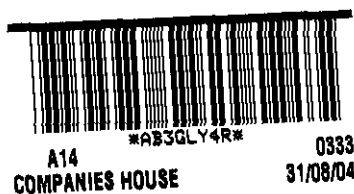


# **BBC Commercial Holdings Limited**

(Registered number 4463534)

## **Directors' report and consolidated financial statements**

**Year ended 31 March 2004**



## **Officers and advisers**

### **Directors**

Jana Bennett  
Mark Byford  
Nicholas Eldred  
Carolyn Fairbairn  
Rupert Gavin  
Pam Masters  
John Smith  
Michael Southgate

### **Company Secretary**

David Serjeant

### **Registered office**

MC3 C3  
Media Centre  
Media Village  
201 Wood Lane  
London  
W12 7TQ

### **Auditors**

KPMG LLP  
8 Salisbury Square  
London  
EC4Y 8BB

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## **Directors' report**

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2004.

### **Principal activities and review of activities**

The Company is the holding company for the BBC's principal commercial operations (together the 'Group').

The Group's main activities include:

- commercial television channels, programme sales, magazines and consumer publishing;
- provision of studios, outside broadcast and post production facilities and services for the media;
- provision of technology equipment, facilities and services to the media industry; and
- provision of a complete range of business services to launch, playout and manage channels.

On 4 June 2003 BBC Ventures Group Limited acquired the entire share capital (1x £1 ordinary share) of BBC Vecta Limited (formerly Kingswood Warren Ventures Limited – name changed 23 May 2003) from BBC Technology Limited.

On 27 August 2003, the Company acquired the entire issued share capital of BBC Resources Limited, (£51,000,001 £1 ordinary shares) from the BBC in consideration of the issue to the BBC of a further 51,000,001 £1 ordinary shares in the capital of the Company (which were issued following an increase in the authorised share capital of the Company from £73,250,001 to £124,250,002).

Other acquisitions in the year are described in Note 11 to the accounts.

### **Post Balance Sheet Events**

On 9<sup>th</sup> July 2004, BBC Worldwide announced that it had entered into an arrangement with Woolworths Group plc for the formation of a new joint venture company, 2 Entertain Limited, into which BBC Worldwide will transfer its video publishing business in exchange for a 60% equity stake in the joint venture. The transaction is subject to regulatory approval. It is not practical at this time to make an estimate of the financial effect of the transaction on BBC Worldwide or BBC Commercial Holdings Limited. It is anticipated that the investment will be accounted for as a joint venture under FRS 9.

On 28<sup>th</sup> July a decision was taken to terminate the operations of BBC Vecta Limited.

### **Results and dividend**

The consolidated profit after taxation and minority interest for the year was £16.6million (2003 £30.9million). No interim dividend was paid during the year (2003 £11.6million). A final dividend of £19.0million was paid in March 2004 (2003 £30.0million).

## Directors' report (continued)

### Directors and directors' interests

The directors who served during the year were as follows:

Name	Date of appointment/resignation
Jana Bennett	(appointed 23 July 2004)
Mark Byford	
Andy Duncan	(resigned 16 July 2004)
Greg Dyke	(resigned 3 June 2004)
Nicholas Eldred	
Carolyn Fairbairn	
Roger Flynn	(resigned 31 March 2004)
Rupert Gavin	
Pam Masters	(appointed 23 July 2004)
John Smith	
Michael Southgate	(appointed 23 July 2004)

No director had any interest in the share capital of the Company as at 31 March 2004. No rights to subscribe for shares or debentures of the Company or any other company within the BBC Group were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

### Payment to creditors

It is the Group's policy to comply with the CBI prompt payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of its contract. The Group monitors compliance against the terms of this code. The Group's number of creditor days at 31 March 2004 was 48 days (2003 59 days). Residual creditors and associated costs have been excluded for the purpose of this calculation, as they relate to payments to artists and contributors other than trade creditors.

### Employee participation

There is a comprehensive structure of liaison meetings, at all levels, with the recognised trade unions BECTU and the NUJ. A two way consultative body between the BBC management and employees has been established. Known as the BBC Forum, and introduced in May 1998, it promotes a two way communication and debate between managers and staff. Under this initiative elected individuals put forward the views of BBC staff to management on a regular basis and receive direct feedback on issues which affect the future of both the employees and the Group. The Group's staff are represented on the Forum at both management and employee level.

### Equal opportunities

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

Recruitment, training, and promotion are based on the requirements of the job. Ethnic and gender targets have been set with the aim of ensuring that the Group's workforce reflects the UK population as far as possible and are supported by a number of equal opportunity initiatives.

## Directors' report (continued)

### Training and development

The Group has a comprehensive training plan, which provides for in-house and external training programmes, covering job-specific, skill enhancement development courses.

### Disabled persons

Disabled persons are fully and fairly considered for vacancies arising within the Group and are given equal opportunities in relation to training, career development and promotion.

Existing employees who become disabled are retained in employment wherever possible, after the provision of any necessary rehabilitation or training.

### Charitable and political donations

The Group does not make political donations. During the year the Group made charitable donations totalling £895 (2003 £9,150) to Comic Relief, Children in Need and Red Nose Day.

In addition, a total of £0.1million (2003 £1.1million) copyright royalties was paid to Golden Jubilee Events Limited in respect of an agreement between the BBC, Golden Jubilee Events Limited and BBC Worldwide in regard to producing, staging and broadcasting the Golden Jubilee musical concerts at Buckingham Palace in June 2002. Golden Jubilee Events Limited is a subsidiary of the Queen's Golden Jubilee Trust, to which all of its profits are donated.

The Group also donates retired computer equipment to local schools under the Tools for Schools scheme.

### The environment

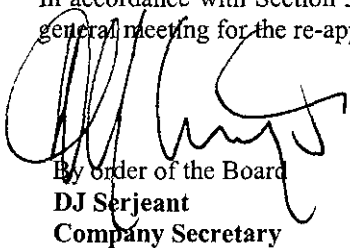
The Group does not operate in industries where there is potential for serious industrial pollution. However, it recognises its responsibility to be aware of, and take steps to control and minimise, any damage its business might cause to the environment. The board is working to ensure that all paper used in products is sourced from well-managed forests, along the guidelines laid down by the Forest Stewardship Council and is the first publisher to have a magazine using paper entirely sourced in accordance with FSC guidelines.

### Corporate governance

As a wholly owned subsidiary of the BBC, the Group fully supports the recommendations of the Combined Code. Disclosure of how the BBC complies with the requirements of the Combined Code is given in its annual report and consolidated accounts, which may be obtained from the BBC Secretary at BBC Governance and Accountability, MC3D5, Media Centre, Media Village, 201 Wood Lane, London, W12 7TQ.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution is to be proposed at the forthcoming annual general meeting for the re-appointment of KPMG LLP as auditors of the Company.

  
By order of the Board  
DJ Serjeant  
Company Secretary

Date:

4 August 2004.

Registered Address  
MC3 C3  
Media Centre  
Media Village  
201 Wood Lane  
London  
W12 7TQ

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Company and the Group and to prevent and detect fraud and other irregularities.

## **Independent auditors' report to the members of BBC Commercial Holdings Limited**

We have audited the financial statements on pages 8 to 33.

