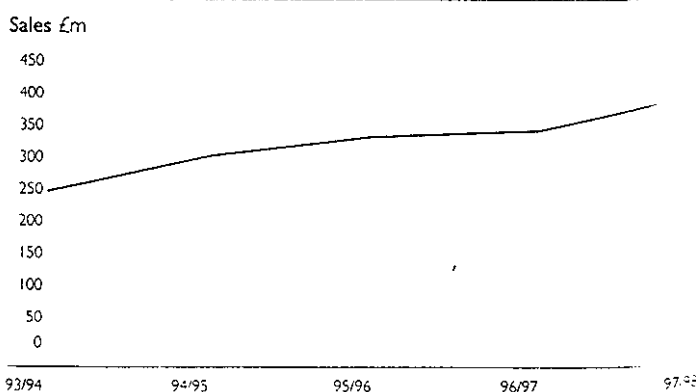
BBC Worldwide does not propose a dividend, retaining its reserves to fund further expansion.

Exceptional items

The £14 million profit before tax includes the following exceptional items:

	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 Ltd	(9)
Profit on sale of Flextech shares	21
	£7m

BBC Worldwide sales history



Over the last five years BBC Worldwide's sales have grown by 12 per cent per annum to £409 million.

Cash flow

Cash flow available to the BBC increased from £53 million to £75 million for the year.

Borrowings, net of cash balances, at 31 March 1998 are £4 million compared to £19 million last year.

Cash flow from operations increased by £10 million to £62 million. The following table reconciles operating cash flow to BBC Cash flow:

	1998 £m	1997 £m
Operating cash flow	62	52
Net proceeds from share sale	21	5
Rights Archive payable to BBC	7	6
Increase in BBC indebtedness	(2)	-
Cash co-productions	3	14
Investment in non-BBC assets	(9)	(18)
External interest and tax	(7)	(6)
BBC cash flow	75	53

1996/97 was a record year for co-production, and included a large number of high value deals. 1997/98 by comparison is disappointing, but reflects the variable nature of this type of activity.

Debt structure and treasury policy

The business' year-end debt has been reduced by £10 million to £17 million and consists of a loan owed to the BBC. The loan is not repayable before April 1999 and bears interest at one per cent over bank base rate.

Thirty-three per cent 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 minimise the exchange losses incurred on its foreign currency transactions. BBC Worldwide takes a risk-averse approach to the management of foreign exchange, including the hedging of risk by entering into forward exchange contracts.

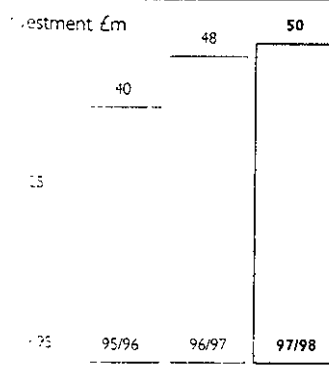
Capital expenditure

Capital expenditure on tangible fixed assets was £3.7 million in the year, down £0.4 million on 1996/97.

Programme investments

BBC Worldwide invested £55 million in programmes (£50 million

BBC Worldwide programme investment with BBC



in BBC programmes) in 1997/98. Amortisation was £11 million higher than the previous year largely due to the write down of a number of programme investments to reflect the programme sale life cycle. Investment in BBC programmes has grown by 26 per cent per annum since 1994/95.

Acquisitions

During the year, BBC Worldwide acquired the remaining 25 per cent of the shares of European Channel Broadcasting Ltd and the remaining 55 per cent of the shares of European Channel Management Ltd from Pearson plc and Cox Communications. These companies had formed the joint venture operation to distribute the BBC World and BBC Prime channels in Europe.

BBC Worldwide also acquired the remaining 50 per cent of two businesses – Galleon Ltd, our subscriptions management business, and BBC Audio International Ltd which exploits the BBC classical music archive.

Disposals

On 25 April 1997, the group disposed of its entire shareholding in UK Gold Television Ltd. The shares were acquired by Flextech plc in exchange for the issue of 5,443,548 new ordinary shares in Flextech plc. On 26 June 1997, 3,832,395 of these shares were sold for £20.7 million net of expenses.

Twenty-five per cent of the shares of Broadcasting Dataservices Ltd were sold, reducing our shareholding to 75 per cent. This business is a venture with the Independent Television Association supplying television programme listings to national and regional newspapers.

Discovery Communications Inc

On 19 March 1998 BBC Worldwide Americas Inc. signed a number of joint venture agreements with Discovery.

Discovery has committed to providing \$175 million co-production funding over the next five years for BBC factual programming.

Discovery is also assisting the BBC in the launch of a wholly owned channel, BBC America, which launched on 29 March 1998.

The BBC and Discovery will also be launching jointly owned factual channels around the world. Animal Planet and People & Arts were launched in Latin America in October 1997.

Flextech plc

In November 1997, three new channels were launched – UK Horizons, UK Arena and UK Style – and UK Gold was relaunched as part of the UKTV PayTV offering from the BBC/Flextech joint venture.

Revenues of £17.5 million have been earned in the form of programme licensing income. Revenues and profits are in line with expectations.

David King

Finance and IT Director
(Acting)

BBC's fair trading commitment

As the BBC's commercial arm, BBC Worldwide exists to make maximum use of the BBC's programme and other assets on behalf of the licence payer. BBC Worldwide generates funds for reinvestment in core public service programming and extends BBC services in ways which offer convenience to viewers and listeners.

In performing its commercial role, BBC Worldwide is fully subject both to British and European competition law in the same way as any other company.

However, because the BBC recognises the need for particular stringency, given its status as a publicly funded organisation, it subjects its commercial activities to regulation which goes beyond these statutory requirements. BBC Worldwide is therefore also subject to the BBC's Fair Trading Commitment.

The Fair Trading Commitment requires BBC Worldwide to:

- engage in activities which are commensurate with the BBC's role as a public broadcaster and which reflect the same values as our main services. BBC Worldwide's businesses must extend audience enjoyment of, and interest in, BBC programmes, and provide new ways of delivering the BBC's creative skills and output around the world
- compete fairly in the markets in which it operates. It must not subsidise its activities using licence payers' funds, and must operate at arm's length from the rest of the BBC, paying fair prices for all the inputs it receives from the rest of the BBC
- ensure that licence payers' funds are not put at risk by any of its businesses.

BBC Worldwide's compliance with the Fair Trading Commitment and with wider competition law is continuously monitored by the BBC Governors, and is subject to independent audit by the international auditors KPMG.

The BBC Governors and KPMG publish separate annual assessments of compliance with the Fair Trading Commitment in the BBC's Annual Report and Accounts.

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 1998. Details of the principal activities and the development of the business of the BBC Worldwide Limited group during the year, and likely further developments, are given in the operational review on pages 10 to 19 of the Annual Report.

Results and dividend

The consolidated profit after taxation and minority interests for the year was £3.2 million (1996/97: £1.6 million). The directors do not recommend the payment of a dividend (1996/97: £ nil).

Significant acquisitions and disposals

During the year BBC Worldwide acquired/(disposed) of the following:

Investment	% Acquired/ (Disposed)	Consideration
Audio International Limited	50%	£1.5m
Galleon Limited	50%	nominal
Broadcasting Dataservices Limited	(25%)	nominal
European Channel Management Limited	55%	nominal
European Channel Broadcasting Limited	25%	nominal

On 25 April 1997, BBC Worldwide (Investments) Limited disposed of its entire shareholding in UK Gold Television Limited. The shares were acquired by Flextech plc in exchange for the issue to BBC Worldwide (Investments) Limited of 5,443,548 new ordinary shares in Flextech plc. The new shares received by BBC Worldwide (Investments) Limited are quoted on the London Stock Exchange. On 26 June 1997 3,832,395 of these shares were sold for £20.7 million net of expenses. The remaining 1,611,153 shares were sold on 28 May 1998 for £8.4 million.

Transactions with related parties

Details of transactions with related parties, which are reportable under FRS 8, are given in note 28 to the accounts on page 40.

Directors

The directors who served during the year were:

R W Phillis	(Chief Executive Officer 'CEO') (resigned 30 November 1997)
N J Chapman	(resigned 31 July 1997)
R J Emery	(Acting CEO from 1 December 1997) (resigned 31 March 1998)
C Fairbairn	(appointed 1 July 1997)
M J Phillips	
P S Phippen	(appointed 1 July 1997)
J P Mayhew	(appointed 1 July 1997)
J E Taylor	(appointed 1 July 1997)
P R Teague	Chief Executive (Acting) from 1 April 1998
M C Young	
J S Younger	

Rupert Gavin joins BBC Worldwide as Chief Executive from 1 July 1998.

Directors' interests

No director had any interest in the share capital of the company at 1 April 1997 or 31 March 1998. According to the register of directors' interests, 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 1998 were equivalent to 32 days (1996/97: 37 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

Regular meetings are held with the recognised trade unions BECTU and NUJ. During the year a two-way consultative body between BBC management and employees was established. Known as the BBC Forum, this initiative enables elected individuals to put forward the views of BBC 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.

Internal communication and employee participation are described in the Organisation and Management section of the Director-General's Review in the BBC's financial statements, BBC Worldwide's parent undertaking.

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 fairly represents the UK population as far as possible and are supported by a number of equal opportunities 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, whether registered as such or not, are fully and fairly considered for vacancies arising within BBC Worldwide and are given equal opportunities with other staff 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

During the year the group paid, net of taxes under gift aid, £2.2 million to the Diana, Princess of Wales Memorial Fund, representing the net proceeds from sales of programmes and other materials resulting from the death of Diana, Princess of Wales. Further donations to this fund are likely to be made in the coming year.

BBC Worldwide does not make political donations.

The Environment

BBC Worldwide does not operate in industries where there is potential for serious industrial pollution. We recognise our responsibility and take steps to control and minimise any damage our business may cause to the environment.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

J Holder Company Secretary



Registered Office:
Woodlands,
80 Wood Lane,
London W12 0TT

22 June 1998

Corporate Governance

BBC Worldwide's commitment

The BBC has an obligation under its Charter to demonstrate high standards of corporate governance. Both the BBC and BBC Worldwide therefore comply voluntarily with the Cadbury Committee Report on Corporate Governance ('the Code'), which is now incorporated in paragraphs 12.43 (j) 'Financial Aspects of Corporate Governance' and 12.43 (v) 'Going Concern' of the Listing Rules of the London Stock Exchange.

The directors consider that, with the exception of the requirements relating to shareholders, the Code may be applied to BBC Worldwide. As a wholly owned subsidiary of the BBC, BBC Worldwide is not accountable to external shareholders, but to the BBC, which in turn is accountable to the public through the stewardship of the Governors.

However, the directors consider that BBC Worldwide should comply with the Code in a manner which is common practice for a subsidiary whose parent is complying with the Code. The directors do not consider it appropriate for BBC Worldwide to have non-executive directors or separate Remuneration and Audit Committees from those established by the BBC.

Directors' statement on compliance with the Cadbury Code of Best Practice

The directors have reviewed the company's compliance with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance. The directors believe that during the financial year the company complied with the Code, insofar as it is relevant to its structure, with the exception of the matter of non-executive directors described below.

Non-executive Directors

BBC Worldwide has no 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 Corporation, and act as trustees for the public interest.

Board of Directors

Details of the Board of Directors are shown on page 23. Details of the composition and main responsibilities of the subcommittees of the Board of Governors of the BBC that are relevant to BBC Worldwide are set out below.