This report is made solely to the Company's members, as a body, in accordance with section 225 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to 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 the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and Group as at 31 March 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

**KPMG LLP**

Chartered Accountants

Registered Auditors

8 Salisbury Square

London

EC4Y 8BB

Date: *25 AUGUST 2004*



## Consolidated profit and loss account for the year ended 31 March

	Note	Total 2004 £m	Total 2003 £m
<b>Turnover</b> (including share of joint ventures)		1,103.8	1,088.5
Less: share of joint ventures		(87.3)	(79.5)
<b>Group turnover</b>	1	1,016.5	1,009.0
Cost of sales		(763.8)	(745.6)
<b>Gross profit</b>		252.7	263.4
Distribution costs		(131.7)	(133.4)
Administrative expenses		(89.8)	(90.3)
<b>Group operating profit</b>		31.2	39.7
Share of operating profit of associates and joint ventures		2.0	2.9
<b>Operating profit</b>		33.2	42.6
Loss on sale and termination of operations	6a	-	(0.4)
Profit/(loss) on disposal of fixed assets	6b	1.4	(1.4)
<b>Profit on ordinary activities before interest and taxation</b>	1,2	34.6	40.8
Net interest (payable)/receivable	7	(6.5)	0.2
<b>Profit on ordinary activities before taxation</b>	1,2	28.1	41.0
Tax on profit on ordinary activities	8	(11.8)	(10.2)
<b>Profit on ordinary activities after taxation</b>		16.3	30.8
Equity minority interest		0.3	0.1
<b>Profit attributable to shareholders</b>		16.6	30.9
Dividends paid/proposed	9	(19.0)	(41.6)
<b>Retained loss for the financial year</b>	20	(2.4)	(10.7)

There is no difference between the results as disclosed above and the results on a historical cost basis.

The notes on pages 16 to 33 form part of the financial statements.

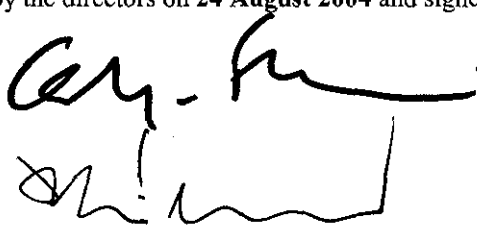
## Balance sheets as at 31 March

	Note	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 9 months to 31 March 2003 £m
<b>Fixed Assets</b>					
Intangible fixed assets	10	28.1	24.3	-	-
Tangible fixed assets	12	129.5	116.2	-	-
Investment in programmes for future sale	13	107.6	108.3	-	-
Investments in subsidiary undertakings	14b	-	-	153.5	102.5
Other investments					
Investments in joint ventures:					
Share of gross assets		68.2	60.9	-	-
Share of gross liabilities		(125.4)	(123.3)	-	-
Adjustment to reflect effective obligation		57.6	62.9	-	-
	14d	0.4	0.5	-	-
Interests in associated undertakings	14e	1.3	1.1	-	-
		266.9	250.4	153.5	102.5
<b>Current assets</b>					
Stocks	15	32.0	31.3	-	-
Current debtors	16	282.1	247.5	21.1	67.9
Long-term debtors	16	39.6	30.6	165.0	0.6
<b>Total debtors</b>		321.7	278.1	186.1	68.5
Short-term investments	22	-	31.9	-	31.9
Cash at bank and in hand	22	16.1	42.2	-	-
		369.8	383.5	186.1	100.4
<b>Creditors – amounts falling due within one year</b>	17a	(260.4)	(302.3)	(5.1)	(44.5)
<b>Net current assets</b>		109.4	81.2	181.0	55.9
<b>Total assets less current liabilities</b>		376.3	331.6	334.5	158.4
<b>Creditors – amounts falling due after more than one year</b>	17b	(180.0)	(94.2)	(180.0)	(85.0)
<b>Provisions for liabilities and charges</b>	18	(9.3)	(5.6)	-	-
<b>Net assets including pension asset</b>		187.0	231.8	154.5	73.4
<b>Represented by</b>					
Share capital	20	124.3	164.3	124.3	73.3
Profit & loss reserve	20	62.5	67.0	30.2	0.1
<b>Equity shareholders funds</b>	20	186.8	231.3	154.5	73.4
Minority interest		0.2	0.5	-	-
		187.0	231.8	154.5	73.4

The financial statements were approved by the directors on 24 August 2004 and signed on their behalf by:

Carolyn Fairbairn      Director

Nicholas Eldred      Director



## **Consolidated statement of total recognised gains and losses**

	Year to March 2004 £m	Year to 31 March 2003 £m
Profit for the financial year	16.6	30.9
Exchange differences on retranslation of overseas subsidiaries	(2.1)	(3.2)
<b>Total recognised gains and losses for the year</b>	<b>14.5</b>	<b>27.7</b>

## **Reconciliations of movement in equity shareholder's funds**

	Group Year to 31 March 2004 £m	Group Year to 31 March 2003 £m	Company Year to 31 March 2004 £m	Company 9 months to 31 March 2003 £m
Opening equity shareholder's funds	231.3	235.2	73.4	-
Total recognised gains and losses for the year	14.5	27.7	0.1	41.7
Dividends received	-	-	49.0	-
Dividends paid and proposed	(19.0)	(41.6)	(19.0)	(41.6)
(Reduction)/issue of ordinary share capital	(40.0)	10.0	51.0	73.3
Net decrease to equity shareholder's funds	(44.5)	(3.9)	81.1	73.4
<b>Closing equity shareholder's funds</b>	<b>186.8</b>	<b>231.3</b>	<b>154.5</b>	<b>73.4</b>

BBC Resources Limited was acquired by Commercial Holdings from the BBC during 2003. Merger accounting has been used for this Group reconstruction, as is permitted under UK accounting standards, and these consolidated financial statements have been prepared as if the reorganised Group had always existed. Consequently, in the consolidated balance sheet, £51.0million of share capital issued by the parent to acquire BBC Resources Limited during 2003 is treated as if it were already issued as at 1 April 2002 in the consolidated financial statements.

## Consolidated cash flow statement for the year ended 31 March

	Note	2004 £m	2003 £m
<b>Net cash inflow from operating activities</b>	<b>21</b>	<b>107.8</b>	<b>126.9</b>
<b>Dividends from joint ventures and associates</b>		<b>1.3</b>	<b>1.3</b>
<b>Dividends paid</b>		<b>(49.0)</b>	<b>(11.6)</b>
<b>Return on investments and servicing of finance</b>			
Interest received		1.4	2.9
Interest paid		(7.3)	(2.3)
Finance lease interest paid		(0.3)	(0.4)
<b>Net cash (outflow)/inflow from return on investments and servicing of finance</b>		<b>(6.2)</b>	<b>0.2</b>
<b>Taxation</b>			
Taxation paid		(11.7)	(7.3)
<b>Capital expenditure and financial investments</b>			
Purchase of tangible fixed assets		(76.4)	(46.2)
Investment in programmes for future sale		(90.7)	(85.7)
Investment in intangible fixed assets		(0.6)	(5.6)
Proceeds from the sale of investments in programmes		-	0.4
Decrease in loan to associated undertaking		0.2	0.1
Proceeds from the sale of tangible fixed assets		17.9	1.7
<b>Net cash outflow from capital expenditure and financial investments</b>		<b>(149.6)</b>	<b>(135.3)</b>
<b>Acquisitions and disposals</b>			
Proceeds from sale of operations		-	5.1
Disposal of interest in associates		-	0.1
Purchase of subsidiary undertakings	11	(9.9)	-
Cash acquired with subsidiary		0.6	3.2
Cash outflow on termination of operations	6a	-	(1.5)
<b>Net cash (outflow)/inflow from acquisitions and disposals</b>		<b>(9.3)</b>	<b>6.9</b>
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(116.7)</b>	<b>(18.9)</b>
<b>Management of liquid resources</b>			
Short term investments	22	31.9	(31.9)
<b>Net cash inflow/(outflow) from management of liquid resources</b>		<b>31.9</b>	<b>(31.9)</b>
<b>Financing</b>			
Increase in loans		135.0	85.0
Repayment of loans		(42.6)	(25.9)
Capital element of finance lease rental payments		-	(8.7)
Repayment of unsecured loan notes		(0.6)	(0.5)
Reduction in share capital		(40.0)	-
<b>Net cash inflow from financing</b>		<b>51.8</b>	<b>49.9</b>
<b>Decrease in cash in the year</b>	<b>22,23</b>	<b>(33.0)</b>	<b>(0.9)</b>

## Accounting policies

This section explains the Group's principal accounting policies which have been applied consistently throughout the year and which are set out below.