Remuneration Committee

The BBC's Remuneration Committee has responsibility for recommending executive remuneration policy to the Board of Governors, including the remuneration package for BBC Worldwide's CEO. The CEO determines the remuneration package for the rest of the BBC Worldwide Board of Directors. Details of the remuneration of the directors are shown in note 7 to the financial statements on page 35.

Audit Committee

BBC Worldwide has a formally constituted Internal Control Committee (ICC), comprising the Board of Directors and the head of BBC Internal Audit, which is charged with reviewing the effectiveness of BBC Worldwide's internal financial control environment. The ICC meets regularly to consider, *inter alia*, reports from internal and external auditors and reports to the BBC's Audit Committee.

Matters relating to BBC Worldwide are also considered by the BBC's Audit Committee. 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 workplan; considering issues arising from Internal Audit's work; reviewing the quality of management's responses 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.

Internal financial control

The Board of Directors has overall responsibility for BBC Worldwide's system of internal financial controls, which it exercises through an organisational structure with clearly defined levels of responsibility and authority, and appropriate reporting procedures. The main elements of these internal controls are set out below.

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 the previous year, with corrective action taken by the directors as appropriate.

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 company 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.

The directors have reviewed the effectiveness of the system of internal financial control. The company's system of internal financial control is designed to provide reasonable assurance against material misstatement or loss. However, it should be recognised that no system of internal financial control can provide absolute assurance against material misstatement or loss.

The millennium issue

The millennium issue is the threat posed by computer based systems that do not properly recognise the date 2000 as valid. The issue affects all businesses across the world, and BBC Worldwide is no exception. In 1997 the BBC (including BBC Worldwide) set up a project team to address the millennium issue by assessing the risks of different types of broadcasting, financial or property equipment failing to operate and by identifying the highest priorities for remedial work. The assessment stage is now substantially complete, and remedial work is under way to ensure, as far as practical, that the BBC is able to broadcast and continue operating from 1 January 2000.

BBC Worldwide has estimated that the costs of ensuring compliance will be in the order of £2 million. Expenditure is normally charged to the profit and loss account except where remediation results in an enhancement to a fixed asset in which case the costs are depreciated over the useful life of the asset.

European Monetary Union

Management are actively assessing the operational and systems implications of the planned introduction of European Monetary Union, and are engaged in a project to ensure that the relevant computer systems used by the company can deal satisfactorily with the invoicing and reporting demands of the new currency.

Going concern

After making enquiries, the directors have the expectation that BBC Worldwide has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

**Review report by KPMG to BBC Worldwide Limited
on corporate governance matters**

In addition to our audit of the financial statements, we have been instructed by the Board of Directors to review their corporate governance statement as if BBC Worldwide was required to comply with the Listing Rules of the London Stock Exchange in relation to these matters in so far as the Rules are relevant to the company's structure. Accordingly, we have reviewed the directors' statements on pages 24 and 25 on the company's compliance with the Listing Rules 12.43 (j), on the financial aspects of corporate governance, and 12.43 (v), on the directors' adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review having regard to guidance issued by the Auditing Practices Board. This guidance does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of either the company's system of internal financial control or the corporate governance procedures, or on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern on page 25, in our opinion the directors have provided the disclosures required and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 24 and 25 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.



Chartered Accountants
London

A handwritten signature in black ink, appearing to be 'K. M. G.' or similar, written over the printed name 'KPMG'.

22 June 1998

A handwritten signature in black ink, appearing to be 'K. M. G.' or similar, written over the printed name 'KPMG'.

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 28 to 40.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 the group'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 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 1998 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

22 June 1998

Consolidated profit and loss account

For the year ended 31 March	Note	1998 £m	1997 £m
Turnover	2	408.9	353.8
Cost of sales		(274.8)	(243.2)
Gross profit		134.1	110.6
Distribution costs	3	(106.3)	(75.0)
Administrative expenses	3	(35.6)	(31.5)
Income from interests in associated undertakings		0.6	1.1
Operating (loss)/profit		(7.2)	5.2
Profit on sale of investments	4	20.7	1.4
Interest receivable	2	13.5	6.6
Interest payable	5	0.5	0.3
		(2.2)	(2.3)
Profit on ordinary activities before taxation	6	11.8	4.6
Tax on profit on ordinary activities	8	(8.5)	(3.0)
Profit on ordinary activities after taxation		3.3	1.6
Equity minority interests		(0.1)	—
Retained profit for the financial year	21	3.2	1.6

The above results are derived from continuing operations.

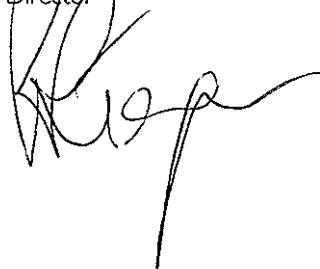
Consolidated balance sheet

As at 31 March	Note	1998 £m	1997 £m
Fixed assets			
Tangible assets	9	8.4	9.4
Investment in programmes for future sale	12	85.3	84.8
Interests in associated undertakings	13	0.1	(0.2)
Other investments	14	—	0.8
		93.8	94.8
Current assets			
Stocks	16	13.2	13.4
Debtors	17	119.6	96.5
Investments		—	0.2
Cash at bank and in hand		13.0	8.3
		145.8	118.4
Creditors: amounts falling due within one year	18	(166.5)	(130.2)
Net current liabilities		(20.7)	(11.8)
Total assets less current liabilities		73.1	83.0
Creditors: amounts falling due after more than one year	18	(16.9)	(27.3)
Net assets	2	56.2	55.7
Capital and reserves			
Called up share capital	20	0.2	0.2
Profit and loss account	21	55.8	55.5
Equity shareholders' funds		56.0	55.7
Equity minority interests		0.2	—
		56.2	55.7