### Basis of accounting

The financial statements are presented under the historical cost accounting convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

### Basis of consolidation

As part of a Group restructuring during the year, BBC Commercial Holdings Limited acquired BBC Resources Limited from the BBC.

The acquisition by the Company of BBC Resources Limited and its subsidiaries has been accounted for in accordance with the principles of merger accounting as set out in FRS 6 and Schedule 4(A) to the Companies Act 1985. This means that the consolidated accounts are presented as if BBC Resources Limited and its subsidiaries have been owned by the Group throughout the period and the previous period.

In the Company's balance sheet the investment in this subsidiary is stated at the nominal value of the shares issued in consideration for BBC Resources Limited. As permitted by Section 131 and Section 133 of Companies Act 1985 no premium has been recorded on the ordinary shares issued as consideration.

The consolidated financial statements have been prepared on the going concern basis.

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account reflecting the results of BBC Commercial Holdings Limited has not been presented. Of the loss for the financial year £2.1million (2003 £0.4million) before dividends is dealt with in the accounts of the Company.

As noted above, merger accounting is used for the BBC Group restructuring. Under this, the results and cash flows of the relevant subsidiaries have been combined from the beginning of the financial period in which the merger occurred. Profit and loss account and balance sheet comparatives have been restated for the combined entity.

With the exception of the BBC Group restructuring referred to above, the acquisition method of accounting has been adopted. Under this method, the results of subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking 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. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of profits less losses of associates and joint ventures is included in the consolidated profit and loss account and its interest in their net assets is included in the consolidated balance sheet.

The results from the joint ventures and associates within the Flextech and Discovery agreements have been included using information from accounts drawn up to 31 December 2003 (Note 14).

### Turnover

Turnover, which excludes value added tax, trade discounts and sales between Group companies, is comprised of the following:

- Provision of equipment, facilities and services

With the exception of long term contracts, income is recognised when the equipment, facilities and services are provided to customers.

For long term contracts, the amount of profit attributable to the stage of completion is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in prior years. Provision is made for any losses as soon as they are foreseen.

## Accounting policies (continued)

### Turnover (continued)

- Sale of promotional merchandise – recognised on delivery/provision of services
- Licence fees from distribution of joint productions – recognised on later of delivery of rights and the start of the licence period.
- Programme distribution and channel income – recognised on provision of service
- Provision of programme making facilities and services – recognised on provision of service
- Interest received from finance leases  
Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments.
- Rentals received from operating leases  
Operating lease income is accounted for on a straight line basis.

### Cost of sales

Cost of sales includes all direct costs associated with the provision of equipment, facilities and services and excludes all support function costs.

### Equipment leased to customers

Equipment leased to customers under finance leases is deemed to be sold at their net book value at the time of sale. Debtors under finance leases represent outstanding amounts due under finance lease agreements less finance charges allocated to future periods. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments.

### Long term contracts and work in progress

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

### Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 31 March or at forward rates where related hedging contracts are in place. Surpluses and deficits arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the profit and loss account

The profit and loss accounts and cash flows of overseas subsidiaries are translated into sterling at average rates for the year. Exchange differences arising on consolidation from the retranslation of the opening net assets of overseas subsidiaries and any related long-term foreign currency borrowings are taken directly to the profit and loss reserve, together with the differences arising when the profit and loss accounts are retranslated at the rates ruling at the year end. Other exchange differences are taken to the profit and loss account.

## Accounting policies (continued)

### Pension costs

Employees are members of the BBC's pension schemes. The BBC Group operates both defined benefit and defined contribution schemes for the benefit of employees. The Group has adopted FRS17, *Retirement Benefits* in full.

#### Defined contribution scheme

The Group participates in a BBC Group personal pension scheme which is a defined contribution scheme. The amounts charged as expenditure for the defined contribution scheme represents the contributions payable by the Group for the accounting years in respect of this scheme.

#### Defined benefit schemes

The defined benefit schemes provide benefits based on final pensionable pay. The pension assets of the BBC Main Scheme, to which the majority of employees belong, are held separately from those of the BBC Group.

The BBC Group makes use of the provisions within FRS 17 and accounts for the scheme as if it were a defined contribution scheme. This is because it is unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. The expenditure charge for the Group therefore represents the contributions payable in the year. These contributions benefit from the surplus in the scheme and are lower than the regular cost.

### Research and development

Research and development expenditure is written off as incurred.

### Operating leases

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

### Finance leases

At their date of acquisition assets acquired under finance leases are included within fixed assets at the total of the lease payments due over the life of the lease discounted at the rate of interest inherent in the lease. The same amount is included in creditors. Rental payments are apportioned between the finance element, which is charged against the profit and loss account, and the capital element which reduces the lease creditor.

### Intangible fixed assets

#### Goodwill

Purchased goodwill (representing the excess of the fair value of the purchase consideration plus any related costs of acquisition over the fair value attributable to the separable net assets acquired), arising on acquisition of a subsidiary or business, is capitalised and amortised over its useful economic life. On the subsequent disposal or termination of a business, the surplus or deficit is calculated after charging the unamortised amount of any related goodwill. As is permitted by FRS 10, *Goodwill and intangible assets*, goodwill arising in periods up to 1 April 1998 remains offset against the profit and loss reserve. On disposal, goodwill previously written off against reserves is transferred to the profit and loss account for the year.

#### Intellectual property rights

Purchased intellectual property rights purchased separately from third parties are capitalised and amortised on a straight line basis over the expected useful life of the assets.

### Tangible fixed assets

Expenditure on fixed assets is capitalised together with incremental and internal direct labour costs incurred on capital projects.

Depreciation is calculated so as to write off the cost or valuation, less estimated residual value, of fixed assets on a straight line basis over their expected useful lives. Depreciation commences from the date an asset is brought into service.

## Accounting policies(continued)

### Tangible fixed assets(continued)

The Group's useful lives for depreciation purposes for the principal categories of assets are:

#### *Land and buildings*

Freehold land	- not depreciated
Freehold and long-leasehold building	- fifty years
Short-leasehold land and buildings	- unexpired lease term

#### *Plant and machinery*

Computer equipment	- three to five years
Electrical and mechanical infrastructure	- ten to twenty-five years
Other	- three to ten years

#### *Furniture and fittings*

- three to ten years

### Investments

Investments are recorded on the balance sheet of BBC Commercial Holdings Limited at cost less provision for any impairment in value.

#### Investments in programmes for future sales

Investment in programmes for future sale is stated at cost, after writing off the costs of programmes that are considered irrecoverable, less accumulated amortisation. Amortisation of investment in programmes for future sale is charged to the profit and loss account over the estimated average marketable life of the programme genre which is generally between two and ten years. The cost and accumulated amortisation of investment in programmes for future sale are reduced by programmes which are fully written off.

### Stocks

Raw materials and other physical stocks are stated at the lower of cost and net realisable value.

### Deferred tax

Deferred tax is computed under the liability method. Full provision, without discounting, is made in respect of all timing differences between certain items in the financial statements and their treatment for taxation purposes at the balance sheet date, except as otherwise required by FRS19, *Deferred tax*. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.