The financial statements were approved by the Board of Directors on 22 June 1998 and were signed on its behalf by:

Peter R Teague

Director



Company balance sheet

As at 31 March	Note	1998 £m	1997 £m
Fixed assets			
Tangible assets	10	6.8	8.2
Investments in subsidiary undertakings	11	16.7	16.6
Investment in programmes for future sale	12	65.8	67.9
Interests in associated undertakings	13	0.1	0.1
Other investments	14	—	0.8
		89.4	93.6
Current assets			
Stocks	16	13.2	13.4
Debtors	17	106.6	83.8
Investments		—	0.2
Cash at bank and in hand		—	1.4
		119.8	98.8
Creditors: amounts falling due within one year	18	(153.1)	(121.3)
Net current liabilities		(33.3)	(22.5)
Total assets less current liabilities		56.1	71.1
Creditors: amounts falling due after more than one year	18	(16.9)	(27.3)
Provisions for liabilities and charges	19	(0.6)	—
Net assets		38.6	43.8
Capital and reserves			
Called up share capital	20	0.2	0.2
Profit and loss account	21	38.4	43.6
Equity shareholders' funds		38.6	43.8

The financial statements were approved by the Board of Directors on 22 June 1998 and were signed on its behalf by:

Peter R Teague
Director



Consolidated cash flow statement

For the year ended 31 March	Note	1998 £m	1997 £m
Net cash inflow from operating activities	22	61.8	52.3
Return on investments and servicing of finance			
Interest received		0.5	0.3
Interest paid		(2.2)	(2.3)
Net cash outflow from return on investments and servicing of finance		(1.7)	(2.0)
Taxation			
Taxation paid		(7.4)	(6.8)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(3.7)	(4.1)
Investment in programmes for future sale		(55.1)	(55.7)
Proceeds from the sale of tangible fixed assets		1.1	3.7
Net proceeds from the sale of investments		20.7	1.7
Net cash outflow from capital expenditure and financial investments		(37.0)	(54.4)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(3.2)	(0.2)
Interest in associate undertakings		-	(0.5)
Cash on acquisition of subsidiary undertakings		2.6	-
Net cash outflow from acquisitions and disposals		(0.6)	(0.7)
Net cash inflow/(outflow) before financing		15.1	(11.6)
Financing			
(Repayment of)/increase in BBC loan		(10.4)	10.2
Increase/(decrease) in cash	23	4.7	(1.4)

Consolidated statement of total recognised gains and losses

For the year ended 31 March	1998 £m	1997 £m
Profit for the financial year	3.2	1.6
Other net losses recognised in reserves:		
Exchange translations effect on:		
profit for the financial year	(0.5)	—
foreign currency net assets	(0.5)	(0.9)
Total recognised gains for the year	2.2	0.7

Reconciliation of movements in equity shareholders' funds

For the year ended 31 March	Note	1998 £m	1997 £m
Total recognised gains for the year		2.2	0.7
Goodwill written off on acquisitions	24	(1.9)	(0.2)
Net increase in equity shareholders' funds		0.3	0.5
Equity shareholders' funds at 1 April		55.7	55.2
Equity shareholders' funds at 31 March		56.0	55.7

Notes to the financial statements

1 Principal accounting policies

The following accounting policies have been applied consistently to items that are considered material in relation to the financial statements.

1a Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

1b 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. Management information is used where the year end of the associate is non-coterminous with that of the group.

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.

As permitted by Section 230 of the Companies Act 1985, no profit and loss account has been presented in respect of the holding company. The company's loss after taxation for the year dealt with in the financial statements of BBC Worldwide Limited was £5.2m (1996/97: £2m).

1c 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.

1d Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. 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. Gains and losses arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from trading are included in the profit and loss statement.

For consolidation purposes, differences on exchange arising from the retranslation of the opening net investment of a subsidiary undertaking, and from the translation of the results of that undertaking at month-end rates, are taken to reserves and shown in the consolidated statement of total recognised gains and losses.

1e Goodwill

Goodwill arising on investment in subsidiaries represents the excess of the fair value of the purchase consideration over the fair value attributable to their separable net assets and is deducted from the operating reserves in the year of acquisition. On disposal, goodwill previously written off against reserves is transferred to the profit and loss account for the year.

1f Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost 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 term of the lease
Plant and machinery	3–5 years
Fixtures and fittings	3–5 years

1g Operating leases

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

1h 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 written off over the average marketable life which is estimated to be between five and ten years based on programme genre. The cost and accumulated amortisation of investment in programmes for future sale are reduced by programmes which are fully written off.

1i Stocks

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

1j 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.

1k Deferred taxation

Deferred taxation has been provided at 31 March 1998 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.

2 Segmental analysis

2a Turnover analysed by type of business

	1998 £m	1997 £m
Publishing	256.6	217.2
Programme distribution	126.0	106.0
Channels	26.3	30.6
	408.9	353.8

2b Turnover analysed by geographical location

(all turnover originates from within the UK)

	1998 £m	1997 £m
United Kingdom	273.2	213.9
Americas	43.9	38.0
Rest of world	91.8	101.9
	408.9	353.8

Programme distribution sales include licensing for standard television, cable, and simultaneous relay sales. Co-production contributions to the BBC are administered by BBC Worldwide Limited but not included in turnover.

2c Profit before interest and tax analysed by type of business and exceptional items

	Operating result 1998 £m	Sale of investments (note 4) 1998 £m	Exceptional items (note 3) 1998 £m	Total 1998 £m
Publishing	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

	Operating result 1997 £m	Sale of investments (note 4) 1997 £m	Exceptional items (note 3) 1997 £m	Total 1997 £m
Publishing	17.3	1.4	—	18.7
Programme distribution	10.6	—	—	10.6
Channels	(18.6)	—	(4.1)	(22.7)
	9.3	1.4	(4.1)	6.6

2d Profit before interest and tax analysed by geographical location

	Operating result 1998 £m	Sale of investments (note 4) 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

	Operating result 1997 £m	Sale of investments (note 4) 1997 £m	Exceptional items (note 3) 1997 £m	Total 1997 £m
United Kingdom	18.6	1.4	—	20.0
Americas	5.4	—	—	5.4
Rest of world	(14.7)	—	(4.1)	(18.8)
	9.3	1.4	(4.1)	6.6

2e Net assets analysed by geographical location

	1998 £m	1997 £m
United Kingdom	36.4	39.2
Americas	19.8	16.5
	56.2	55.7

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:

	1998 £m	1997 £m
Exceptional bad debt provision	—	4.1
Exceptional trade debts written off on acquisition	8.9	—
Exceptional joint venture start-up costs	5.2	—
	14.1	4.1

The exceptional bad debt provision is against the trading debts of the associated undertaking, European Channel Management Limited (ECM).

The exceptional trade debts written off on acquisition represent trade balances due from ECM to BBC Worldwide Limited 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.

4 Profit on sale of investments

	1998 £m	1997 £m
Flextech plc	20.7	—
Cardcast plc	—	1.4

On 26 June 1997, BBC Worldwide (Investments) Limited disposed of 3,832,395 shares in Flextech plc (see note 13). The profit on the disposal of the shares is stated net of expenses.

5 Interest payable

	1998 £m	1997 £m
BBC loan	(2.2)	(2.3)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1998 £m	1997 £m
Depreciation – owned assets	3.7	6.5
Amortisation of investment in programmes for future sale	54.3	43.2
Auditors' remuneration	—	—
– company audit fee	0.1	0.1
– subsidiaries audit fee	0.1	0.1
– other fees	0.1	0.1
Operating lease rentals	—	—
– plant and machinery	2.2	1.4
– land and buildings	1.1	0.8
– satellite costs	4.7	4.4
Exchange losses	1.5	1.7

7 Employees and remuneration

7a Staff costs

	1998 £m	1997 £m
Wages and salaries (excluding redundancies)	46.8	40.9
Social security costs	3.6	3.1
Other pension costs	1.2	1.1
	51.6	45.1

In addition to the above, redundancy costs of £1.1m (1996/97: £0.8m) were incurred in the year.

7b Persons employed

The number of persons employed in the year at their full-time equivalent was:

	1998 Average	1998 31 March	1997 Average	1997 31 March
Publishing	1,004	1,027	882	890
Programme distribution	345	380	283	264
Channels	38	43	23	24
	1,387	1,450	1,188	1,178

Within the averages above, 39 (1996/97: 48) part-time employees have been included at their full-time equivalent of 25 (1996/97: 30).

In addition to the above, the group employed an average full-time equivalent of 91 (1996/97: 104) persons on a casual basis. Their payroll costs are included in note 7a.

7c Directors' emoluments

The remuneration received by each member of the board was:

	Base salary £000	Compensation for loss of office £000	Benefits £000	Annual Bonus £000	Total 1998 £000	Total 1997 £000
R W Phillis	71	—	—	—	71	95
N J Chapman	46	236	6	27	315	157
R J Emery	165	—	16	22	203	186
C Fairbairn	90	—	12	—	102	—
J P Mayhew	82	—	10	21	113	—
M J Phillips	128	—	12	11	151	40
P S Phippen	97	—	14	23	134	—
P R Teague	132	—	15	4	151	44
J E Taylor	97	—	12	17	126	—
M C Young	122	—	16	23	161	133
J S Younger	5	—	—	—	5	5
J A G Thomas	—	—	—	—	—	479

Where a director was appointed during the year, remuneration relates only to their period in office.

The salaries for R W Phillis and J S Younger represent the proportion of their emoluments recharged to the company by the BBC and the World Service respectively.

BBC Worldwide Limited provided pension benefits during the period as follows:

	Increase in accrued pension (a) £000 per annum	Total accrued pension at 31 March 1998(b) £000	Transfer value of increase (c)(d) £000	Directors' contributions (e) £000
N J Chapman	14	50	409	46
R J Emery	3	9	49	7
C Fairbairn	1	1	8	3
J P Mayhew	1	8	15	5
M J Phillips	1	3	24	4
P S Phippen	1	4	15	5
P R Teague	3	4	36	4
J E Taylor	1	3	10	3
M C Young	3	11	29	8

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 increases 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 to BBC Worldwide Limited to make pension payments in the future, but not a sum paid or due to the individual and therefore it cannot be meaningfully added to remuneration

(e) Directors' contributions to the defined benefit scheme during the 1997/98 financial year.

7d 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 £4,642m 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. The previous actuarial valuation was prepared as at 1 April 1993 when the market value of the assets of the scheme was £3,436m. 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 £1.1m (1996/97: £1m). This includes a proportion of the scheme surplus amortised over the average remaining service lives of the contributing members. A provision of £0.3m is included in creditors (1996/97: provision of £0.2m), this being the excess of the accumulated pension cost over the amount funded.

7e 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 (1996/97: £0.1m).