## Notes to the accounts

### 1 Segmental analyses

#### 1a Analysis by company

	Ventures Group				Commercial Holdings	Total
	Acquisition £m	Total £m	Worldwide £m	World * £m	£m	£m
<b>2004</b>						
Total turnover	-	468.0	657.2	25.3	-	<b>1,150.5</b>
Less: Intra group turnover	-	(45.9)	-	(0.8)	-	<b>(46.7)</b>
Less: Share of joint ventures	-	-	(87.3)	-	-	<b>(87.3)</b>
Group external income	-	422.1	569.9	24.5	-	<b>1,016.5</b>
Profit/(loss) before interest and taxation	-	14.4	36.7	(16.4)	(0.1)	<b>34.6</b>
Net interest (payable)/receivable	-	(0.3)	0.7	-	(6.9)	<b>(6.5)</b>
Profit/(loss) before taxation	-	14.1	37.4	(16.4)	(7.0)	<b>28.1</b>
<b>2003</b>						
Total turnover	98.3	380.4	658.0	7.9	-	<b>1,144.6</b>
Less: Intra group turnover	(12.3)	(43.8)	-	-	-	<b>(56.1)</b>
Less: Share of joint ventures	-	-	(79.5)	-	-	<b>(79.5)</b>
Group external income	86.0	336.6	578.5	7.9	-	<b>1,009.0</b>
Profit/(loss) before interest and taxation	2.7	12.0	32.2	(5.9)	(0.2)	<b>40.8</b>
Net interest receivable/(payable)	0.1	1.2	(1.1)	0.2	(0.2)	<b>0.2</b>
Profit/(loss) before taxation	2.8	13.2	31.1	(5.7)	(0.4)	<b>41.0</b>

\* The business of BBC World Limited was transferred into a wholly owned company on 29 November 2002, and hence trading in 2003 only reflects that of BBC World Limited for 4 months.

#### 1b Turnover analysed by type of business

	2004 £m	2003 £m
Technology services	<b>199.0</b>	198.1
Publishing and new media	<b>341.2</b>	338.6
Programme distribution	<b>175.3</b>	168.8
Provision of playout and channel management services	<b>105.0</b>	86.0
Provision of programme making facilities & services	<b>118.1</b>	138.5
Entertainment & News channels	<b>77.9</b>	79.0
	<b>1,016.5</b>	1009.0

**1c Profit/(loss) before interest and taxation analysed by type of business**

	<b>2004</b>	2003 restated
	<b>£m</b>	<b>£m</b>
Technology services	3.0	5.6
Publishing and new media	16.9	21.3
Programme distribution	16.2	17.3
Provision of playout and channel management services	7.3	2.7
Provision of programme making facilities & services	4.0	6.4
Entertainment & News channels	(12.8)	(12.5)
	<b>34.6</b>	<b>40.8</b>

An adjustment has been made to the comparative figures for the year ended 31 March 2003 in order to allocate investment amortisation more appropriately between the Publishing and new media, and Programme distribution business segments. As a result of this change, the comparative profit before interest and taxation figures for Publishing and new media and Programme distribution have been increased and decreased by £4.7million respectively.

**1d Analysis by geographical market**

	United Kingdom £m	US £m	Rest of the world £m	Total £m
<b>2004</b>				
Turnover by destination	746.0	122.0	148.5	1,016.5
Profit before interest and taxation	18.3	2.0	14.3	34.6
Net assets	152.4	33.9	0.7	187.0
<b>2003</b>				
Turnover by destination	751.1	112.1	145.8	1,009.0
Profit/(loss) before interest and taxation	31.1	(2.5)	12.2	40.8
Net assets	194.1	37.4	0.3	231.8

All commercial income arises in the UK as this is where rights for exploitation and the skills and services of the Commercial Businesses are developed.

## 2 Profit on ordinary activities before interest and taxation

Profit on ordinary activities before interest and taxation is stated after charging/(crediting):

	2004 £m	2003 £m
Payments under operating leases:		
- land and buildings	6.7	7.6
- plant and machinery	9.7	5.6
- other	5.4	8.1
Research and development	5.6	2.2
Depreciation		
- owned assets	41.4	47.5
- leased assets	5.2	10.8
(Profit)/loss on disposal of tangible fixed assets	(0.1)	1.4
(Profit)/loss on disposal of tangible fixed assets – exceptional	(1.4)	1.4
Amortisation of investment in programmes for future sale	89.5	88.4
Amortisation of intangible fixed assets	5.5	5.2
Impairment of intangible assets	0.8	-
Auditors' remuneration:		
- audit	0.6	0.5
- other	0.5	0.4
Rentals receivable under operating leases	(9.8)	(12.0)

Aggregate rentals received under finance leases, including interest, totalled £0.4million (2003 £1.3million).

In addition to the £0.5million (2003 £0.4million) of other auditors remuneration, a further £0.2million (2003 £nil) was paid to the auditors for due diligence services. Such costs are included within the cost of the related investment.

## 3 Staff numbers and costs

### 3a Persons employed

The average number of persons employed in the year was:

	Average for the year	
	2004 Number	2003 Number
BBC Ventures group	3,605	3,610
BBC Worldwide	2,082	2,138
BBC World	142	137
Group total	5,829	5,885

### 3b Staff costs

	2004 £m	2003 £m
Salaries and wages	228.8	220.9
Social security costs	20.6	18.0
Pension costs	7.9	6.2
Redundancy costs	3.4	6.7
	260.7	251.8

## 4 Pensions

Many BBC Commercial Holdings Group employees are members of the BBC's pension schemes, the BBC Pension Scheme (a defined benefit scheme) and the Group Personal Pension Scheme (a defined contribution scheme).

### BBC Pension Scheme

The BBC Group Pension Scheme provides salary related pension benefits on a defined benefit basis from assets held in separate, trustee-administered, funds.

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. These, 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 full actuarial valuation of the scheme was prepared as at 1 April 2002 by Watson Wyatt, consulting actuaries, using the projected unit method. At 1 April 2002, the actuarial value of the assets was sufficient to cover 109% of the benefits due to members, after allowing for expected future increases in earnings.

Employer contributions have remained steady for a number of years. However, in order to maintain the financial health of the scheme, it has been agreed with the trustees, that employer contributions will rise to 6.0% by 2006 with employee contributions rising to 6% by 2007. The position will be reviewed again in 2005 after a new formal actuarial valuation.

	Projection					
Contribution rates	2007	2006	2005	2004	2003	2002
	%	%	%	%	%	%
Employer	6.0	6.0	5.5	5.0	4.5	4.5
Employee	6.0	5.5	5.0	4.5	4.5	4.5

The BBC Commercial Holdings Group, following the provisions within FRS 17, accounts for the scheme as if it were a defined contribution scheme. This is because it is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The pension cost charged for this scheme therefore represents contributions payable by the group to the scheme and the costs amounted to £7.3million in the year (2003 £5.8million). The 1 April 2002 full actuarial valuation was updated for FRS17 purposes to 31 March 2004 by Watson Wyatt, consulting actuaries. This valuation identified a deficit on the scheme at 31 March 2004 (2003 deficit). Additional disclosure about the scheme and its financial position under FRS 17 is provided in the BBC Annual Report and Accounts that can be obtained from the BBC Secretary at BBC Governance and Accountability, MC3D5, Media Centre, Media Village, 201 Wood Lane, London, W12 7TQ.

### Group Personal Pension Scheme and other schemes

The Group also operates its own defined contribution pension schemes, including those operated in the USA. The assets of the defined contribution scheme are held separately from those of the group in independently administered funds. The pension cost for this scheme represents the contributions payable during the year by the Commercial Holdings Group and totalled £0.6million (2003 £0.4million).

## 5 Remuneration of directors

	2004 £'000	2003 £'000
Aggregate emoluments	775	710
Long-term incentive plan	39	45
	814	755
Payments to former directors	422	-

Retirement benefits accrue to directors under the following schemes:

	2004 No of directors	2003 No of directors
Defined benefit schemes	3	3
Defined contribution schemes	2	2
The Group contributed £94,000 (2003 £76,000) to defined contribution pension schemes for its directors during the year.		

The remuneration of the highest paid director included:

	2004 £m	2003 £m
Emoluments	373	362
Long-term incentive plan	39	45

The Group contributed £52,000 (2003 £36,000) to defined contribution schemes on behalf of the highest paid director during the year. The highest paid director had accrued pension benefits of £9,000 (2003 £8,000) per annum as at 31 March 2004 under the BBC's defined benefit scheme.