8 Tax on profit on ordinary activities

	1998 £m	1997 £m
UK corporation tax at 31% (1996/97: 33%)	2.1	0.1
Deferred taxation (see note 19)	0.6	(3.8)
	2.7	(3.7)
Overseas taxation	3.4	5.5
	6.1	1.8
Share of associated undertakings' tax	0.4	0.5
Prior year adjustments:		
Corporation tax	—	0.2
Group relief payable	—	(3.3)
Deferred taxation (see note 19)	0.2	3.8
Overseas	1.8	—
	8.5	3.0

The high effective rate of tax results principally from the tax impact of income received in advance and from prior year write-off of overseas withholding taxes. 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 1997	0.6	23.9	10.7	35.2
Additions	—	2.6	1.1	3.7
Disposals	—	(5.1)	(0.7)	(5.8)
Acquisition of subsidiary	—	0.5	—	0.5
At 31 March 1998	0.6	21.9	11.1	33.6
Depreciation				
At 1 April 1997	0.1	16.9	8.8	25.8
Charge for the year	—	2.4	1.3	3.7
Eliminated in respect of disposals	—	(3.8)	(0.7)	(4.5)
Acquisition of subsidiary	—	0.2	—	0.2
At 31 March 1998	0.1	15.7	9.4	25.2
Net book value:				
At 31 March 1998	0.5	6.2	1.7	8.4
At 31 March 1997	0.5	7.0	1.9	9.4

10 Tangible fixed assets

Company	Short leasehold buildings £m	Plant & machinery £m	Fixtures & fittings £m	Total £m
Cost				
At 1 April 1997	—	22.9	9.3	32.2
Additions	—	2.1	1.1	3.2
Disposals	—	(5.1)	—	(5.1)
At 31 March 1998	—	19.9	10.4	30.3
Depreciation				
At 1 April 1997	—	16.3	7.7	24.0
Charge for the year	—	2.2	1.1	3.3
Eliminated in respect of disposals	—	(3.8)	—	(3.8)
At 31 March 1998	—	14.7	8.8	23.5
Net book value:				
At 31 March 1998	—	5.2	1.6	6.8
At 31 March 1997	—	6.6	1.6	8.2

11 Investments in subsidiary undertakings

Shares in subsidiary undertakings	Company £m
Cost	
At 1 April 1997	20.5
Additions	1.7
At 31 March 1998	22.2
Provisions	
At 1 April 1997	(3.9)
Provided in the year	(1.6)
At 31 March 1998	(5.5)
Net book value:	
At 31 March 1998	16.7
At 31 March 1997	16.6

The principal operating subsidiaries of the company as at 31 March 1998 are shown in note 31.

12 Investment in programmes for future sale

	Group £m	Company £m
Cost		
At 1 April 1997	175.1	118.2
Exchange adjustment	(1.8)	—
Additions	55.1	39.5
Less cost of programmes fully amortised	(43.9)	(43.9)
At 31 March 1998	184.5	113.8
Amortisation		
At 1 April 1997	90.3	50.3
Exchange adjustment	(1.5)	—
Amortisation for the year	54.3	41.6
Less accumulated amortisation on programmes fully amortised	(43.9)	(43.9)
At 31 March 1998	99.2	48.0
Net book value:		
At 31 March 1998	85.3	65.8
At 31 March 1997	84.8	67.9

13 Interests in associated undertakings

	Interests in associated under- takings £m	Net loans to associated under- takings £m	Total Group £m	Interests in associated under- takings Company £m
Cost				
At 1 April 1997	0.8	0.8	1.6	0.2
Additions	—	0.4	0.4	—
Transfer to subsidiary investments	(0.1)	(0.8)	(0.9)	—
At 31 March 1998	0.7	0.4	1.1	0.2
Share of post-acquisition reserves				
At 1 April 1997	(0.8)	—	(0.8)	—
Retained profits less losses	0.2	—	0.2	—
Distributions	(0.8)	—	(0.8)	—
Transfer to subsidiary investments	0.5	—	0.5	—
At 31 March 1998	(0.9)	—	(0.9)	—
Provisions				
At 1 April 1997	(0.2)	(0.8)	(1.0)	(0.1)
Transfer to subsidiary investments	0.1	0.8	0.9	—
At 31 March 1998	(0.1)	—	(0.1)	(0.1)
Net book value:				
At 31 March 1998	(0.3)	0.4	0.1	0.1
At 31 March 1997	(0.2)	—	(0.2)	0.1

The principal operating associates of the group as at 31 March 1998 are shown in note 31.

The transfers to subsidiary investments reflect the acquisitions in the year of European Channel Management Limited, Audio International Limited and Galleon Limited, as disclosed in note 24. Distributions represent dividends receivable principally from BBC Haymarket Exhibitions Limited and Frontline Limited.

On 25 April 1997, BBC Worldwide (Investments) Limited disposed of its entire shareholding in UK Gold Television Limited. The shares were acquired by Flextech plc in exchange for the issue to BBC Worldwide (Investments) Limited of 5,443,548 new ordinary shares in Flextech plc. The new shares received by BBC Worldwide (Investments) Limited are quoted on the London Stock Exchange. On 26 June 1997, 3,832,395 of these shares were sold for £20.7m net of expenses. The remaining 1,611,153 shares were sold for £8.4m on 28 May 1998.

No tax charge is expected to arise on the sale of these shares because losses are expected to be available to offset the chargeable gain.

14 Other investments

	Group £m	Company £m
Cost		
At 1 April 1997 and at 31 March 1998	1.3	1.3
Provisions		
At 1 April 1997	(0.5)	(0.5)
Provided in the year	(0.8)	(0.8)
At 31 March 1998	(1.3)	(1.3)
Net book value:		
At 31 March 1998	-	-
At 31 March 1997	0.8	0.8

The investment of the group is a 20% interest in Satellite News Corporation Limited 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 Limited, 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 considered it prudent to provide in full against the investment this year in view of uncertainties over its future funding.

15 Accounting for entities within the Flextech and Discovery agreements

During the year, Financial Reporting Standard 9 'Associates and Joint Ventures' was issued. It will become mandatory for accounting periods ending on or after 23 June 1998. However, BBC Worldwide Limited is voluntarily making the disclosures set out below. These disclosures are derived from the unaudited results of the entities.