Only three of the eight directors receive remuneration in respect of their duties as directors of the Company and its subsidiaries. The disclosures in this note refer to these directors. The remaining directors are remunerated separately within the BBC group with relation to professional duties other than as directors, or as senior management of the Company's ultimate parent, the BBC.

Roger Flynn resigned on 31 March 2004. His current contract expires on 30 September 2004 when he is due to be paid £301,625 in line with his contractual entitlement, including £241,325 in lieu of notice.

## 6 Profit/(loss) on disposal of fixed assets and operations

### 6a (Loss)/profit on termination/disposal of operations

	2004 £m	2003 £m
beeb Ventures Limited termination costs	-	(1.5)
Profit on disposal of Wood Norton Hall and Conference Centre	-	1.1
	-	(0.4)

During the year ended 31 March 2003 BBC Worldwide Limited restructured the beeb.com business. Certain beeb.com websites together with beeb.net have now been integrated into BBC Worldwide Limited's core operations. Redundancy and other closure costs totalling £1.5million were charged to the profit and loss account.

On 31 May 2002, the Group sold its Wood Norton Hall and Conference Centre business to a third party for a consideration of £5.1million. The profit on sale was £1.1million after deducting the costs of the disposal.

### 6b Profit/(loss) on disposal of tangible fixed assets

BBC Technology disposed of fixed assets under finance lease resulting in a profit of £1.4million (2003 £1.4million loss).

## 7 Interest

	2004 £m	2003 £m
Bank interest receivable	1.1	1.1
Interest receivable on loan to parent undertaking	0.3	1.8
<b>Total interest receivable and other similar items</b>	<b>1.4</b>	<b>2.9</b>
Bank interest payable	(7.6)	(1.7)
Interest payable on loan from parent undertaking	-	(0.6)
Finance charges payable in respect of finance leases and hire purchase contracts	(0.3)	(0.4)
<b>Total interest payable and similar charges</b>	<b>(7.9)</b>	<b>(2.7)</b>
<b>Net interest (payable)/receivable</b>	<b>(6.5)</b>	<b>0.2</b>

## 8 Taxation

### 8a Analysis of charge for the period

The charge for the year, based on a rate of corporation tax of 30% (2003 30%) comprised:

	Note	2004 £m	2003 £m
<b>Current tax</b>			
UK corporation tax		7.5	11.8
Group relief receivable		(1.5)	-
Double tax relief		(2.9)	(3.5)
Adjustments in respect of prior years		-	(2.5)
		3.1	5.8
Foreign tax		9.2	5.4
Share of joint ventures and associates tax		0.5	1.1
<b>Total current tax</b>		<b>12.8</b>	<b>12.3</b>
<b>Deferred tax</b>			
Origination and reversal of timing differences		(2.1)	(0.1)
Adjustments in respect of previous years		1.1	(2.0)
<b>Total deferred tax</b>		<b>(1.0)</b>	<b>(2.1)</b>
<b>Charge for the year</b>		<b>11.8</b>	<b>10.2</b>

### 8b Factors affecting the tax charge

The effective rate of tax for 2003 was different from the standard rate of tax in the UK (30%) as a result of the following:

	2004 £m	2003 £m
Profit on ordinary activities before tax	28.1	41.0
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2003 30%)	8.4	12.3
<b>Effects of</b>		
Non taxable income	(0.4)	(0.3)
Amortisation of goodwill	0.1	0.1
Disallowed expenditure	1.0	1.7
Depreciation less than of capital allowances	(0.5)	(1.2)
Tax differential on overseas earnings	4.6	1.8
Other timing differences	(0.4)	0.4
Adjustments in respect of previous periods	-	(2.5)
<b>Current tax charge for the year</b>	<b>12.8</b>	<b>12.3</b>

### 8c Factors that may affect future tax charges

The Group anticipates that the future tax charge will not alter materially.

#### 8d Deferred tax analysis

##### Movement on net deferred tax asset in the year

	Note	2004 £m	2003 £m
Asset at start of the year		(1.6)	-
Exchange adjustment		0.7	0.5
Deferred tax credit	8a	(1.0)	(2.1)
Net deferred tax asset at end of year		(1.9)	(1.6)
<b>Net deferred tax asset at end of year</b>			
Accelerated capital allowances		5.7	4.1
Other timing differences		(0.1)	-
US timing differences		(7.5)	(5.7)
		(1.9)	(1.6)

## 9 Dividends

##### Dividends payable on ordinary equity shares

	2004 £m	2003 £m
No interim dividend was paid in the current year (2003 7.0p)	-	11.6
Final dividend paid/proposed of 15.3p per share (2003 18.3p)	19.0	30.0
	19.0	41.6

## 10 Intangible fixed assets

	Goodwill £m	Other intangibles £m	Total £m
<b>Cost</b>			
At 1 April 2003	17.2	13.5	30.7
Additions	9.5	0.6	10.1
<b>At 31 March 2004</b>	<b>26.7</b>	<b>14.1</b>	<b>40.8</b>
<b>Amortisation</b>			
At 1 April 2003	1.3	5.1	6.4
Charge for the year	0.8	4.7	5.5
Impairment losses	-	0.8	0.8
<b>At 31 March 2004</b>	<b>2.1</b>	<b>10.6</b>	<b>12.7</b>
<b>Net book value</b>			
<b>At 31 March 2004</b>	<b>24.6</b>	<b>3.5</b>	<b>28.1</b>
At 31 March 2003	15.9	8.4	24.3

In July 2003 BBC Worldwide America Inc. acquired the Britannia Video and Gifts catalogue business and customer list of names and transactional histories for a cash consideration of £0.4million. This intangible asset will be amortised on a straight-line basis over five years.

All goodwill that has been capitalised is amortised on a straight-line basis over 20 years subject to reviews for impairment, reflecting the directors' opinion of its useful economic life in each case. Additions to goodwill are set out in Note 11.

Included within other intangibles are software licences. An additional £0.2million were acquired during the year. These are amortised on a straight line basis over the life of the licence.

## 11 Acquisitions

On 20 February 2004, BBC Worldwide Limited acquired 100 % of the share capital of Origin Publishing Limited for £10.2 million. Goodwill arose in respect to this transaction as follows:

	Book Value £m	Accounting policy alignment £m	Fair Value £m
Tangible fixed assets	0.2	-	0.2
Net Current Assets/Liabilities	0.1	(0.2)	(0.1)
Cash	0.6	-	0.6
	0.9	(0.2)	0.7
Goodwill			9.5
<b>Total consideration</b>			<b>10.2</b>
Satisfied by:			
Cash consideration			9.9
Deferred consideration			0.3
<b>Total consideration</b>			<b>10.2</b>
<b>The net outflow of cash in respect of the purchase of subsidiary undertakings is as follows:</b>			
Cash consideration			9.9
Cash balance of subsidiary undertakings purchased			(0.6)
			9.3

Origin Publishing Limited contributed turnover of £1.5million and operating profit of £0.1million to the results for the year ended 31 March 2004. The company made a profit after taxation of £nil from the beginning of its financial year, 1 October 2003, to the date of acquisition. In its previous financial year the profit after taxation was £0.3million.

Other than an adjustment to reduce net assets by £0.2million in order to align Origin Publishing Limited's accounting policies with those of the Group, no difference has been recorded between the book value and the fair value of the assets acquired. However, due to the proximity of the acquisition to the year end, certain fair values may require revision during 2004.

Contingent consideration of up to £4.3million may be payable, based on the financial performance of the acquired business in the period to 30 September 2006. Based on the applicable financial targets and management's expectation of the short term financial performance of the business during the period to 30 September 2006, no contingent consideration has been recognised as payable in the calculation of goodwill at 31 March 2004.



## 12 Tangible fixed assets

Group	Land and Buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
<b>Cost</b>					
At 1 April 2003	2.3	300.2	22.7	13.1	338.3
Exchange adjustments	(0.1)	(0.3)	-	-	(0.4)
Acquisitions	-	0.2	-	-	0.2
Additions	0.9	39.9	0.8	34.6	76.2
Brought into service	-	13.2	-	(13.2)	-
Disposals	-	(64.3)	(6.1)	(0.2)	(70.6)
<b>At 31 March 2004</b>	<b>3.1</b>	<b>288.9</b>	<b>17.4</b>	<b>34.3</b>	<b>343.7</b>
<b>Depreciation</b>					
At 1 April 2003	1.2	202.3	18.6	-	222.1
Exchange adjustments	(0.1)	(0.2)	-	-	(0.3)
Charge for the year	0.2	44.6	1.8	-	46.6
Elimination in respect of disposals	(0.1)	(48.0)	(6.1)	-	(54.2)
<b>At 31 March 2004</b>	<b>1.2</b>	<b>198.7</b>	<b>14.3</b>	<b>-</b>	<b>214.2</b>
<b>Net book value</b>					
<b>At 31 March 2004</b>	<b>1.9</b>	<b>90.2</b>	<b>3.1</b>	<b>34.3</b>	<b>129.5</b>
At 31 March 2003	1.1	97.9	4.1	13.1	116.2

Net book value of land and buildings comprises: undepreciated land of £0.2million (2003 £0.2million) and short leasehold buildings of £1.7million (2003 £0.9million).

Included within plant and machinery is £nil of cost (2003 £38.1million) and £nil of accumulated depreciation (2003 £21.7million), in respect of assets held under finance leases and rented to customers under operating leases.

Included in additions and disposals above are assets with a net book value of £nil (2003 £4.3million) which were acquired and then let under finance leases.

One of the BBC's joint venture partners, Crown Castle UK Limited, has a £3.0million charge over the assets of BBC Technology Limited.

## 13 Investment in programmes for future sale

	Group £m
<b>Cost</b>	
At 1 April 2003	321.4
Exchange adjustment	(16.8)
Additions	90.7
Elimination of programmes fully amortised	(64.8)
<b>At 31 March 2004</b>	<b>330.5</b>
<b>Amortisation</b>	
At 1 April 2003	213.1
Exchange adjustment	(14.9)
Charge for the year	89.5
Elimination of programmes fully amortised	(64.8)
<b>At 31 March 2004</b>	<b>222.9</b>
<b>Net book value</b>	
<b>At 31 March 2004</b>	<b>107.6</b>
At 31 March 2003	108.3

Investment by BBC Worldwide Limited in programmes for future sale relates to programmes provided by the BBC and external producers. The additions figure above includes £88.6million direct investment in BBC programmes (2003 £82.7million).

Included in the net book value is £3.5million (2003 £4.5million) relating to investments held under a licence agreement. The financing benefit relates to monies received for tax credits on investments in sale and leaseback programmes.

## 14 Other investments

### 14a Movements in the year for the Group

	Interests in joint ventures Note 14d £m	Interests in associates Note 14e £m	Total Group £m
At 1 April 2003	0.5	1.1	1.6
Exchange adjustment	-	0.1	0.1
Disposals	-	(0.2)	(0.2)
Share of profits/(losses) after tax	5.8	(18.3)	(12.5)
Dividends	(0.5)	(0.8)	(1.3)
Adjustment to reflect effective obligations	(5.4)	19.4	14.0
<b>At 31 March 2004</b>	<b>0.4</b>	<b>1.3</b>	<b>1.7</b>

### 14b Movements in the year for the Company

	Shares in subsidiaries £m
At 1 April 2003	102.5
Additions	51.0
<b>At 31 March 2004</b>	<b>153.5</b>

Additions in shares in subsidiaries relates to the transfer of investments in BBC Resources Limited of £51.0million to the BBC Commercial Holdings Group. In consideration for the investments in BBC Resources Limited, Commercial Holdings issued 51,000,001 ordinary shares at £1 each which were fully subscribed for by the BBC Ventures Group.

BBC Commercial Holdings Group operation owns 100% of the issued share capital of the following companies which are incorporated in Great Britain and registered in England and Wales:

BBC Worldwide Limited  
BBC World Limited  
BBC Ventures Group Limited

The Group also holds the controlling interest in the following subsidiaries, which unless otherwise stated are incorporated in England and Wales:	Holding of ordinary shares %
<b>Held by BBC Ventures Limited:</b>	
BBC Technology Holdings Limited	100
BBC Broadcast Limited	100
BBC Resources Limited	100
BBC Vecta Limited	100
<b>Held by BBC Technology Holdings Limited:</b>	
BBC Technology Limited	100
BBC Technology Services Limited	100
BBC Technology Supply Limited	100
BBC Technology Holdings USA LLC (incorporated in the USA)	100
BBC Technology Consultancy LLC (incorporated in the USA)	100
<b>Held by BBC Worldwide Limited:</b>	
<b>Publishing and New Media</b>	
BBC Magazines Inc. (incorporated in the USA)	100
Galleon Limited	100
Broadcasting Dataservices Limited	75
Cover to Cover Cassettes Limited	100
BBC Audiobooks Limited (formally Chivers Press Limited)	100
Origin Publishing Limited	100
beeb Ventures Limited	100
<b>Programme distribution</b>	
BBC Worldwide Americas Inc. (incorporated in the USA)	100
UK Programme Distribution Limited	95

## 14 Other investments (continued)

	Holding of ordinary shares %
BBC Worldwide Japan KK (incorporated in Japan)	100
BBC Worldwide France SARL (incorporated in France)	100
BBC Worldwide Germany GmbH (incorporated in Germany)	100
BBC Worldwide Canada Limited (incorporated in Canada)	100
<b>Channels</b>	
New Video Channel America LLC (incorporated in the USA)	100
European Channel Broadcasting Limited	100
European Channel Management Limited	100
<b>Investment companies</b>	
Worldwide Americas Investments Inc. (incorporated in the USA)	100
BBC Worldwide Investments Limited	100
BBC World Service Television Limited	100
Worldwide Channel Investments Limited	100
Worldwide Channel Investments (Europe) Limited	100
Worldwide Channel Investments (Ontario) Limited (incorporated in Canada)	100
<b>Held by BBC World Limited</b>	
BBC World Distribution Limited	100
BBC World Distribution Japan Limited (incorporated in Japan)	100
BBC World (Singapore) Private Limited (incorporated in Singapore)	100
BBC World (Australia) Pty Limited (incorporated in Australia)	100
BBC Worldwide (India) Private Limited (incorporated in India) *	75

\* BBC Worldwide Limited holds the remaining 25% interest in the ordinary shares of BBC Worldwide (India) Private Limited.

### 14d Interests in joint ventures

The Group, through its subsidiary BBC Worldwide, has major partnership deals with Flextech, the content division of Telewest Communications plc, for the production and marketing of subscription channels in the UK, and with Discovery Communications Inc. (Discovery) for the incorporation and operation of new channels around the world and provision of new co-production funding for programmes. These alliances operate under a number of statutory entities:

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
UKTV New Ventures Limited	Joint venture	Flextech	August 2000
UKTV Interactive Limited	Joint venture	Flextech	August 2000
JV Programmes LLC	Joint venture	Discovery	March 1998

In addition to the arrangements with Flextech and Discovery, BBC Haymarket Exhibitions Limited is included in the joint venture total and is accounted for separately from the Flextech and Discovery joint ventures. The Group share of its turnover was £4.8million (2003 £4.2million) and of operating profit was £0.6million (2003 £0.7million).

The following disclosures are based on results for the year ended 31 December 2003. These additional disclosures given below are in accordance with FRS 9. The amounts disclosed represent the Group's equity shares of the assets and liabilities of the entities.