During the year, BBC Worldwide Limited signed major partnership deals with Flextech plc ('Flextech') for the production and marketing of subscription channels in the UK and with Discovery Communications Inc. ('Discovery') for a wide-ranging global partnership incorporating new channels and 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 Limited has no obligation to fund losses incurred by the entities nor make good their net liabilities. Such funding has to date been provided by the other joint venture parties. As a result, BBC Worldwide Limited's equity share of the entities' post-tax losses for the period to 31 March 1998 and the net liabilities at 31 March 1998 have been restricted to nil and have therefore not been included in these financial statements.

In addition to the arrangements with Flextech and Discovery, BBC Worldwide Limited has other associated undertakings which are listed in note 31.

Extracts from a pro forma profit and loss account, balance sheet and notes, prepared in order to illustrate the anticipated impact of the standard, are set out below.

Pro forma consolidated profit and loss account extract

	1998 £m
Turnover: group plus share of joint ventures	427.4
Less share of joint ventures' turnover	(18.5)
Group turnover	408.9
Share of operating profit in:	
Joint ventures	-
Associates	0.4
	0.4
Interest payable:	
Group	(2.2)
Joint ventures	-
Associates	0.2
	(2.0)

Pro forma consolidated balance sheet extract

	£m
Investments in joint ventures:	
Equity share of gross assets	14.6
Equity share of gross liabilities	(74.6)
Adjustment to reflect effective obligation (see below)	60.0
	-

The 'adjustment to reflect effective obligation' reflects the fact that, as described above, under the terms of the agreements with Flextech and Discovery, the entities have no recourse to BBC Worldwide Limited to fund their net liabilities. It is therefore considered inappropriate to reflect BBC Worldwide Limited's equity share of the net liabilities of the joint venture entities in the group balance sheet.

	Associates £m	Joint ventures £m
Equity share of assets:		
Fixed assets	18.7	-
Current assets	17.8	14.6
	36.5	14.6
Equity share of liabilities:		
Due within one year	(29.8)	(12.2)
Due after more than one year	(19.3)	(62.4)
	(49.1)	(74.6)

Within the arrangements with Flextech and Discovery, certain entities are significant. The following additional disclosures are based on unaudited results for the periods since the respective arrangements began up to 31 March 1998:

	Animal Planet (Latin America) LLC £m	People and Arts (Latin America) LLC £m	Animal Planet LLC £m	UK Channel Management Limited £m	UK Gold Holdings Limited £m
Turnover	0.1	2.1	8.7	1.8	35.2
Loss before tax	(4.0)	(4.6)	(36.2)	(20.7)	(7.4)
Taxation	1.6	1.7	-	-	-
Loss after tax	(2.4)	(2.9)	(36.2)	(20.7)	(7.4)
Fixed assets	0.1	0.1	90.2	-	0.1
Current assets	0.6	2.8	8.3	7.1	22.0
Liabilities due within one year	(4.4)	(13.9)	(30.6)	(5.9)	(18.5)
Liabilities due after more than one year	-	-	(96.3)	-	(124.7)

Comparative figures have not been disclosed because at the previous year end there were no joint ventures, and only one material associate, European Channel Management Limited, which became a wholly owned subsidiary during the year.

16 Stocks

	Group 1998 £m	1997 £m	Company 1998 £m	1997 £m
Raw materials and consumables	2.2	2.1	2.2	2.1
Work in progress	4.8	5.2	4.8	5.2
Finished goods and goods for resale	6.2	6.1	6.2	6.1
	13.2	13.4	13.2	13.4

17 Debtors

	Group 1998 £m	1997 £m	Company 1998 £m	1997 £m
Amounts falling due within one year:				
Trade debtors	92.6	71.9	70.4	53.4
Amounts owed by subsidiary undertakings	—	—	17.8	14.9
Amounts owed by associated undertakings	—	7.9	—	—
Amounts owed by fellow subsidiary undertakings	4.2	3.0	4.2	3.0
Other debtors	20.2	8.9	12.0	8.3
Corporation tax	—	2.3	—	2.2
Prepayments and accrued income	2.6	2.5	2.2	2.0
	119.6	96.5	106.6	83.8

18 Creditors

	Group 1998 £m	1997 £m	Company 1998 £m	1997 £m
Amounts falling due within one year:				
Trade creditors	37.5	33.1	37.0	33.1
Residual creditors	40.8	32.7	36.4	27.0
Amounts owed to the BBC	22.3	20.2	18.2	15.0
Amounts owed to subsidiary undertakings	—	—	13.2	12.8
Amounts owed to associated undertakings	0.2	0.2	0.2	0.2
Amounts owed to fellow subsidiary undertakings	1.5	1.5	1.5	1.5
Other creditors including other taxes and social security	7.1	3.1	7.5	3.3
Corporation tax	2.4	3.6	1.5	1.7
Accruals and deferred income	54.7	35.8	37.6	26.7
	166.5	130.2	153.1	121.3
Amounts falling due after more than one year:				
Loan owed to the BBC	16.9	27.3	16.9	27.3

The loan to the BBC is not repayable before April 1999 and bears interest at market rates.

19 Provisions for liabilities and charges

	Group £m	Company £m
Deferred taxation		
At 1 April 1997	—	—
Current year		
— charge	0.6	0.6
— credit	(0.8)	—
Prior year charge (see note 8)	0.2	—
At 31 March 1998	—	0.6

20 Called up share capital

	1998 £m	1997 £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 1997	55.5	43.6
Retained profit/(loss) for the year	3.2	(5.2)
Exchange adjustment	(1.0)	—
Goodwill written off	(1.9)	—
At 31 March 1998	55.8	38.4

The cumulative goodwill arising on acquisition previously written off to reserves is £2.1m (1996/97: £19.1m).