#### 14d Interests in joint ventures (continued)

Group share of:	UK Gold Holdings Limited* £m	UK Channel Management Limited* £m	Other joint ventures* £m	Total joint ventures £m
<b>2004</b>				
Turnover	32.7	29.4	25.2	87.3
Profit/(loss) before tax	9.5	6.2	(5.4)	10.3
Taxation	(2.4)	(1.9)	(0.2)	(4.5)
<b>Profit/(loss) after tax</b>	<b>7.1</b>	<b>4.3</b>	<b>(5.6)</b>	<b>5.8</b>
Fixed assets	-	0.2	-	0.2
Current assets	14.7	33.4	19.9	68.0
Liabilities less than one year	(13.2)	(6.6)	(17.6)	(37.4)
Liabilities more than one year	(28.9)	(45.5)	(13.6)	(88.0)
Adjustment to reflect effective obligation	27.4	18.5	11.7	57.6
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>0.4</b>
<b>2003</b>				
Turnover	31.7	28.6	19.2	79.5
Profit/(loss) before tax	9.5	0.3	(1.0)	8.8
Taxation	(2.7)	-	(0.9)	(3.6)
<b>Profit/(loss) after tax</b>	<b>6.8</b>	<b>0.3</b>	<b>(1.9)</b>	<b>5.2</b>
Current assets	14.3	27.6	19.0	60.9
Liabilities less than one year	(10.3)	(3.5)	(12.7)	(26.5)
Liabilities more than one year	(38.5)	(46.8)	(11.5)	(96.8)
Adjustment to reflect effective obligation	34.5	22.7	5.7	62.9
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>0.5</b>

\* These figures are based on unaudited financial statements

Under the terms of the agreement with Flextech and Discovery, the Group has no obligation to fund losses incurred by the entities or to make good their net liabilities. As a result, the Group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2004 (2003 £nil). The Group is entitled to its share of any profits or net assets only once the ventures' cumulative profits exceed cumulative losses since incorporation.

#### 14e Interests in associates

The Group holds significant interests in the following principal associates which, except where otherwise stated, are incorporated in Great Britain and registered in England and Wales:

	Holding of issued ordinary shares %
<b>Held by BBC Worldwide Limited:</b>	
<b>Publishing</b>	
Frontline Limited	23
<b>Channels</b>	
UKTV Pty Limited (incorporated in Australia)	20
Animal Planet (Latin America) LLC (incorporated in the USA)†	50
People and Arts (Latin America) LLC (incorporated in the USA)†	50
Animal Planet LLC (incorporated in the USA)†	20
JV Network LLC (incorporated in the USA)†	50
Animal Planet (Asia) LLC (incorporated in the USA)†	50
The Animal Planet Europe Partnership†	50
Animal Planet Japan KK (Incorporated in Japan)†	33
Animal Planet Japan LLP (incorporated in the USA)†	50
Jasper Broadcasting Inc (incorporated in Canada)	20
Jasper Junior Broadcasting Inc (incorporated in Canada)	20
Animal Planet Canada Company ULC (incorporated in Canada)†	23
BBC Worldwide (India) Private Limited (Incorporated in India)	25
<b>Held by BBC Resources Limited</b>	
3sixtymedia Limited	10

† Discovery associate.

The following additional disclosures are based on the results for the year ended 31 December 2003 for the Discovery companies and for the period ended 31 March 2004 for the Alliance Atlantis companies, UK TV Pty Limited and Frontline Limited. These additional disclosures given below are in accordance with FRS 9. The amounts disclosed represent the Group's equity share of assets and liabilities of the entities.

	2004 £m	2003 £m
<b>Group interests in associates</b>		
Share of turnover	38.6	35.5
Share of fixed assets	39.5	47.0
Share of current assets	12.6	14.3
Share of liabilities due within one year	(7.2)	(16.0)
Share of liabilities due after more than one year	(118.9)	(114.5)
Adjustment to reflect effective obligation	75.3	70.3
<b>Net interests in associates</b>	<b>1.3</b>	<b>1.1</b>

The results include the Group share of the operating profit of UKTV Pty Limited of £0.3million (2003 £0.2million) and Frontline Limited of £1.1million (2003 £2.0million). Both are accounted for separately from the Discovery associates. The Group's share of the remaining associates, including BBC Worldwide (India) Private Limited, Jasper Broadcasting Inc and Jasper Junior Broadcasting Inc, operated in partnership with Alliance Atlantis, was £nil (2003 £nil).

Under the terms of the agreements with Discovery and Alliance Atlantis, the Group has no obligation to fund losses incurred by the entities nor to make good their net liabilities. As a result, the Group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2004 (2003 £nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation, with the exception of JV Network LLC. JV Network LLC was formed for the purpose of providing debt funding from Discovery to the other Discovery joint ventures and BBC Worldwide is not entitled to any profits arising within this entity.

## 15 Stocks

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Raw materials	4.3	4.2	-	-
Work in progress	6.2	7.5	-	-
Finished goods	21.5	19.6	-	-
<b>Total</b>	<b>32.0</b>	<b>31.3</b>	<b>-</b>	<b>-</b>

## 16 Debtors

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2004 £m
<b>Receivable within one year</b>				
Trade debtors	116.8	116.1	-	-
Amounts owed by subsidiaries	-	-	20.0	37.7
Amounts owed by parent undertaking	74.6	55.3	0.7	-
Amounts owed by associates and joint ventures	8.5	4.7	-	-
Amounts receivable from parent and fellow subsidiary undertakings in respect of Group Relief	-	1.9	-	-
Amounts receivable under finance leases from parent undertaking	-	2.0	-	-
Dividend receivable from subsidiary	-	-	-	30.0
VAT recoverable	2.8	1.8	-	-
Other debtors	10.0	11.4	0.3	-
Prepayment and accrued income – BBC	48.3	32.9	-	-
Prepayment and accrued income – Other	14.8	16.5	0.1	0.2
Deferred taxation	6.3	4.8	-	-
Corporation tax	-	0.1	-	-
	<b>282.1</b>	<b>247.5</b>	<b>21.1</b>	<b>67.9</b>
Amounts owed by parent undertaking, BBC, includes £nil (2003 £9.7million) which represents a loan to BBC Group. The loan bears interest at bank base rates. The interest rates have been determined on an arm's length basis.				
<b>Receivable after more than one year</b>				
Amounts owed by subsidiaries	-	-	164.4	-
Amounts receivable under finance leases from parent undertaking	-	4.8	-	-
Deferred taxation	1.3	0.9	-	-
Deferred launch support asset	4.4	6.0	-	-
Prepayment and accrued income – BBC	33.3	18.3	-	-
Prepayment and accrued income – Other	0.6	0.6	0.6	0.6
	<b>39.6</b>	<b>30.6</b>	<b>165.0</b>	<b>0.6</b>
<b>Total Debtors</b>	<b>321.7</b>	<b>278.1</b>	<b>186.1</b>	<b>68.5</b>

Deferred launch support costs comprise prepaid costs for use of channel broadcasting platform.

## 17 Creditors

### 17a Amounts falling due within one year

	Note	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Bank overdrafts		6.9	-	4.6	-
Bank and other loans		-	0.9	-	-
Payments received on account		-	1.8	-	-
Unsecured loan notes		1.6	1.7	-	-
Trade creditors		85.0	79.7	-	-
Amounts owed to parent company		27.9	42.6	-	30.0
Dividend payable to parent company		-	30.0	-	-
Amounts owed to fellow BBC subsidiaries		1.6	0.5	0.1	-
Amounts owed to associates and joint ventures		1.2	0.4	-	-
Other taxation and social security		4.6	6.7	-	-
Corporation tax		1.5	1.5	-	14.4
Obligations under finance leases	17c	-	8.8	-	-
Other creditors		17.4	24.6	-	-
Accruals and deferred income		112.7	103.1	0.4	0.1
<b>Total</b>		<b>260.4</b>	<b>302.3</b>	<b>5.1</b>	<b>44.5</b>

### 17b Amounts falling due after more than one year

	Note	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Bank and other loans		180.0	87.2	180.0	85.0
Obligations under finance leases	17c	-	7.0	-	-
<b>Total</b>		<b>180.0</b>	<b>94.2</b>	<b>180.0</b>	<b>85.0</b>

### 17c Maturity of financial liabilities

The Group arranges its borrowings to meet forecast cash flows such that the Commercial Holdings Group has access to sufficient funds to meet its commitments. Short-term flexibility is achieved by overdraft facilities.

The maturity profile of the Group's financial liabilities, other than short-term creditors, at 31 March was:

2004	Overdraft £m	Bank loans £m	Unsecured loan notes £m	Finance leases £m	Total 2004 £m
Within one year	6.9	-	1.6	-	8.5
Between one and two years	-	-	-	-	-
Between two and five years	-	130.0	-	-	130.0
Greater than five years	-	50.0	-	-	50.0
	6.9	180.0	1.6	-	188.5

2003	Overdraft £m	Bank loans £m	Unsecured loan notes £m	Finance leases £m	Totals 2003 £m
Within one year	-	0.9	1.7	8.8	11.4
Between one and two years	-	2.2	-	5.0	7.2
Between two and five years	-	85.0	-	2.0	87.0
Greater than five years	-	-	-	-	-
	-	88.1	1.7	15.8	105.6

## 18 Provisions for liabilities and changes

Group	At 1 April 2003 £m	Utilised during the year £m	Released during the year £m	Charge for the year £m	At 31 March 2004 £m
Restructuring	0.8	(0.6)	(0.2)	2.0	2.0
Deferred tax	4.1	-	-	1.6	5.7
Other	0.7	-	(0.2)	1.1	1.6
<b>Total</b>	<b>5.6</b>	<b>(0.6)</b>	<b>(0.4)</b>	<b>4.7</b>	<b>9.3</b>

## 19 Share capital

	2004 £m	2003 £m
<b>Authorised</b>		
124,250,002 Ordinary shares of £1 each	124.3	73.3
<b>Allotted, called up and full paid</b>		
124,250,002 Ordinary shares of £1 each	124.3	73.3

On 18 July 2003 BBC Resources Limited exercised its option to purchase 40,000,000 ordinary shares of £1 each from the British Broadcasting Corporation.

## 20 Reserves

The movement in reserves during the year was as follows:

Group	Share capital £m	Profit and loss account £m	Total £m
At 1 April 2003	164.3	67.0	231.3
Exchange adjustments	-	(2.1)	(2.1)
Retained loss for financial year	-	(2.4)	(2.4)
Reduction of share capital	(40.0)	-	(40.0)
<b>At 31 March 2004</b>	<b>124.3</b>	<b>62.5</b>	<b>186.8</b>
At 31 March 2004, the cumulative goodwill written off to reserves on acquisitions prior to 1 April 1998 amounting to £14.2million (2003 £14.2million).			
<b>Company</b>			
At 1 April 2003	73.3	0.1	73.4
Issue of share capital	51.0	-	51.0
Retained profit for financial year	-	30.1	30.1
<b>At 31 March 2004</b>	<b>124.3</b>	<b>30.2</b>	<b>154.5</b>

## 21 Reconciliation of Group operating profit to net cash inflow from operating activities

	2004 £m	2003 £m
Group operating profit	31.2	39.7
Depreciation and amortisation	142.4	151.9
(Profit)/loss on disposal of tangible fixed assets	(0.1)	1.4
Increase in stocks	(0.7)	(7.4)
Increase in debtors	(43.6)	(36.4)
Decrease in creditors	(25.1)	(25.6)
Increase in provisions	3.7	3.3
<b>Net cash inflow from operating activities</b>	<b>107.8</b>	<b>126.9</b>



## 22 Analysis of changes in net debt

	At 1 April 2003 £m	Cash flows £m	Non-cash movements £m	At 31 March 2004 £m
<b>Net cash</b>				
Bank overdrafts	-	(6.9)	-	(6.9)
Cash at bank and in hand	42.2	(26.1)	-	16.1
	42.2	(33.0)	-	9.2
<b>Liquid resources</b>				
Short-term investments	31.9	(31.9)	-	-
<b>Gross funds</b>	74.1	(64.9)	-	9.2
<b>Debt</b>				
Bank and other loans	(88.1)	(92.4)	0.5	(180.0)
Unsecured loan notes	(1.7)	0.6	(0.5)	(1.6)
Finance leases	(15.8)	-	15.8	-
<b>Net debt</b>	(31.5)	(156.7)	15.8	(172.4)

## 23 Reconciliation of net cash flow to movement in net debt

	2004 £m	2003 £m
Decrease in cash in year	(33.0)	(0.9)
Net cash (inflow)/outflow from management of liquid resources	(31.9)	31.9
Net cash inflow from financing activities	(91.8)	(49.9)
Change in net debt resulting from cash flows	(156.7)	(18.9)
Non-cash movement in loans	-	0.1
Decrease/(increase) in finance leases	15.8	(9.1)
<b>Change in net debt</b>	<b>(140.9)</b>	<b>(27.9)</b>
Net debt at the beginning of the year	(31.5)	(3.6)
<b>Net debt at the end of the year</b>	<b>(172.4)</b>	<b>(31.5)</b>

## 24 Commitments

### 24a Contracts for future expenditure

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Capital expenditure	11.4	3.5	-	-
Programme investments	45.6	41.5	-	-
	57.0	45.0	-	-

### 24b Operating leases

Operating lease commitments payable in the following year, analysed according to the period in which the lease expires:

	Land and buildings 2004 £m	Land and buildings 2003 £m	Other 2004 £m	Other 2003 £m
<b>Group</b>				
Within one year	1.1	0.5	2.8	1.2
In two to five years	1.3	1.0	12.6	5.7
After five years	0.7	2.1	1.8	1.7
	3.1	3.6	17.2	8.6

## 25 Related party transactions

The related party transactions of the Group have been presented in accordance with FRS 8 *Related party disclosures*. Under the provisions of FRS 8 transactions between Group entities, where more than 90% of those entities voting rights are controlled within the Group, are not disclosed.

Included in the profit and loss account is income from UKTV of £46.0million (2003 £33.1million) relating to the sale of programmes and JV Programmes LLC of £28.4million (2003 £27.1million) relating to the sale of programmes. There is also £7.3million (2003 £6.0million) of income made up of various other associates relating to the sale of programmes. Included in the profit and loss is income of £0.4million (2003 £0.3million) from BBC Haymarket Exhibitions Limited, relating to dividends and management fees. In addition, Frontline Limited charged £2.9million (2003 £2.7million) for the distribution of BBC Worldwide Limited's magazines. During the year £0.3million (2003 £nil) of funding for restructuring was provided to 3sixtymedia Limited in line with contractual obligations. In all transactions, the terms of trade were negotiated on an arm's length basis.

## 26 Ultimate holding and controlling party

The Company's immediate and ultimate parent undertaking and controlling party is the British Broadcasting Corporation (BBC) which is incorporated in the United Kingdom by Royal Charter. The largest group in which the results of the Company are consolidated is that headed by the BBC. Copies of the financial statements of the BBC may be obtained from the BBC Secretary at BBC Governance and Accountability, MC3D5, Media Centre, Media Village, 201 Wood Land, London, W12 7TQ.

## 27 Post Balance Sheet Events

On 9<sup>th</sup> July 2004, BBC Worldwide announced that it had entered into an arrangement with Woolworths Group plc for the formation of a new joint venture company, 2 Entertain Limited, into which BBC Worldwide will transfer its video publishing business in exchange for a 60% equity stake in the joint venture. The transaction is subject to regulatory approval. It is not practical at this time to make an estimate of the financial effect of the transaction on BBC Worldwide or BBC Commercial Holdings Limited. It is anticipated that the investment will be accounted for as a joint venture under FRS 9.

On 28<sup>th</sup> July a decision was taken to terminate the operations of BBC Vecta Limited.