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

	1998 £m	1997 £m
Operating (loss)/profit	(7.2)	5.2
Depreciation and amortisation	58.0	49.7
Provision for diminution in value of investments	1.0	0.1
Loss on disposal of tangible fixed assets	0.1	—
Decrease/(increase) in stocks	0.2	(0.6)
Increase in debtors	(22.2)	(3.9)
Increase in creditors	31.9	1.8
Net cash inflow from operating activities	61.8	52.3

23 Reconciliation of net cash flow to movement in net funds

	1998 £m	1997 £m
Increase/(decrease) in cash in the year	4.7	(1.4)
Net cash outflow/(inflow) from BBC	10.4	(10.2)
Change in net funds	15.1	(11.6)
Net funds at the beginning of the year	(19.0)	(7.4)
Net funds at the end of the year	(3.9)	(19.0)
Being		
Cash at bank and in hand	13.0	8.3
BBC loan	(16.9)	(27.3)
	(3.9)	(19.0)

24 Purchase of subsidiary undertakings

The following table reflects the adjustments made to the balance sheet on acquisition of European Channel Management Limited.

	Book values at acquisition £m	Fair value adjustments £m	Fair value to the Group £m
Stock	0.5	(0.5)	-
Debtors	1.5	-	1.5
Cash at bank and in hand	1.8	-	1.8
Creditors	(1.6)	-	(1.6)
	2.2	(0.5)	1.7

The fair value adjustment was made to reduce the value of programme stocks to nil because the book value at acquisition was not considered realisable.

The following table reflects the adjustments made to the balance sheet on acquisition of Audio International Limited.

	Book values at acquisition £m	Fair value adjustments £m	Fair value to the Group £m
Cash at bank and in hand	0.7	-	0.7
Creditors	(0.6)	-	(0.6)
Minority interest	0.5	-	0.5
	0.6	-	0.6

The following table reflects the adjustments made to the balance sheet on acquisition of Galleon Limited.

	Book values at acquisition £m	Fair value adjustments £m	Fair value to the Group £m
Tangible fixed assets	0.2	-	0.2
Debtors	0.5	-	0.5
Cash at bank and in hand	0.1	-	0.1
Creditors	(0.2)	-	(0.2)
Minority interest	0.1	-	0.1
	0.7	-	0.7

Summary of goodwill on acquisitions of subsidiary undertakings

	1998 £m	1997 £m
Net assets acquired		
Tangible fixed assets	0.2	-
Debtors	2.0	-
Cash at bank and in hand	2.6	-
Creditors	(2.4)	-
Minority interest	0.6	-
	3.0	-
Goodwill	1.9	0.2
	4.9	0.2
Satisfied by:		
Assignment of loan	0.2	-
Deferred consideration	1.5	-
Cash	3.2	0.2
	4.9	0.2

The trading results of these companies in the periods since acquisition were immaterial to the consolidated results. Accordingly, no analysis of results arising from acquisitions has been presented in the consolidated profit and loss account.

25 Capital commitments

	Group 1998 £m	1997 £m	Company 1998 £m	1997 £m
Contracted but not provided for:				
Programme investments	34.8	39.8	33.1	35.3
Fixed assets	1.6	-	1.4	-

26 Operating leases

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

	Land & buildings 1998 £m	Land & buildings 1997 £m	Plant & machinery 1998 £m	Plant & machinery 1997 £m
Expiring:				
within one year	-	-	0.3	2.6
between two and five years	0.2	0.1	2.5	2.0
after more than five years	0.6	0.7	6.2	6.1
	0.8	0.8	9.0	10.7

The 1997 comparatives have been restated to include satellite costs.

27 Contingent liabilities

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 £0.9m) to Nissho Iwai Corporation relating to the funding of Satellite News Corporation Limited.

28 Related party transactions

Included in the profit and loss account are the following amounts from related parties:

Name of related party	Income £m	Ex- penditure £m	Net debtors/ (creditors) balance £m
European Channel Management Limited	9.1	-	-
Exel Logistics Limited	-	2.8	(0.2)
Frontline Limited	-	5.4	(0.2)
UKTV	17.5	-	5.9
Animal Planet (Latin America) LLC	1.6	-	0.6
People and Arts (Latin America) LLC	1.6	-	0.6

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

Name of related party	How related	Nature of transactions
European Channel Management Limited	Associate	Licence fee for distribution of BBC World and BBC Prime
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

29 Post balance sheet events

In April 1997, BBC Worldwide (Investments) Limited disposed of its entire shareholding in UK Gold Television Limited. The shares were acquired by Flextech plc in exchange for the issue to BBC Worldwide (Investments) Limited of 5,443,548 new ordinary shares in Flextech plc. The new shares received by BBC Worldwide (Investments) Limited are quoted on the London Stock Exchange. On 28 May 1998 following an earlier disposal described in note 13, the remaining 1,611,153 shares, which had a market value of £8.7m on 31 March 1998, were sold realising a profit of £8.4m.

30 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.

31 Interest 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
Publishing		
BBC Magazines Inc.	(a)	America
Galleon Limited	(b)	
Broadcasting Dataservices Limited (75%)		

Programme distribution

BBC Worldwide Americas Inc.	America
BBC Audio International Limited	
UK Programme Distribution Limited (95%)	
BBC Worldwide (France) SARL	France
BBC Worldwide (Germany) GmbH	Germany

Channels

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

Investment Companies

Worldwide Americas Investments Inc.	(a)	America
BBC Worldwide (Investments) Limited		
BBC World Service Television Limited		
Worldwide Channel Investments Limited		

Associate undertakings

		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

UKTV Pty Limited (20%)	(c)	Australia
UKTV Australia Limited (20%)	(c)	Australia
Satellite News Corporation (20%)		Japan
Animal Planet (Latin America) LLC (50%)	(d)	America
People and Arts (Latin America) LLC (50%)	(d)	America
Animal Planet LLC (20%)	(e)	America
JV Network LLC (50%)	(d)	America

Joint ventures

		Country of incorporation or registration if outside of the UK
Channels		
JV Programmes LLC (50%)	(d)	America
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